



Boyaa Interactive International Limited 博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 434

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



華興資本
CHINA RENAISSANCE

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



Boyaa Interactive International Limited 博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 184,390,000 Shares (comprising 177,014,000 New Shares and 7,376,000 Sale Shares and subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 18,440,000 New Shares (subject to adjustment)
Number of International Offer Shares	: 165,950,000 Shares (comprising 158,574,000 New Shares and 7,376,000 Sale Shares and subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$5.60 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.00005 per Share
Stock code	: 434

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



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CHINA RENAISSANCE

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (on behalf of the Underwriters) and our Company on or around Tuesday, November 5, 2013 and, in any event, on or before Friday, November 8, 2013. The Offer Price will not be more than HK\$5.60 per Offer Share and is expected to be not less than HK\$4.55 per Offer Share, unless otherwise announced. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$5.60 per Hong Kong Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$5.60 per Offer Share.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, November 8, 2013, the Global Offering will not proceed and will lapse.

The Joint Bookrunners (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$4.55 to HK\$5.60) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.boyaa.com.hk. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Bookrunners (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

October 31, 2013

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Tuesday, November 5, 2013
Application lists open ⁽³⁾	11:45 a.m. on Tuesday, November 5, 2013
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Tuesday, November 5, 2013
Latest time for completing payment of WHITE Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, November 5, 2013
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, November 5, 2013
Application lists close ⁽³⁾	12:00 noon on Tuesday, November 5, 2013
Expected Price Determination Date ⁽⁵⁾	Tuesday, November 5, 2013
(1) Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on	Monday, November 11, 2013
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Monday, November 11, 2013
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.boyya.com.hk ⁽⁶⁾ from	Monday, November 11, 2013
Results of allocations in the Hong Kong Public Offering will be available at www.iporeresults.com.hk with a "search by ID" function from	Monday, November 11, 2013
Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁷⁾⁽⁹⁾	Monday, November 11, 2013
Dispatch of refund cheques and e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before ⁽⁸⁾⁽⁹⁾	Monday, November 11, 2013
Dealings in the Shares on the Stock Exchange expected to commence on	Tuesday, November 12, 2013

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

EXPECTED TIMETABLE⁽¹⁾

- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, November 5, 2013, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Tuesday, November 5, 2013 and, in any event, on or before Friday, November 8, 2013. If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, November 8, 2013, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Tuesday, November 12, 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, November 11, 2013 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend by their authorized representatives bearing a letter of authorization from their corporation stamped with the company’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.
Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participant’s stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC” in this prospectus for details.
Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to that bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.
Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants’ own risk, to the addresses specified in the relevant applications on Monday, November 11, 2013.
Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Boyaa Interactive International Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor and the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an online card and board game developer and operator with a leading mobile game business in our largest target markets, namely, China, Hong Kong, Taiwan and Thailand. As at the Latest Practicable Date, we had over 349.8 million cumulative registered players, including 248.5 million cumulative registered players for our web-based games and 101.3 million cumulative registered players for our mobile games, located in more than 100 countries and regions calculated based on IP addresses. We had a 23.3% market share in terms of revenue in the PRC online card and board game market based on the overall online card and board game market size in the PRC in 2012 according to a report we commissioned from iResearch, or the iResearch Report.

We started our web-based game business in 2008. With the increasing popularity of various portable devices, such as smartphones and tablet devices, in recent years, we have gradually shifted our strategic focus from web-based games to mobile games. Over the years of growing our web-based business, we have built a strong game development and operation team and a broad game player base, accumulated valuable technical know-how and established proprietary online game development and operation infrastructure. Our web-based and mobile card and board games are very similar in respect of the broad and overlapping player base, game development and operation expertise, as well as technology infrastructure that can be applied to both web-based and mobile games. As such, our prior endeavour in web-based games provided a strong foundation for us to start our mobile game business in September 2010 and has been continuously supporting the growth of our mobile game business. During the Track Record Period, revenue generated from our web-based games and mobile games was RMB155.0 million and RMB1.2 million, respectively, in 2010, RMB304.6 million and RMB13.3 million, respectively, in 2011, RMB430.3 million and RMB87.4 million, respectively, in 2012 and RMB216.1 million and RMB92.8 million, respectively, for the six months ended June 30, 2013.

According to the iResearch Report, in the category of mobile card and board games in Apple Inc.’s App Store as measured by revenue in 2012, we ranked No. 1 in China, Hong Kong and Thailand and No. 2 in Taiwan. We also own the largest portfolio of games in Apple Inc.’s App Store among all China-based online card and board game companies according to the iResearch Report. It should be noted that our leading positions discussed above only referred to the mobile card and board game segment in our largest target markets.

Our Games

Currently, we offer a total of 16 online games, 14 of which are offered as web-based games and 14 as mobile games. Thirteen of our games are card and board games based on long-lifespan classic card and board games, such as Texas Hold’em, Fight the Landlord (鬥地主), Big Two (鋤大地), Chinese Chess (象棋) and various Mahjong games. We also offer other types of online games that supplement our card and board games, such as Ant Wars (蟲蟲特攻隊) (a casual shooting game) and Happy Babies (開心寶貝) (a casual virtual-pet-raising game). Twelve of our games are offered as both web-based games and mobile games, bringing our players an “anytime, anywhere” cross-platform game experience. All of our games are developed in-house by our game development team. We equip our games with appealing social and other

SUMMARY

functions and provide attractive in-game features that target players with different interests, preferences and skill levels and help them connect with friends. These efforts, combined with our sophisticated technology infrastructure, data analytics and dedicated customer service, have enabled us to continuously improve our games, provide superior player experience and foster an engaging player community. As a result of these efforts, we have established a strong brand image associated with popular online card and board games and a large and avid player base.

Many of our games are among the most popular mobile games in our largest target markets. According to the iResearch Report, in the category of mobile card and board games in Apple Inc.'s App Store as measured by revenue in 2012, our Texas Hold'em ranked No. 1 in China, No. 4 in Hong Kong, No. 1 in Taiwan and No. 1 in Thailand, and our Fight the Landlord (鬥地主) ranked No. 1 in Hong Kong.

Historically, we have derived substantially all of our revenue from three of our games, namely Texas Hold'em, Fight the Landlord (鬥地主) and Ant Wars (蟲蟲特攻隊), as set forth in the table below. Our Texas Hold'em, which was the first online game we developed and operated and is currently offered in 19 language versions with identical features, or the Texas Hold'em Series, generated 90.5%, 88.2%, 91.3% and 89.1%, respectively, of our revenue in 2010, 2011, 2012 and the six months ended June 30, 2013. To expand the size and geographic reach of our player base and further diversify our revenue sources, we have been developing new online games as well as offering more language versions of our existing games. We expect that the revenue derived from the Texas Hold'em Series will continue to grow in absolute amount but will gradually decline as a percentage of our total revenue over time as we generate more revenue from our other online games. The following table sets forth revenue generated from our top five games in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Texas Hold'em										
Series	141,345	90.5	280,390	88.2	472,559	91.3	218,660	89.9	275,245	89.1
Fight the Landlord . . .	1,298	0.8	14,163	4.5	22,205	4.3	12,250	5.0	21,622	7.0
Ant Wars	109	0.1	9,598	3.0	12,819	2.5	6,159	2.5	7,811	2.5
Big Two	103	0.1	4,733	1.5	4,901	0.9	2,887	1.2	2,382	0.8
Happy Babies.	10,454	6.7	5,856	1.8	1,484	0.3	669	0.3	210	0.1
Others	2,830	1.8	3,119	1.0	3,777	0.7	2,688	1.1	1,657	0.5
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>

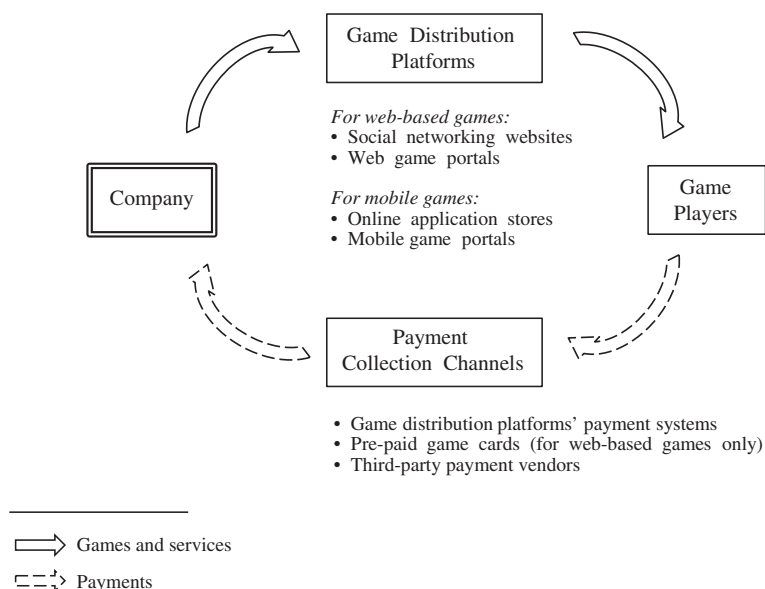
Our Business Model

All of our games are free to play, which enables us to quickly attract new players to experience our games and achieve a critical mass for future growth. We generate all of our revenue from the sales of in-game virtual items, including virtual tokens and other virtual items, to our paying players. We offer a limited amount of free virtual tokens to our players to allow them to enter and play our games. Players may purchase and earn virtual tokens and other virtual items that can only be used in our games, cannot be cashed out and have no monetary value outside our games.

SUMMARY

Game Distribution and Payment Collection

We promote and market our web-based and mobile games through diverse game distribution platforms to game players, and collect proceeds of the sales of in-game virtual items through three types of payment collection channels:



Game Distribution

We primarily utilize the following game distribution platforms to promote and distribute our games:

- For our web-based games, major social networking websites (such as Facebook for overseas markets, and Sina Weibo, Tencent QQ and Renren.com in China) and web-based game portals (such as 51.com and 360.cn in China), as well as our own game portal, boyaa.com, which targets overseas players.
- For our mobile games, online application stores (such as Apple Inc.'s App Store and Google Play in overseas markets and Apple Inc.'s App Store and GoMarket in China) and regional online game portals (such as Tencent Mobile QQ).

These game distribution platforms provide platform services for us to offer our games, and charge us commission fees for their services. We operate all game servers and maintain all games operated on these game platforms, provide game enhancements, solve technical problems relating to game operation and provide customer service to players.

Payment Collection

We utilize three types of payment collection channels to collect proceeds from our paying players' purchases of our in-game virtual items, including virtual tokens and other virtual items:

- *Game distribution platforms' payment systems*, which are our largest type of payment collection channel in terms of revenue.

SUMMARY

- *Pre-paid game card distributors* in certain overseas markets, such as Hong Kong, Macau, Taiwan, Thailand, Indonesia and Vietnam, through which we offer players pre-paid game cards that can be used in Texas Hold'em hosted on our own game portal, boyaa.com.
- *Third-party payment vendors*, through which players may also make payments for purchases in Texas Hold'em offered on our own game portal, boyaa.com, or in mobile games offered in China and other select markets that operate on the Android platform.

Our ultimate customers are individual game players. We collect payments from the sales of our in-game virtual items directly from our payment collection channels and not directly from individual game players. The following table sets forth a breakdown of revenue contributed by these three types of payment collection channels in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Game distribution platforms' payment systems	64,827	41.5	152,069	47.8	303,871	58.7	142,730	58.7	169,757	55.0
Pre-paid game card distributors	—	—	21,797	6.9	123,117	23.8	52,531	21.6	84,583	27.4
Third-party payment vendors	91,312	58.5	143,993	45.3	90,757	17.5	48,052	19.7	54,587	17.6
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>

We recently terminated our business relationship with our largest pre-paid game card distributor for 2012 and the six months ended June 30, 2013, who was also one of our top five payment collection channels for both these periods. For details, please see "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to risks relating to third-party distributors of our pre-paid game cards" in this prospectus.

Pricing and Monetization

We price our virtual tokens and other virtual items by taking into account various factors, including the level of discretionary income and game players' purchasing habit in the target markets, our experience in other markets and the prices of virtual tokens and other virtual items in comparable games. We normally do not adjust the selling prices of our virtual tokens and virtual items once the prices are determined for a game. We closely monitor and adjust the pricing of our other virtual tokens and other virtual items by adjusting the frequency or amounts of bonuses or awards we provide to our players from time to time. We encourage in-game purchases by offering more advanced features and privileges to paying players. We also launch various in-game promotions and activities to increase players' in-game purchases and the round of games they play. In addition, we strive to enhance the payment convenience and streamline the payment process for our players. See "Business — Game Monetization" in this prospectus for more details.

SUMMARY

We recognize revenue on the proceeds of the sales of in-game virtual tokens and other virtual items as they are consumed by the paying players. Revenue from sales of consumable virtual items, such as virtual tokens used in our card and board games, is recognized in the form of fixed charges levied on each round of games played and not on the winning or losing of the games. Revenue from sales of durable virtual items, which only account for a small portion of our revenue, is recognized ratably over the average life of such durable virtual items for the applicable game. See “Financial Information — Significant Accounting Policies and Estimates — Revenue Recognition.”

Game Publication and Data Centre Service

As advised by our PRC Legal Advisor, we do not have a statutory obligation, but have contractual obligations under our agreements with game distribution platforms, to comply with the publishing and filing requirements for our 13 games operated on game distribution platforms in the PRC. Two qualified publishers have been engaged to publish the online games we offer in the PRC. As at the Latest Practicable Date, the publishing and filing procedures for 12 of our games have been completed, and the publishing and filing procedures for the remaining one online game we offer in the PRC is on-going. As such, we are in breach of our contractual obligations under our agreements with game distribution platforms. However, we do not believe that our potential liabilities for such breach of contractual obligations are significant. See “Business — Game Publication” in this prospectus.

The servers used in our game operation are hosted in data centres in different geographic regions in China and overseas, where the data centre service providers provide server hosting space with stable power supply, IP addresses, broadband Internet connection facilities and firewall monitoring services. Our servers located overseas are solely used to analyse and back up game operation data. Data centres are our major suppliers. During the Track Record Period, our five largest suppliers in the aggregate accounted for 0.5%, 3.1%, 3.4% and 5.3% of our total purchases from all of our suppliers in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

Our Global Presence

We have achieved solid and fast global expansion by primarily focusing on countries and regions that have emerging and high growth online game markets, including China and the Southeast Asian countries. Our strong game localization capabilities enable us to offer games in various languages and provide game features and enhancements that cater to local culture, preferences and market demands. We also have the capability of offering tailor-made games for select target markets. The table below sets forth our rankings in our largest four target markets, in the category of mobile card and board games in Apple Inc.’s App Store as measured by revenue, number of downloads and number of games in 2012 according to the iResearch Report:

	Ranking Measured by		
	Revenue	No. of downloads	No. of games offered
China	No.1	No.1	No.4
Hong Kong	No.1	No.1	No.4
Taiwan	No.2	No.3	No.4
Thailand	No.1	No.1	No.3

SUMMARY

We offer our games in various language versions, as shown in the table below. Based on IP addresses, we have registered players located in over 100 countries and regions and paying players located in over 80 countries and regions. As the third-party game distribution platforms which contribute a significant portion of our revenue only provide players' in-game purchase information by the language versions of our games, instead of by the geographic locations of the paying players, we present our revenue by the language versions of our games accordingly. The following table sets forth a breakdown of revenue derived from major language versions of our games in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Simplified Chinese	63,733	40.8	90,219	28.4	154,036	29.8	70,768	29.1	95,017	30.8
Traditional Chinese	90,025	57.7	185,109	58.2	150,108	29.0	75,999	31.2	73,795	23.9
Thai	—	—	34,053	10.7	137,298	26.5	64,775	26.6	84,858	27.5
Indonesian	—	—	671	0.2	24,281	4.7	10,145	4.2	12,104	3.9
German	279	0.2	49	0.0	16,280	3.1	7,379	3.0	12,279	4.0
French	—	—	—	—	6,984	1.3	2,926	1.2	5,699	1.8
Portuguese	182	0.1	3,042	1.0	6,251	1.2	3,359	1.4	3,100	1.0
Turkish	—	—	—	—	6,050	1.2	2,946	1.2	3,378	1.1
Vietnamese	—	—	—	—	5,875	1.1	1,689	0.7	3,769	1.2
Arabic	—	—	—	—	4,976	1.0	1,187	0.5	5,940	1.9
English	1,307	0.8	4,534	1.4	2,040	0.4	865	0.4	1,630	0.5
Others	613	0.4	182	0.1	3,566	0.7	1,275	0.5	7,358	2.4
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>

OUR STRENGTHS AND STRATEGIES

We believe that the following competitive strengths have contributed to our success and will continue to help us expand our leadership position in the fast growing online game market:

- We are a leading online card and board game developer and operator with a strong focus on mobile games and have built a leading position in mobile card and board games in our target markets. We are well positioned to further capitalize on our early mover advantage and the tremendous growth opportunities in the fast growing mobile game market in China and abroad;
- We offer games in various language versions as well as with features and enhancements catering to local culture and preferences, and have established an extensive global presence with paying players located in over 80 countries and regions. Our multiple tiers of game distribution platforms enable us to effectively market and promote our games in China and overseas markets;
- We offer superior game experience to players by providing appealing game design, settings and functions in easy-to-use interfaces. Our sophisticated data analytics enable us to continuously enhance our games, improve player experience and stickiness;
- We have established a large and expanding player base with over 309.0 million cumulative registered players as at June 30, 2013. We have built an effective business model to monetize this large and expanding registered player base by offering a wide variety of virtual items and in-game activities;

SUMMARY

- We have sophisticated technology infrastructure (consisting of our proprietary Boyaa Building Engine for cross-platform game development and the cloud-based infrastructure network with over 370 servers located worldwide) which provide stable and low-latency connection and accommodate a large number of concurrent online players; and
- We have an experienced and visionary management team with extensive industry experience, deep understanding of market trends and rich operational expertise, enabling us to adapt to the changing industry and competitive landscape.

Our goal is to become a leading global brand for online card and board games. We intend to achieve this goal by pursuing the following strategies:

- We plan to further strengthen and expand our game portfolio by developing additional high-quality online card and board games, enhancing features and functions of our games, and adapting our games to new mobile devices and technology platforms;
- We plan to continue to deepen the market penetration of our games by pursuing our mobile strategy, strengthening our relationships with game distribution platforms and enhancing our marketing team;
- We intend to enhance player monetization opportunities by increasing the types and numbers of virtual items, promotional sales and premium services to our players;
- We expect to leverage our multi-tier distribution network to further expand our global presence and broaden our geographic penetration;
- We will continue to strengthen our research and development efforts and invest in leading technologies in order to optimize our products and services to improve players' game experience and satisfy changing player preferences;
- We intend to increase marketing efforts by engaging various promotional activities in order to enhance our brand recognition and further expand our player base; and
- We may selectively pursue strategic partnership opportunities, including various cooperation opportunities and complementary acquisitions, to expand our game portfolio and geographic coverage.

OUR SHAREHOLDING STRUCTURE

The Controlling Shareholders

Mr. Zhang will indirectly own approximately 38.54% interest in our enlarged issued share capital immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme). As a result, Mr. Zhang, together with and through Chunlei Investment, Boyaa Global and Emily Technology Limited, will continue to be our Controlling Shareholders.

Pre-IPO Investment

We received funding of US\$6.0 million from our Pre-IPO Investors in January 2011 as a result of their subscription of our Series A Preferred Shares, representing approximately 26.47% of the then issued share capital of our Company as enlarged by the issue of the Series A Preferred Shares (assuming conversion into Shares of the Company). The subscription price was US\$0.93 per Series A Preferred Share (equivalent to US\$0.0465 per Series A Preferred Share as adjusted by the share splits and representing a discount of 92.9% to an Offer Price of HK\$5.08 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)). The proceeds had been used for the development of our online games and expansion of our business. The Series A Preferred Shares will be converted into ordinary shares of our Company on a

SUMMARY

one-for-one basis upon Listing. The Pre-IPO Investors have been granted certain special rights pursuant to the Shareholders Agreement and Investors' Rights Agreement, which shall be terminated upon Listing. For details of the pre-IPO investment, see "History, Reorganization and Corporate Structure — Pre-IPO Investors".

Share Incentive Schemes

We have adopted a Pre-IPO Share Option Scheme, an RSU Scheme and a Post-IPO Share Option Scheme in order to incentivize our Directors, senior management and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. As at the Latest Practicable Date, options in respect of 29,527,781 Shares and 80,044,565 RSUs were granted pursuant to the Pre-IPO Share Option Scheme and the RSU Scheme, respectively, representing approximately 4.00% and 10.85% of the enlarged issued share capital of the Company immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme), respectively. The principal terms of the Pre-IPO Share Option Scheme, the RSU Scheme and the Post-IPO Share Option Scheme are summarized in the section headed "Statutory and General Information — D. Share Incentive Schemes" in Appendix IV to this prospectus.

CONTRACTUAL ARRANGEMENTS

We are primarily engaged in the development and operation of online card and board games and are considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our website. We conduct our online game business through our PRC operating entity, Boyaa Shenzhen. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online game business and are restricted to conduct value-added telecommunications services. For further details of the limitations under applicable PRC laws and regulations on foreign ownership in PRC companies conducting online game businesses and value-added telecommunications services, please refer to the section headed "Applicable Laws and Regulations in China" in this prospectus. Due to these restrictions, we conduct our operations in China through the Contractual Arrangements with our VIE, Boyaa Shenzhen, and its shareholders.

The Contractual Arrangements that enable us to exercise control over the operations of, and enjoy all economic benefits of, Boyaa Shenzhen include: (i) the restated and amended Exclusive Business Consulting and Service Agreement; (ii) the restated and amended Business Operating Agreement and the relevant Powers of Attorney; (iii) the Exclusive Option Agreement; (iv) the restated and amended Equity Pledge Agreement; (v) the Intellectual Properties License Agreement; and (vi) the Loan Agreement. For further details of the Contractual Arrangements and the terms of the underlying agreements, please refer to the section headed "History, Reorganization and Corporate Structure — Contractual Arrangements" in this prospectus.

We face risks and uncertainties associated with our corporate structure and the Contractual Arrangements. We cannot assure you that the relevant PRC government authorities will not consider our corporate structure and the Contractual Arrangements as a kind of foreign investment in telecommunications services or otherwise fail to comply with relevant PRC laws and regulations. Several recent articles suggested that a recent PRC Supreme Court case and two arbitration decisions in the PRC had increased the regulatory uncertainties relating to the validity of the Contractual Arrangements under the VIE structure. If the PRC government or judicial authorities determine that we do not comply with applicable laws and regulations in the PRC, we may be subject to negative consequences. As the Contractual Arrangements may not be as effective in exercising control as equity ownership, we may not be able to exercise effective control over Boyaa Shenzhen and its business operations. In addition, the shareholders of Boyaa Shenzhen may have conflicts of interests with us, which may affect our ability to control Boyaa Shenzhen and receive its economic benefits. Furthermore, the Contractual Arrangements may have negative income tax implications on our consolidated results of operations. For further discussion of the risks relating to our corporate structure and the Contractual Arrangements, please refer to the section headed "Risk Factors — Risks Relating to Our Corporate Structure."

SUMMARY

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The below summary consolidated financial information should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in “Financial Information” in this prospectus. Our consolidated financial information was prepared in accordance with IFRS.

Consolidated Statements of Comprehensive Income

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Revenue	156,139	100.0	317,859	100.0	517,745	100.0	243,313	100.0	308,927	100.0
Cost of revenue	(68,571)	(43.9)	(135,121)	(42.5)	(203,916)	(39.4)	(98,043)	(40.3)	(117,696)	(38.1)
Gross profit	87,568	56.1	182,738	57.5	313,829	60.6	145,270	59.7	191,231	61.9
Selling and marketing expenses	(6,049)	(3.9)	(31,582)	(9.9)	(81,714)	(15.8)	(35,970)	(14.8)	(63,317)	(20.0)
Administrative expenses	(7,318)	(4.7)	(33,884)	(10.7)	(46,918)	(9.1)	(16,643)	(6.8)	(43,401)	(14.0)
Other (losses)/gains, net	(1,519)	(1.0)	2,153	0.7	11,347	2.2	4,573	1.9	6,057	1.9
Operating profit	72,682	46.5	119,425	37.6	196,544	38.0	97,230	40.0	90,570	29.3
Finance income/(costs), net.	18	0.0	(8,297)	(2.6)	(7,722)	(1.5)	(6,650)	(2.7)	(5,937)	(1.9)
Share of (loss)/profit of associates	(140)	(0.1)	359	0.1	(1,341)	(0.3)	(157)	(0.1)	(229)	(0.1)
Profit before income tax	72,560	46.4	111,487	35.1	187,481	36.2	90,423	37.2	84,404	27.3
Income tax credit/(expense)	574	0.4	(23,428)	(7.4)	(44,690)	(8.6)	(22,364)	(9.2)	(14,244)	(4.6)
Profit for the year/period	73,134	46.8	88,059	27.7	142,791	27.6	68,059	28.0	70,160	22.7
Adjusted net profit (unaudited)⁽¹⁾	73,134	46.8	104,178	32.8	159,749	30.9	77,727	31.9	103,933	33.6

(1) We define adjusted net profit as net income excluding (i) share-based compensation expenses, (ii) fair value change of liability component of Series A Preferred Shares, (iii) service fees relating to the issuance of our Series A Preferred Shares and listing-related expenses. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. Please refer to the section headed “Financial Information — Non-IFRS Measure.”

During the Track Record Period, we maintained growth in our results of operations. During the three years from 2010 to 2012, our revenue and net profit increased at a CAGR of 82.1% and 39.7%, respectively. From the six months ended June 30, 2012 to the same period in 2013, our revenue and net profit increased by 27.0% and 3.1%, respectively. These increases were primarily due to improved monetization of our player base, as reflected in increases in both (i) paying players, which grew from 316.0 thousand in 2010 to 517.4 thousand in 2011 and 610.8 thousand in 2012 and to 688.8 thousand in the six months ended June 30, 2013, and (ii) ARPPU, which grew from RMB41.2 in 2010 to RMB51.2 in 2011 and RMB70.6 in 2012 and to RMB74.7 in the six months ended June 30, 2013. In addition, both our gross profit and our gross margin improved during the Track Record Period, mainly as a result of increases in the proportion of revenues derived from certain game distribution platforms (such as Facebook and Apple Inc.’s App Store) and pre-paid game card sales which were both subject to lower rates of commission fees compared to the other game distribution platforms. In order to continuously improve our games, enhance players’ game experience and expand our player base and market share, we significantly strengthened our selling and marketing efforts, increased investments in research and development and enlarged our general administrative team. As a result, our selling and marketing expenses and administrative expenses both increased significantly, which in turn, resulted in decreases in both our operating margin and our net profit margin during the Track Record Period.

SUMMARY

Selected Consolidated Balance Sheet Items

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000			
Non-current assets	4,878	28,143	29,973	33,427
Current assets	81,504	225,542	444,829	564,156
Trade receivables	21,729	28,298	38,032	54,608
Financial assets at fair value through profit or loss	—	68,437	117,085	210,116
Cash and cash equivalents	39,196	111,610	274,682	273,034
Total assets	86,382	253,685	474,802	597,583
Non-current liabilities	—	35,373	43,883	48,885
Current liabilities	22,317	64,419	128,495	158,571
Trade and other payables	11,592	28,685	62,971	70,900
Deferred revenue	10,494	12,020	23,969	36,390
Total liabilities	22,317	99,792	172,378	207,456
Net current assets	59,187	161,123	316,334	405,585
Total equity	64,065	153,893	302,424	390,127

Key Financial Ratios

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Current ratio (times) ⁽¹⁾	3.65	3.50	3.46	3.56
Quick ratio (times) ⁽²⁾	3.65	3.50	3.46	3.56
Return on equity (%) ⁽³⁾	114.2	57.2	47.2	18.0
Return on total assets (%) ⁽⁴⁾	84.7	34.7	30.1	11.7

Notes:

- (1) Current assets divided by current liabilities.
- (2) Current assets less inventories and divided by current liabilities.
- (3) Profit divided by total equity and multiplied by 100%.
- (4) Profit divided by total assets and multiplied by 100%.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$4.55 per Share	Based on an Offer Price of HK\$5.60 per Share
Market capitalization of our Shares ⁽²⁾	HK\$3,355.9 million	HK\$4,130.3 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾	HK\$1.75	HK\$1.99

SUMMARY

Notes:

- (1) All statistics in this table are not taking into account any Shares which were granted under the Pre-IPO Share Option Scheme or may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme.
- (2) The calculation of market capitalization is based on 177,014,000 New Shares expected to be issued under the Global Offering, and assuming that 737,559,124 Shares are issued and outstanding immediately following the completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II “Unaudited Pro Forma Financial Information” and on the basis that 737,559,124 Shares are issued and outstanding immediately following the completion of the Global Offering.

LISTING-RELATED EXPENSES INCURRED AND TO BE INCURRED

The total estimated listing-related expenses (excluding underwriting commissions to the Underwriters and listing preparation fee to the Joint Bookrunners) in relation to the Global Offering is approximately RMB31.1 million, of which RMB14.8 million have been incurred or paid during the Track Record Period. Our Directors do not expect expenses to be incurred after the Track Record Period to have a material and adverse impact on our financial results for the year ending December 31, 2013. For details of listing-related expenses, please refer to “Financial Information — Listing-Related Expenses Incurred and to be Incurred” in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$5.08 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$816.2 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering. We currently intend to use the net proceeds of the Global Offering for the following purposes:

Amount (HK\$ million)	% of total estimated net proceeds	Intended use
244.9	30%	Expanding our marketing and promotion activities, including hiring additional sales and marketing personnel
244.9	30%	Expansion and enhancement of our game portfolio, investment in our technology infrastructure, as well as for other research and development efforts
122.4	15%	Potential acquisitions of technologies and complementary online games or businesses, partnerships and licensing opportunities
122.4	15%	Establishing and expanding local business operations in selected overseas markets
81.6	10%	Working capital and other general corporate purposes

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares (after deduction of underwriting commissions payable by the Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK\$5.08 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is not exercised) are approximately HK\$36.0 million.

We estimate that the net proceeds to be received by the Over-allotment Option Grantor from the sale of the Shares to be sold pursuant to the Over-allotment Option (after deduction of underwriting commissions payable by the Over-allotment Option Grantor in relation to the Global Offering, and assuming an Offer Price of HK\$5.08 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is fully exercised) are approximately HK\$134.9 million.

We will not receive any of the proceeds from the Sale Shares or Shares to be sold pursuant to the Over-allotment Option.

Please see the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

SUMMARY

DIVIDEND POLICY

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. Future dividend payments will depend on payments made from Boyaa Shenzhen to Boyaa PRC, our wholly-owned PRC subsidiary, pursuant to the Contractual Arrangements between them, and the distribution of such payments to Boyaa HK (being the immediate holding company of Boyaa PRC) as dividends from Boyaa PRC. Certain payments from Boyaa Shenzhen to Boyaa PRC are subject to PRC taxes, statutory reserve requirements and other legal restrictions. The determination to pay dividends will also be based upon our future results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board deem relevant. Subject to the above and other considerations discussed in greater detail in “Financial Information — Dividend Policy”, we currently intend to distribute a portion of our distributable profits as dividends after the Listing. In addition, as at June 30, 2013, the unremitted earnings of Boyaa PRC and Boyaa Shenzhen for which no deferred income tax liability had been provided were approximately RMB358.6 million. We do not intend to distribute these unremitted earnings in the foreseeable future. This amount of past unremitted earnings will affect the amount of reserves available for dividend distribution in the foreseeable future. However, we do not believe that it will affect our ability to generate distributable profits in the future or our intention to distribute dividends after the Global Offering.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and our industry, including without limitation, our heavy reliance on three major games, particularly, our Texas Hold'em Series, for over 90% our revenue during the Track Record Period, our potential inability to continuously enhance our existing games and player experience and launch high-quality new games and services, the potential unsustainability of our growth in future periods and the fact that only a small portion of our registered players are paying players, (ii) risks relating to our corporate structure and the Contractual Arrangements, which are briefly discussed in “— Contractual Arrangements” above, (iii) risks relating to conducting business in the PRC and (iv) risks relating to the Global Offering. A detailed discussion of all the risk factors involved are set forth in the section headed “Risk Factors” on page 24 in this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares. The entire prospectus should be read carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, some of which may not be consistent with the information contained in this prospectus.

HISTORICAL REGULATORY NON-COMPLIANCE

We are currently offering 13 of our 16 online games in the PRC, but have failed to submit the filing materials within 30 days after these online games were offered via Internet as required under the Interim Measures on Administration of Online Games (網絡遊戲管理暫行辦法). Such failure may potentially subject us to a maximum fine of RMB260,000. Since early 2013, we started the submission of filing materials for all the online games that we offer within the PRC. As of the Latest Practicable Date, the filing procedure for ten of our 13 games had been completed. We have taken various rectification measures, including establishing internal policies, to strengthen our internal control over on-going compliance with applicable laws and regulations. For details, please see “Business — Legal Compliance and Proceedings — Non-compliance with Filing Requirements for Online Games.”

RECENT DEVELOPMENTS

Based on our unaudited management accounts, as of September 30, 2013, we had total current assets of RMB613.1 million and total current liabilities of RMB154.5 million. See “Financial Information — Liquidity and Capital Resources” for further details of our current assets and current liabilities. There was no adverse change in our gross profit margin and net profit margin for the nine months ended September 30, 2013 comparing to those for the nine months ended September 30, 2012.

As of the Latest Practicable Date, there had been no material adverse change in our financial or trading position since June 30, 2013 and no event had occurred since June 30, 2013 that would materially and adversely affect the information in Accountant’s Report set out in Appendix I to this prospectus.

DEFINITIONS AND GLOSSARY

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“active player”	in any given period, refers to an existing registered player that has entered and played any of the online games offered and operated by the Company on any device at least once during such period; repeat entries by the same player from the same device are counted once only; see “registered player” below
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN applications form(s) or, where the context so requires, any of them
“ARPPU”	monthly average revenue per paying player, which represents the revenue for the period divided by the number paying players in such period, and then divided by the number of months in such period; see “paying player” below
“Articles” or “Articles of Association”	the articles of association of the Company adopted on October 23, 2013, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	our board of Directors
“Boyaa BVI”	Boyaa Holdings Limited, a limited liability company incorporated under the laws of the BVI on August 1, 2013 and a wholly-owned subsidiary of the Company
“Boyaa Global”	Boyaa Global Limited, a limited liability company incorporated under the laws of the BVI on May 20, 2010, which was wholly-owned by Mr. Zhang since the date of incorporation until September 9, 2013, the date on which its entire share capital was transferred from Mr. Zhang to Chunlei Investment upon the establishment of the Zhang Family Trust
“Boyaa HK”	Boyaa Interactive (Hong Kong) Limited 博雅互動(香港)有限公司 (formerly known as Boyaa Interactive International Limited 博雅互動國際有限公司), a limited liability company incorporated in Hong Kong on July 8, 2010 and an indirect wholly-owned subsidiary of the Company
“Boyaa PRC”	Boyaa On-line Game Development (Shenzhen) Co., Ltd. (博雅網絡遊戲開發(深圳)有限公司), a company established under the laws of the PRC on November 29, 2010 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS AND GLOSSARY

“Boyaa Shenzhen”	Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (深圳市東方博雅科技有限公司), the operating company of the Group established under the laws of the PRC on February 13, 2004, and is owned as to 98% by Mr. Zhang and 2% by Mr. Dai, and is controlled by our Group through the Contractual Arrangements
“Boyaa Thailand”	Boyaa Interactive (Thailand) Limited, a limited liability company established under the laws of Thailand on June 25, 2012 and an indirect subsidiary of the Company through an ownership of 98% of its issued ordinary shares with approximately 88.7% of its total voting rights
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cayman Companies Law” or “Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan
“Chunlei Investment”	Chunlei Investment Limited, a limited liability company incorporated under the laws of the BVI on August 8, 2013, a company wholly-owned by the Zhang Family Trust
“CIT”	corporate income tax
“CIT Law” or “PRC CIT Law”	the Corporate Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法)
“CIT Rules”	the Regulation on the Implementation of the CIT Law (中華人民共和國企業所得稅法實施條例)

DEFINITIONS AND GLOSSARY

“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company”, “our Company”, “the Company”, “we” or “us”	Boyaa Interactive Limited, a limited liability company incorporated under the laws of the BVI on June 14, 2010 and redomiciled to the Cayman Islands on June 7, 2013 as an exempted company with limited liability under the laws of the Cayman Islands and subsequently renamed Boyaa Interactive International Limited (博雅互動國際有限公司) on June 28, 2013
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Contractual Arrangements”	the restated and amended Business Operating Agreement and the relevant Powers of Attorney, the restated and amended Exclusive Business Consulting and Service Agreement, the Exclusive Option Agreement, the restated and amended Equity Pledge Agreement, the Intellectual Properties License Agreement and the Loan Agreement as more particularly described in the section headed “History, Reorganization and Corporate Structure — Contractual Arrangements” in this prospectus
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Chunlei Investment, Boyaa Global, Emily Technology Limited and Mr. Zhang
“Covenantor(s)”	Mr. Zhang, Boyaa Global and Emily Technology Limited, each of them is a Controlling Shareholder of the Company
“CSRC”	China Securities Regulatory Commission
“Dai Family Trust”	a discretionary trust named the Visioncode Trust established on September 9, 2013 by Mr. Dai (as the settlor) and Cantrust (Far East) Limited, an independent trustee incorporated in the BVI (as the trustee), for the benefit of certain family members of Mr. Dai and the discretionary beneficiaries of which include Mr. Dai and his children
“DAUs”	daily active players; see “active players” above
“Deed of Non-Competition”	a deed of non-competition entered into by Mr. Zhang, Boyaa Global, Emily Technology Limited and our Company dated October 25, 2013 regarding non-competition undertakings given by Mr. Zhang, Boyaa Global and Emily Technology Limited in favour of our Company
“Director(s)”	the director(s) of our Company
“GAPP”	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) (currently known as the State Administration of Press Publication, Radio, Film and Television (國家新聞出版廣電總局))

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“GAPP Online Game Notice”	the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (關於貫徹落實國務院《“三定”規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知), jointly published by the GAPP, the NCA and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) on September 28, 2009
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group” or “the Group”	our Company and our subsidiaries (which include our PRC operating entity, Boyaa Shenzhen, the financial results of which have been consolidated and accounted for as our subsidiary by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (which include Boyaa Shenzhen), the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 18,440,000 New Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

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“Hong Kong Underwriting Agreement”	the underwriting agreement dated October 30, 2013 relating to the Hong Kong Public Offering and entered into among our Company, the Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering” in this prospectus
“ICP License”	the value-added telecommunications business operating license (增值電信業務經營許可證), which is generally known as the “Internet content provider license”
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
“International Offer Shares”	the 158,574,000 New Shares and 7,376,000 Sale Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the international underwriters for the International Offering, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around November 5, 2013 by, among others, our Company, the Controlling Shareholders, the Selling Shareholders, the Over-allotment Option Grantor, the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters in respect of the International Offering, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — International Offering” in this prospectus
“Investors’ Rights Agreement”	the investors’ rights agreement dated January 7, 2011, and as amended pursuant to an amendment to the investors’ rights agreement dated August 19, 2013, entered into among our Company and the Pre-IPO Investors governing certain rights of the Pre-IPO Investors in relation to our Company

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“Investor Shareholders”	Comsenz Holdings Limited and Mr. Dai
“Joint Bookrunners”, “Joint Lead Managers”	Credit Suisse (Hong Kong) Limited and China Renaissance Securities (Hong Kong) Limited
“Latest Practicable Date”	October 22, 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around November 12, 2013, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“M&A Rules”	Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MAUs”	monthly active players; see “active players” above
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on October 23, 2013, which will become effective upon the Listing Date, a summary of which is set out in Appendix III to this prospectus
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“mobile game”	a game that is downloaded and played on mobile devices; see “web-based game”
“MOC”	Ministry of Culture of the PRC (中華人民共和國文化部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Dai”	Mr. Dai Zhikang (戴志康), an executive Director and the settlor of the Dai Family Trust
“Mr. Zhang”	Mr. Zhang Wei (張偉), an executive Director, the settlor of the Zhang Family Trust and one of the Controlling Shareholders
“NCA”	National Copyright Administration of the PRC (中華人民共和國國家版權局)

DEFINITIONS AND GLOSSARY

“New Shares”	Shares offered for subscription by our Company pursuant to the Global Offering
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK\$5.60 and expected to be not less than HK\$4.55, at which Hong Kong Offer Shares are to be subscribed for and to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expect to be granted by the Over-allotment Option Grantor to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Over-allotment Option Grantor may be required to sell up to an aggregate of 27,658,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“Over-allotment Option Grantor”	Boyaa Global Limited, which will grant the Over-allotment Option (not any other options) to the International Underwriters
“paying player”	in any given period, refers to a player who pays money to purchase the in-game virtual items, including virtual tokens and other virtual items, offered by the Company in its online games at least once; a player who makes more than one purchases in such period is counted only once
“Post-IPO Share Option Scheme”	the share option scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on October 23, 2013, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	Commerce & Finance Law Offices, the legal advisor to our Company as to the laws of the PRC

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“Pre-IPO Investors”	Sequoia Capital and its affiliates, namely Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P.
“Pre-IPO Share Purchase Agreement”	the share purchase agreement dated September 30, 2010 entered into among our Company, Boyaa HK, Boyaa PRC, Boyaa Shenzhen, Mr. Zhang, Emily Technology Limited, Valuecode Investments Limited, Cagico Technology Limited and the Pre-IPO Investors in respect of the subscription of a total of 6,478,873 Series A Preferred Shares by the Pre-IPO Investors
“Pre-IPO Share Option Scheme”	the share option scheme for the grant of options to eligible participants approved and adopted by our Company pursuant to a resolution passed by the compensation committee of the board of directors of our Company on January 7, 2011 and amended on September 17, 2013
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around November 5, 2013 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Bookrunners (on behalf of the Underwriters) and our Company may agree, but in any event no later than November 8, 2013
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“registered player”	a player becomes a registered player when such player (i) enters any of the Company’s web-based games the first time, or (ii) has downloaded any of the Company’s mobile games onto any mobile device and enters such game on such mobile device the first time
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus
“Restricted Shares Agreement”	the restricted shares agreement dated January 7, 2011 entered into between our Company, Mr. Zhang and the Pre-IPO Investors concerning the restrictions or limitations on certain Shares beneficially owned by Mr. Zhang
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme

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“RSU Nominee”	The Core Admin Boyaa RSU Limited, a company incorporated in the BVI on August 21, 2013, a wholly-owned subsidiary of the RSU Trustee and holds 106,737,190 Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme as at the date of this prospectus
“RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on September 17, 2013, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. RSU Scheme” in Appendix IV to this prospectus
“RSU Trustee”	The Core Trust Company Limited, an independent and professional trustee appointed by our Company to act as the trustee of the RSU Scheme
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sale Shares”	the Shares to be offered for sale by the Selling Shareholders at the Offer Price under the Global Offering
“SARS”	Severe Acute Respiratory Syndrome, a viral respiratory disease in humans
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Selling Shareholders”	Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P.
“Series A Preferred Shares”	the initial 6,478,873 redeemable convertible preferred shares with par value of US\$0.001 each in the capital of our Company and which were subsequently increased to a total of 129,577,460 shares with par value of US\$0.00005 upon completion of the share splits implemented by our Company in November 2011 and in March 2012
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of our Shares
“Shareholders Agreement”	the shareholders agreement dated January 7, 2011, and as amended pursuant to an amendment to the shareholders agreement dated August 19, 2013, entered into among our Company, Boyaa HK, Boyaa PRC, Boyaa Shenzhen, Mr. Zhang, Emily Technology Limited, Valuecode Investments Limited and the Pre-IPO Investors in relation to our Company
“Shares”	ordinary share(s) in the capital of our Company with nominal value of US\$0.00005 each
“Sole Global Coordinator”	Credit Suisse (Hong Kong) Limited

DEFINITIONS AND GLOSSARY

“Sole Sponsor”	Credit Suisse (Hong Kong) Limited
“Stabilizing Manager”	Credit Suisse (Hong Kong) Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Boyaa Global and the Stabilizing Manager on or around the Price Determination Date
“subsidiaries”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Track Record Period”	the period comprising the three financial years ended December 31, 2012 and the six months ended June 30, 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VIE”	variable interest entity, which in our Group refers to Boyaa Shenzhen
“web-based game”	an online game that is played in a web browser without downloading any application; see “mobile game”
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Zhang Family Trust”	a discretionary trust named the Chunlei Trust established on September 9, 2013 by Mr. Zhang (as the settlor) and Cantrust (Far East) Limited, an independent trustee incorporated in the BVI (as the trustee), for the benefit of certain family members of Mr. Zhang and the discretionary beneficiaries of which include Mr. Zhang and his children
“%”	per cent.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “target”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- our business prospects;
- future developments, expected growth, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- future trends and our expectations regarding our results of operations and financial condition;
- our ability to anticipate and satisfy player demands and preferences and maintain good relationships with game distribution platforms and payment collection channels;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

A small number of games have generated substantially all of our revenues. Any failure to maintain or enhance the performance of these games or other adverse development could materially and adversely affect our business and results of operations.

Historically, we have derived substantially all of our revenues from a limited number of games. For example, our three highest revenue-generating games, the Texas Hold'em Series, Fight the Landlord (鬥地主) and Ant Wars (蟲蟲特攻隊), generated an aggregate of 91.4%, 95.7%, 98.1% and 98.6% of our revenue in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, and our Texas Hold'em Series alone generated 90.5%, 88.2%, 91.3% and 89.1%, respectively, of our revenue for the same periods. We expect that these games will continue to generate the majority of our revenue in the near future. Should there be (i) any decline in the number of players of these games, (ii) any failure by us to improve, upgrade or enhance these games in a timely manner or at all, (iii) any lasting or prolonged server interruption due to network failures or other reasons, or (iv) any other adverse developments specific to these games, our business, financial condition and results of operations could be materially and adversely affected. Although we believe that two of these games, the Texas Hold'em Series and Fight the Landlord (鬥地主), have a long-lifespan as they both are based on games that have achieved decades of broad popularity globally and in China, we cannot assure you that players will not lose interest in these games over time as a result of changing player interests or preferences. If these three games become less popular or experience any adverse development, or if revenues generated from these games decline in any short or extended period of time for any reason, our results of operations and financial position will be materially and adversely affected.

We may not be able to continuously enhance our existing games and player experience and launch high-quality new games and services, which will materially and adversely affect our ability to continue to retain existing players and attract new players.

Our growth depends on our ability to attract new players and retain existing players. In order to maintain and expand our player base, we must continue to invest significant resources in research and development to enhance our existing games and launch new and high-quality games. Our ability to successfully launch, operate and expand our games to attract and retain players largely depends on many factors, including our ability to anticipate and effectively respond to changing player interests and preferences, anticipate and respond to changes in the competitive landscape, and develop and offer games that are fun, interesting and compelling to play. Although most of our games are based on long-lifespan classic card and board games, we cannot guarantee that our games will continue to maintain their current level of popularity, or rapidly changing industry trends and player preferences will not render our games obsolete over time. If we are unable to anticipate and respond to player interests and preferences or industry changes to enhance our games, or if we are unable to launch new games, our player base may not increase at the rate we anticipate, or at all, and it may even decrease. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

In addition, in order to attract and retain players, we must also devote significant resources to enhancing our player experience on an on-going basis. We must enhance the functions and technical and artistic features of our games in a manner that appeals to our demographically diverse players, and ensure the reliability of our game operating systems. If we fail to continuously enhance our player experience by anticipating and

RISK FACTORS

effectively responding to their different tastes, preferences and needs, or if we fail to provide superior customer service or address player complaints in a timely manner, we may lose existing players and fail to attract new players, and our business, results of operations and growth prospects will be materially and adversely affected.

Our rapid growth during the Track Record Period may not be indicative of our future growth, and our limited operating history makes it difficult to evaluate our growth prospects and future financial results.

We launched our first online game, Texas Hold'em, in October 2008. Although we experienced rapid growth in the number of registered and paying players and revenue in the Track Record Period, we have a limited history of operating our online games upon which to evaluate the viability and sustainability of our business. Our growth rate during the Track Record Period should not be considered indicative of our future performance. Instead, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving industries, such as the online game industry, including, among others, risks and uncertainties regarding our ability to:

- manage our growing size and expanding business, including controlling costs, establishing sufficient internal controls, attracting and retaining talent and maintaining our corporate culture;
- continue to offer new and high-quality games and enhance existing games to attract and retain players and increase player activity level and monetization;
- maintain and expand our game distribution platforms to deepen the penetration in existing markets and expand into new geographic markets globally and in China;
- upgrade our technology and infrastructure to support increased player traffic and expanded game portfolio and to ensure system stability; and
- anticipate and adapt to changing player interests and preferences, industry trends, market conditions and intensifying competition.

Addressing the above risk and uncertainties will require significant capital expenditure and allocation of valuable management and employee resources. If we fail to successfully address any of the above risks and uncertainties, our revenues and operating margins may decline.

Only a small portion of our registered players are paying players.

A small portion of our players contribute nearly all of our revenue. The number of our paying players in the Track Record Period was only a small portion of the total number of our registered players. We had 316.0 thousand, 517.4 thousand, 610.8 thousand and 688.8 thousand paying players in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Our cumulative paying players, which were 316.0 thousand, 716.3 thousand, 1.2 million and 1.8 million, respectively, as of December 31, 2010, 2011 and 2012 and June 30, 2013, only accounted for 0.4%, 0.4%, 0.5% and 0.6% of our cumulative registered players, respectively, as of such dates. As a result, the numbers of our cumulative registered player and cumulative paying players, DAUs and MAUs do not necessarily indicate our actual and potential revenue generating capability. Our sustainable growth will largely depend on our ability to satisfy the demands of our paying players, increase the number of paying players and drive their in-game purchases. If we cannot retain our paying players, attract more registered players to become paying players or increase or maintain their in-game purchases, our revenues and profit margin may be adversely affected.

We generate all revenues from sales of virtual items. If we are unable to effectively market and price these virtual items, or if this business model ceases to be commercially successful, our results of operations, financial condition and business prospects could be materially and adversely affected.

All of our games are free to play, and we generate all of our revenues from sales of virtual items, including virtual tokens and other virtual items. By allowing players to play our games without initial costs, this business model enables us to quickly attract new players to experience our games and then gradually

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develop their interests in purchasing our virtual items. However, the success of this business model largely depends upon whether we can attract game players to play our games and, even more importantly, whether we can successfully encourage more players to purchase virtual items and more paying players to increase their in-game purchases. It is possible that we may not be able to market and price our virtual items effectively, or we fail to accurately identify and introduce new and popular virtual items or price them properly. In addition, this business model may cease to be commercially successful. There is no assurance that a sufficiently broad base of game players will continue to accept this model or that a new, competing business model will not emerge. If we fail to continue to monetize our player base through sales of in-game virtual items, our business, financial condition and prospects may be materially and adversely affected.

Our growth prospects will suffer if we are unable to successfully implement our game development strategies focusing on mobile games.

The number of individuals who access the Internet through mobile devices, such as smartphones and tablets, has increased dramatically in recent years. To capitalize on the anticipated growth potential offered by the booming mobile game market, we have been focusing on developing mobile games for mobile devices and platforms. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our revenue generated from mobile games accounted for approximately 0.7%, 4.2%, 16.9%, and 30.1% of our total revenue, respectively. We plan to continue devoting substantial resources to the development of games that are suitable for mobile devices and platforms. However, our limited experience with offering and operating mobile games makes it difficult to predict whether we will succeed in developing and operating games that appeal to mobile game players. The uncertainties we face include:

- given the fast pace with which mobile game technologies has been and will continue to be developed, we may not be able to continuously identify, develop, operate and upgrade games that are suitable for rapidly evolving mobile devices and platforms in a timely and cost-effectively manner, or at all;
- we may not be able to anticipate and effectively respond to the interests of players on mobile devices and platforms, or effectively market our mobile games to our existing players and attract new mobile game players;
- each mobile device manufacturer or mobile platform provider may establish unique technological requirements or restrictive terms and conditions for game developers on their devices or platforms, and our games may not be compatible or functional on these devices and platforms, especially immediately after such devices and platforms are upgraded;
- as new mobile devices or new platforms are continuously launched or updated, we may encounter various technological difficulties in providing new versions of our games that function as intended on new mobile devices or platforms, and we need to devote significant resources for the creation, support and maintenance of our games to keep pace with the evolving mobile devices and platforms; and
- we will need to further improve the quality and increase the option of payment methods and systems based on the mobile platforms, geographies and other factors.

These and other uncertainties make it difficult to assess whether we will succeed in implementing our mobile strategy and developing commercially viable games for mobile devices and platforms. Any failure or delay in our efforts to implement our mobile strategy will materially and adversely affect our business and growth prospects.

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We utilize major social networking websites and online application stores to generate a substantial portion of revenues. If we are unable to maintain good relationships with these social networking websites and online application stores, our business and results of operations will be adversely affected.

We utilize various game distribution platforms, including major social networking websites, such as Facebook for overseas markets and Sina Weibo, 51.com and Tencent QQ for the domestic market in China, and major online application stores, such as Apple Inc.'s App Store and Google Play, for the distribution and promotion of our games, as well as the collection of proceeds from sales of in-game virtual tokens and other virtual items. These social networking websites and online application stores also serve as our payment collection channels. See "Business — Game Distribution Platforms and Payment Collection Channels." Approximately 19.0%, 23.9%, 39.9% and 41.4% of our revenue in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, was derived from the payment systems of our three largest game distribution platforms in these periods. These social networking websites and online application stores have strong bargaining power in dealing with online game developers and operators like us. We are subject to the standard service terms and conditions of these social networking websites and online application stores with regard to the promotion, distribution, operation and payment methods for our online games. If any of these social networking websites or online application stores (i) goes out of business, (ii) discontinues its relationship with us due to any reason, such as our failure to comply with any laws or regulations in any jurisdiction where our games are offered, (iii) limits our access to its platforms, (iv) modifies its terms of services or other policies, (v) changes its fee structure, (vi) provides more favourable terms to our competitors or develop its own games, or (vii) is forced to cease the business relationship with us due to its lack of required license or permits or other regulatory compliance issues, our business could be adversely affected.

Furthermore, under the cooperative agreements we entered into with our game distribution platforms, we are responsible for the losses incurred by these parties resulting from the violation of any applicable rules and regulations or any infringement upon other third parties' intellectual property rights by our games. The cooperative agreements may be terminated by these game distribution platforms if our games are reported to have violated the relevant rules or regulations or have infringed upon other parties' intellectual property rights, or if our games are not able to operate properly and we are not able to solve the technical problems within the required period. If any of the above happens and the relevant cooperative agreement is terminated, our business may be materially adversely affected.

In addition, we have benefited from these social networking websites' and online application stores' widely recognized brand names and large user bases. If any of these social networking websites or online application stores loses its market position or otherwise falls out of favour among users or other factors cause its user base to stop growing or shrink, or if any of them fails to perform its contractual obligations to us, we would need to identify alternative platforms for marketing, promoting and distributing our online games, which would consume substantial resources and may not be effective, or available at all.

We are subject to risks relating to our third-party online payment vendors.

We utilize third-party payment vendors, such as MOL AccessPortal Co., Ltd. and Soft-World International Corporation (智冠科技股份有限公司) and to a lesser extent, Alipay and other online payment services, to facilitate players' purchases of in-game virtual tokens and other virtual items. Approximately 58.5%, 45.3%, 17.5% and 17.6% of our revenue in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, was derived from players' payments through third-party payment vendors. Any scheduled or unscheduled interruption in the ability of our players to use these and other third parties' payment systems could adversely affect our payment collection, and in turn, our revenue. In all the online payment transactions through these vendors, secured transmission of confidential information, including credit card numbers and critical personal information of the players over public networks, is essential to maintain their confidence in us and our games. We also rely on the stability of such payment transmissions to ensure the continued payment services provided to our players. We do not have control over the security measures of our

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third-party online payment vendors. If any of these third-party online payment vendors fails to process, or ensure the security of, players' payments for any reason, our reputation will be damaged and we may lose our paying players and discourage the potential purchases, which in turn, will materially and adversely affect our business, financial condition and prospects.

We are subject to risks relating to third-party distributors of our pre-paid game cards.

We use third-party distributors for our pre-paid game cards to reach players of our games in overseas markets. Under our agreements with the distributors of our pre-paid game cards, the distributors are required to comply with our terms of distribution, such as our policy against unauthorized sales and trading of our virtual tokens and virtual items and compliance with relevant laws and regulations in their distribution of our pre-paid game cards. After the delivery of the pre-paid game cards to the distributors, we are not responsible for any losses or damages they suffer. Our distributors may sell pre-paid game cards directly to game players or to one or more sub-distributors. In 2010, 2011 and 2012 and the six months ended June 30, 2013, nil, 6.9%, 23.8% and 27.4% of our revenue, respectively, was derived from the sales of our pre-paid game cards. The single largest pre-paid game card distributor contributed nil, 2.8%, 16.9% and 15.9% of our revenue in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. We expect that pre-paid game card distributors will continue to be a significant type of payment collection channel in the near future.

In late September 2013, we and our largest pre-paid game card distributor for 2012 and the six months ended June 30, 2013 terminated our business relationship as we did not agree to this distributor's request for acting as the exclusive distributor for our pre-paid game cards based on our requirements for exclusive distributors in terms of managing existing distribution channels and further expanding the distribution network. The revenue contribution from this distributor in 2012 and the six months ended June 30, 2013 accounted for approximately 16.9% and 15.9%, respectively, of our total revenue for these periods. This distributor's sales volume of pre-paid game cards decreased significantly to an insignificant amount in September 2013 while we negotiated its request. Despite this distributor's insignificant sales volume of pre-paid game cards in that month, the total sales volume of our pre-paid game cards in September 2013 was not negatively affected. As such, we do not expect that the termination of business relationship with this distributor will have a significant adverse effect on our overall business operation or our pre-paid game card sales. In addition, we have recently started, on a trial basis, an exclusive relationship with one of the existing distributors for the distribution of pre-paid game cards for the traditional Chinese versions of our online games. See "Business — Game Distribution Platforms and Payment Collection Channels — Payment Collection Channels" in this prospectus. If we fail to maintain our relationship with our third-party distributors and particularly, with our exclusive third-party distributors for any regions or games if we decide to establish such exclusive distribution relationships in the future, or if they go out of business, or fail to comply with our policies and requirements or provide satisfactory services to buyers of our pre-paid game cards, our business and results of operations may be materially and adversely affected.

Other than requiring our distributors to abide by the terms of contracts they entered into with us, we have limited control over our distributors, their sub-distributors, business activities of our distributors and their sub-distributors and the ways our pre-paid game cards are sold by them. As a result, we are exposed to risks of using third-party distributors and their sub-distributors, including negative publicity about our distributors or their selling practices, or failure by them to comply with our terms of distribution or local laws and regulations.

Violations of our game policies, such as sales and purchases of virtual tokens and other virtual items used in our games through unauthorized third parties, may impede our revenue growth.

We have established game policies against unauthorized and inappropriate player behaviours. Under our game policies, we do not allow players to sell or transfer virtual tokens or other virtual items, among other things. Virtual tokens and other virtual items offered in our games have no monetary value outside of our games. Nonetheless, some of our players or third parties may make sales and/or purchases of our virtual tokens and other virtual items through unauthorized third parties in exchange for real money or other real-world properties. To our knowledge, these unauthorized transactions are usually arranged through

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third-party channels or platforms and the virtual tokens and other virtual items offered may have been obtained through unauthorized means such as through cheating or from scamming our players with fake offers or virtual goods or other game benefits. We do not generate any revenue from these unauthorized transactions and do not permit, or facilitate in any manner, these unauthorized transactions. Under our game policies, the accounts of the players who are found for the first time to have bought or sold our virtual tokens or other virtual items directly or through unauthorized third parties will be suspended for seven days; those who are found to be in violation of our game policies the second time will be terminated permanently. Notwithstanding our measures and efforts, we do not have effective control over these unauthorized transactions. During the Track Record Period, we recorded approximately 3,600, 3,200 and 950 unauthorized transfers of virtual tokens in 2011, 2012 and the six months ended June 30, 2013, respectively, and approximately 1,800, 5,300 and 950 abnormal purchases during the same periods. See “Business — Game Development and Operation — Regulation of Game Environment” in this prospectus. Such unauthorized purchases and sales could impede our revenue and profit growth by (i) decreasing revenue from authorized transactions, (ii) creating downward pressure on the prices we charge players for our virtual tokens and other virtual items, (iii) increasing costs we incur to develop technological measures to curtail unauthorized transactions, and (iv) increasing customer support costs to respond to dissatisfied players. In addition, transactions through unauthorized third-party channels may involve fraud that is out of our control and we may face potential claims from our players in connection with their losses resulting from third parties’ fraudulent activities. Such claims, regardless of their merit, may harm our reputation, divert our management’s attention and cause additional expenses in defending against these claims. Through implementing technological measures, we have detected unauthorized transactions in the past and have terminated player accounts which we believed had violated our terms of service. During the Track Record Period, various violations of our game policies, including unauthorized transfers of virtual tokens, abnormal purchases, accounts theft, use of cheating programs and other inappropriate or harassing behaviours, had resulted in losses to us in an amount of approximately RMB0.8 million, RMB1.3 million and RMB0.3 million in 2011, 2012 and the six months ended June 30, 2013, respectively. We cannot assure you that we are able to effectively detect or prevent such unauthorized transactions, if at all. If these unauthorized transactions become more prevalent among our players, our business and results of operations will be significantly affected.

Our international expansion exposes us to risks and uncertainties. If we fail to manage our international expansion effectively, our growth rate and prospects could be materially adversely affected.

We achieved solid and rapid growth in overseas markets during the Track Record Period. As of the Latest Practicable Date, we offered our online games in various language versions, such as simplified and traditional Chinese, Thai, Indonesian, German, French, Portuguese, Turkish, Vietnamese, Arabic and English, targeting countries and regions where these languages are used. On the basis of IP addresses we have recorded, our games have reached players in over 100 countries and regions and generated revenues from paying players in over 80 countries and regions. As at the end of 2010, 2011 and 2012 and June 30, 2013, our cumulative registered players located outside of China increased from 9.1 million to 59.9 million, 93.3 million and 114.0 million, accounting for approximately 10.9%, 35.9%, 37.2% and 36.9%, respectively, of our total registered players. Continuing the international expansion is an important component of our growth strategy. Expanding our global presence may subject us to significant risks, including but not limited to risks relating to:

- identifying appropriate international markets;
- recruiting and retaining talented local personnel;
- providing and customizing games that cater to local players’ interests and preferences;
- competing with local online game developers and operators with established market shares and a better understanding of local players’ needs and preferences;

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- identifying and negotiating with local business partners, including those involved in the game distribution, payment channel operations and other businesses;
- incurring higher costs (including, but not limited to, sales and marketing costs, ongoing compliance costs, etc.) associated with doing business internationally;
- adapting to local business practices;
- encountering protectionist laws and business practices that favour local businesses;
- protecting our intellectual property;
- facing foreign tax consequences; and
- encountering country-specific economic downturns and exchange rate fluctuations.

We have limited history in providing and operating online games for players in overseas markets and may have difficulty adequately responding to the challenges and uncertainties we face. If we are unable to manage the risks and costs of our international expansion effectively, our growth rate and prospects may be materially adversely affected.

Our games and activities are and may become subject to laws and regulations of various jurisdictions, including the PRC and overseas markets. We cannot guarantee you that such laws and regulations would not apply to us or be interpreted in ways that could affect our business.

We may face risks and uncertainties posed by local political, regulatory and religious environments and failure to compliance with country-specific regulatory restrictions may expose us to fines, penalties and liabilities. Even though we believe that our card and board games do not constitute gambling, but are casual online games as our virtual items can only be used in our games, cannot be cashed out and have no monetary value outside our games, we are required to continuously comply with laws and regulations in various jurisdictions concerning content, operation and offering of such activities and games. We have engaged local counsel in each of our largest target markets, namely the PRC, Hong Kong, Taiwan and Thailand and have obtained the opinions that neither our online games nor our business violates the laws and regulations on gambling in any of these markets. As at the Latest Practicable Date, none of our games or our game business had been challenged or subject to any regulatory actions by any governmental authorities in any of our target markets. However, there is no assurance that our games, particularly our card and board games, will not be deemed as illegal or inappropriate in any of our target markets. Similarly, there is no assurance that our game business will not be challenged or subject to any regulatory actions in any of our existing or future markets. If we are unable to offer any of our existing or new games in any of our target markets due to regulatory restrictions, our business, international expansion and growth prospects may be significantly harmed.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy or security breaches.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our growing operations will place increasing pressure on our server and network capacities as we launch more games and further expand our player base. We may encounter problems when upgrading our systems or services and undetected programming errors, which could adversely affect the performance of our game operating systems and player experience. In addition, we rely on third-party service providers for certain key aspects of our network infrastructure and technology systems, including storage and maintenance of over 370 owned and leased servers hosted in 14 locations in China and other countries and regions. Furthermore, as we operate all our games in China, we highly depend on the performance and reliability of the Internet infrastructure in China that are maintained through state-owned telecommunications carriers. Any disruptions or other problems with these services are out of our control and may be difficult for us to remedy. If our arrangements with any of these third parties are terminated, invalidated, or modified against our interest, we may not be able to find alternative services or solutions on a timely basis or on terms favourable to us, or at all. Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power

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loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our games or the access to our game operating systems, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our players' satisfaction, which in turn, will adversely affect our reputation, player base and future operations and financial condition.

In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, the intentional or inadvertent transmission of computer viruses and similar events or third-party actions could have a material and adverse effect on our business, financial condition and results of operations. We have experienced and will continue to experience hacking attacks. Operations of our games involve the storage and transmission of players' game account information in our facilities and on our equipment, networks and corporate systems, which may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise. It may be difficult for us to respond to security breaches in a timely manner or at all. Any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing players and attract new players. If an actual or perceived breach of our security occurs, players' confidence in the effectiveness of our security measures could be harmed. As a result, we could lose players and suffer financial losses due to such events or in connection with the remediation efforts, investigation costs and system protection measures.

The entry barriers are low in the online game industry. We face intense competition, which could reduce our market share and materially and adversely affect our results of operations and growth prospects.

The online game industry is highly competitive with low barriers to entry and we expect more companies to enter this industry and a wider range of games to be introduced. In addition, most of our games are based on classic card and board games which are not original games that require more creativeness and significant research and development commitment. We compete primarily with other online game developers and operators of online game platforms both in the international markets, such as Zynga Inc., Playtech Ltd. (which operates Ipoker.com), IGG Inc. (which operates Igg.com) and SNSplus, Inc. (which operates Snsplus.com), and in China, such as Ourgame.com and JJworld (Beijing) Network Technology Co., Ltd. Our current or potential competitors may have greater operating experience and more financial, marketing and other resources than we do, which may offer them an advantage in developing and operating or acquiring games, conducting marketing and promotional activities and hiring talent, particularly, game developers. Comprehensive Internet service portals that also offer online games, such as Tencent Holdings Limited, Renren Inc. and Qihoo 360 Technology Co. Ltd., have large user traffic and high user stickiness generated by their comprehensive services, which they may be able to leverage to launch and support the success of their online game operations. Compared to some of our competitors, we may have less recognized brand name among our target players. This may put us at a competitive disadvantage in attracting players when competing with other game operators that have greater brand recognition. If we fail to compete effectively, we may lose players, our market share may decrease and our business, financial condition and prospect will be materially and adversely affected.

In addition, the competition within the broader entertainment industry is intense. Our players are offered with a vast range of entertainment options and may be attracted to other competing forms of entertainment, such as traditional online or real-world games, movies, televisions and sports, which are much larger and better established markets. These other entertainment options compete for the discretionary time and income of our players. If we are unable to sustain sufficient interest in our games, our business model may no longer be viable and profitable.

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Our games and players' game experience may be adversely affected by cheating practices and scam offers that seek to exploit the vulnerabilities in our games.

Unrelated third parties have developed, and may continue to develop, cheating practices that enable players to exploit vulnerabilities in our games or obtain unfair advantages over other players who play fairly, including those that enable certain players to collude with each other in our card games. These practices harm the experience of players who play fairly and may disrupt the virtual economies of our games. In addition, unrelated third parties may attempt to scam our players with fake offers for virtual goods or other game benefits. We detected approximately 74,800, 84,300 and 19,200 player accounts that used cheating programs in 2011, 2012 and the six months ended June 30, 2013, respectively. In addition, we recorded approximately 8,200, 9,600 and 1,900 incidents of account theft in 2011 and 2012 and the six months ended June 30, 2013, respectively. See "Business — Game Development and Operation — Regulation of Game Environment" in this prospectus. We have employed measures to discover and disable these practices and activities, but if we are unable to do so effectively or quickly, our operations may be disrupted, our reputation damaged and players may stop playing our games. This may lead to unsatisfactory game experience which in turn may cause losses of revenue from paying players, increased cost of developing technological measures to combat these practices and activities, legal claims relating to the decrease in value of our virtual token and other virtual items, and increase customer service costs to respond to dissatisfied players.

The value of our virtual tokens and other virtual items is highly dependent on how we manage our game economies. If we fail to manage our game economies properly, our business may suffer.

Paying players purchase virtual items, including virtual token and other virtual items, in our games based on the perceived value of these virtual items, which is dependent on the relative ease of securing equivalent virtual tokens or items via non-paid means within the games. The perceived value of these virtual token and items can be affected by an increase in the availability of free or discounted virtual tokens or items. In order to increase players' purchases of our in-game virtual tokens and items, we launch various in-game promotional sales from time to time. However, such activities, if offered too frequently, may affect paying players' willingness to purchase regularly-priced virtual tokens and other virtual items, which will adversely affect our revenue. If we fail to manage our game economies properly, players may be less likely to purchase in-game virtual tokens or items and our business may suffer.

Our games may contain undetected programming errors, flaws or other defects and may encounter external interruptions.

Our games may contain undetected programming errors, bugs, flaws, corrupted data or other defects that only become apparent after the launch of such games. The occurrence of undetected errors or defects in our games and our failure to discover and stop the external interruptions could disrupt our business, damage our reputation and deliver negative game experience. As a result, such errors, defects and external interruptions could adversely affect our business, financial condition and results of operations.

Our business depends on our key executives and employees. If we lose their services, our business may be seriously harmed.

Our success has been depended and will continue to heavily depend upon the continued service of our key executive officers and other key employees. In particular, we rely on the expertise and experience of Mr. Zhang, our founder, our Chief Executive Officer and Chairman of our Board of Directors, Mr. Gao Junfeng, our Chief Financial Officer, and Mr. Suo Hongbin, our Vice President for Operations. In addition, as we focus on the development of online games, we need to continue to attract and retain skilled and experienced game developers to maintain our competitiveness. As competition in the online game industry intensifies, it may be increasingly difficult for us to hire, motivate and retain highly skilled personnel. If one or more of our executive officers or key personnel or skilled employees were unable or unwilling to continue their services with us, we may not be able to fill the vacancies with suitable candidates in a timely manner, or at all, and we may incur additional expenses to recruit and train new personnel. Our business could then be severely disrupted, and our financial condition and results of operations could be adversely affected. If any of our

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executive officers or key employees joins a competitor or forms a competing company, we may lose players, know-how and key professionals and staff members. Each of our executive officers has entered into an employment agreement and a confidentiality and non-competition agreement with us. However, if any dispute arises between our executive officers and us, we cannot assure you that we would be able to enforce these non-compete provisions in China, where these executive officers reside, in light of uncertainties with China's legal system. See “— Risks Relating to Conducting Business in the PRC — Uncertainties with respect to the PRC legal system could adversely affect us.”

Unauthorized use of our intellectual property may adversely affect our business and reputation.

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual property critical to our business operations. We rely on Chinese and foreign trade secrets related laws and regulations for protection if third parties infringe on our unregistered intellectual property. In relation to our in-house developed online games, we register software in China for copyright protection and take various measures to protect our source codes, including confidentiality agreements and segregation of source codes. We may have difficulty protecting the intellectual property related to our games. Any failure to register trademarks or patents in any country or region may limit our ability to protect our rights in such country or region under relevant trademark or patent laws, and we may even need to change the name or the relevant trademark in certain cases, which may adversely affect our branding and marketing efforts. In addition, as many of our games, such as Texas Hold'em, Fight the Landlord (鬥地主) and Big Two (鋤大地), are based on popular card and board games, we do not have effective ways to prevent other game developers to use the underlying game rules in their games, which may have the same or similar names to our games. As these games have contributed a significant aggregate portion of our revenues in the past, the existence of games developed by other companies with similar names and games rules may confuse our players, erode our player base and materially affect our business and results of operations.

In order to protect our technology and know-how, we rely on confidentiality provisions in relevant agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties. The validity, enforceability and scope of protection of intellectual property in Internet-related industries are uncertain and still evolving. In particular, the laws and enforcement procedures in the PRC and certain other countries where our games are accessible to local players are immature or do not protect intellectual property rights to the same extent as do the laws and enforcement procedures of the more developed countries. Policing unauthorized use of proprietary technology is difficult and expensive. Any steps we have taken to prevent the misappropriation of our proprietary technology may be inadequate. Despite our efforts to protect our intellectual property, other online game developers and operators may copy our ideas and designs, and other third parties may infringe on our intellectual property rights. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as have a material and adverse effect on our financial condition and results of operations.

We cannot be certain that our business operations do not or will not infringe on any patents, valid copyrights or other intellectual property rights held by third parties.

We may in the future be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses in defending against these third party infringement claims, regardless of their merits. Furthermore, our employees may install and use software which may violate the intellectual property rights of others. We may be liable for such behaviour of our employees. Successful infringement or licensing claims against us may result in substantial monetary liabilities, which may materially disrupt the continuity of our business and the stability of our financial situation.

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Our lack of insurance could expose us to significant costs and business disruption.

The insurance industry in the PRC is still at an early stage of development. In particular, PRC insurance companies offer limited business insurance products. We do not have any business liability or disruption insurance to cover our operations in China, which, based on public information available to us relating to online game companies based in China, is in line with customary industry practice in China. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. In addition, we do not maintain any insurance policies covering risks including loss and theft of and damages to our equipment or facilities other than for our motor vehicles. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could result in substantial costs and diversion of resources for us and could adversely affect our financial conditions and results of operations.

The enacted PRC law regulating the playing time and players' age of online games may detrimentally affect our business and operations.

In April 2007, several governmental authorities, including the GAPP and the MOC, jointly issued the Notice Regarding the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知), or the Anti-Addiction Notice, which is annexed to the Standards Regarding the Development of Anti-addiction System on Online Games (網絡遊戲防沉迷系統開發標準) and the Proposal Regarding the Authentication of Real Names for Anti-addiction System on Online Games (網絡遊戲防沉迷系統實名認證方案). According to the Anti-addiction Notice, the anti-fatigue system is required to be put into operation in all existing online games from July 16, 2007 and included in all online games to be put into operation in the PRC. We have implemented the anti-fatigue system in all of our games we offer in the PRC. However, we cannot assure you that our anti-fatigue system will be regarded as sufficient by relevant government authorities in China. Failure to comply with the requirements under the Anti-addiction Notice may subject us to penalties, including but not limited to suspension of our operation of online social games, revocation of the licenses and approvals for our operations, rejection to or suspension of our application for approvals, licenses, or filings for any new game, or prohibiting us from operating any new game.

We may be held liable for inappropriate online communications or content made by our players.

Our players are able to engage in highly personalized conversations when they use our in-game chatting function. We are not able to verify players' identities or the sources of all information or content made by our players in our games. Therefore, it is possible that certain players may engage in illegal, obscene or incendiary conversations that may result in a negative impact among our other players. In serious cases, certain of such information or content may be deemed unlawful under the laws and regulations in the locations where the games are played, and government authorities may require us to discontinue or restrict certain features or services that would have led, or may lead, to such events. We may incur significant costs in investigating and defending ourselves if we find ourselves subject to penalties or claims based on the nature or content of the information improperly displayed, which may substantially and adversely affect our reputation, operations and business.

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RISKS RELATING TO OUR CORPORATE STRUCTURE

If the PRC government finds that the agreements that establish the structure for operating our online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our VIE.

We are a Cayman Islands company and our wholly-owned PRC subsidiary, Boyaa PRC, is considered as a foreign-invested enterprise. The PRC government restricts foreign investment in telecommunications and online cultural businesses. See “Applicable Laws and Regulations in China — Regulations on Telecommunications Services and Foreign Ownership Restrictions.” Due to these restrictions, we conduct our operations in China through our VIE, Boyaa Shenzhen. Although we do not have any equity interest in Boyaa Shenzhen, we are able to exercise effective control over Boyaa Shenzhen and receive substantially all of the economic benefits of its operations through the Contractual Arrangements with Boyaa Shenzhen and its shareholders. For a description of the Contractual Arrangements, see “History, Reorganization and Corporate Structure — Contractual Arrangements.”

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知), or the MIIT Notice, which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Notice, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in China. Due to a lack of interpretative materials from the authorities, we cannot assure you that the MIIT will not consider our corporate structure and the Contractual Arrangements as a kind of foreign investment in telecommunication services, in which case we may be found in violation of the MIIT Notice.

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on December 11, 2001 and amended on September 10, 2008, foreign investors’ ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas (the “**Qualification Requirement**”). However, the MIIT did not specify during our PRC Legal Advisor’s phone inquiries what constitutes “a good track record” and there are no specific written guidelines in this regard. As such, our PRC Legal Advisor takes the view that the details of the Qualification Requirement are subject to the discretion of the MIIT when it handles the specific applications from foreign investors intending to set up a foreign-invested value-added telecommunications enterprise under the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定). We have started taking steps, and plan to take additional steps, to build up our track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Boyaa Shenzhen when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted. For details of such steps taken or to be taken, please refer to the section headed “History, Reorganization and Corporate Structure — Contractual Arrangements — Introduction” in this prospectus. However, we cannot assure you that the steps we have taken or plan to take will be ultimately sufficient to satisfy the Qualification Requirement. If the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted, we may be required to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirement.

On September 28, 2009, the GAPP, the NCA and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations

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of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (關於貫徹落實國務院《“三定”規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知), or the GAPP Online Game Notice. The GAPP Online Game Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Online Game Notice has been issued to date, it is not clear how the GAPP Online Game Notice will be implemented. Furthermore, as some other primary government regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Online Game Notice, the scope of the implementation and enforcement of the GAPP Online Game Notice remains uncertain.

In or around September 2011, various media sources reported that the CSRC had prepared a report proposing regulating the use of VIE structures, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide.

In addition, several recent articles, including an article published in early June 2013 on The New York Times and another one on The Economic Observer (經濟觀察報), reported discussions that a recent PRC Supreme Court decision and two VIE structure-related arbitration decisions in Shanghai had cast doubt on the validity of the contractual arrangements for the VIE structure. According to these articles, the PRC Supreme Court ruled in late 2012 that an entrustment agreement entered into by and between a Hong Kong company and a PRC domestic entity, which was purported to enable such Hong Kong company to make equity investment in a PRC bank through the proxy PRC domestic entity, was void on the ground that this agreement established an entrustment relationship meant to circumvent the PRC laws and regulations that prohibit foreign investment in PRC financial institutions and as such, constituted an act of concealing illegal intentions with a legitimated form. These articles argued that as the contractual arrangement in a VIE structure and the entrustment agreement in the cited case were similar in that the contractual arrangements in the VIE structure were also designed to “get around” the regulatory restrictions on foreign investment in certain industries. As such, the articles noted that this Supreme Court decision might increase the uncertainties relating to the PRC government’s view on the validity of the contractual arrangements used in the VIE structure. These articles also reported, without providing sufficient details, that two arbitration decisions by the Shanghai CIETAC which invalidated the contractual arrangements used in a VIE structure in 2010 and 2011.

Our PRC Legal Advisor, Commerce & Finance Law Offices, is of the opinion that (i) our ownership structure does not violate existing PRC laws and regulations, (ii) except for certain terms of the Contractual Arrangements regarding the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal (see “— Certain terms of the Contractual Arrangements may not be enforceable under PRC laws” below), the Contractual Arrangements are valid and legally binding and do not result in any violation of existing PRC laws and regulations, and (iii) the Contractual Arrangements entered into by the Group do not fall within any of the circumstances (including, without limitation, “concealing illegal intentions with a lawful form”) under Section 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid.

However, we cannot assure you that the PRC government or judicial authorities would agree that our corporate structure or the Contractual Arrangements comply with PRC licensing, registration, other regulatory requirements or policies that may be adopted in the future. If the PRC government or judicial authorities determines that we do not comply with applicable laws and regulations, it could have broad discretion in dealing with such incompliance, including:

- requiring the nullification of the Contractual Arrangements;

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- levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;
- revocation of the business licenses or operating licenses of Boyaa Shenzhen and/or Boyaa PRC;
- discontinuing or placing restrictions or onerous conditions on the business operations of Boyaa Shenzhen and/or Boyaa PRC;
- imposing conditions or requirements which we may not be able to comply with or satisfy;
- requiring us to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to or even shut down our business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of Boyaa Shenzhen or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of Boyaa Shenzhen.

We rely on the Contractual Arrangements to control and obtain the economic benefits from Boyaa Shenzhen, our operating entity in China, which may not be as effective in providing operational control as direct ownership.

Due to the PRC's legal restrictions on foreign investment in online game operators, we control, through the Contractual Arrangements rather than equity ownership, Boyaa Shenzhen, our operating entity in China and the holder of the key licenses required to operate our online game business in China. For a description of these Contractual Arrangements, see the section headed "History, Reorganization and Corporate Structure — Contractual Arrangements."

However, the Contractual Arrangements still may not be as effective in exercising control over Boyaa Shenzhen as equity ownership. For example, Boyaa Shenzhen and its shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If we had direct ownership of Boyaa Shenzhen, we would be able to exercise our rights as a shareholder to effect changes in its board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the Contractual Arrangements, we would need to rely on Boyaa PRC's rights under the restated and amended Business Operating Agreement, restated and amended Exclusive Business Consulting and Service Agreement and Powers of Attorney to effect such changes, or designate new shareholders for Boyaa Shenzhen under the Exclusive Option Agreement.

If Boyaa Shenzhen or its shareholders breached their obligations under the Contractual Arrangements or if we lose the effective control over Boyaa Shenzhen for any reason, we would need to bring a claim against them under the terms of the Contractual Arrangements. The Contractual Arrangements are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the China International Economic and Trade Arbitration Commission, or the CIETAC, for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of the shareholders of Boyaa Shenzhen may also subject the equity interest they hold in Boyaa Shenzhen to court preservation actions or enforcement. The legal framework and system in China, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong or the United States. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in China, which could limit our ability to enforce the Contractual Arrangements and exert effective control over Boyaa Shenzhen. If Boyaa Shenzhen or any of its shareholders fails to perform its respective obligations under the Contractual Arrangements, and we are unable to enforce the Contractual Arrangements, or suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, our business and operations could be severely disrupted, which could materially adversely affect our results of operations.

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The shareholders of Boyaa Shenzhen may have conflicts of interest with us, which may materially and adversely affect our business.

Our founder, Mr. Zhang, who is a beneficial owner, Chairman of the Board of Directors and Chief Executive Officer of our Company, and our early-stage investor, Mr. Dai, who is a beneficial owner and director of our Company, are also the shareholders of Boyaa Shenzhen. In particular, Mr. Zhang holds a 98% equity interest in Boyaa Shenzhen and is the sole executive director and legal representative of each of Boyaa PRC and Boyaa Shenzhen. Conflicts of interest between their dual roles in our Company and in Boyaa Shenzhen may arise.

We have some existing protections over potential conflicts of interest between these individuals and our Company. Pursuant to the Exclusive Option Agreement entered into on May 15, 2013, we have the option to (i) purchase or to designate a third party to purchase the equity interests of the existing shareholders of Boyaa Shenzhen when and to the extent permitted by law and (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Each of Boyaa Shenzhen's shareholders has executed a power of attorney on the same day of the execution of the Exclusive Option Agreement which was further supplemented on October 22, 2013, to authorize any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa HK, Boyaa BVI or the Company who is a PRC citizen, and cannot be Mr. Zhang, Mr. Dai or any of their associates. In addition, each of our Company's directors owes a duty of loyalty and a duty of care to our company and shareholders as a whole under Cayman Islands law.

We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favour. In the event of any such conflicts of interest, these individuals may breach or cause Boyaa Shenzhen to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from Boyaa Shenzhen. If we cannot resolve any conflict of interest or dispute between us and such shareholders of Boyaa Shenzhen should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with Boyaa Shenzhen and its shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the CIETAC in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Boyaa Shenzhen, injunctive relief and/or winding up of Boyaa Shenzhen. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, we have been advised by our PRC Legal Advisor that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Boyaa Shenzhen in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in Boyaa Shenzhen in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against Boyaa Shenzhen as interim remedies to preserve the assets or shares in favour of any aggrieved party. Our PRC

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Legal Advisor is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that Boyaa Shenzhen or any of its shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Boyaa Shenzhen and conduct our business could be materially and adversely affected.

We may lose the ability to use and enjoy assets held by our VIE that are important to the operation of our business if our VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Boyaa Shenzhen holds certain assets that are important to our business operations. Our Contractual Arrangements with Boyaa Shenzhen and its shareholders contain terms that specifically obligate its shareholders to ensure the valid existence of Boyaa Shenzhen. However, in the event the shareholders breach this obligation and voluntarily liquidate Boyaa Shenzhen, or Boyaa Shenzhen declares bankruptcy, and all or part of its assets become subject to liens or rights of third-party creditors, or is otherwise dissolved, we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if Boyaa Shenzhen undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may subject our Group to increased income tax due to the different income tax rates applicable to Boyaa PRC and Boyaa Shenzhen, which may adversely affect our results of operations.

Under the Contractual Arrangements, Boyaa Shenzhen is required to pay to Boyaa PRC service fees that equal to the profit before taxation of Boyaa Shenzhen, after offsetting the prior-year loss (if any), deducting working capital requirements, expenses and tax of Boyaa Shenzhen in any given year, and Boyaa PRC has the right to adjust the level of the service fees based on the actual service scope and with reference to the operating conditions and expansion needs of Boyaa Shenzhen. Such service fee payments to Boyaa PRC reduce Boyaa Shenzhen's taxable income and correspondingly increase the taxable income of Boyaa PRC, which, due to the different income tax rates applicable to Boyaa Shenzhen and Boyaa PRC, have affected and may continue to affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis.

Boyaa Shenzhen was subject to a preferential tax rate of nil, 12.0%, 12.5% and 12.5% in 2010, 2011, 2012 and the six months ended June 30, 2013. Boyaa Shenzhen will be subject to a 15% income tax rate starting from January 1, 2014 as a "High and New Technology Enterprise." Boyaa PRC was subject to a 25% income tax rate throughout the Track Record Period. In a public announcement of the relevant government authority on July 22, 2013, Boyaa PRC has become a candidate enterprise to be granted the status of a "High and New Technology Enterprises" and expects to receive such qualification by the end of 2013. If Boyaa PRC is granted the status of a "High and New Technology Enterprise" within 2013, it will be subject to a 15% income tax rate retrospectively from January 1, 2013 after obtaining approval from competent tax authority. However, if Boyaa PRC fails to obtain this qualification, its income tax rate will remain at 25%.

As a result of the higher income tax rate applicable to Boyaa PRC than Boyaa Shenzhen in 2013 and future periods (in the case that Boyaa PRC fails to qualify as a "High and New Technology Enterprise"), if Boyaa Shenzhen transfers a larger portion of its before-tax profits to Boyaa PRC in 2013 or any future period than in the Track Record Period, such transfer may result in increased income tax expenses for the Group on a consolidated basis, which may materially and adversely affect our results of operations, particularly, our net profit and net profit margin.

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The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may be subject to scrutiny by the PRC tax authorities and any finding that we or Boyaa Shenzhen owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under the Contractual Arrangements among Boyaa PRC and Boyaa Shenzhen and its equity holders, Boyaa Shenzhen will transfer substantially all of its before-tax profits to Boyaa PRC (less any accumulated loss, working capital requirements, expenses and tax of Boyaa Shenzhen in a given year), which will substantially reduce Boyaa Shenzhen's taxable income. These arrangements and transactions are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and other payments to Boyaa PRC by Boyaa Shenzhen under the Contractual Arrangements may be challenged and deemed not in compliance with such tax rules. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not entered into on an arm's-length basis and therefore adjust the taxable income of Boyaa Shenzhen in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporation's charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by Boyaa Shenzhen, which could in turn increase Boyaa Shenzhen's tax liabilities. Any such adjustment could result in a higher overall tax liability of the Group. In addition, the PRC tax authorities may impose late payment fees and other penalties on Boyaa Shenzhen for any unpaid taxes. Our consolidated net income may be materially adversely affected if Boyaa Shenzhen's tax liabilities increase or if it is subject to late payment fees or other penalties.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.

We conduct substantially all of our operations in the PRC. Accordingly, our business, prospects, financial condition and operating results are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from other developed economies of the world in many respects, including:

- its political structure;
- the amount and degree of the PRC government involvement and control;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political, social and legal conditions and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC

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government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our game development business, which in turn may adversely affect our financial condition and results of operations.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

In the Track Record Period, approximately 30% to 40% of our revenues and a super majority of our expenditures were denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiary. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

We also generate revenue from players in countries and regions outside China, who make in-game purchases in foreign currencies through our payment collection channels. As a result, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollars and also including Hong Kong dollars, New Taiwan dollars and Thai Baht.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under

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the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiary.

Any funds we transfer to Boyaa PRC, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to Boyaa PRC are subject to the approval of the MOFCOM or its local branches and registration with other governmental authorities in China. In addition, any foreign loan procured by Boyaa PRC is required to be registered with the SAFE or its local branches, and Boyaa PRC may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local branches. Any medium or long term loan to be provided by us to our consolidated affiliated entity must be approved by the NDRC and the SAFE or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiary. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect Boyaa PRC's liquidity and our ability to fund and expand our business.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operational Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的 通知), or SAFE Circular 142. SAFE Circular 142 regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting the usage of the converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise may only be used for purposes within the business scope approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within the PRC unless otherwise permitted by the PRC law. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of Boyaa PRC. SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to Boyaa PRC or invest in or acquire any other companies in the PRC. Furthermore, the SAFE promulgated SAFE Circular 59 on November 9, 2010, which tightens the regulation over settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceeds settled from offshore offerings shall be applied in the manner described in the offering documents. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or

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repay loans between non-financial enterprises. Violations of these circulars could result in severe monetary or other penalties. SAFE Circulars 142, 59 and 45 may significantly limit our ability to convert, transfer and use the net proceeds from this offering and any offering of additional equity securities in China, which may adversely affect our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could adversely affect us.

Substantially all of our business is conducted in China and is governed by PRC laws and regulations. Boyaa PRC, our PRC subsidiary, and Boyaa Shenzhen, our VIE, are located in China and subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to online game development and operation. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by who an application or case is presented to such agency, we may receive less favourable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

One of the online games we currently offer in the PRC is still in the process of publishing and filing with the GAPP.

As stated in the section headed “Applicable Laws and Regulations in China” in this prospectus, online games operated by us shall undertake the publishing and filing procedure with the GAPP before they are formally launched.

As the relevant regulations define Internet publishing activities as the “provision of interactive online game playing or downloading service to the public through the Internet,” we have been advised by our PRC Legal Advisor that we do not have the statutory obligation to complete such publishing and filing procedures of the online games on the basis that the game distribution platforms, not us, provide interactive online game playing and downloading service directly to game players. However, if games operated on game distribution platforms fail to complete such publishing and filing procedures in time, or at all, these games may be ordered to be suspended or ceased in operation. As a result, Boyaa Shenzhen may suffer certain indirect adverse effect, including loss of revenue, as well as potential contractual liabilities because under such agreements with game distribution platforms in the PRC, Boyaa Shenzhen has a contractual obligation for completing publishing and filing procedures in connection with our online games offered on game distribution platforms. These agreements provide that Boyaa Shenzhen shall be liable for losses, including legal fees, notary fees and administrative penalties, if any, incurred by the game distribution platforms arising from the non-completion of the publishing and filing procedures for the online games offered on these game distribution platforms.

Boyaa Shenzhen, in line with current market practice, has engaged qualified publishers to publish all of the 13 online games that Boyaa Shenzhen is operating within the PRC and to undertake the filing procedure with the GAPP. The publishing and filing procedures for (i) two of the online games, *i.e.*, Happy Babies (開心寶貝) and Texas Hold'em (德州撲克), were completed in April and August 2010, respectively, and (ii) another ten online games were completed in August, September and October of 2013. Therefore, as at the Latest Practicable Date, Boyaa Shenzhen has rectified its prior failure to complete the publishing and filing procedures for 12 of the 13 online games we offer through game distribution platforms in the PRC. The remaining one online game, namely Liar's Dice (大話骰), is currently in the process of such publishing and filing procedures.

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As stated above and since we do not have the statutory obligation to complete the online game publishing and filing procedures with the GAPP, we and our PRC Legal Advisor are of the opinion that we shall not be penalized by the relevant governmental authority for any delay in completion of such publishing and filing procedures. However, there can be no assurance that the relevant governmental authorities will not take views contrary to the above. If the relevant game distribution platform or Boyaa Shenzhen is penalized by relevant governmental authorities for failure to complete the required publishing and filing procedures in time, our results of operations may be adversely affected.

During the Track Record Period, the operation of none of the games we offered through game distribution platforms in the PRC was affected due to the non-completion of the publishing and filing procedures. As at the Latest Practicable Date, Boyaa Shenzhen has not been informed by any game distribution platforms that they have suffered any loss, nor have we identified any loss suffered by game distribution platforms as the result of Boyaa Shenzhen's non-completion of the publishing and filing procedures for the online games offered on those game distribution platforms. Furthermore, Boyaa Shenzhen, as a party to the agreements entered into with the game distribution platforms, has not received any claim of compensation from such game distribution platforms in this respect. For more details of the publishing and filing procedures, please see "Business — Game Publication" in this prospectus. However, there can be no assurance that the relevant game distribution platforms will not claim for losses they may have suffered due to Boyaa Shenzhen's prior failure to complete the publishing and filing procedures for the 12 online games or as a result of the remaining one online game that is currently in the process of going through the publishing and filing procedures. Any losses claimed against Boyaa Shenzhen by any game distribution platform due to the above reasons may adversely affect our results of operations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand. Moreover, the Anti-Monopoly Law (反壟斷法) promulgated by the Standing Committee of the National People's Congress on August 30, 2007 and effective as of August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (*i.e.*, during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be notified and cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於建立外國投資者併購境內企業安全審查制度的通知), or Circular No. 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having "national defence and security" concerns and mergers and acquisitions by which foreign investors may acquire the "*de facto* control" of domestic enterprises with "national security" concerns. In August 2011, MOFCOM promulgated the Rules on Implementation of Security Review System (商務部實施外國投資者併購境內企業安全審查制度的規定), or the MOFCOM Security Review Rules, to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度有關事項的暫行規定) promulgated by MOFCOM effective from March 2011 and expired by the end of August 2011, for

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implementing Circular No. 6. The MOFCOM Security Review Rules, which became effective on September 1, 2011, explicitly provide that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defence and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

We may be deemed a PRC resident enterprise under the PRC CIT Law and be subject to PRC taxation on our worldwide income.

Under the PRC CIT Law, which came into effect on January 1, 2008, enterprises established outside China whose “*de facto* management bodies” are located in China are considered “resident enterprises” and their global income will generally be subject to the uniform 25% corporate income tax rate. Under the Implementation Rules for the PRC CIT Law, “*de facto* management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), or Circular 82. Circular 82 provides certain specific criteria for determining whether the “*de facto* management body” of a Chinese-controlled offshore incorporated enterprise is located in China. In addition, on August 3, 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation) (境外註冊中資控股居民企業所得稅管理辦法(試行)), or the Resident Enterprise Administrative Measures, which became effective as of September 1, 2011. The Resident Enterprise Administrative Measures provide clarification for resident status determination, post-determination administration, as well as competent tax authorities. However, Circular 82 and the Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by PRC individuals, like our company. Currently there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “*de facto* management body” for the company of our type. We do not believe we are a resident enterprise defined and regulated by the aforesaid regulation, as none of our shareholders is a PRC company or PRC corporate group. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us. If the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we would be subject to a 25% corporate income tax on our global income, which will significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC CIT Law and the CIT Rules, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (*i.e.*, those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such

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gain is regarded as income derived from sources within the PRC. If the dividends we pay to our shareholders are regarded as income derived from sources within the PRC, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

All of our executive Directors and executive officers reside within China, and substantially all of our assets and substantially all of the assets of those persons are located within China. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity, market price and trading volume of our Shares may be volatile.

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares will be the result of negotiations among us and the Joint Bookrunners on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop or, if it does, that it will sustain or that the market price of our Shares will not decline significantly following the Global Offering. Furthermore, the liquidity, the price and trading volume of our Shares may be volatile, which may be subject to a number of factors, including but not limited to:

- actual or anticipated fluctuations in our results of operations;
- releases of new and popular online games by us or our competitors;
- restrictive regulations or limitations imposed on our industry by relevant authorities;
- recruitments or losses of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by securities analysts;
- actual or potential litigation or regulatory investigations; and
- general economic and market conditions or other developments affecting us and our industry.

In addition, stock markets and the shares of other China-based companies listed on the Stock Exchange have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of such companies. These broad market fluctuations may also materially and adversely affect the market price of our Shares.

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Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution.

The Offer Price of the Shares is higher than the net tangible book value per Share issued to existing holders of our Shares. Therefore, you and other purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value and existing holders of our Shares will receive an increase in net tangible book value per share of their Shares. In addition, if we issue additional Shares or equity-linked securities in the future, you and other purchasers of our Shares may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issuance.

Future sales or a major divestment of Shares by any of our Controlling Shareholders and Pre-IPO Investors could adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders and Pre-IPO Investors, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders and Pre-IPO Investors have agreed to a lock-up of their Shares, any major disposal of our Shares by any of our Controlling Shareholders and Pre-IPO Investors upon expiration of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

We have granted share options and RSUs in the past and will continue to do so in the future, which may have an adverse effect on our future profit. Exercise of the share options and the vesting of the RSUs granted will increase the number of our Shares in circulation, which may adversely affect the market price of our Shares.

We have adopted a Pre-IPO Share Option Scheme and an RSU Scheme in order to incentivize our Directors, senior management and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. As at the Latest Practicable Date, options in respect of 29,527,781 Shares and 80,044,565 RSUs were granted pursuant to the Pre-IPO Share Option Scheme and the RSU Scheme, respectively, representing approximately 4.00% and 10.85% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme), respectively. We are authorized to grant additional 26,692,625 RSUs under our RSU Scheme after the Listing. The fair value of the services received in exchange for the grant of the share options/RSUs is recognized as share-based compensation expenses, which have an adverse effect on our profit for the period. In 2010, 2011 and 2012 and the six months ended June 30, 2013, we recorded share-based compensation expenses of nil, RMB3.4 million, RMB5.7 million and RMB19.8 million, respectively. For the year ending December 31, 2013, we estimate that we will record approximately RMB50.0 million of share-based compensation expenses. In addition, exercise of the share options and the vesting of the RSUs we have granted will increase the number of our Shares in circulation. Any actual or perceived sales of the additional Shares acquired upon the exercise of the share options or vesting of RSUs we have granted may adversely affect the market price of our Shares.

Certain statistics contained in this prospectus are derived from a third party report which are not independently verified by us.

This prospectus, particularly the section headed “Industry Overview” in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the mobile game markets in China and certain other countries and regions. Such information and statistics have been derived from a third-party report commissioned by us. The sources of such information are conventional sources for such information and we have taken reasonable care in extracting and reproducing such information. We have

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no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics in this prospectus relating to the mobile game markets in China and certain other countries and regions may be inaccurate. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, you should not unduly rely upon the facts, forecasts and statistics contained in this prospectus.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

The headquarters of our Group is located in the PRC. All of our executive Directors and all members of the senior management of our Group currently reside in the PRC. Substantially all of the business operations and management functions of our Group are carried out in the PRC. We do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular communication between the Stock Exchange and us:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, namely Mr. Zhang, our Chairman of the Board, Chief Executive Officer and Executive Director and Ms. Lai Siu Kuen, one of our joint company secretaries. The authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorized representatives has means to contact all Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:
 - (i) each Director will provide his or her mobile phone number, office phone number, residential phone number, email address and facsimile number to the authorized representatives;
 - (ii) each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is travelling; and
 - (iii) each Director will provide his or her mobile phone number, office phone number, residential phone number, email address and facsimile number to the Stock Exchange;
- (c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Guotai Junan Capital Limited to act as our compliance advisor who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;
- (d) any meetings between the Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable time frame;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

- (f) all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice; and
- (g) we will retain a Hong Kong legal advisor to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

WAIVER IN RELATION TO OUR JOINT COMPANY SECRETARY

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, the secretary of our Company must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Our Company has appointed Ms. Huang Haiyan (黃海燕) as one of the joint company secretaries. Ms. Huang joined our Group in March 2011 and is a Vice President of our Group. She is in charge of the administrative matters of our Group and has a substantial involvement in the financial matters of our Group and therefore has a thorough understanding of the operation of our Company and our Board. Ms. Huang has approximately 12 years of experience in accounting and finance and has previously worked in two technology companies engaged in the offering of Internet services, being Tencent Holdings Limited (Stock Code: 700) and A8 Digital Music Holdings Limited (Stock Code: 800), which are listed on the Main Board of the Stock Exchange. However, Ms. Huang does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules. As such, our Company has appointed and engaged, Ms. Lai Siu Kuen, who possesses the requisite qualification and experience as required under Rule 3.28 of the Listing Rules, to act as another joint company secretary of our Company to ensure that Ms. Huang would be able to acquire the necessary experience to satisfy the requirements of Rule 3.28 of the Listing Rules. Both Ms. Huang and Ms. Lai, as joint company secretaries, will jointly discharge the duties and responsibilities with reference to their past experience and education background.

Moreover, we have taken, or will take, steps in ensuring Ms. Huang will receive the appropriate training in order to enable Ms. Huang to familiarize herself with the Listing Rules and other relevant rules and regulations in Hong Kong. Ms. Huang has confirmed that she will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules. Ms. Huang will also be advised by the PRC and Hong Kong legal advisors of our Company if and when necessary.

Given Ms. Huang's qualification and past experience, it is anticipated that Ms. Huang will gain experience with the assistance of Ms. Lai. It is intended that a further evaluation of the qualification and experience of Ms. Huang and the need for on-going assistance would be made three years after our Listing. The expectation is that we and Ms. Huang would then endeavour to demonstrate to the Stock Exchange's satisfaction that Ms. Huang having had the benefit of Ms. Lai's assistance, would then have acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance of Rule 3.28 and Rule 8.17 of the Listing Rules in respect of the appointment of Ms. Huang as one of the joint company secretaries, on the condition that Ms. Lai is appointed as the other joint company secretary. In the initial three years from the Listing Date, Ms. Lai is to work closely with Ms. Huang, who will be the contact person at our Company for the joint company secretaries, and provide assistance to Ms. Huang in the discharge of her duty as company secretary. Upon expiration of the initial period, our Company should liaise with the Stock Exchange. The Stock Exchange will revisit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Huang, having had the benefit of Ms. Lai's assistance for three years, will have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules, so that a further waiver will not be necessary. The waiver will be revoked immediately if Ms. Lai ceases to provide assistance and guidance to Ms. Huang.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed “Connected Transactions” in this prospectus.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME AND THE RSU SCHEME

Under paragraph 27 of Appendix 1A to the Listing Rules, we are required to disclose in this prospectus particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement. In addition, under paragraph 27 of Appendix 1A to the Listing Rules, where options have been granted to employees under a share scheme, it is not necessary to disclose the names and addresses of the grantees of the option.

Under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, we are required to disclose in this prospectus details of the number, description and amount of Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, and the names and addresses of the persons to whom it or the right to it was given.

Rule 17.02(1)(b) of the Listing Rules requires that full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options be disclosed in this prospectus.

As part of the Reorganization, the Pre-IPO Share Option Scheme was partially replaced by the RSU Scheme, such that 50% of the options granted under the Pre-IPO Share Option Scheme were replaced with RSUs under the RSU Scheme. Options representing a total of 59,130,563 Shares (representing approximately 10.55% of the issued share capital of our Company immediately prior to the Global Offering) were granted to 66 option holders. As a result of two option holders leaving employment, their options, representing 75,000 Shares, have lapsed. Therefore, the outstanding options granted under the Pre-IPO Share Option Scheme involve 59,055,563 Shares (representing approximately 10.54% of the issued share capital of our Company immediately prior to the Global Offering), and options representing 29,527,782 Shares, were replaced with 29,527,782 RSUs (representing approximately 5.27% of the issued share capital of the Company immediately prior to the Global Offering). In addition, a total of 50,516,783 RSUs were granted to 329 grantees on March 4, 2013 and an additional 26,692,625 RSUs will be available for grant after Listing.

As at the date of this prospectus, the outstanding options granted under the Pre-IPO Share Option Scheme involve 29,527,781 Shares (representing approximately 5.27% of the issued share capital of our Company immediately prior to the Global Offering) and such options are held by 64 option holders. As at the date of this prospectus, 29,527,782 RSUs have been granted to the same option holders under the Pre-IPO Share Option Scheme. Except for those option holders or grantees who are connected persons of our Company and members of the senior management of our Group as disclosed in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Option Scheme, 2. RSU Scheme and 3. Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme” in Appendix IV to this prospectus, no options or RSUs have been granted to any connected person of our Company or member of senior management of our Group.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

Under section 342A(1) of the Companies Ordinance, subject to any conditions imposed by SFC, a company can be exempted from any or all of the relevant provisions if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance would be irrelevant or unduly burdensome or is otherwise unnecessary or inappropriate.

We have applied to the SFC for an exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, and to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the information of the options granted under the Pre-IPO Share Option Scheme and of the RSUs granted under the RSU Scheme on the ground that full compliance with such disclosure requirements in setting out the names and addresses of, and the number of Shares represented by options granted under the Pre-IPO Share Option Scheme or number of RSUs granted under the RSU Scheme to, employees of our Group and who are neither connected persons of our Company nor members of senior management of our Group would be unduly burdensome for our Company and the exemption would not prejudice the interest of the investing public for the following reasons:

- (a) setting out the names, addresses and numbers of Shares represented by options and RSUs in respect of the 332 other employees on an individual basis would increase the number of pages in this prospectus by about 56 pages (English and Chinese versions included) and therefore would be costly for our Company in light of the increase in cost for prospectus printing;
- (b) the grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme or the grant of the RSUs will not cause any material adverse impact in the financial position of our Company and in any event the total number of Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme and the potential dilution effect is set out in this prospectus;
- (c) non-compliance with the disclosure requirements does not prevent our Company from providing an informed assessment of our Company's activities, assets and liabilities, financial position, management and prospects to its potential investors; and
- (d) the important information, that is, the aggregate number of options outstanding, exercise price, vesting period, exercise period and the potential dilution effect on the shareholdings of our Company upon Listing and the impact on the earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme as well as the total number of RSUs granted and in issue is disclosed in this prospectus and such information, together with other information contained in this prospectus regarding the Pre-IPO Share Option Scheme, provides potential investors with sufficient information to make a relevant assessment of our Company in their investment decision-making process.

The Stock Exchange has agreed to grant a waiver from strict compliance with the relevant disclosure requirements in connection with the information of the options granted under the Pre-IPO Share Option Scheme on the following conditions:

- (a) the grant of a certificate of exemption from strict compliance with the relevant Companies Ordinance requirements by the SFC;
- (b) disclosure in this prospectus, the full details of all options and RSUs granted by our Company under the Pre-IPO Share Option Scheme or the RSU Scheme (as the case may be) to connected persons of our Company and senior management of our Group on an individual basis, such details to include all the particulars required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

- (c) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme and the RSUs granted by our Company under the RSU Scheme, other than those referred to in sub-paragraph (b) above, the following details are disclosed in this prospectus;
 - (i) the aggregate number of grantees of options under the Pre-IPO Share Option Scheme and of RSUs under the RSU Scheme (as the case may be) under each of the ranking of associate director or above, manager, team leader and employee;
 - (ii) the aggregate number of Shares subject to such options or RSUs (as the case may be) and the percentage to the Company's total issued share capital represented by them;
 - (iii) the consideration paid for the grant of such options or RSUs (as the case may be); and
 - (iv) the vesting period, the exercise period and the exercise price of such options or RSUs (as the case may be);
- (d) an aggregate number of Shares subject to the options granted by our Company under the Pre-IPO Share Option Scheme and the percentage of our Company's total issued share capital represented by them and an aggregate number of RSUs granted and in issue and the percentage of our Company's total issued share capital represented by them;
- (e) a summary of the rules of the Pre-IPO Share Option Scheme and the rules of the RSU Scheme;
- (f) the potential dilution effect on the shareholdings of our Company upon Listing and the impact on the earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme; and
- (g) a full list of all the grantees who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme and a full list of all the grantees who have been granted RSUs under the RSU Scheme, containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be made available for inspection by the public as one of the documents available for inspection in accordance with the section headed "Documents delivered to the Registrar of Companies and Available for Inspection - Documents Available for Inspection" in Appendix V to this prospectus.

The SFC has agreed to grant an exemption (pursuant to section 342A(1) of the Companies Ordinance) from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance on the following conditions:

- (aa) full details of all options and RSUs granted by our Company under the Pre-IPO Share Option Scheme or the RSU Scheme (as the case may be) to connected persons of our Company and senior management of our Group on an individual basis, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance are disclosed in this prospectus;
- (bb) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme and the RSUs granted by our Company under the RSU Scheme, other than those referred to in sub-paragraph (aa) above, the following details are disclosed in this prospectus;
 - (i) the aggregate number of grantees of options under the Pre-IPO Share Option Scheme and of RSUs under the RSU Scheme (as the case may be) under each of the ranking of associate director or above, manager, team leader and employee;
 - (ii) the aggregate number of Shares subject to such options or RSUs (as the case may be) and the percentage to the Company's total issued share capital represented by them;
 - (iii) the consideration paid for the grant of such options or RSUs (as the case may be); and

**WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE**

- (iv) the vesting period, the exercise period and the exercise price of such options or RSUs (as the case may be);
- (cc) a full list of all the grantees who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme and a full list of all the grantees who have been granted RSUs under the RSU Scheme, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be made available for inspection by the public as one of the documents available for inspection in accordance with the section headed “Documents delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection” in Appendix V to this prospectus; and
- (dd) the particulars of this exemption are set out in this prospectus.

For further details of the Pre-IPO Share Option Scheme and the RSU Scheme, please refer to the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Option Scheme and 2. RSU Scheme” in Appendix IV to this prospectus.

The Directors believe that, in considering the above conditions undertaken by our Company, the granting of waiver and exemption by the Stock Exchange and the SFC will not prejudice the interest of public investors.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around November 5, 2013, subject to the Offer Price being agreed.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, November 8, 2013, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme).

Save as disclosed in this prospectus, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, November 12, 2013. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 0434.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the section headed “Underwriting” in this prospectus

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 27,658,000 Shares from Boyaa Global pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Zhang Wei (張偉), Chairman	19D, 3 Dong, Hao Fang Xian Dai Hao Yuan No.33 Gao Xin Zhong Er Lu Nanshan District Shenzhen, PRC	Chinese
Dai Zhikang (戴志康)	1-701 Shangdi Jiayuan Shangdi Eastern Road Haidian District Beijing, PRC	Chinese
Gao Junfeng (高峻峰)	10K Building 5 Xian Dai Cheng Hua Ting 1-5 No. 28 Chuang Ye Lu Nanshan District Shenzhen, PRC	Chinese
<i>Non-executive Director</i>		
Zhou Kui (周逵)	No. 202, Unit 1, Block 1 Chun Yin Yuan Shi Ji Cheng Haidian District Beijing, PRC	Chinese
<i>Independent Non-executive Directors</i>		
Cheung Ngai Lam (張毅林)	Room 1208, Block B King Lai Court Hammer Hill Road Kowloon	Chinese
Choi Hon Keung Simon (蔡漢強)	Room A2001 Hong Wei Hai Yi Wan Ke Yuan Da Dao Nanshan District Shenzhen, PRC	Chinese
Gao Shaofei (郜韶飛)	Yong Le Apartment No. 238, No. 299 Lane Xiang Jiang Gong Lu Nanxiang County Jiading District Shanghai, PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

**Sole Sponsor and Sole Global
Coordinator**

Credit Suisse (Hong Kong) Limited
Level 88 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**Joint Bookrunners and Joint Lead
Managers**

Credit Suisse (Hong Kong) Limited
Level 88 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China Renaissance Securities (Hong Kong) Limited
Unit 901-3
Agricultural Bank of China Tower
50 Connaught Road Central
Central
Hong Kong

Reporting accountant

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

Legal advisors to the Company

As to Hong Kong and U.S. laws:
Simpson Thacher & Bartlett
ICBC Tower, 35/F
3 Garden Road
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6F, NCI Tower
A12, Jianguomenwai Avenue
Chaoyang District
Beijing
China

As to Cayman Islands law:
Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Thai Law:

Thanathip & Partners
17th Floor, Tonson Tower
900 Ploenchit Road
Lumpini, Pathumwan
Bangkok 10330

Legal advisors to the Underwriters

As to Hong Kong and U.S. laws:

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Fangda Partners
32/F, Plaza 66 Tower 1
1266 Nan Jing West Road
Shanghai 200040, China

Industry Consultant

Shanghai iResearch Co., Ltd.

Receiving Banks

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office in Cayman Islands	The offices of Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters in the PRC	Room 9B-C, Block D3 International E Town TCL Industry Park 1001 Zhong Shan Yuan Road Nanshan District, Shenzhen Postal Code: 518000
Principal place of business in Hong Kong	8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company's website	<u>www.boyaa.com.hk</u> <i>(The information on the website does not form part of this prospectus)</i>
Joint company secretaries	Huang Haiyan (黃海燕) Lai Siu Kuen (黎少娟), FCIS, FCS
Authorized representatives	Zhang Wei (張偉) 19D, 3 Dong, Hao Fang Xian Dai Hao Yuan No. 33 Gao Xin Zhong Er Lu Nanshan District Shenzhen, PRC Lai Siu Kuen (黎少娟) 8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Audit Committee	Cheung Ngai Lam (張毅林) (<i>Chairman</i>) Choi Hon Keung Simon (蔡漢強) Gao Shaofei (郟韶飛)
Nomination Committee	Zhang Wei (張偉) (<i>Chairman</i>) Choi Hon Keung Simon (蔡漢強) Gao Shaofei (郟韶飛)
Remuneration Committee	Cheung Ngai Lam (張毅林) (<i>Chairman</i>) Choi Hon Keung Simon (蔡漢強) Gao Shaofei (郟韶飛)

CORPORATE INFORMATION

Compliance Advisor	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Cayman Islands Principal Share Registrar and Transfer Agent	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall, Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banks	China Merchants Bank, Shenzhen Branch The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Branch

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Shanghai iResearch Co., Ltd., or iResearch, in connection with the Global Offering, or the iResearch Report. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or their respective directors, advisers and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or their respective directors, advisers and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this prospectus, which may be inaccurate, incomplete, out-of-date or inconsistent with the other information compiled within or outside the PRC. In addition, this section does not contain data on the overall online game industry or the online card and board game market in three of the Company's four largest target markets, i.e., Hong Kong, Taiwan and Thailand, due to the lack of sufficient and readily available information according to iResearch. For the above reasons, information contained in this section shall not be unduly relied upon.

iResearch

We have commissioned iResearch, an independent third party and a PRC-based Internet market research institution, to prepare the iResearch Report, an industry report on online card and board games in our four largest target markets, namely, China, Hong Kong, Taiwan and Thailand, for use in this prospectus. iResearch has prepared the iResearch Report based on its self-developed analysis methods and data, as well as data it collected from various sources. We paid a total consideration of RMB550,000 for the preparation of the iResearch Report.

iResearch's projection on the market size of online card and board games takes into consideration various factors including (i) historical data of the relevant market size, (ii) the public filings of major online card and board game developers and publishers, as well as those companies' projections of their own prospective results of operations during iResearch's interviews with them, (iii) industry experts' projections, and (iv) iResearch's estimation of industry developments. iResearch's projection on the player base size is based on certain assumptions, including the expected growth rate of a country's economy and GDP, the level of Internet infrastructure improvement and Internet speed improvement, and takes into account other factors including historical data of the relevant player base size. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors.

According to the iResearch Report, online card and board games are Internet versions of card and board games, which include, without limitation, chess, solitaires, poker, blackjack, mahjong, bridge, Sudoku and dominos. These are casual games played online where virtual tokens may be used, but such tokens cannot be "cashed-out" and have no monetary value outside the games. Online card and board games should be distinguished from online "real money games," which are games operated by online casinos. In these real-world games, real-world currencies are used or virtual items are permitted to be cashed out and have monetary value outside the games. Because these real money games usually fall under gambling laws and regulations, licenses or permits from regulatory authorities are usually required in jurisdictions where such games are operated or offered.

Android and iOS are the two major operating systems for smart mobile devices on which major game developers and operators offer their games. For the Android system, there is no comprehensive information on the overall game market because Android applications have numerous distribution channels and platforms in different geographic markets. Apple Inc.'s App Store, on the other hand, is the only official distribution channel for iOS applications. iResearch has advised us that, with its best efforts, it was only able to systematically collect the relevant and accurate information on Apple Inc.'s App Store for our four largest target markets, i.e., the PRC, Hong Kong, Taiwan and Thailand, as presented below. Given the lack of

INDUSTRY OVERVIEW

comprehensive market information on the games offered on the Android platform and the fact that the same games offered on the iOS and Android platforms have identical game features, user experience as well as popularity, iResearch believes that the iOS rankings are appropriate measures that can reasonably reflect our market position and competitiveness in the overall mobile card and board game sector in these markets.

Overview of Macroeconomics of Our Largest Target Markets

China

China has experienced significant economic growth over the last decade. In February 2011, China replaced Japan as the second largest economy in the world. According to the National Bureau of Statistics of China, the nominal GDP of China grew from approximately US\$3.5 trillion in 2007 to US\$8.3 trillion in 2012, representing a CAGR of 18.8%. According to the iResearch Report, the nominal GDP is expected to reach US\$12.2 trillion in 2016, representing a CAGR of 10.2% from 2012 to 2016. Over the same period, the population of China grew from 1.28 billion in 2007 to 1.35 billion in 2012, and is estimated to reach 1.41 billion in 2016. The large population and the continuing economic growth present growth potential for the online and mobile game industry in China.

Hong Kong

Hong Kong's nominal GDP grew from US\$211.6 billion in 2007 to US\$263.2 billion in 2012, representing a CAGR of 4.5%. The nominal GDP is estimated to reach US\$357.8 billion in 2016, representing a CAGR of 8.0% from 2012 to 2016, according to the iResearch Report. The total population of Hong Kong increased from approximately 6.9 million in 2007 to 7.2 million in 2012 and is estimated to increase to 7.4 million in 2016.

Taiwan

Taiwan's nominal GDP grew from US\$393.1 billion in 2007 to US\$474.3 billion in 2012, representing a CAGR of 3.8%. The nominal GDP is expected to reach US\$614.2 billion in 2016, representing a CAGR of 6.7% from 2012 to 2016, according to the iResearch Report. Over the same period, the total population of Taiwan increased from 22.9 million in 2007 to 23.2 million in 2012, and is expected to increase to 23.5 million in 2016, according to the iResearch Report.

Thailand

In the aftermath of the global financial crisis, the nominal GDP of Thailand declined in 2009 but slowly recovered since 2010 and reached US\$368.8 billion in 2012, which is estimated to further increase to US\$536.2 billion in 2016, representing a CAGR of 9.8% from 2012 to 2016. The total population of Thailand increased from approximately 67.0 million in 2007 to approximately 69.9 million in 2012 and is expected to increase to 71.9 million in 2016.

Internet and Mobile Internet Industry in Our Largest Target Markets

PRC

According to the iResearch Report, the total number of Internet users in the PRC increased significantly in the past five years, from approximately 210 million at the end of 2007 to 564 million at the end of 2012 and is expected to grow to approximately 790 million by the end of 2016. The Internet penetration rate, representing the percentage of total Internet users over total population, was approximately 16.0% at the end of 2007, 42.1% at the end of 2012 and is estimated to grow to 56.2% by the end of 2016. With continuous upgrade of broadband Internet infrastructure in the PRC, the total number of broadband Internet users

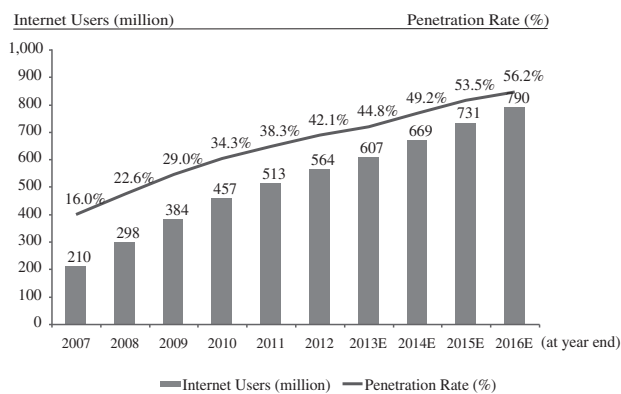
INDUSTRY OVERVIEW

increased from 187 million at the end of 2007 to 501 million at the end of 2012 and is expected to further increase to 710 million at the end of 2016. The broadband penetration rate, representing the percentage of total broadband Internet users over total Internet users, is expected to grow from 88.8% by the end of 2012 to 89.9% by the end of 2016.

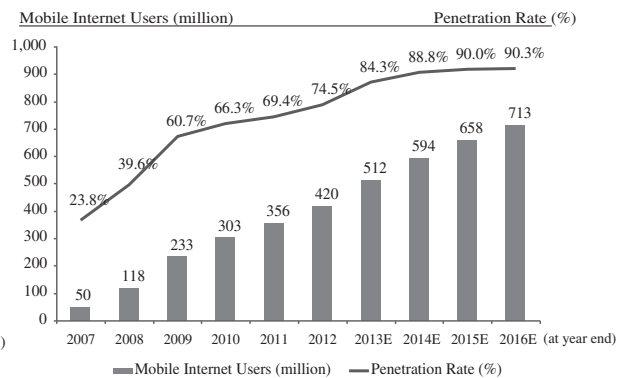
Due to the introduction and increasing popularity of various innovative portable devices, such as smartphones and tablet devices, mobile Internet users in the PRC increased significantly from 50 million at the end of 2007 to 420 million at the end of 2012, representing penetration rates of mobile Internet users over total Internet users of approximately 23.8% and 74.5%, respectively. According to the iResearch Report, the number of mobile Internet users is estimated to further increase to 713 million by the end of 2016, representing a penetration rate of mobile Internet users over total Internet users of approximately 90.3%. The smartphone subscription in the PRC reached approximately 200 million units at the end of 2012 and is expected to reach 710 million units by the end of 2016, representing penetration rates of smartphones over total mobile phones of 32.6% at the end of 2012 and 46.2% by the end of 2016.

The charts below set forth certain details of Internet, mobile Internet and smartphone penetration rates in the PRC:

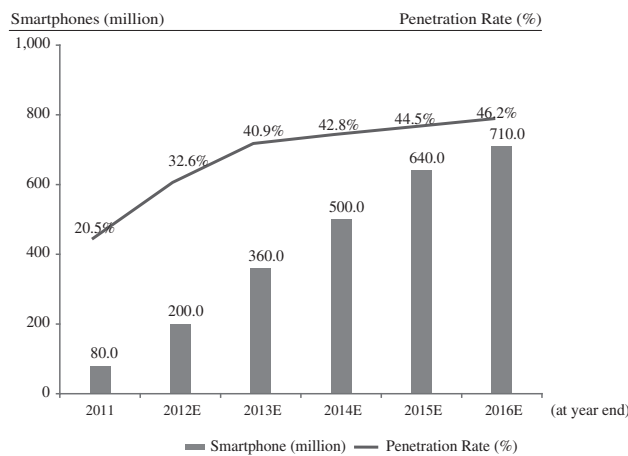
Internet Users and Internet Penetration Rate



Mobile Internet Users and Penetration Rate



Smartphone Penetration Rate



Source: iResearch Report

INDUSTRY OVERVIEW

Hong Kong

According to the iResearch Report, by the end of 2012, the total number of Internet users in Hong Kong reached approximately 5.6 million with a penetration rate of Internet users over total population of approximately 78.1%, which is expected to increase to 6.0 million by the end of 2013, representing a penetration rate of approximately 83.5%. Similar to Taiwan, the broadband Internet coverage in Hong Kong is relatively high. The broadband Internet coverage rate was approximately 87.0% of total Internet users by the end of 2012 and is estimated to increase to 88.0% by the end of 2013. Hong Kong is one of the regions in the world with the highest broadband Internet coverage, according to the iResearch Report.

The total mobile Internet users in Hong Kong increased significantly from approximately 2.8 million at the end of 2009, representing a penetration rate of mobile Internet users over total population of approximately 40.0%, to approximately 5.4 million at the end of 2012, representing a penetration rate of mobile Internet users over total population of 74.6%. According to the iResearch Report, the mobile Internet users in Hong Kong is expected to further increase to 6.1 million, or a penetration rate of mobile Internet users over total population of approximately 85.0% by the end of 2013. Due to the well-established infrastructure, including 4G network, in Hong Kong, as well as the availability of various mobile devices in the market, the penetration rate of smartphones over all mobile phones in Hong Kong is relatively high, which increased from approximately 27.4% by the end of 2007 to 61.4% by the end of 2012.

Taiwan

According to the iResearch Report, by the end of 2012, the total number of Internet users in Taiwan was approximately 17.4 million with a penetration rate of Internet users over total population of approximately 74.9%, representing a 17.9% increase from the end of 2007. As a result of technology advancement and established infrastructure, Taiwan's broadband Internet coverage was approximately 85.0% of total Internet users at the end of 2012, compared to 70.8% at the end of 2007.

The total mobile Internet users in Taiwan increased significantly from approximately 1.2 million at the end of 2007, representing a penetration rate of mobile Internet users over total population of 5.2%, to 9.4 million at the end of 2012, representing a penetration rate of mobile Internet users over total population of 40.2%. Mobile Internet is expected to become more prevalent along with the rapid development of smartphones and massive construction of network infrastructure. As a result of competition and technology advancement in the mobile device industry, smartphones have dominated the mobile phone market with a penetration rate of smartphones over total mobile phones increasing from approximately 26.9% by the end of 2007 to 63.5% by the end of 2012 in Taiwan.

Thailand

The Thai government has introduced a set of policies under the "National Information Technology Development Plan" to support and encourage the development of Internet and related industries since 2002 with the latest policy issued in 2009. The Software Industry Promotion Agency was established in 2003 to facilitate the marketing and promotion for Internet related industries in Thailand.

The Internet infrastructure is relatively underdeveloped in Thailand. In addition, the broadband services are expensive and the connection speed is slow. According to the iResearch Report, the total number of Internet users in Thailand was approximately 16.6 million at the end of 2012, representing a penetration rate of Internet users over total population (over six years old) of approximately 26.4%, compared to 9.3 million at the end of 2007, representing a penetration rate of 15.5%, which provides a huge growth potential. The total number of broadband Internet users increased from approximately 1.3 million at the end of 2007 to 4.3 million at the end of 2012, representing a penetration rate of broadband Internet users over total Internet users of 13.8% and 25.9%, respectively. According to the iResearch Report, the broadband penetration rate is expected to reach approximately 37.0% by the end of 2015.

INDUSTRY OVERVIEW

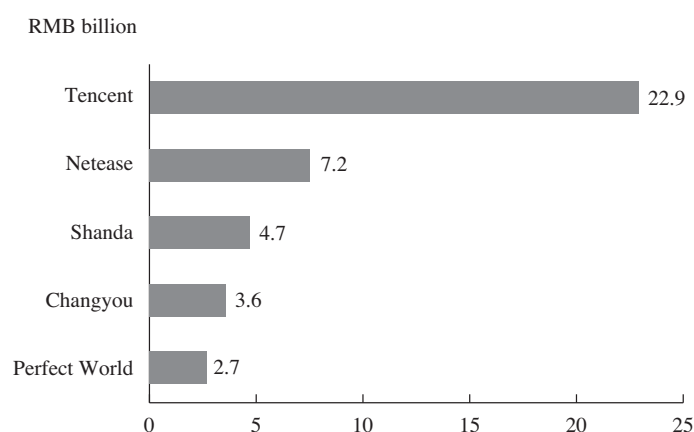
The mobile Internet industry in Thailand has experienced significant growth in the past several years. According to the iResearch Report, the number of mobile Internet users increased from approximately 5.4 million at the end of 2010 to approximately 15.7 million at the end of 2012 and is estimated to reach 32.6 million at the end of 2015, representing a penetration rate of Internet users over total population (over six years old) of approximately 8.6%, 25.0% and 50.7%, respectively. The penetration rate of smartphones over total mobile phones grew from 19.3% in 2007 to 30.1% in 2012. Due to the underdeveloped 3G network infrastructure, the smartphone penetration rate in Thailand has been relatively low compared to other more developed countries and regions in Asia. According to the iResearch Report, the number of smartphones in Thailand increased from approximately 10.2 million at the end of 2007 to 25.3 million at the end of 2012 and is expected to further grow, driven by the strong demand for voice and data services from Thai users.

Select Market Focus — Online Games in the PRC

Overview

The online game market has grown rapidly since the beginning of the 21st century, driven by the favourable government policies, expanding player base, increasing competition among overseas and domestic game developers and increasing capital investments. In particular, the “freemium” model has become popular since 2006. Under the freemium model, online games are free to download and play while players are charged for premium services and features. Such business model enables an online game to attract a large player base in a short period of time. In addition, along with the rise of popular social networking platforms and the increasing number of games available on mobile devices, purchases made by online game players have become more diversified. Online game players in the PRC have become more sophisticated and have an increasing demand for high quality online games.

According to the iResearch Report, the total online game market size in the PRC by revenue (excluding advertising revenue) increased from RMB13.3 billion in 2007 to RMB66.2 billion in 2012 and is expected to reach RMB130.8 billion in 2016. The chart below sets forth the top five China-based publicly-listed online game companies and their reported revenues in 2012 according to the iResearch Report:



Forms of Online Games

There are three major online game forms in the PRC, namely client-based games, web games and mobile games.

Client-based games (games that require download and installation of client software on the player’s computer) have long been the dominant form of online games in the PRC, with a market size growing from RMB12.5 billion in 2007 to RMB48.5 billion in 2012, according to the iResearch Report. The development cycle of a client-based game is usually long and costly, resulting in current monopoly by a small number of large developers of conventional games in the market. In addition, the growth of client-based games in the PRC has been facing a number of challenges, such as lack of creativity, severe product similarity, and market

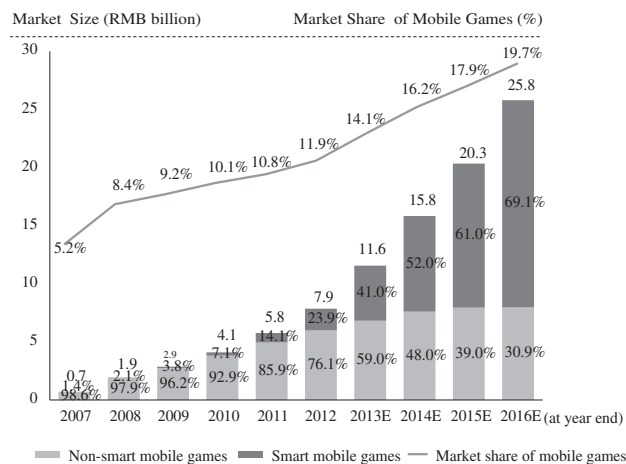
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saturation. According to the iResearch Report, the market size of client-based games is estimated to increase from RMB48.5 billion in 2012 to RMB80.4 billion in 2016 and the annual growth rates are estimated to decline from 18.5% to 10.5%. As a result of the increasing availability and popularity of other forms of online games, the market share of client-based games is expected to decline from approximately 93.7% in 2007 to approximately 61.4% in 2016, according to the iResearch Report.

According to the iResearch Report, web games (meaning games that can be played in web browsers and do not require download and installation of client software) had a market share of 14.8% as measured by revenue of total online games in the PRC in 2012, which is expected to increase to approximately 18.8% in 2016. The market size of total web games was approximately RMB7.6 billion in 2012 and is expected to increase to RMB16.8 billion in 2016. Compared to the development of client-based games, many Internet companies have been attracted to the development of web games, which led to the intense competition in this sector.

Mobile game development has a relatively short history in the PRC but has experienced exponential growth in recent years. Mobile game market share as measured by revenue increased from approximately 5.2% of the total online game market in 2007 to approximately 11.9% in 2012 and is expected to further increase to 19.7% in 2016, according to the iResearch Report. Historically, mobile games in China were dominated by games developed for non-smart mobile software platforms, such as Symbian and the Java language. Mobile games on non-smart mobile devices are usually pre-installed with limited functions and expansibility. There are various types of non-smart mobile games, including card and board games, role-play games and action games. However, player experience, quality, and availability of non-smart mobile games are significantly lower than smart mobile games. Due to the introduction of innovative mobile devices and healthy ecosystems, a large number of developers, including individuals, participate in the development of mobile games. Mobile games available on “smart” devices, primarily smartphones and tablets, accounted for 24% of the market share in 2012 as measured by total revenue of mobile games, representing approximately RMB7.9 billion. The iResearch Report expects that the market size of games available on smart devices in the PRC will increase to approximately RMB17.8 billion in 2016, or equivalent to approximately 69.1% of total revenue from mobile games in the PRC in 2016. Along with increasing mobile device penetration and the diversification of mobile games, time spent on mobile games by players is expected to continue to grow, according to the iResearch Report.

The chart below sets forth certain details of market sizes of mobile games and mobile games available on smart devices in the PRC:



Source: iResearch Report

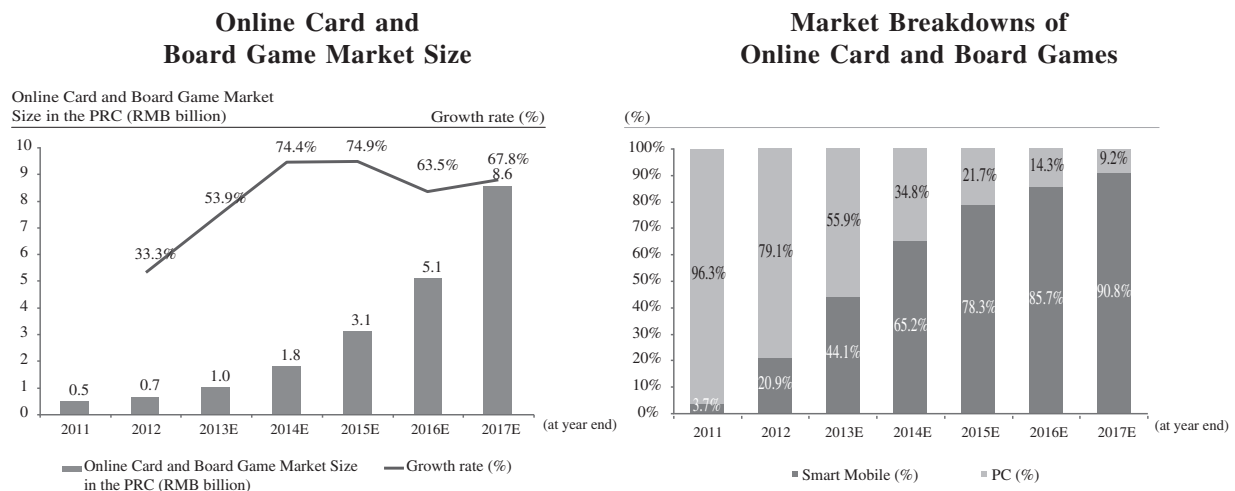
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Online Card and Board Games

Card and board games have a long-standing history with a large and solid player base in the PRC. Historically, the growth of the personal computer segment of online card and board games in the PRC has been constrained by the lack of efficient payment channels and players' willingness to pay. However, rising popularity of smart devices, growing availability of affordable smartphones, increasingly diverse and convenient payment methods, healthy ecosystem created by Apple Inc.'s iOS and growing needs for entertainment during people's spare time have offered tremendous growth opportunities for mobile segment of the online card and board game market in the PRC. The increasing popularity of the mobile card and board games in the PRC is primarily due to higher quality games, shorter and easier gameplay, more people choosing to play games during their downtime, easier access to payment systems of the games, which contribute to the high player stickiness.

According to the iResearch Report, the overall online card and board game market in the PRC reached approximately RMB660 million in 2012 and is expected to grow to approximately RMB8.6 billion in 2017, representing a CAGR of 66.9% over the same period. Based on the above-mentioned PRC overall online card and board game market size and our RMB154.0 million of revenue in 2012 derived from the simplified Chinese version of our online card and board games targeting the PRC market, we had a 23.3% market share in the PRC online card and board game market in 2012. In addition, according to iResearch, the mobile segment of the online card and board game market reached approximately RMB140 million in 2012 and is expected to grow exponentially to approximately RMB7.8 billion in 2017, representing a CAGR of 123.9% over the same period. The smart mobile segment accounted for 3.7% and 20.9% of the online card and board game market in 2011 and 2012, respectively, and is expected to further expand to 90.8% by 2017, which is consistent with the trend of players shifting from playing games on personal computers to smart mobile devices.

The charts below set forth certain details of online card and board game market size in the PRC:



Source: iResearch Report

According to the iResearch Report, Apple Inc.'s iOS platform is the major distribution channel for mobile card and board games in the PRC, and most revenue derived from such games in the PRC is generated on the iOS platform. In 2012, we ranked No. 1 among all game developers that offer iOS mobile card and board games in China, with an approximately 32% market share in terms of revenue generated from iOS mobile card and board games in the PRC. We also ranked No. 1 in terms of number of downloads among all iOS mobile card and board game developers in the PRC in 2012, accounting for approximately 22.3% of all iOS mobile card and board game downloads. Our success in the PRC market is mainly attributable to the quality and quantity of our card and board games and our early mover advantage. By the end of 2012, we

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offered 13 mobile card and board games in the PRC, ranked No. 4 in terms of number of iOS mobile card and board games offered in the PRC in 2012, according to the iResearch Report. We were the No. 1 PRC-based corporate developer as measured by number of iOS mobile card and board games offered in the PRC in 2012.

Our Texas Hold'em offered in two versions (standard and high definition) were ranked No. 1 and No. 4, respectively, among all iOS mobile card and board games in terms of revenue generated in the PRC in 2012. Our Fight the Landlord and Texas Hold'em were also among the top five most downloaded games on iOS in the PRC in 2012.

The table below sets forth the PRC's top-ranked iOS mobile card and board games and mobile card and board game developers as measured by revenue, number of downloads and number of games offered in 2012, according to the iResearch Report:

Rank	Game		Game Developer		
	Revenue	Number of downloads	Revenue / Market share	Number of downloads / Market share	Number of games offered
1	Texas Hold'em by Boyaa	Puzzle Bubble Free! by Dodur	Boyaa, 32%	Boyaa, 22%	Weikuan Zhou
2	Texas Poker by KAMAGAMES	求合體 by Faya	KAMAGAMES, 12%	Weikuan Zhou, 17%	Electronic Arts
3	魔卡幻想 by iFree Studio	Fight the Landlord by Boyaa	iFree Studio, 10%	Dodur, 13%	GodGame
4	Texas Hold'em HD by Boyaa	Texas Hold'em by Boyaa	Chengdu Efvision Info-Tech, 7%	Simply Game, 9%	Boyaa
5	歡樂聯網炸金花 by Chengdu Efvision Info-Tech	Russian Blocks by Weikuan Zhou	GameSpring, 4%	Faya Media, 8%	Easymobi

Select Market Focus — Mobile Card and Board Games in Hong Kong, Taiwan and Thailand

Hong Kong

Hong Kong's mobile card and board game market is mature and competitive. Major developers in the mobile card and board game market in Hong Kong are from the PRC, Korea and Taiwan. The total market size of mobile card and board games in Hong Kong by revenue was approximately RMB60 million in 2012 and is expected to reach RMB650 million in 2017, representing a CAGR of 63.0% from 2012 to 2017, according to the iResearch Report. Due to the limited technology support and high development costs, many local game companies are at an early stage of development and normally operate games that are licensed from overseas game developers. Only a very small number of local game companies engage in in-house game development.

We currently offer 13 iOS mobile card and board games in Hong Kong and were the No. 1 game developer in terms of revenue in 2012 with an approximately 25% market share, according to the iResearch Report. We were also the No. 1 iOS mobile card and board game developer in terms of number of downloads in Hong Kong in 2012, accounting for approximately 21.8% of all iOS mobile card and board game downloads in Hong Kong in 2012.

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Among all iOS mobile card and board games in Hong Kong in 2012, our Fight the Landlord ranked No. 1 in terms of revenue generated and No. 4 in terms of number of downloads. The standard version of our Texas Hold'em ranked No. 4 and No. 8 by the same measure, respectively. In addition, we had the largest game portfolio among the top 20 iOS mobile card and board games by revenue in Hong Kong in 2012.

The table below sets forth Hong Kong's top-ranked iOS mobile card and board games and mobile card and board game developers as measured by revenue, number of downloads and number of games offered in 2012, according to the iResearch Report:

Rank	Game		Game Developer		
	Revenue	Number of downloads	Revenue / Market share	Number of downloads / Market share	Number of games offered
1	Fight the Landlord by Boyaa	麻雀館 - 跑馬仔 by Pigars Entertainment	Boyaa, 25%	Boyaa, 22%	Electronic Arts
2	Legend of the Cryptids by Applibot	雀王會館正宗香港麻雀(麻將) by Recax	Applibot, 10%	GodGame, 17%	GodGame
3	Texas Poker by KAMAGAMES	Slotomania by Playtika	GodGame, 9%	International Games System, 11%	Weikuan Zhou
4	Texas Hold'em by Boyaa	Fight the Landlord by Boyaa	KAMAGAMES, 8%	Pigars Entertainment, 9%	Boyaa
5	Slotomania by Playtika	MONOPOLY Hotels by Electronic Arts	Playtika, 6%	Lucy, 8%	Zynga

Taiwan

Taiwan historically imposed strict limitations on game companies from the PRC, such as prohibiting them from independently operating online games in Taiwan. Over the past several years, the Taiwan government has relaxed relevant regulations and policies, which provided new opportunities for game companies both in the PRC and Taiwan.

Taiwan's Internet related industries are relatively mature and competitive. Domestic game developers in Taiwan possess strong research and development capability and have achieved leading market positions. The market size of Taiwan's mobile card and board games reached approximately RMB60 million in 2012 at a year-over-year growth rate of 317.6%. It is expected to further increase to approximately RMB1,730.0 million in 2017, representing a CAGR of 93.7% from 2012 to 2017, according to the iResearch Report.

According to the iResearch Report, we ranked No. 2 in the iOS mobile card and board games in Taiwan, with an approximately 22% market share by revenue in 2012. Except for the largest mobile card and board game developer with an approximately 24% market share by revenue in 2012, no other card and board game developer's market share exceeding 5%. We currently offer 12 iOS mobile card and board games in Taiwan and ranked No. 4 by number of iOS mobile card and board games offered in Taiwan in 2012, according to the iResearch Report.

According to the iResearch Report, our Texas Hold'em and Fight the Landlord ranked No. 1 and No. 3 iOS mobile card and board games by revenue in Taiwan in 2012, respectively.

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The table below sets forth Taiwan's top-ranked iOS mobile card and board games and mobile card and board game developers as measured by revenue, number of downloads and number of games offered in 2012, according to the iResearch Report:

Rank	Game		Game Developer		
	Revenue	Number of downloads	Revenue / Market share	Number of downloads / Market share	Number of games offered
1	Texas Hold'em by Boyaa	麻將明星3缺1-16張 by International Games System	GodGame, 24%	GodGame, 27%	Electronic Arts
2	麻將神來也麻將 HD by GodGame	對戰暗棋 by CiRE Software	Boyaa, 22%	International Games System, 17%	Weikuan Zhou
3	Fight the Landlord by Boyaa	麻將神來也麻將 by GodGame	KAMAGAMES, 5%	Boyaa, 10%	GodGame
4	Texas Poker by KAMAGAMES	方塊-經典回憶 by TonyQiang	Zynga, 5%	CiRE Software, 8%	Boyaa
5	麻將神來也麻將 by GodGame	麻將明星3缺1 HD by International Games System	Playtika, 4%	ElitesCastle, 7%	Zynga

Thailand

Currently, over 90% of the total online game market by revenue in Thailand is generated from overseas developers. The domestic game developers in Thailand are still at an early stage of development and normally operate games licensed from overseas developers. Compared with Taiwan and Hong Kong, the mobile game market in Thailand is relatively underdeveloped and is dominated by overseas game developers. According to the iResearch Report, the total market size of mobile card and board games by revenue in Thailand was approximately RMB73.0 million in 2012 and is expected to increase to RMB820.0 million in 2017, representing a CAGR of 62.2% from 2012 to 2017.

Application stores and Facebook are the two major distribution and promotion platforms for foreign game developers to tap into the Thailand market. According to the iResearch Report, Thailand's mobile game market is currently at an early stage of development. The iOS mobile card and board game market in Thailand are relatively concentrated, with the top three game developers collectively accounting for 60% of the market share by revenue in 2012. Among all the mobile services, mobile games are the third most popular mobile application in Thailand. Given the strong market growth, early movers are positioned to reinforce their leading positions in the long run in the Thai mobile game market.

We were the market leader with an approximately 43% market share by revenue from iOS mobile card and board game market in Thailand in 2012. The No. 2 market leader had a market share of approximately 10% in 2012. Based on the number of iOS mobile card and board games available for the Thai market, we were the No. 3 game developer in Thailand in 2012.

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Our Texas Hold'em offered in two versions (standard and high definition) ranked No. 1 and No. 2, respectively, in terms of revenue generated from iOS mobile card and board games in Thailand in 2012. The total revenue generated by these two versions of Texas Hold'em was approximately four times of the No. 3 iOS mobile card and board game developer in Thailand, according to the iResearch Report. Furthermore, these two versions of Texas Hold'em also ranked No. 1 and No. 3, respectively, among all iOS mobile card and board games in terms of total number of downloads in Thailand in 2012.

The table below sets forth Thailand's top-ranked iOS mobile card and board games and mobile card and board game developers as measured by revenue, number of downloads and number of games offered in 2012, according to the iResearch Report:

Rank	Game		Game Developer		
	Revenue	Number of downloads	Revenue / Market share	Number of downloads / Market share	Number of games offered
1	Thai Texas Poker by Boyaa	Thai Texas Poker by Boyaa	Boyaa, 43%	Boyaa, 20%	Electronic Arts
2	Thai Texas Poker HD by Boyaa	Bingo Bash by BitRhymes	Zynga, 10%	BitRhymes, 13%	GodGame
3	Poker by Zynga	Thai Texas Poker HD by Boyaa	Applibot, 7%	Zynga, 12%	Boyaa
4	Legend of the Cryptids by Applibot	Legend of the Cryptids by Applibot	KAMAGAMES, 7%	Mobage, 12%	Optime Software
5	Texas Poker by KAMAGAMES	Poker by Zynga	Mobage, 5%	Applibot, 10%	Zynga

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REGULATION ON TELECOMMUNICATIONS SERVICES AND FOREIGN OWNERSHIP RESTRICTIONS

Regulations on Telecommunications Services

Value-added telecommunications services in the PRC are governed by the Telecommunications Regulations of the PRC (中華人民共和國電信條例) (the “**Telecommunications Regulations**”), which was issued on September 25, 2000 by the State Council of the People’s Republic of China (中華人民共和國國務院) (the “**State Council**”). The Telecommunications Regulations categorize all telecommunications services in the PRC as basic telecommunications services and value-added telecommunications services and set out extensive guidelines on various aspects of telecommunications operations in the PRC. The Catalogue of Telecommunications Businesses (電信業務分類目錄) attached to the Telecommunications Regulations, which was amended on February 21, 2003 and became effective on April 1, 2003, provides that information services via public communication networks, such as fixed networks, mobile networks and the Internet are value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in the PRC must obtain an operating license from the MIIT or its provincial-level counterparts.

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (the “**Internet Measures**”), issued by the State Council on September 25, 2000 and amended on January 8, 2011, regulate the provision of Internet information services. According to the Internet Measures, “Internet information services” refer to services that provide Internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the Internet Measures, Internet information commercial service providers shall obtain an ICP License from the relevant authorities before engaging in the provision of any commercial Internet information services in China. In addition, if the Internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other additional governmental authorities, such approvals must be obtained before applying for the ICP License.

The Administrative Measures for Telecommunications Businesses Operating Licensing (電信業務經營許可管理辦法) (the “**Telecom License Measures**”) were promulgated by the MIIT and became effective on April 10, 2009. The Telecom License Measures, which are formulated in accordance with the Telecommunications Regulations, set out the types of licenses required to provide telecommunications services in the PRC and the procedures and requirements for obtaining such licenses. With respect to licenses for value-added telecommunications businesses, the Telecom License Measures distinguish between licenses for business conducted in a single province, which are issued by the provincial-level counterparts of the MIIT, and licenses for trans-provincial businesses, which are issued by the MIIT.

Besides, the Internet Measures and other relevant measures also ban Internet activities that constitute publication of any content that, among others, propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties. If an Internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider’s violation of these prescriptions will lead to the revocation of its ICP License and, in serious cases, the shutting down of its Internet systems.

Our VIE, Boyaa Shenzhen, has obtained an ICP License issued by Guangdong Provincial Communication Administration (廣東省通信管理局) with service scope covering Internet information services and mobile network information services.

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Regulations Relating to Foreign Investments in Value-added Telecommunications Industry

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on December 11, 2001 and amended on September 10, 2008, foreign investors' ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas (the "**Qualification Requirement**"). Our PRC Legal Advisor has advised us that based on (a) its research on the website of MIIT and (b) its phone inquiries with the MIIT, it is understood that, in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license at its place of registration (equivalent of the ICP License issued by the MIIT) and its financial reports of the most recent three years. However, the MIIT did not specify during our PRC Legal Advisor's phone inquiries what would constitute "a good track record" and there are no specific written guidelines in this regard. As such, our PRC Legal Advisor takes the view that the exact details of the Qualification Requirement are subject to the discretion of the MIIT when it handles the specific applications from foreign investors intending to set up a foreign-invested value-added telecommunications enterprise under the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定). We have started taking steps, and plan to take additional steps, to build up our track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Boyaa Shenzhen when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted. For details of the specific steps we have taken and plan to take, please refer to "History, Reorganization and Corporate Structure — Contractual Arrangements — Introduction" in this prospectus.

The Guiding Catalogue for Foreign Investment Industries of 2011 (外商投資產業指導目錄(2011)), which was promulgated by the MOFCOM and the National Development and Reform Commission (國家發展和改革委員會) (the "**NDRC**"), imposes the same restrictions on the percentage of foreign ownership in value-added telecommunication business as imposed by the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) discussed above.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知) (the "**MIIT Notice**"), which prohibits holders of ICP Licenses from leasing, transferring or selling their licenses to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for illegal operation of telecommunications businesses in the PRC. The MIIT Notice requires that holders of ICP Licenses or their shareholders must directly own the domain names and registered trademarks used by such license holders in their ICP-related services. The MIIT Notice further requires that each license holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and Internet security in accordance with the standards set out in relevant PRC regulations. If a license holder fails to comply with the requirements in the MIIT Notice and remedy such non-compliance, MIIT or its local counterparts has the discretion to take administrative measures against such license holder, including revocation of its ICP License. Boyaa Shenzhen, as the holder of the ICP License, owns the domain names and registered trademarks required for its ICP-related services and uses certain trademarks under the Intellectual Properties License Agreement with Boyaa PRC. Please refer to the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Our Intellectual Property Right" in Appendix IV to this prospectus. Our PRC Legal Advisor is of the opinion that Boyaa Shenzhen owns the registered trademarks required for its ICP-related services as regulated under the MIIT Notice and that the intellectual properties for which Boyaa Shenzhen will be granted the right of use by Boyaa PRC under the Intellectual Properties License Agreement do not and will not include any registered trademarks as required to be owned by Boyaa Shenzhen or its shareholders pursuant to the MIIT Notice. As such, our PRC Legal Advisor is of the opinion that Boyaa Shenzhen is in compliance with the MIIT Notice's requirements for domain names and registered trademarks because the

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trademarks Boyaa Shenzhen uses through the Intellectual Properties License Agreement with Boyaa PRC are not registered trademarks regulated under the MIIT Notice. The Directors believe that the above position is supported by the compliance letter issued to Boyaa Shenzhen by Guangdong Provincial Communication Administration dated April 26, 2013, confirming that Boyaa Shenzhen has not been punished for any violation of relevant laws and regulations applicable to its telecommunication business operations, including the MIIT Notice. In addition, Boyaa Shenzhen is in the process of transferring to Boyaa PRC the registration applications relating to certain unregistered ICP-related trademarks. These registration applications will be transferred back to Boyaa Shenzhen. For details, please refer to “Business — Intellectual Properties” in this prospectus.

REGULATIONS ON ONLINE GAMES AND CULTURAL PRODUCTS AND FOREIGN OWNERSHIP RESTRICTIONS

Pursuant to the aforesaid Guidance Catalogue of Industries for Foreign Investment of 2011, the Internet culture business falls within the category of industries prohibiting foreign investment. On February 17, 2011, the MOC issued the revised Interim Provisions on the Administration of Internet Culture (互聯網文化管理暫行規定) (the “**Internet Culture Interim Provisions**”), effective as of April 1, 2011. According to the Internet Culture Interim Provisions, “Internet cultural products” are defined as including the online games specially produced for Internet and games reproduced or provided through Internet. Provision of Internet cultural products and related services is subject to the approval of the MOC or its provincial counterpart. The MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the Administration of Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知) on March 18, 2011, which provides that the authorities will temporarily not accept applications by foreign-invested Internet content providers for operation of Internet culture business (other than online music business).

On June 3, 2010, the MOC issued the Interim Measures on Administration of Online Games (網絡遊戲管理暫行辦法) (the “**Online Game Measures**”), which became effective on August 1, 2010. Pursuant to the Online Game Measures and the Internet Culture Interim Provisions, a company engaging in Internet culture activities, such as the production or the operation of online games, including mobile games operated through wireless telecommunication networks, issuance of virtual currency and/or provision of virtual currency transaction services must have a registered capital of at least RMB10 million and obtain an Internet Culture Business License (網絡文化經營許可證) from the provincial counterpart of the MOC. Our VIE, Boyaa Shenzhen, has obtained an Internet Culture Business License issued by Guangdong MOC (廣東省文化廳).

The Online Game Measures place restrictions on the content of online games and require that online games shall not contain any content that, among other things, violates the fundamental principles established in the PRC Constitution, endangers unification, sovereignty, and territorial integrity of the State or transgresses social morality, and any other content prohibited by laws, administrative regulations, and provisions of the State. The MOC is responsible for conducting the content review. With respect to online games developed in the PRC, filing procedures with the MOC shall be done within 30 days after the online games are provided via Internet within the PRC. The competent supervision authority may require the company who failed to comply with this requirement to rectify the non-compliance and impose penalties up to RMB20,000. For the details please refer to “Business — Non-compliance with Filing Requirements for Online Games”. In addition, the filing numbers of the games must be displayed at the designated places of the websites or which the games are operated or at a prominent place in the games. Online game operators are also required to establish self-censorship systems and have dedicated personnel for the purpose to ensure the lawfulness of the content of online games. As at the Latest Practicable Date, our VIE, Boyaa Shenzhen has submitted to the MOC filing materials for all the online games that it is operating within the PRC and has completed the filing procedure for ten of its online games.

The Online Game Measures require the online game operators to, based on the contents, functions and target users, formulate user guidance and warning information regarding the online games, and indicate such information at a conspicuous place of their websites and in the games. The MOC has formulated the Mandatory Provisions for the Standard Agreement for Online Game Services (網絡遊戲服務格式化協定必備條款). Pursuant to the Online Game Measures, the service agreement entered into between an online game operator and a user must include all the mandatory provisions specified by the MOC. Other clauses in the service agreement shall not contravene the mandatory provisions. Furthermore, the online game operators are

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required to take technical and managerial measures to ensure online information security, including preventing computer virus invasion, attack or damage, backing up important data and saving user registration information, operating information, maintenance logs and other information, and protect State secrets, trade secrets and users' personal information.

Regulations on Internet Publication

On June 27, 2002, the GAPP and the MIIT jointly issued the Interim Regulations on Administration of Internet Publication (互聯網出版管理暫行規定) (the “**Internet Publication Regulations**”), which became effective on August 1, 2002. The Internet Publication Regulations imposed a license requirement for Internet publication activities, which include online game publication. Under the GAPP Online Game Notice, provision and operation of online games via Internet is regarded as an Internet publishing activity, and subject to the prior approval by the GAPP. Furthermore, online games shall be published before they are formally launched. The GAPP Online Game Notice defines online game Internet publishing as the provision of interactive online game playing or downloading service of games to the public through the Internet.

So far, in respect of the operation of online games developed by Boyaa Shenzhen within the PRC, the game distribution platforms, rather than Boyaa Shenzhen, provide downloading and online interactive play services to game players and Boyaa Shenzhen has not undertaken any Internet publishing activities within the PRC. Therefore, it is not necessary for Boyaa Shenzhen to obtain the Internet Publishing License (互聯網出版許可證) and Boyaa Shenzhen may not be held primarily liable for completing the publishing and filing procedure of online games.

Taking into consideration the facts that (i) under the Notice on Circulating the Interpretation of the State Commission Office for Public Sector Reform on Some of the Articles in the “Three Provisions” for Ministry of Culture, State Administration of Radio, Film and Television and General Administration of Press and Publication Concerning Animated Games, Online Games and Comprehensive Law Enforcement in the Culture Market (Zhong Yang Bian Ban Fa [2009] No. 35) issued by the State Commission Office for Public Sector Reform on September 7, 2009 (中央編辦對文化部、廣電總局、新聞出版總署《“三定”規定》中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋), or the Three Determination Notice, investigations on the operation of online games without first completing the publishing and filing procedure at the GAPP shall be conducted by comprehensive law enforcement agencies in the culture market under the MOC's guidance and the GAPP shall not directly handle such investigations; (ii) no regulations promulgated by MOC impose direct and specific penalties on the operation of online games without first completing such procedures; and (iii) as far as we and our PRC Legal Advisor know, no PRC entity has been penalized by the comprehensive law enforcement agencies as referred to in the Three Determination Notice for such non-compliance since there is no public-available access for us to search information with respect to the penalties imposed by the MOC, we and our PRC Legal Advisor are of the view that the likelihood of adverse effects on Boyaa Shenzhen due to the failure to complete the relevant publishing and filing procedures in time or at all is remote and manageable.

Nevertheless, Boyaa Shenzhen has engaged qualified publishers to publish all the online games that Boyaa Shenzhen is operating and undertake the filing procedure with the GAPP. Two of the online games, *i.e.*, Happy Babies (開心寶貝) and Texas Hold'em (德州撲克), completed such publishing and filing procedure in April and August 2010, respectively, and another ten online games, including Chinese Chess (象棋), American 8-Ball Pool (博雅枱球), Fight the Landlord (鬥地主), Fight the Landlord for four players (四人鬥地主), Big Two (鋤大地), Ant Wars (蟲蟲特攻隊), Sichuan Mahjong, International Mahjong, Guangdong Mahjong and Shanghai Mahjong, completed such publishing and filing procedures in August, September and October of 2013. As at the Latest Practicable Date, the publishing and filing procedures for the remaining one online game we offer in the PRC, namely Liar's Dice (大話骰), is still pending. See “Risk Factors — Risks Relating to Conducting Business in the PRC — One of the online games we currently operate is still in the process of publishing and filing with the GAPP.” We understand, and our PRC Legal Advisor also hold the same view that, the above-mentioned cooperation with qualified publisher and operation of such duly published online games is in line with current practice. In addition, for the purpose of expanding new business model, including directly providing service of online interactive game play or

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game downloading on our self-developed platform in the PRC, our VIE, Boyaa Shenzhen submitted application to the Guangdong GAPP for the Internet Publishing License (互聯網出版許可證) in June 2013. After obtaining such license, we may directly publish online games and complete the relevant filing procedure with the GAPP.

Regulations on Anti-fatigue Compliance System and Real-name Registration System

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education (教育部), the Ministry of Public Security (公安部) and the MIIT, jointly issued the Notice on Protecting Minors Mental and Physical health and Implementation of Online Game Anti-fatigue System (關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知) requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy”, three to five hours is deemed “fatiguing”, and five hours or more is deemed “unhealthy.” Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to a notice issued by the relevant eight government authorities on July 1, 2011, online game operators must submit the identity information of game players to the National Citizen Identity Information Centre (全國公民身份證號碼查詢服務中心), a subordinate public institution of the Ministry of Public Security, for verification as of October 1, 2011.

Regulations on Online Gambling and Virtual Currency

On January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued the Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games (關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知), or the Anti-gambling Notice. To curtail online games that involve online gambling while addressing concerns that virtual currency might be used for money laundering or illicit trade, the notice (a) prohibits online game operators from charging commissions in the form of virtual currency in connection with winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players.

On February 15, 2007, 14 PRC regulatory authorities jointly issued the Notice on Further Strengthening Administration of Internet Cafes and Online Games (關於進一步加強網吧及網絡遊戲管理工作的通知). In accordance with the circular, the People’s Bank of China (中國人民銀行) (the “PBOC”), has the authority to regulate virtual currency, including: (a) setting limits on the aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual; (b) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products; (c) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (d) banning the trading of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency (關於加強網絡遊戲虛擬貨幣管理工作的通知) (the “**Virtual Currency Notice**”). The Virtual Currency Notice requires businesses that (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any business that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

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Under the Virtual Currency Notice, an online game virtual currency transaction service provider means a business providing platform services relating to trading of online game virtual currency among game users. The Virtual Currency Notice further requires an online game virtual currency transaction service provider to comply with relevant e-commerce regulations issued by the MOFCOM. According to the Guiding Opinions on Online Trading (Interim) (關於網上交易的指導意見(暫行)) issued by the MOFCOM on March 6, 2007, online platform services are trading services provided to online buyers and sellers through a computer information system operated by the service provider.

The Virtual Currency Notice regulates, among others, the amount of virtual currency a business can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon the termination of online services. It prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery which involves cash or virtual currency directly paid by the players. The Virtual Currency Notice bans the issuance of virtual currency by game operators to game players through means other than purchases with legal currency. Any business that does not provide online game virtual currency transaction services is required to adopt technical measures to restrict the transfer of online game virtual currency among accounts of different game players.

In addition, the Online Game Measures promulgated in June 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user's advance payment; (iii) the storage period of online gamers' purchase record shall not be shorter than 180 days; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. The Online Game Measures stipulate that virtual currency service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

Our PRC Legal Advisor is of the opinion that Boyaa Shenzhen has fully complied with, and the online games offered by Boyaa Shenzhen do not constitute gambling activities prohibited under, the Anti-Gambling Notice and the Virtual Currency Notice, has not conducted any of the above-mentioned prohibited acts in its operation of online games and has not offered or promoted its online games as a tool for gambling.

Regulations on Software Development Activities

The Administrative Measures on Software Products (軟件產品管理辦法), promulgated by the MIIT on March 5, 2009, which became effective April 10, 2009, regulate the development and sale of computer software, software embedded in information systems or equipment provided to users, and computer software in conjunction with computer information systems integration or application services or other technical services in the PRC. The measures prohibit the development, production, sale, export or import of software products that infringe third party intellectual property rights, contain computer viruses, endanger the safety of computer systems, do not comply with applicable software standards of the PRC, or contain content prohibited by PRC laws, rules and regulations. The software products developed and produced in the PRC may enjoy relevant preferential policies stipulated in Several Policies on Encouragement of the Development of Software and Integrate Circuit Industries (鼓勵軟件產業和集成電路產業發展的若干政策) issued by the State Council on June 24, 2000, such as refund of value-added taxes for sales of software, after they are registered and filed according to the Administrative Measures on Software Products. Software registration institutions entrusted by the local software industry administrative departments are in charge of examining applications for software registration before submitting the application materials to the local software industry administrative department and the MIIT for filing. The MIIT will make an announcement regarding software products that have undergone filing and recordation formalities. If no objection is raised during the announcement period, the software product will be registered. The registration is valid for a five-year period and can be renewed.

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REGULATIONS ON INTELLECTUAL PROPERTY

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法), adopted in 1991 and revised respectively in 2001 and 2010, protects copyright and explicitly covers computer software copyright. On December 20, 2001, the State Council promulgated the new Regulations on Computer Software Protection (計算機軟件保護條例), effective as of January 1, 2002 and revised in 2013, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal person or other organizations is automatically protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the preliminary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the NCA introduced the Measures on Computer Software Copyright Registration (計算機軟件著作權登記辦法), which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Centre of China is mandated as the software registration agency under the regulations. As of the Latest Practicable Date, we had registered 42 copyrights.

Trademark

The Trademark Law of the PRC (中華人民共和國商標法), adopted in 1982 and revised respectively in 1993 and 2001, protects registered trademarks. The SAIC Trademark Office (國家工商行政管理總局商標局) is responsible for trademark registrations. Upon the registration of a trademark, the register will have the right to exclusively use the trademark. Registered trademark license agreements are required to be filed with the SAIC Trademark Office for record. As of the Latest Practicable Date, we had registered 4 trademarks and had filed 31 trademark applications in China.

Domain Name

Internet domain name registration and related matters are primarily regulated by the Implementing Rules on Registration of Domain Names (中國互聯網絡域名註冊實施細則) issued by China Internet Network Information Centre (中國互聯網絡信息中心) (the “CNNIC”) on May 28, 2012, which became effective on May 29, 2012, the Measures on Administration of Domain Names for the Chinese Internet (中國互聯網絡域名管理辦法), issued by MIIT on November 5, 2004 and effective as of December 20, 2004, and the Measures on Domain Name Disputes Resolution for the Chinese Internet (中國互聯網絡信息中心域名爭議解決辦法) issued by CNNIC on May 28, 2012 and effective as of June 28, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration. As of the Latest Practicable Date, we had registered 8 domain names in China, including boyaa.com and boyaa poker.com.

Patent

Patents in the PRC are mainly protected under the Patent Law of the PRC (中華人民共和國專利法) which was promulgated by the Standing Committee of the National People’s Congress on March 12, 1984 and subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008 and its Implementation Rules which was promulgated by the State Council on January 19, 1985, December 21, 1992, June 15, 2001, December 28, 2002 and January 9, 2010. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, “invention,” “utility model” and “design”. “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern or their combination and the

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combination of colour and shape or pattern, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “designs” is 10 years, from the date of application. As of the Latest Practicable Date, we had registered one patent and filed 22 patent applications in China.

REGULATIONS OF INTERNET CONTENT

The PRC government has promulgated measures relating to Internet content through a number of governmental agencies, including the MIIT, the MOC and the GAPP. These measures specifically prohibit Internet activities, such as the operation of online games, that result in the publication of any content which is found to contain, among others, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If an ICP License holder violates these measures, its ICP License may be revoked and its websites may be shut down by the relevant government agencies.

Moreover, according to the Notice on the Work of Purification of Online Games (關於淨化網絡遊戲工作的通知) jointly issued by the MOC, the MIIT and other governmental authorities in June 2005, online games in China are required to be registered and filed as software products with the MIIT in accordance with the Administrative Measures on Software Products, promulgated in 2000 and amended in 2009.

REGULATIONS ON INFORMATION SECURITY AND CENSORSHIP

Internet content in China is regulated and restricted from a state security standpoint. The National People’s Congress, China’s national legislative body, enacted the Decisions on the Maintenance of Internet Security (維護互聯網安全的決定) on December 28, 2000, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights.

In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (計算機信息網絡國際聯網安全保護管理辦法), which prohibit using the Internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

REGULATIONS ON PRIVACY PROTECTION

The Constitution of the PRC (中華人民共和國憲法) provides that PRC law protects the freedom and privacy of communications of citizens and that infringement of such rights is not permitted. While PRC laws, rules and regulations do not prohibit telecommunications service providers from collecting personal information about their users, PRC government authorities have enacted legislation in recent years regarding the use of the telecommunications networks that recognizes the protection of personal information from unauthorized disclosure. Under the Telecommunications Regulations, it is prohibited to produce, copy, publish or distribute information that is humiliating or slanderous to others or that infringes the lawful rights and interests of others via telecommunications networks. Depending on the nature of the violation, anyone who violates such regulations may face criminal charges or be sanctioned by security authorities.

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REGULATIONS ON FOREIGN EXCHANGE

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 as amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996 and other PRC rules and regulations on currency conversion, foreign-invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. If foreign-invested enterprises require foreign exchange for transactions relating to current account items, they may, without approval of SAFE, effect payment from their exchange account or convert and pay at the designated foreign exchange banks, upon provision of valid receipts and proof. However, convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (the “**SAFE Circular 142**”) to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. SAFE Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE’s approval, and may not in any case be repayment of Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 may lead to severe penalties including heavy fines. As a result, SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from this offering Boyaa Shenzhen through Boyaa PRC, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into Renminbi to invest in or acquire any other PRC companies, or establish other VIEs in the PRC. Following the issuance of the SAFE Circular 142, on November 19, 2010, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於加強外匯業務管理有關問題的通知) (the “**SAFE Circular 59**”) which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. Furthermore, in November 2011, SAFE issued the Circular on Further Clarifying and Regulating Matters Relating to Foreign Exchange Administration of Certain Capital Account Items (國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知) (the “**SAFE Circular 45**”). SAFE Circular 45 requires SAFE’s local counterparts to strengthen the control imposed by SAFE Circular 142 and SAFE Circular 59 over the conversion of a foreign-invested company’s capital contributed in foreign currency into RMB. SAFE Circular 45 stipulates that a foreign-invested company’s RMB funds, if converted from such company’s capital contributed in foreign currency, may not be used by such company to (i) extend loans (in the form of entrusted loans), (ii) repay borrowings between enterprises, or (iii) repay bank loans it has obtained and on-lent to third parties.

SAFE Circular 75

On October 21, 2005, SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular 75**”), which became effective as of November 1, 2005. Detailed rules for implementation of the SAFE Circular 75 were issued in May 2007. Pursuant to the SAFE Circular 75 and the detailed rules, a PRC resident (whether a natural or legal person) is required to complete the initial registration with the local SAFE

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counterpart before incorporating or acquiring control of an offshore special purpose vehicle (“SPV”), with assets or equity interests in an onshore company located in the PRC, for the purpose of offshore equity financing. The PRC resident is also required to amend the registration or handle a filing procure upon (i) injection of the assets or equity interests in an onshore company or undertaking of offshore financing, and (ii) a material change that may affect the capital structure of the SPV.

Under the SAFE Circular 75, the fulfillment of the initial and amended SAFE registrations as described above is a prerequisite for other regulatory approvals and registrations required for relevant cross-border investment activities and capital flows, such as the offshore entity’s inbound investment or provision of shareholder’s loans to the onshore entity and the onshore entity’s payment of dividends or repatriation of liquidation proceeds, equity interests disposal proceeds or capital reduction to the offshore entity.

We have completed the foreign exchange registration of PRC resident shareholders of Mr. Zhang and Mr. Dai as required by SAFE Circular 75 for our financings that were completed in early 2011 and the corresponding shareholding structure change of the Group in 2012. Mr. Zhang and Mr. Dai will complete their alteration registration under SAFE Circular 75 as the result of the reorganization of the Group in 2013.

Stock Option Rules

The Administration Measures on Individual Foreign Exchange Control (個人外匯管理辦法) were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the “**Stock Option Rules**”), were promulgated by SAFE on February 15, 2012, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the domestic individuals participating in the stock incentive plans of overseas listed companies with SAFE or its local branches.

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REGULATIONS ON DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the People's Republic of China (中華人民共和國公司法), as amended on October 27, 2005, the Wholly Foreign-owned Enterprise Law (外資企業法) promulgated on October 31, 2000 and its implementation regulations promulgated on April 12, 2001, the Equity Joint Venture Law (中外合資經營企業法) issued on March 15, 2001 and its implementation regulations amended on July 22, 2001 and the Cooperative Joint Venture Law (中外合作經營企業法) issued on October 31, 2000 and its implementation regulations promulgated on September 4, 1995. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

LAWS AND REGULATIONS RELATING TO TAX

Corporate Income Tax

On January 1, 2008, the Foreign-funded Enterprise and Foreign Corporate Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) was abolished and replaced by the CIT Law which was promulgated by the National People's Congress on March 16, 2007. Pursuant to the CIT Law and the CIT Rules, which was promulgated by the State Council on December 6, 2007, all of which became effective on January 1, 2008, the tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%, and high and new technology enterprises that require key state support are subject to the applicable CIT rate with a reduction of 15%.

Under the CIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Pursuant to the CIT Law and the CIT Rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% CIT rate for their global income. In addition, the CIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its Implementation Rules (中華人民共和國營業稅暫行條例實施細則) which was promulgated by the Ministry of Finance (財政部) (the "MOF") on December 18, 2008 and subsequently amended by the MOF and the SAT on October 28, 2011, unless stated otherwise, the taxpayers providing taxable services in China are required to pay a business tax at a normal tax rate of 5% of their revenues.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its Implementation Rules (中華人民共和國增值稅暫行條例實施細則) which was promulgated by the MOF on December 18, 2008 and subsequently amended by the MOF and the SAT on October 28, 2011, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing repairs and replacement services in China shall be 17%.

APPLICABLE LAWS AND REGULATIONS IN CHINA

In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (營業稅改征增值稅試點方案) (the “**Pilot Plan**”), which became effective from January 1, 2012. As approved by the State Council on July 25, 2012, this Pilot Plan was first launched in Shanghai and was expanded to ten other provinces and municipalities, including Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei, Guangdong, Xiamen and Shenzhen, or collectively, the ten pilot regions, in batches from August 1, 2012 through the end of 2012. Under the Pilot Plan and as informed by the competent PRC tax authority, the business tax that Boyaa PRC used to be subject to is replaced by value-added tax.

Dividend Withholding Tax

The CIT Rules provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行稅收協定股息條款有關問題的通知) (the “**SAT Circular 81**”) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Circular on How to Interpret and Recognize the “Beneficial Owner” in Tax Treaties (關於如何理解和認定稅收協定中“受益所有人”的通知), issued on October 27, 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Laws on Labour and Social Security

Employment contracts

Pursuant to the PRC Labour Law (中華人民共和國勞動法) which was promulgated by the Standing Committee of the National People’s Congress on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labour Contract Law (中華人民共和國勞動合同法) which was promulgated Standing Committee of the National People’s Congress on June 29, 2007 and became effective on January 1, 2008 and subsequently amended on December 28, 2012 and will become effective on July 1, 2013 and its Implementing Regulations of the Employment Contracts Law (勞動合同法實施條例) which was promulgated by the State Council and became effective on September 18, 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labour safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

APPLICABLE LAWS AND REGULATIONS IN CHINA

Employee funds

Under applicable PRC laws, rules and regulations, including the Social Insurance Law (中華人民共和國社會保險法) which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費征繳暫行條例) which was promulgated by the State Council and became effective on January 22, 1999, Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) which was promulgated by the Ministry of Labour on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (工傷保險條例) which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010 and became effective on January 1, 2011, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) which was promulgated by the State Council and become effective on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定) (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC Legal Advisor, Commerce & Finance Law Offices, prior approval from the CSRC is not required under the M&A Rules for our Listing because (a) our PRC subsidiary, Boyaa PRC, is foreign-invested enterprise established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules, and (c) there is no provision that clearly classifies the Contractual Arrangements among our PRC subsidiary, Boyaa PRC, the VIE and its shareholders as a transaction regulated by the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of our PRC Legal Advisor, Commerce & Finance Law Offices, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our Business Development

Our Group was founded in 2004 through the establishment of our PRC operating entity, Boyaa Shenzhen, by Mr. Zhang, our executive Director and one of our Controlling Shareholders. Boyaa Shenzhen started the provision of online chat room services in the PRC using funds from Mr. Zhang's own financial resources. In 2008, our Group began to engage in the development and operation of online card and board games business. Our headquarters are located in Shenzhen, PRC. The following table illustrates the key milestones of our business development since inception:

2004 to 2007	<ul style="list-style-type: none">• Boyaa Shenzhen started to provide online chat room service and gradually became one of the largest online chat room service providers in the PRC
2008	<ul style="list-style-type: none">• We started our online card and board game business
October 2008	<ul style="list-style-type: none">• We launched our first online card game, Texas Hold'em
May 2009	<ul style="list-style-type: none">• We launched a virtual pet-raising game, Happy Babies (開心寶貝)
November 2009	<ul style="list-style-type: none">• We launched the traditional Chinese version of our Texas Hold'em, which was our first game targeting players outside of China on Facebook
May 2010	<ul style="list-style-type: none">• We launched our first foreign language version of our Texas Hold'em game in Portuguese
June 2010	<ul style="list-style-type: none">• We launched our second online card game, Fight the Landlord (鬥地主)
August 2010	<ul style="list-style-type: none">• We launched a shooting game, Ant Wars (蟲蟲特攻隊), in traditional Chinese
September 2010	<ul style="list-style-type: none">• We launched the Texas Hold'em mobile game application on iOS and also introduced the Big Two game (鋤大地)• We started our cooperation with Apple Inc's App Store
November 2010	<ul style="list-style-type: none">• We launched our first online Mahjong game
2011	<ul style="list-style-type: none">• We launched our Texas Hold'em in other foreign languages, including Arabic, English, French, German, Indonesian, Japanese, Spanish, Turkish, Vietnamese and Korean• We also launched our Ant Wars (蟲蟲特攻隊) in simplified Chinese, Thai and Indonesian
March 2011	<ul style="list-style-type: none">• We launched our Texas' Hold'em mobile game application on Android
April 2011	<ul style="list-style-type: none">• We launched our Liar's Dice (大話骰)
July 2011	<ul style="list-style-type: none">• We launched our American 8-Ball Pool (博雅枱球)
2012	<ul style="list-style-type: none">• We launched our Mahjong games such as Sichuan Mahjong, Guangdong Mahjong, International Mahjong, 13-Tile Mahjong and 16-Tile Mahjong on iOS
June 2012	<ul style="list-style-type: none">• We launched our Chinese Chess on iOS
November 2012	<ul style="list-style-type: none">• We launched a new card game, King & Slave, in Thai
January 2013	<ul style="list-style-type: none">• We launched our Texas Hold'em in Swedish• We launched our Shanghai Mahjong in simplified Chinese
June 2013	<ul style="list-style-type: none">• We launched our Ant Wars (蟲蟲特攻隊) on Android

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Corporate History and Development

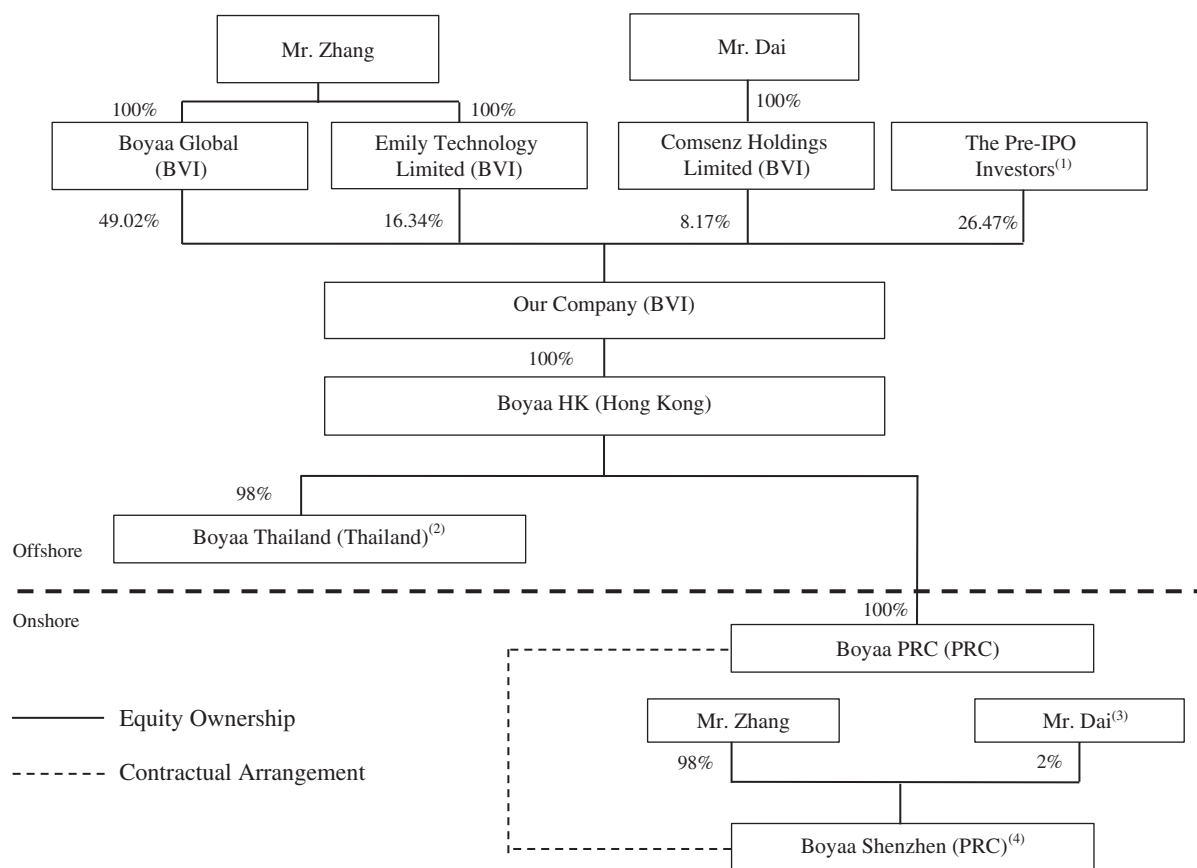
The origin of our Group can be traced back to 2004 when Boyaa Shenzhen was established in the PRC in February 2004. Upon its establishment, the entire registered capital of Boyaa Shenzhen was beneficially held by Mr. Zhang through certain nominee arrangements. The following table highlights the key milestones in the corporate development of our Group since inception:

- | | |
|---------------|--|
| February 2004 | <ul style="list-style-type: none">• We established our PRC operating entity, Boyaa Shenzhen |
| December 2007 | <ul style="list-style-type: none">• Two angel investors, Mr. Dai and Ms. Hu Huan, invested in Boyaa Shenzhen |
| June 2010 | <ul style="list-style-type: none">• Mr. Zhang, Ms. Feng Lili (as nominee of Mr. Zhang and now ex-wife of Mr. Zhang), Mr. Dai Zhigang (as nominee and a cousin of Mr. Dai) and Ms. Hu Huan, through their respective offshore investment holding companies, incorporated our Company under the laws of the BVI to provide management and other administrative support to our Group. Prior to Mr. Dai's and Ms. Hu Huan's respective investment in our Company, each of Mr. Dai and Ms. Hu Huan is independent from our Group and our connected persons |
| July 2010 | <ul style="list-style-type: none">• Boyaa HK was incorporated as a direct wholly-owned subsidiary of our Company, to provide sales and marketing support and sales management consulting services to Boyaa Shenzhen concerning overseas market |
| November 2010 | <ul style="list-style-type: none">• Boyaa PRC was established as a wholly foreign owned enterprise in the PRC to manage our Group's procurement process in the PRC and to provide other important ancillary support for Boyaa Shenzhen's operations |
| January 2011 | <ul style="list-style-type: none">• Ms. Hu Huan transferred all her equity interests in Boyaa Shenzhen to Mr. Zhang and his nominee, Ms. Feng Lili. Ms. Hu Huan also ceased to be a shareholder of our Company and the shares then held by her offshore investment holding company were repurchased by our Company• The Pre-IPO Investors, Sequoia Capital and its affiliates, completed their investment in our Company• In view of the prohibition on foreign investors from holding equity interest in an entity conducting online game business under relevant PRC laws and regulations and taking into consideration the investment made by the Pre-IPO Investors, Boyaa PRC entered into the original contractual arrangements with Boyaa Shenzhen to assert management control over the operations of, and enjoy all economic benefits of, Boyaa Shenzhen• Our Company adopted the Pre-IPO Share option Scheme |
| June 2012 | <ul style="list-style-type: none">• Boyaa Thailand was established in Thailand to provide call centre services support in Thailand to our Group and to carry out local office and administrative work |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

For further details on our corporate history and shareholding changes of the members of our Group since inception, please refer to the section headed “— Corporate and Shareholding Changes of the Members of our Group” below.

The corporate and shareholding structure of our Company and our subsidiaries immediately before implementation of the Reorganization was as follows:



Notes:

- 1) Assuming that the Series A Preferred Shares held by the Pre-IPO Investors are converted into ordinary shares on a one-for-one basis.
- 2) Boyaa HK owns approximately 98% of the issued ordinary shares of Boyaa Thailand and holds approximately 88.7% of the total voting rights in Boyaa Thailand. The remaining 2% of the issued ordinary shares of Boyaa Thailand is held by Mr. Suo Hongbin (a director of Boyaa Thailand and a senior management member of our Group) for the purpose of fulfilling the requirement as to the minimum number of shareholders pursuant to applicable laws of Thailand. Mr. Suo holds approximately 1.9% of the total voting rights in Boyaa Thailand. In addition, for the purpose of fulfilling the requirement to have a majority of the shares in Boyaa Thailand being held by Thai shareholders pursuant to applicable laws of Thailand, Mr. Ohm Ammaramorn (a Thai national and whom, other than his shareholding in Boyaa Thailand, is independent from our Group and our connected persons) holds all issued preference shares of Boyaa Thailand. Mr. Ammaramorn holds approximately 9.4% of the total voting rights in Boyaa Thailand.
- 3) Mr. Dai is one of the angel investors of our Company and Boyaa Shenzhen. He is also a director of Boyaa Shenzhen and was appointed an executive Director of our Company on August 19, 2013. Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for the biographies of Mr. Dai.
- 4) As at the Latest Practicable Date, we, through Boyaa Shenzhen, hold investment in three associated companies. For further details, please refer to the section headed “— Corporate and Shareholding Changes of the Members of our Group — Investments of Boyaa Shenzhen”.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

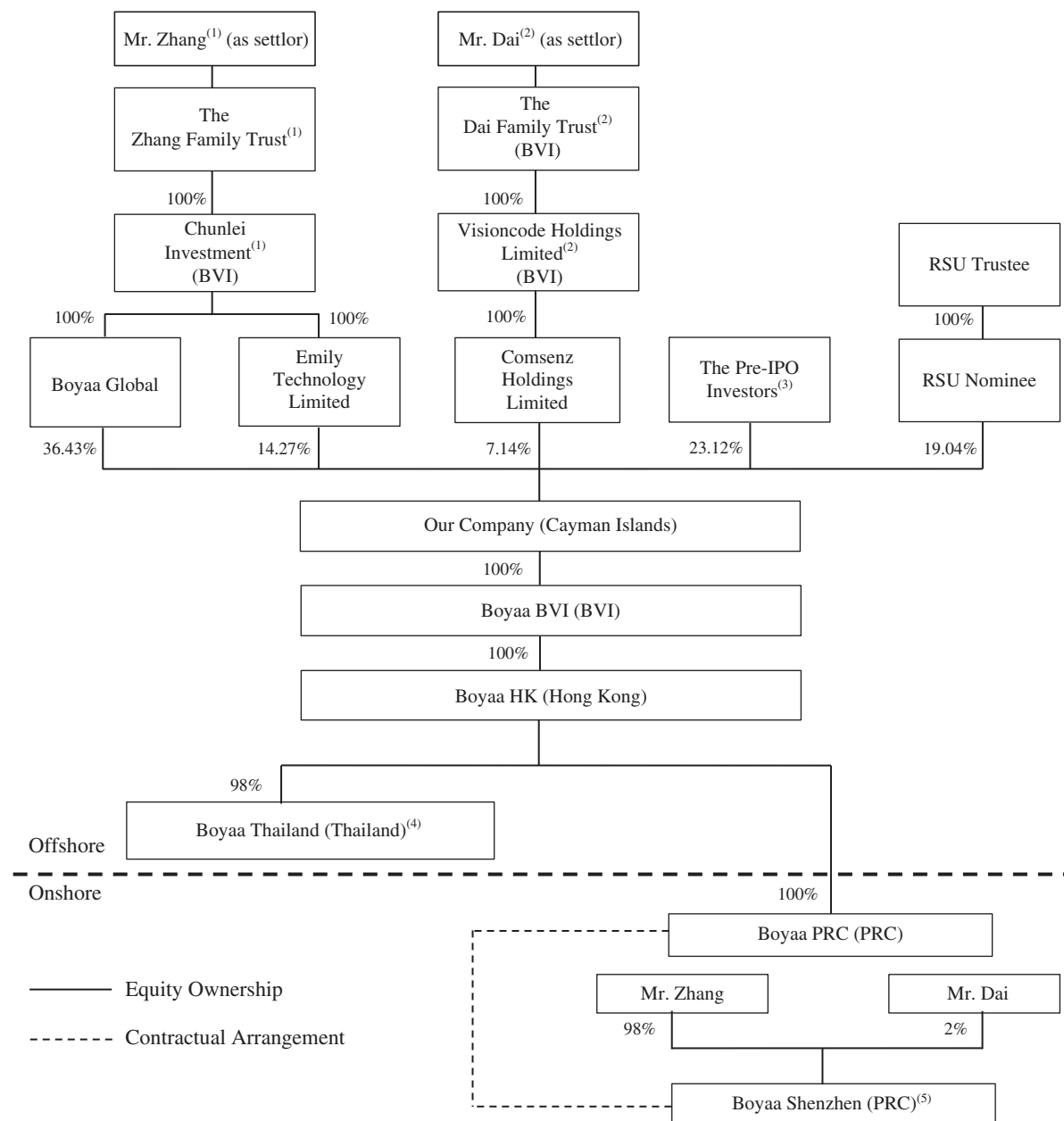
The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the Listing. The following table highlights the key steps in the Reorganization:

- | | |
|----------------|--|
| May 2013 | <ul style="list-style-type: none">• In preparation for Listing, our Group amended certain terms of the existing agreements underlying the original contractual arrangements with Boyaa Shenzhen and also entered into new and amended agreements underlying the Contractual Arrangements currently in effect. |
| June 2013 | <ul style="list-style-type: none">• In anticipation of Listing, we elected to redomicile our Company to the Cayman Islands. |
| August 2013 | <ul style="list-style-type: none">• We incorporated Boyaa BVI under the laws of the BVI as an intermediate holding company of our Group and is a wholly-owned subsidiary of our Company.• After the incorporation of Boyaa BVI, Boyaa HK allotted and issued 9,999 new ordinary shares to Boyaa BVI and the remaining one ordinary share in Boyaa HK was held on trust by our Company in favour of Boyaa BVI pursuant to a declaration of trust entered into by the Company in favour of Boyaa BVI. Accordingly, Boyaa HK became a direct wholly-owned subsidiary of Boyaa BVI. |
| September 2013 | <ul style="list-style-type: none">• As part of the Reorganization, the Board approved certain amendments to the Pre-IPO Share Option Scheme such that 50% of the options representing 59,055,563 Shares granted under the Pre-IPO Share Option Scheme were replaced with RSUs granted to relevant eligible participants under the RSU Scheme. Accordingly, options representing 29,527,782 Shares, equivalent to 50% of the total outstanding options granted under the Pre-IPO Share Option Scheme were cancelled and replaced with 29,527,782 RSUs granted to the same eligible participants pursuant to the RSU Scheme.• On October 23, 2013, Boyaa Global transferred 35,769,526 Shares to the RSU Nominee at nil consideration. On October 23, 2013, our Company issued 70,967,664 Shares to the RSU Nominee at par value of US\$0.00005 each, with the consideration funded by Mr. Zhang. Accordingly, 106,737,190 Shares underlying the RSUs were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme. For details and principal terms of the Pre-IPO Share Option Scheme and the RSU Scheme, please refer to the section headed "Statutory and General Information — D. Share Incentive Schemes" in Appendix IV to this prospectus. |
| November 2013 | <ul style="list-style-type: none">• Immediately prior to Listing, all the 129,577,460 Series A Preferred Shares will be converted into 129,577,460 Shares, on a one-for-one basis. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

The corporate and shareholding structure of our Company and our subsidiaries immediately after the Reorganization but before completion of the Global Offering is as follows:



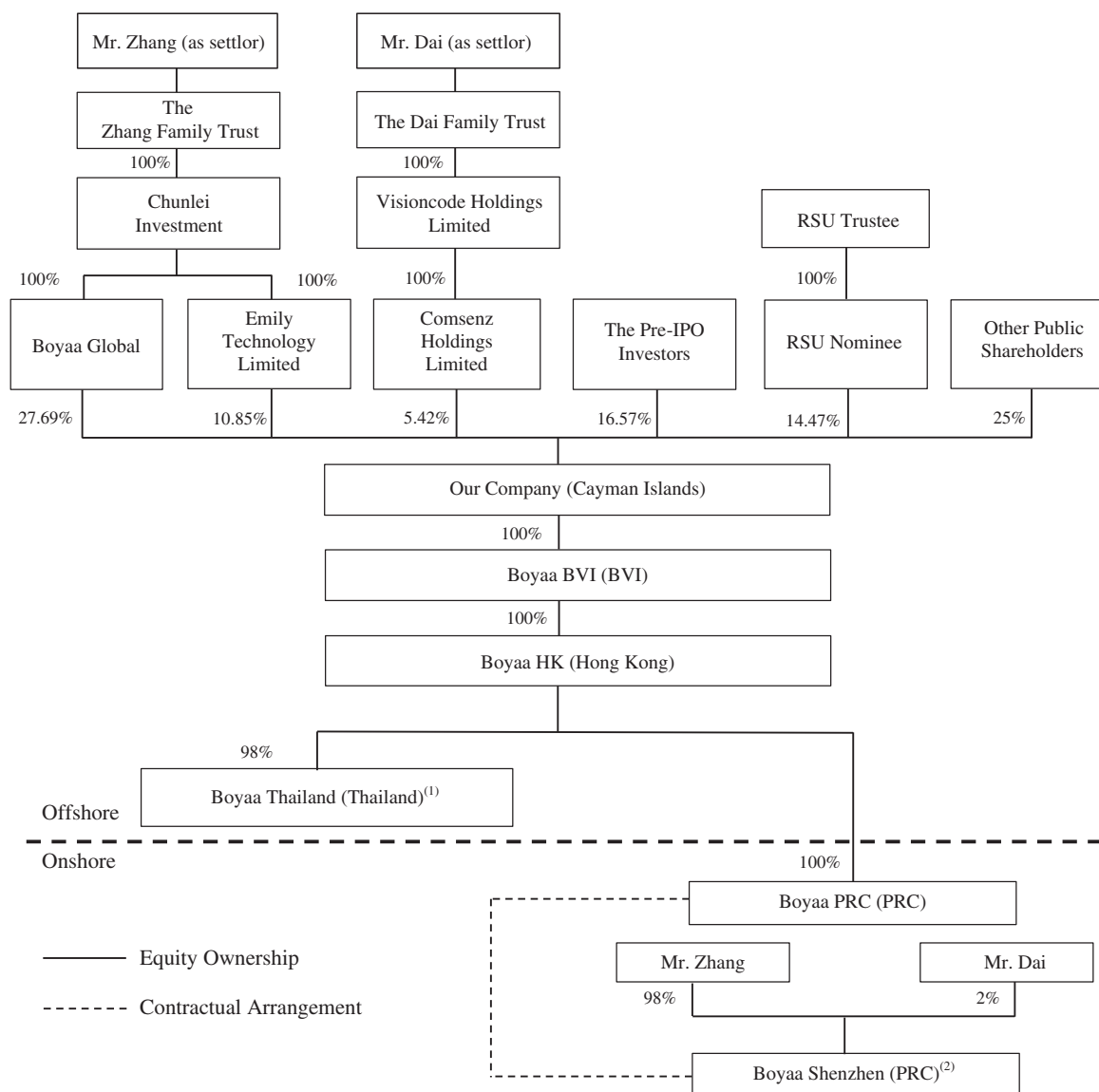
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- 1) The sole shareholder of each of Boyaa Global and Emily Technology Limited is Chunlei Investment, the holding vehicle incorporated in the BVI used by Cantrust (Far East) Limited, the trustee of the Zhang Family Trust, and which holds all the issued shares in each of Boyaa Global and Emily Technology Limited. The sole shareholder of Chunlei Investment is Rustem Limited, a company incorporated in the BVI, which holds the shares in Chunlei Investment as nominee for Cantrust (Far East) Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang (as the settlor) on September 9, 2013 for the benefit of certain family members of Mr. Zhang and the discretionary beneficiaries of which include Mr. Zhang and his children. The Zhang Family Trust has control over each of Boyaa Global Limited and Emily Technology Limited, and accordingly, has control over the Company through Chunlei Investment.
- 2) The sole shareholder of Comsenz Holdings Limited is Visioncode Holdings Limited, the holding vehicle incorporated in the BVI used by Cantrust (Far East) Limited, the trustee of the Dai Family Trust, and which holds the issued share in Comsenz Holdings Limited. The sole shareholder of Visioncode Holdings Limited is Rustem Limited, a company incorporated in the BVI, which holds the shares in Visioncode Holdings Limited as nominee for Cantrust (Far East) Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai (as the settlor) on September 9, 2013 for the benefit of certain family members of Mr. Dai and the discretionary beneficiaries of which include Mr. Dai and his children. The Dai Family Trust has control over Comsenz Holdings Limited through Visioncode Holdings Limited.
- 3) Assuming the Series A Preferred Shares are convertible into ordinary shares of our Company on a one-for-one basis. Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia China Principals Fund II, L.P. shall hold approximately 19.37%, 0.49% and 3.26% of the total issued share capital of our Company, respectively.
- 4) Boyaa HK owns approximately 98% of the issued ordinary shares of Boyaa Thailand. The remaining 2% of the issued ordinary shares of Boyaa Thailand is held by Mr. Suo Hongbin (a director of Boyaa Thailand and a senior management member of our Group). In addition, Mr. Ohm Ammaramorn (a Thai national and whom, other than his shareholding in Boyaa Thailand, is independent from our Group and our connected persons) holds all issued preference shares of Boyaa Thailand. Each of Boyaa HK, Mr. Suo and Mr. Ammaramorn holds approximately 88.7%, 1.9% and 9.4% of the total voting rights in Boyaa Thailand.
- 5) As at the Latest Practicable Date, we, through Boyaa Shenzhen, hold investment in three associated companies. For further details, please refer to the section headed “— Corporate and Shareholding Changes of the Members of our Group — Investments of Boyaa Shenzhen”.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The corporate and shareholding structure of our Company and our subsidiaries immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme) will be as follows:



Notes:

- 1) Boyaa HK owns approximately 98% of the issued ordinary shares of Boyaa Thailand. The remaining 2% of the issued ordinary shares of Boyaa Thailand is held by Mr. Suo Hongbin (a director of Boyaa Thailand and a senior management member of our Group). In addition, Mr. Ohm Ammaramorn (a Thai national and whom, other than his shareholding in Boyaa Thailand, is independent from our Group and our connected persons) holds all issued preference shares of Boyaa Thailand. Each of Boyaa HK, Mr. Suo and Mr. Ammaramorn holds approximately 88.7%, 1.9% and 9.4% of the total voting rights in Boyaa Thailand.
- 2) As at the Latest Practicable Date, we, through Boyaa Shenzhen, hold investment in three associated companies. For further details, please refer to the section headed “— Corporate and Shareholding Changes of the Members of our Group — Investments of Boyaa Shenzhen”.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- 3) The above corporate structure chart assumes that the Over-allotment Option is not exercised. Boyaa Global, being the Over-allotment Option Grantor, is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters). Pursuant to the Over-allotment Option, Boyaa Global may be required to sell up to 27,658,000 existing Shares at the Offer Price upon the Over-allotment Option being exercised in full. Assuming that the Over-allotment Option is being exercised in full, Boyaa Global will hold a total of 176,572,474 Shares, representing approximately 23.94% of the total issued share capital of our Company, after the Global Offering and the exercise of the Over-allotment Option.

CORPORATE AND SHAREHOLDING CHANGES OF THE MEMBERS OF OUR GROUP

We set out below the corporate history and shareholding changes of the members of our Group (including Boyaa Shenzhen):

(i) Our Company

Our Company was incorporated in the BVI on June 14, 2010 as a limited company. At the time of its incorporation, our Company was authorized to issue a maximum of 50,000,000 shares of US\$0.001 each, with a total of 20,000,000 ordinary shares of US\$0.001 each in issue, which were held as to 60% by Boyaa Global (a BVI company wholly-owned by Mr. Zhang, the founder of our Group), 20% by Emily Technology Limited (a BVI company wholly-owned by Ms. Feng Lili as nominee of Mr. Zhang), 10% by Valuecode Investments Limited (a BVI company wholly-owned by Mr. Dai Zhigang, a cousin and a nominee of Mr. Dai, an angel investor of our Group) and 10% by Cagico Technology Limited (a BVI company wholly-owned by Ms. Hu Huan, an angel investor of our Group). The investment in our Group by Mr. Dai and Ms. Hu Huan (including their investment in our PRC operating entity, Boyaa Shenzhen) was mainly initiated by their respective interests in the Internet industry and their recognition of Mr. Zhang's entrepreneurship and the success of our Group in the development of the Internet business. Prior to Mr. Dai's and Ms. Hu Huan's respective investment in our Group, each of Mr. Dai and Ms. Hu Huan is independent from our Group and our connected persons.

In January 2011, the Pre-IPO Investors subscribed for 6,478,873 Series A Preferred Shares of our Company at a consideration of US\$6 million. For further details of such investment, please refer to the section headed "Pre-IPO Investors" below. In addition, in consideration of the investment by the Pre-IPO Investors in January 2011, Ms. Hu Huan realized and exit her investment in our Company in pursuance of other business opportunities, whereby our Company repurchased and cancelled all of the 2,000,000 ordinary shares then held by Ms. Hu Huan through her wholly-owned holding company, Cagico Technology Limited, at a consideration of US\$2,700,000, which consideration was paid using our Company's internal financial resources. Such consideration was determined with reference to the then financial performance of our Group and taking into consideration Ms. Hu Huan's investment in our PRC operating company, Boyaa Shenzhen, and was based on arm's length negotiations between our Group and Ms. Hu Huan.

In July 2011, Mr. Dai ended his nominee arrangement with Mr. Dai Zhigang by transferring the ordinary shares of our Company held by Valuecode Investments Limited (a BVI company wholly-owned by Mr. Dai Zhigang as nominee of Mr. Dai) to Comsenz Holdings Limited (a BVI company wholly-owned by Mr. Dai). Further, in November 2011, Mr. Zhang ended the nominee arrangement with Ms. Feng Lili by acquiring the entire equity interest in Emily Technology Limited. As a result of the foregoing and assuming that the Series A Preferred Shares held by the Pre-IPO Investors are converted into ordinary shares on a one-for-one basis, each of Mr. Zhang (through Boyaa Global and Emily Technology Limited), Mr. Dai (through Comsenz Holdings Limited) and the Pre-IPO Investors hold approximately 65.36%, 8.17% and 26.47% of the total issued share capital of our Company.

In November 2011, our Company implemented a 10-for-1 share split and the par value per share was adjusted from US\$0.001 per share to US\$0.0001 per share. In March 2012, our Company further implemented a 2-for-1 share split and the par value per share was further adjusted to US\$0.00005 per share. Accordingly, the maximum number of shares our Company is authorized to issue increased to 1,000,000,000 shares which comprised of 870,422,540 ordinary shares of par value of US\$0.00005 each and 129,577,460 Series A Preferred Shares of par value of US\$0.00005 each, of which 360,000,000 ordinary shares and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

129,577,460 Series A Preferred Shares were issued and fully paid. The following table sets out the shareholding of respective Shareholder upon completion of the share split:

Name of Shareholder	Number and type of shares held
Boyaa Global	240,000,000 ordinary shares
Emily Technology Limited.	80,000,000 ordinary shares
Comsenz Holdings Limited	40,000,000 ordinary shares
Sequoia Capital China II, L.P.	108,598,880 Series A Preferred Shares
Sequoia Capital China Partners Fund II, L.P.	2,734,080 Series A Preferred Shares
Sequoia Capital China Principals Fund II, L.P.	18,244,500 Series A Preferred Shares

In anticipation of the Listing, we redomiciled our Company to the Cayman Islands on June 7, 2013 and our Company is now existing as an exempted company with limited liability under the Cayman Companies Law. The shareholding structure of our Company remains unchanged after the transfer of our Company's registration from the BVI to the Cayman Islands.

Further, in September 2013, each of Mr. Zhang and Mr. Dai (each as the settlor) established the Zhang Family Trust and the Dai Family Trust, respectively, to hold their respective indirect interests in our Company for the benefit of their respective family members. Upon the establishment of the Zhang Family Trust, Boyaa Global and Emily Technology Limited became wholly owned by Chunlei Investment. In addition, upon the establishment of the Dai Family Trust, Comsenz Holdings Limited became wholly owned by Visioncode Holdings Limited, a company wholly owned by the Dai Family Trust. The shareholding of each of Boyaa Global, Emily Technology Limited and Comsenz Holdings Limited in our Company remains unchanged after the establishment of the Zhang Family Trust and the Dai Family Trust.

(ii) Boyaa BVI

Boyaa BVI was incorporated in the BVI on August 1, 2013 as a limited company. Boyaa BVI is authorized to issue a maximum of 10,000 shares of US\$1.00 each, with a total of one ordinary share of US\$1.00 each in issue. Boyaa BVI is directly wholly-owned by our Company and is the immediate holding company of Boyaa HK.

(iii) Boyaa HK

Boyaa HK was incorporated in Hong Kong on July 8, 2010 as a limited company. The authorized share capital of Boyaa HK is HK\$10,000 divided into 10,000 shares of HK\$1.00 each. It was a direct wholly-owned subsidiary of our Company until August 19, 2013 when Boyaa HK issued 9,999 shares of HK\$1.00 each to Boyaa BVI and our Company declared that it holds one share of HK\$1.00 each in Boyaa HK in favour of Boyaa BVI, such that Boyaa HK became a wholly-owned subsidiary of Boyaa BVI.

Prior to the incorporation of Boyaa HK, the research and development of the game software and the technical consulting services in respect of overseas market was provided to Boyaa Shenzhen by Boyaa Company Limited, a company incorporated in Hong Kong and wholly-owned by Ms. Feng Lili (as nominee of Mr. Zhang). In anticipation of the investment by the Pre-IPO Investors in our Company, and to rationalize our Group structure, our Company entered into an asset transfer agreement with Boyaa Company Limited in 2010, pursuant to which our Company agreed to purchase all assets and business (being the research and development of game software and technical consulting services carried on by Boyaa Company Limited) of Boyaa Company Limited at a nominal consideration of HK\$1.00 in order that Boyaa HK could assume the role of Boyaa Company Limited. Boyaa Company Limited is not a member of our Group and becomes and remains a dormant company since the sale of all asset and business to our Group.

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(iv) Boyaa Thailand

Boyaa Thailand was incorporated in Thailand on June 25, 2012 as a limited company with a registered capital of 4,000,000 Thai Baht. Boyaa Thailand is principally responsible for providing call centre services support in respect of Ant Wars game in Thailand to our Group and carrying out local office and administrative work. In order to comply with applicable laws of Thailand relating to resident shareholder holding over 50% of all issued shares of all classes and minimum number of shareholders requirements (being three in number), 399 ordinary shares, representing approximately 2% of the issued ordinary shares, were issued to Mr. Suo Hongbin (a director of Boyaa Thailand and a senior management member of our Group), one ordinary share was issued to another independent Thai individual shareholder who transferred such ordinary share to Mr. Suo Hongbin on June 29, 2012, and 20,400 preference shares, representing 100% of the issued preference shares, of Boyaa Thailand were held by a Thai national, Ms. Aree Yingwiriawat (an independent third party) since the incorporation of Boyaa Thailand, whilst Boyaa HK owns 19,200 ordinary shares, representing approximately 98% of the issued ordinary shares. In April 2013, Ms. Aree Yingwiriawat ceased to hold the interests in the preference shares of Boyaa Thailand and transferred all such preference shares to Mr. Ohm Ammaramorn, a Thai national and whom, other than his shareholding arrangement in Boyaa Thailand as disclosed in the paragraph below, is independent from our Group and our connected persons. Pursuant to the articles of association of Boyaa Thailand, each holder of ordinary shares shall have one vote for each ordinary share held by him and the holder of preference shares shall have one vote for every 10 preference shares held by him. Accordingly, each of Boyaa HK, Mr. Suo Hongbin and Mr. Ohm Ammaramorn holds approximately 88.7%, 1.9% and 9.4% of the total voting rights in Boyaa Thailand.

In view of the shareholders requirement under applicable laws of Thailand as mentioned above and in order to ensure full control of Boyaa Thailand by Boyaa HK, on June 25, 2012, Boyaa HK entered into an agreement with Mr. Suo Hongbin, pursuant to which Mr. Suo Hongbin agreed to grant preferential rights in the 400 ordinary shares of Boyaa Thailand legally held by him to Boyaa HK, whereby Mr. Suo Hongbin agreed to exercise his rights as the holder of the 400 ordinary shares of Boyaa Thailand only in accordance with the prior permission of Boyaa HK and that he agreed not to transfer, assign, sell or dispose, partially or as a whole, the 400 ordinary shares of Boyaa Thailand to any third party without obtaining written consent of Boyaa HK. In addition, Boyaa HK entered into a share option agreement, a loan agreement and a share pledge agreement with Mr. Ohm Ammaramorn on April 1, 2013, to govern Mr. Ohm Ammaramorn's shareholding arrangement in Boyaa Thailand. Pursuant to the share option agreement, Mr. Ohm Ammaramorn agreed to grant Boyaa HK an option to purchase in whole or in part, and Mr. Ohm Ammaramorn has the option to sell in whole the 20,400 preference shares of Boyaa Thailand held by Mr. Ohm Ammaramorn at any time after the date of the agreement and at a consideration equivalent to the aggregate par value of the preference shares (being 100 Thai Baht per share) acquired by or sold to Boyaa HK pursuant to the exercise of the option. Moreover, pursuant to the loan agreement, Boyaa HK agreed to lend to Mr. Ohm Ammaramorn and Mr. Ohm Ammaramorn agreed to borrow from Boyaa HK the sum of 2,040,000 Thai Baht, and Mr. Ohm Ammaramorn undertook that such amount will be used solely for the investment in Boyaa Thailand. The loan is interest-free and is repayable by Mr. Ohm Ammaramorn upon he ceases to be a shareholder of Boyaa Thailand or on demand of Boyaa HK. Further, pursuant to the share pledge agreement, Mr. Ohm Ammaramorn agreed to pledge the 20,400 preference shares of Boyaa Thailand owned by him in favour of Boyaa HK as collateral for the aforementioned loan and Boyaa HK shall have the right to enforce the pledge under the share pledge agreement upon the failure to repay the loan by Mr. Ohm Ammaramorn pursuant to the terms of the loan agreement. Thanathip & Partners, our Thai legal advisor, has advised us that the various agreements between the Group and each of Mr. Suo and Mr. Ammaramorn are, individually and collectively, legal, valid and enforceable under the relevant laws of Thailand.

As Boyaa Thailand was established in June 2012 and is principally responsible for providing call centre services support in respect of Ant Wars game in Thailand to our Group and carrying out local office and administrative work, it recorded an insignificant amount of revenue during the Track Record Period. The net assets of Boyaa Thailand was approximately RMB0.4 million as at June 30, 2013. Given the limited business activities Boyaa Thailand currently conducts and is expected to conduct in the future, we do not plan to invest any substantial amount of the proceeds from the Global Offering into Boyaa Thailand.

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(v) Boyaa PRC

Boyaa PRC was established in the PRC on November 29, 2010 as a wholly foreign owned enterprise with a registered capital of US\$5,000,000. The registered capital of Boyaa PRC was fully paid by Boyaa HK in September 2011. It is a direct wholly-owned subsidiary of Boyaa HK.

(vi) Boyaa Shenzhen, our PRC operating entity

Boyaa Shenzhen was a limited company established in the PRC on February 13, 2004, with an initial registered capital of RMB1,000,000. The initial capital of Boyaa Shenzhen was funded by Mr. Zhang's own financial resources and the then entire equity interest in Boyaa Shenzhen was beneficially held by Mr. Zhang through certain nominee arrangements with Ms. Zhang Aiqing (the mother of Mr. Zhang) as to 70%, Ms. Feng Lili (now ex-wife of Mr. Zhang) as to 25% and Mr. Ma Zhaohu (a friend of Mr. Zhang and an independent third party, and together with Ms. Zhang Aiqing and Ms. Feng Lili, the "Nominees") as to 5%. Since then, the equity interest of the registered capital of Boyaa Shenzhen underwent the following changes:

- (i) In December 2007, to assume the legal ownership and to obtain direct control in Boyaa Shenzhen, Mr. Zhang ended the nominee arrangements with Ms. Zhang Aiqing and Mr. Ma Zhaohu. Accordingly, Mr. Zhang acquired the 70% equity interest in Boyaa Shenzhen from Ms. Zhang Aiqing at a nominal consideration of RMB1.00 and the 5% equity interest in Boyaa Shenzhen from Mr. Ma Zhaohu at a nominal consideration of RMB1.00. In addition, Mr. Zhang also acquired 15% equity interest in Boyaa Shenzhen from another nominee, Ms. Feng Lili, at a nominal consideration of RMB1.00.
- (ii) Further, in December 2007, two angel investors, Mr. Dai and Ms. Hu Huan, were introduced to Boyaa Shenzhen by way of additional capital contributions made to Boyaa Shenzhen in the amount of RMB400,000 and RMB300,000, respectively. Mr. Zhang also made an additional capital contribution of an amount of RMB300,000 to Boyaa Shenzhen. As a result of the foregoing, the registered capital of Boyaa Shenzhen was increased to RMB2,000,000, which was beneficially held as to 65% by Mr. Zhang (through his direct shareholding in 60% equity interest and through his beneficial interest in 5% equity interest through his nominee arrangement with Ms. Feng Lili), as to 20% by Mr. Dai and as to 15% by Ms. Hu Huan.
- (iii) In January 2011, in view of the investment by the Pre-IPO Investors, Ms. Hu Huan, an angel investor, realized and exit her investment in our Group in pursuance of other business opportunities. On January 7, 2011, Mr. Zhang, Ms. Feng Lili (as nominee of Mr. Zhang), Mr. Dai and Ms. Hu Huan entered into an equity transfer agreement pursuant to which Ms. Hu Huan transferred 5% equity interest in Boyaa Shenzhen to Ms. Feng Lili (as nominee of Mr. Zhang) at a consideration of RMB428,571.43 and transferred the remaining 10% equity interest in Boyaa Shenzhen to Mr. Zhang at nominal consideration of RMB1.00. In addition, Mr. Dai transferred 10% equity interest in Boyaa Shenzhen to Ms. Feng Lili (as nominee of Mr. Zhang) at a consideration of RMB428,571.43. The consideration was determined with reference to the then financial performance and registered capital of Boyaa Shenzhen and was based on arm's length negotiations between the shareholders of Boyaa Shenzhen.
- (iv) In November 2011, Mr. Zhang ended the nominee arrangement with Ms. Feng Lili by acquiring the 20% equity interest legally held by Ms. Feng Lili at a nominal consideration of RMB1.00.
- (v) In May 2012, Mr. Zhang injected further capital of an amount of RMB8,000,000 into Boyaa Shenzhen, increasing its registered and paid-in capital to RMB10,000,000. As a result, Boyaa Shenzhen is held as to 98% by Mr. Zhang and as to 2% by Mr. Dai.

During the relevant times when Ms. Zhang Aiqing, Mr. Ma Zhaohu and Ms. Feng Lili held the relevant equity interests in Boyaa Shenzhen, each of them exercised his/her rights as a shareholder of Boyaa Shenzhen in accordance with the instructions of Mr. Zhang from time to time and received no compensation for acting as such nominee shareholder.

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We have been advised by our PRC Legal Advisor that:

- (a) the nominee arrangements are not in violation of PRC laws and are legally binding upon Mr. Zhang and the respective Nominees;
- (b) we had obtained from the relevant governmental authorities necessary approvals and registration required for all changes in the registered capital of Boyaa Shenzhen and transfers of the equity interests between and among Mr. Zhang and the Nominees and the two angel investors since its establishment; and
- (c) the registered capital and the increase in the registered capital of Boyaa Shenzhen had been duly paid up within the required timeframe.

Investments of Boyaa Shenzhen

As at the Latest Practicable Date, we, through Boyaa Shenzhen, holds investment in three associated companies, namely Shenzhen Fanhou Technology Co. Ltd. (深圳市飯後科技有限公司) (as to 24% interest), RaySns Technology Co. Ltd. (雷尚(北京)科技有限公司) (as to 24% interest) and Shanghai Teqi Internet Technology Co. Ltd. (上海特奇網絡科技有限公司) (as to 28% interest and Mr. Zhang is one of the three directors of Shanghai Teqi Internet Technology Co. Ltd.). Our investment in these three associated companies are accounted for as “Investments in associates” using the equity method of accounting in the Accountants’ Report in Appendix I to this prospectus. We do not control the board of directors of any of these associated companies and all other shareholders of these associated companies are independent third parties. In addition, our management considers that our investment in these associated companies as passive investment. As a result of the foregoing, these associated companies are not members of our Group. In addition, we, through Boyaa Shenzhen, also holds approximately 11.7% equity interest in Blingstorm Entertainment Ltd. (晶合思動(北京)科技有限公司, “**Blingstorm**”), which is mainly engaged in provision of mobile games (other than online card and board games) in the PRC, as at the Latest Practicable Date. Mr. Dai holds approximately 10.8% equity interest in Blingstorm and is also one of the three directors of Blingstorm. The other shareholders of Blingstorm are independent third parties. Such equity investment is being accounted for as “Available-for-sale financial assets” and is recorded at cost in Accountants’ Report in Appendix I to this prospectus. Details of the carrying value of our investment in these associated companies and available-for-sale financial assets are set out in Notes 10 and 11 to the Accountants’ Report in Appendix I to this prospectus.

Save as disclosed above, there are no other acquisitions and disposals of subsidiaries of our Group since the inception of our Group.

SAFE Circular 75

As disclosed in the section headed “Applicable Laws and Regulations in China — Regulations on Foreign Exchange — SAFE Circular 75” in this prospectus, the SAFE Circular 75 requires PRC residents to register with the local SAFE counterpart before incorporating or acquiring control of an offshore special purpose vehicle, with assets or equity interests in an onshore company located in the PRC, for the purpose of offshore equity financing and to update or amend the registration upon any material change of shareholding or any other material capital alteration in such special purpose vehicle. Our PRC Legal Advisor has confirmed that each of Mr. Zhang and Mr. Dai, both being PRC residents and beneficial owners of our Company, has completed the SAFE registration in respect of his investment in our Group in accordance with PRC laws. In particular, Mr. Zhang completed his initial SAFE registration at the Shenzhen local counterpart of SAFE on October 22, 2010, and completed alteration registration in respect of the change in his shareholding in our Company as a result of (i) the investment by the Pre-IPO investors and (ii) his acquisition of Emily Technology Limited at the Shenzhen local counterpart of SAFE on August 31, 2011 and February 5, 2013, respectively. Further, Mr. Dai also completed his SAFE registration with the Shenzhen local counterpart of SAFE on August 31, 2011. Mr. Zhang and Mr. Dai will complete the alteration registration under SAFE Circular 75 as a result of the Reorganization of the Group in 2013.

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PRE-IPO INVESTORS

Pre-IPO Share Purchase Agreement

Name of Pre-IPO Investors:	Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P.
Date of Pre-IPO Share Purchase Agreement:	September 30, 2010
Number of shares subscribed for by the Pre-IPO Investors:	A total of 6,478,873 Series A Preferred Shares with par value of US\$0.001 each. After the share splits implemented by our Company in November 2011 and in March 2012, respectively, the shares held by the Pre-IPO Investors in our Company increased to a total of 129,577,460 Series A Preferred Shares with par value of US\$0.00005 each, of which, Sequoia Capital China II, L.P. held 108,598,880 Series A Preferred Shares, Sequoia Capital China Partners Fund II, L.P. held 2,734,080 Series A Preferred Shares and Sequoia China Principals Fund II, L.P. held 18,244,500 Series A Preferred Shares, representing approximately 22.18%, 0.56% and 3.73% of the then total issued share capital of our Company
Total consideration:	US\$6,000,000
Completion of the subscription and payment date of the consideration:	January 7, 2011
Price per Series A Preferred Share subscribed:	US\$0.93 per Series A Preferred Share (equivalent to US\$0.0465 per Series A Preferred Share as adjusted by the share splits and representing a discount of 92.9% to an Offer Price of HK\$5.08 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus))
Basis of determination of the consideration:	The consideration was determined with reference to the then financial performance of our Group and market comparables of other online game developer and provider and was based on arm's length negotiations between our Group and the Pre-IPO Investors
Use of proceeds from the pre-IPO investment:	The proceeds from the pre-IPO investments had been fully utilized for the continued development of our online games and expansion of our business
Strategic benefits the Pre-IPO Investors brought to our Company:	In conjunction with the pre-IPO investment, the Pre-IPO Investors also undertook to offer various consulting and advisory services to our Group in relation to our Group's business and in preparation for our Listing based on their extensive experience gained from advising companies in their investment portfolios, which our Directors believe have brought strategic benefits to our Group
Shareholding of the Pre-IPO Investors in our Company immediately following the completion of the Global Offering:	On the basis that the Series A Preferred Shares are convertible into ordinary shares of our Company on an one-for-one basis, Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia China Principals Fund II, L.P. shall hold approximately 13.89%, 0.35% and 2.33% of the total issued share capital of our Company, respectively (without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme)

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Information on the Pre-IPO Investors

Each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is a limited liability partnership incorporated in the Cayman Islands. They are venture capital partnership principally engaged in the investment in companies in early stages of development in China. They are managed by Sequoia Capital China Advisors Limited and their general partner is Sequoia Capital China Management II, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, a company wholly owned by Neil Nanpeng Shen. Other than the investment in our Group as disclosed in this prospectus, the Pre-IPO Investors and their ultimate beneficial owner are independent from our Group and connected persons of our Company. As the Pre-IPO Investors shall collectively hold more than 10% of the total issued share capital of our Company immediately following the completion of the Global Offering, the Pre-IPO Investors will be a substantial shareholder of our Company upon Listing and hence a connected person of our Company. Accordingly, all shares held by the Pre-IPO Investors shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Series A Preferred Shares

The Series A Preferred Shares represent approximately 26.47% of the then issued share capital of our Company as enlarged by the issue of the Series A Preferred Shares. The Series A Preferred Shares are convertible into ordinary shares of our Company on a one-for-one basis. The Pre-IPO Investors have the right to receive dividends at the same rate as the holders of ordinary shares of our Company. Each Series A Preferred Share shall carry the same number of votes as each ordinary share.

Accounting treatment of the issuance of the Series A Preferred Shares

In conjunction with the Pre-IPO investment, the Pre-IPO Investors also undertook to offer certain consulting and advisory services to our Group in relation to our Group's business and in preparation for our Listing. Accordingly, the Series A Preferred Shares were issued at certain discount from the then assessed fair value and the Series A Preferred Shares issued have been accounted for as share-based compensation in accordance with IFRS 2. The Directors are of the view that such accounting treatment is in accordance with applicable IFRS (including IFRS 2) and relevant accounting policies have been disclosed in the Accountant's Report set out in the Appendix I to this prospectus. For further details of the application of IFRS 2 for accounting for the issuance of the Series A Preferred Shares and relevant accounting policies, please refer to the section headed "Financial Information — Significant Accounting Policies and Estimates — Share-based Payments — Share-based payments treatments applied to the issuance of the Series A Preferred Shares" and Notes 2.17(b), 4.2(d) and 22 in Section II of the Accountant's Report.

Conversion

All Series A Preferred Shares will be converted into Shares of our Company upon the Global Offering becoming unconditional.

Redemption rights

Pursuant to the Shareholders Agreement, at any time (a) on or after the fourth anniversary of the closing date of the issuance of the Series A Preferred Shares (such closing date being January 7, 2011); or (b) the occurrence of any of (i) the making or the passing of a winding up or dissolution court order or resolution (other than a voluntary winding up), or (ii) the taking of possession by an encumbrance of, or the appointment of a trustee, administrator or administrative receiver or manager or a similar officer over, or an administration order being made or applied for in respect of, any part or the whole of the undertaking or property of any member of our Group; or (iii) the initiation of and consent to any bankruptcy or insolvency proceedings relating to any member of our Group or the entering into of any arrangement or composition with its creditors generally; or (iv) if any of the agreements underlying the Contractual Arrangements is materially breached by Boyaa PRC, Boyaa Shenzhen and/or its shareholders (each a "Redemption Event"), each holder of the

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Series A Preferred Shares shall be entitled to require, by lodging a notice of redemption, our Company to redeem all of such outstanding Series A Preferred Shares. The redemption price for such Series A Preferred Shares shall be equal to the greater of the original purchase price plus (a) 5% annual non-compound interest based on the original purchase price; or (b) all accumulated and unpaid dividends ratably payable to holders of Series A Preferred Shares based on the number of Shares held by such holder as if all the Series A Preferred Shares were converted into Shares, provided that our Company shall, following the redemption, remain solvent and be able to pay their debts when they fall due in the ordinary course of business. All these redemption rights shall terminate upon Listing when the Series A Preferred Shares were converted into Shares.

Right to elect director and participation in Board and Board committee

Pursuant to the Shareholders Agreement, the Pre-IPO Investors shall, for so long as they continue to hold 8% or more of the issued share capital of our Company, be entitled to appoint one director and shall have the exclusive right to remove and replace such director. The Pre-IPO Investors shall also have the right to designate one non-voting observer who shall have the right to attend and observe (but not to vote at) meetings of the Board. Moreover, the quorum of the Board meeting shall be at least two-thirds of all Directors which shall include the director appointed by the Pre-IPO Investors. In consideration of the Listing, the Pre-IPO Investors agreed to terminate these rights concerning the election of director and the participation in Board and Board committee upon Listing. Mr. Zhou Kui, being the director appointed to the Board by the Pre-IPO Investors, will remain a non-executive Director of our Company upon Listing and will be subject to retirement by rotation according to our Articles after Listing.

Information rights

Pursuant to the Investors' Rights Agreement, so long as the Pre-IPO Investor continues to hold no less than 5% of the shares in the share capital of our Company, the Pre-IPO Investor shall have the right to receive certain financial statements and other information about our Company. These information rights shall terminate upon Listing when the Series A Preferred Shares were converted into Shares.

Veto rights

Pursuant to the Shareholders Agreement, there are certain matters which would require the approval of the holders of at least a majority of the Series A Preferred Shares, which include, among others, issue of new securities by our Company, declaration of dividend and change of our principal business activities. In addition, there are certain matters which would require the approval of the director appointed by the Pre-IPO Investors, which include, among others, connected transactions, material change to our accounting policies and incurring of sizeable debt. All these veto rights shall terminate upon Listing when the Series A Preferred Shares were converted into Shares.

Anti-dilution and pre-emptive right

Each holder of the Series A Preferred Shares shall have the right of first refusal to purchase, on a pro rata basis, new securities issued by our Company from time to time. In addition, at any time prior to an IPO, the holders of Shares shall not, directly or indirectly, transfer, sell, pledge or otherwise dispose of any such Shares, failing which such holder of the Series A Preferred Shares will be entitled to exercise either the right of first refusal or the co-sale right. This anti-dilution and pre-emptive right shall terminate upon Listing when the Series A Preferred Shares were converted into Shares.

Restriction on Shares held by Mr. Zhang

Pursuant to the Restricted Shares Agreement, the Shares directly and indirectly held by Mr. Zhang in our Company shall be deemed "restricted shares" subject to the option to repurchase by our Company. Such "restricted shares" will be released and automatically vested to Mr. Zhang in equal lots on a monthly basis over a period of 48 months commencing from January 7, 2011, being the date of completion of the subscription of the Series A Preferred Shares by the Pre-IPO Investors. In the event that Mr. Zhang

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voluntarily resigns or terminates his employment or services with our Company and other members of our Group during the 48-month period, the holders of the majority of the Series A Preferred Shares may instruct our Company to repurchase Shares directly or indirectly held by Mr. Zhang at par value. This repurchase option shall terminate upon Listing when the Series A Preferred Shares were converted into Shares.

Lock-up

The Pre-IPO Investors have undertaken to us that for a period of 180 days following the Price Determination Date, they will not sell or otherwise transfer or dispose of any securities of our Company without the prior consent of our Company or the Underwriters of the Global Offering.

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the investment by the Pre-IPO Investors is in compliance with the Interim Guidance on Pre-IPO Investments issued on October 13, 2010 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

CONTRACTUAL ARRANGEMENTS

Introduction

We are primarily engaged in the development and operation of online card and board games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our website. We conduct online games business through our PRC operating entity, Boyaa Shenzhen. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. For further details of the limitations on foreign ownership in PRC companies conducting online games business and value-added telecommunications services under applicable PRC laws and regulations, please refer to the section headed “Applicable Laws and Regulations in China” above in this prospectus. Accordingly, we cannot acquire equity interest in Boyaa Shenzhen.

As a result of the foregoing and in view of the investment made by the Pre-IPO Investors, in January 2011, we entered into a series of original contractual arrangements with Boyaa Shenzhen through Boyaa PRC to conduct its online games business in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all economic benefits of, Boyaa Shenzhen. The existing agreements underlying such original contractual arrangements with Boyaa Shenzhen include: (i) Business Operating Agreement, (ii) Exclusive Business Consulting and Service Agreement, (iii) Exclusive Option Agreement, and (iv) Equity Pledge Agreement.

In preparation for Listing and in May 2013, our Group amended certain terms of the four existing agreements underlying the original contractual arrangements with Boyaa Shenzhen and also entered into a new intellectual properties license agreement and a new loan agreement underlying the Contractual Arrangements currently in effect to further strengthen our Group’s management control over Boyaa Shenzhen, to confer the relevant rights upon our Group over the assets and economic benefits of Boyaa Shenzhen and, to the extent permitted by PRC laws and regulations, to grant the right to acquire the equity interests and/or assets of Boyaa Shenzhen to Boyaa PRC.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of Boyaa Shenzhen will be instructed and supervised by our Group, through Boyaa PRC, and all risks arising from the business of Boyaa Shenzhen are also effectively borne by the Group as a result of Boyaa Shenzhen being treated as a wholly-owned subsidiary of our Group. Accordingly, our Directors consider that it is fair and reasonable for Boyaa PRC to be entitled to all economic benefits generated by the business operated by Boyaa Shenzhen through the Contractual Arrangements as a whole.

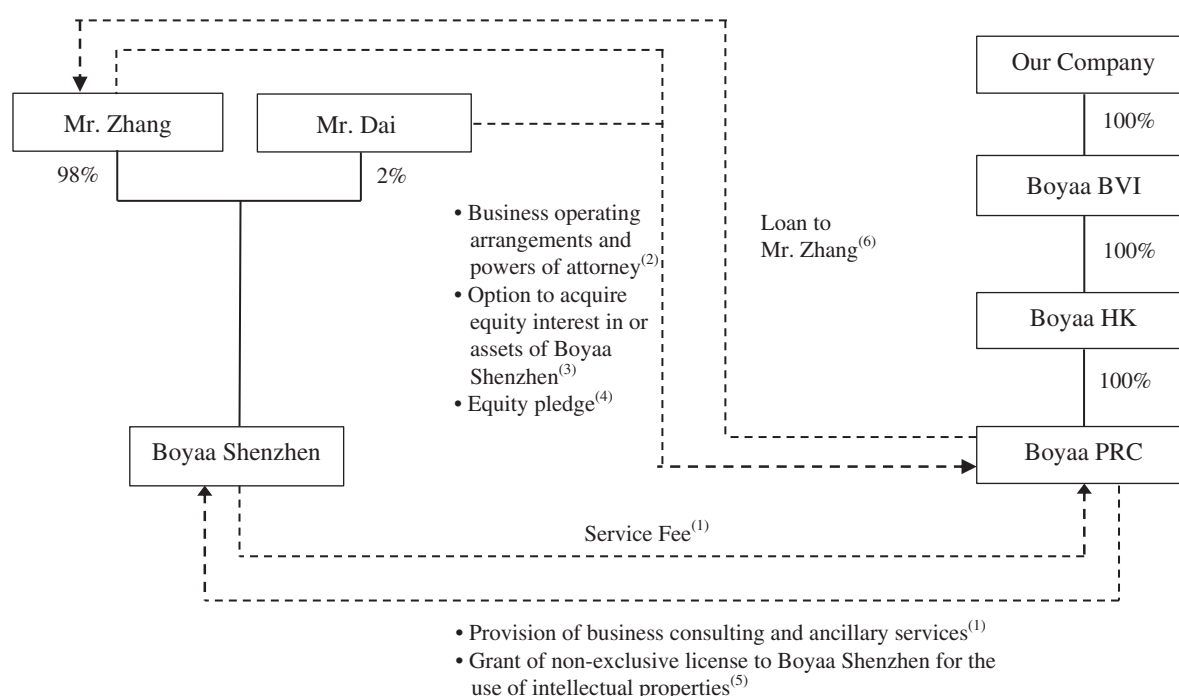
In addition, we have taken and plan to continue to take specific steps to comply with the Qualification Requirement discussed in the section headed “Applicable Laws and Regulations in China — Regulations on Telecommunications Services and Foreign Ownership Restrictions — Regulations Relating to Foreign Investments in Value-added Telecommunications Industry” in this prospectus. Boyaa HK, our subsidiary in Hong Kong, has been developing the mobile version of Liar’s Dice (大話骰), one of our popular board

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games, in simplified and traditional Chinese targeting players in Hong Kong and overseas Chinese communities and for both the iOS and Android platforms. Boyaa HK expects to launch this mobile game before the Listing. Furthermore, we are constructing our overseas website, *boyya.com.hk*, primarily for investor relations purposes. We plan to offer our casual games, such as Ant Wars (蟲蟲特攻隊) and Happy Babies (開心寶貝), on this website to help the investors and website visitors better understand our games and business. Our PRC Legal Advisor is of the view that these steps are reasonable and appropriate to comply with the Qualification Requirement. The construction of this website will be completed before the Listing. We expect that the aggregate expenditures incurred and to be incurred for taking the steps discussed above will not exceed RMB2.0 million. We will maintain close contact with the relevant PRC regulatory authorities and seek specific guidance as to the Qualification Requirement. We undertake to provide periodic updates in annual and interim reports as requested by the Stock Exchange after the Listing to inform the investing public of our efforts and actions taken to comply with the Qualification Requirement as well as the progress of our efforts.

Diagram of the Contractual Arrangements

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



Notes:

- 1) Please refer to the paragraph headed “Exclusive Business Consulting and Service Agreement” below for details.
- 2) Please refer to the paragraph headed “Business Operating Agreement” below for details.
- 3) Please refer to the paragraph headed “Exclusive Option Agreement” below for details.
- 4) Please refer to the paragraph headed “Equity Pledge Agreement” below for details.
- 5) Please refer to the paragraph headed “Intellectual Properties License Agreement” below for details.
- 6) Please refer to the paragraph headed “Loan Agreement” below for details.

Exclusive Business Consulting and Service Agreement

Boyaa PRC and Boyaa Shenzhen entered into the Exclusive Business Consulting and Service Agreement (as restated and amended) on May 15, 2013, pursuant to which Boyaa Shenzhen agreed to engage Boyaa PRC as its exclusive consultant and service provider. Accordingly, Boyaa PRC shall provide advice

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

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

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

Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Boyaa Shenzhen will flow to Boyaa PRC and hence, our Group as a whole. As at the Latest Practicable Date, Boyaa PRC has employed a total of 219 staff members to provide management, market promotion, technical support, research and development and other relevant services as required to be provided to Boyaa Shenzhen pursuant to the Exclusive Business Consulting and Service Agreement, whilst Boyaa Shenzhen has employed a total of 421 staff members, whom are mainly responsible for game development and operations. Our Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Boyaa PRC and Boyaa Shenzhen under the Contractual Arrangements and also ensure sound and effective operation of our Group in compliance with the Contractual Arrangements and applicable laws and regulations.

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

Business Operating Agreement

Boyaa PRC, Mr. Zhang, Mr. Dai and Boyaa Shenzhen entered into the Business Operating Agreement (as restated and amended) on May 15, 2013, and as further amended and supplemented by the supplemental agreement dated October 22, 2013, pursuant to which Mr. Zhang and Mr. Dai agreed to enter into powers of attorney to unconditionally and irrevocably authorize any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa HK, Boyaa BVI or the Company who is a PRC citizen, and cannot

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be Mr. Zhang, Mr. Dai or any of their associates. Such individuals act on Mr. Zhang and Mr. Dai's behalf on all matters pertaining to Boyaa Shenzhen and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (i) rights to attend shareholders' meeting, (ii) rights to exercise voting rights in a shareholders' meeting, (iii) rights to sign minutes of the meetings, (iv) rights to file documents with relevant governmental authorities or regulatory bodies, (v) rights to appoint directors, supervisors and senior management, (vi) entitle to decide on any acquisition or disposal of the equity interest of Mr. Zhang and Mr. Dai in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen, (vii) right to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person and (viii) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Boyaa Shenzhen. In addition, it is also agreed that Boyaa PRC or its designee shall have the right to obtain and review the operating statistics, business data, financial information, employee information and other information relevant to the operations and business of Boyaa Shenzhen. Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntary wind-up or dissolve Boyaa Shenzhen, each of Mr. Zhang and Mr. Dai undertakes that they will ensure and procure the execution of all related documents and completion of all relevant procedures required for completing the liquidation and winding-up process and that Boyaa PRC shall be transferred, at nil consideration, all remaining assets of Boyaa Shenzhen upon liquidation.

Mr. Zhang, being the chairman of our Company, and Mr. Dai, being an executive Director of our Company, have been appointed as the directors of Boyaa Shenzhen and have taken up the leading role in the governance of implementation of the operating policies in respect of Boyaa Shenzhen in order to ensure that Boyaa Shenzhen will be managed and operated to our Group's policies and the terms of the Contractual Arrangements.

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

Powers of attorney

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

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at any time by exercising its power as the sole shareholder). The Company's own directors, on the other hand, have the duty to act in the best interest of the Company. Therefore, no matter whether the shareholders of Boyaa Shenzhen authorize Boyaa HK's directors or the Company's directors as their exclusive attorneys, we have effective control over all corporate decisions made by these individuals so authorized. As such, we, through Boyaa HK's directors or our own directors, as the case may be, acting as the exclusive attorney of the shareholders of Boyaa Shenzhen, are able to exercise management control over Boyaa Shenzhen.

Exclusive Option Agreement

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

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

- (i) Boyaa Shenzhen shall not alter its constitutional documents or its registered capital;
- (ii) Boyaa Shenzhen shall prudently and effectively operate its business and transactions in accordance with the good financial and business standards;
- (iii) Boyaa Shenzhen shall not sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on its assets;
- (iv) Boyaa Shenzhen shall not incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business and having been disclosed to and consented by Boyaa PRC in writing;
- (v) Boyaa Shenzhen shall not enter into any material contracts with an amount of over RMB1 million other than in the ordinary course of business;
- (vi) Boyaa Shenzhen shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;
- (vii) Boyaa Shenzhen shall not engage in any mergers or acquisitions or make investment in any entities;
- (viii) Boyaa Shenzhen shall immediately inform Boyaa PRC if its assets or business involved in any disputes, litigations, arbitrations or administrative proceedings; and

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

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

To ensure that the registered shareholders of Boyaa Shenzhen duly discharge their obligations under the Contractual Arrangements, pursuant to the Exclusive Option Agreement, each of Mr. Zhang and Mr. Dai, as the registered shareholders of Boyaa Shenzhen, have already executed in blank the equity transfer agreements with respect to their respective shareholding in Boyaa Shenzhen, which are kept by the Company and can be effected and enforced by Boyaa PRC or its designee in the event that either Mr. Zhang or Mr. Dai fails to discharge his obligations under the Contractual Arrangements.

In addition, Mr. Zhang and Mr. Dai have undertaken under the Exclusive Option Agreement that they will return to Boyaa PRC or the person or entity designated by Boyaa PRC any proceeds they will receive upon the exercise of the aforesaid irrevocable option. It is also believed that Mr. Zhang, being the chairman of our Company, and Mr. Dai, being an executive Director of our Company will uphold their fiduciary duties in acting in the best interests of our Company and our shareholders as a whole and will also uphold good governance practices to ensure that the Contractual Arrangements will be implemented and operated in accordance with our Group's policies and the terms of the Contractual Arrangements, which the Directors considered that such terms and arrangements are fair and reasonable and in the best interest of Company and its shareholders as a whole.

Equity Pledge Agreement

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

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

The Equity Pledge Agreement is for an indefinite term commencing on May 15, 2013, being the date of the agreement, until (i) all the agreements (other than this Equity Pledge Agreement) underlying the Contractual Arrangements have been terminated, or (ii) all the obligations under the Equity Pledge Agreement have been fulfilled. As advised by our PRC Legal Advisor, pursuant to the Property Rights Law of the People's Republic of China (中華人民共和國物權法), Boyaa PRC (as the pledgee) shall have the right to receive all yields accrued from the entire equity interest of Boyaa Shenzhen pledged by its registered

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shareholders (which include dividends or other distributions declared to Boyaa Shenzhen's registered shareholders) to Boyaa PRC, which Boyaa PRC will record as service fees from Boyaa Shenzhen under the Exclusive Business Consulting and Service Agreement. As further advised by our PRC Legal Advisor, Boyaa PRC will be subject to value-added tax and enterprise income tax upon the receipt of any dividends or other distributions from Boyaa Shenzhen's registered shareholders, and Boyaa Shenzhen's registered shareholders will be subject to PRC individual income tax when they receive the dividends or other distributions declared and paid by Boyaa Shenzhen to them. Apart from the aforementioned taxes, our PRC Legal Advisor confirms that there are no other legal, regulatory or tax requirements in respect of the receipt of such dividend or other distribution by Boyaa PRC from Boyaa Shenzhen's registered shareholders in the PRC. It is also confirmed that there is no legal impediment for the Group to fulfill the aforementioned tax requirements.

Intellectual Properties License Agreement

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

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

Loan Agreement

In order to satisfy the funding needs of Boyaa Shenzhen, Mr. Zhang borrowed a sum of RMB8,000,000 from a third party in 2012. On May 15, 2013, Boyaa PRC and Mr. Zhang entered into the Loan Agreement, and as amended and supplemented by the supplemental agreement dated October 22, 2013, pursuant to which Boyaa PRC agreed to lend RMB8,000,000 to Mr. Zhang to allow him to repay the RMB8,000,000 loan which he had borrowed for the purpose of his additional capital contributions in Boyaa Shenzhen in May 2012. Through the Loan Agreement, such capital contribution already made by Mr. Zhang with funds borrowed from the third party prior to the Loan Agreement will effectively be funded by Boyaa PRC, and Mr. Zhang will be subject to certain repayment conditions pursuant to the Loan Agreement as discussed below. As such, the Loan Agreement has been structured to provide further enhancement of our control over Boyaa Shenzhen. Pursuant to the Loan Agreement, the parties agreed to enter into the Exclusive Option Agreement where Boyaa PRC has the right to exercise a call option granted by Mr. Zhang to acquire all or part of the equity interest in Boyaa Shenzhen held by Mr. Zhang at a minimum consideration that is permissible under law. In addition, to secure the performance of all obligations of Mr. Zhang under the Loan Agreement and all other agreements (other than the Equity Pledge Agreement) underlying the Contractual Arrangements, the parties shall enter into the restated and amended Equity Pledge Agreement where, among others, Mr. Zhang pledges all of his equity interests in Boyaa Shenzhen to Boyaa PRC.

The Loan Agreement is for a term of ten years commencing from May 15, 2013, being the date of the agreement, and may be automatically extended for another ten years. The loan will become due and payable upon Boyaa PRC's demand under any of the following circumstances: (i) Mr. Zhang resigns or is being removed from the various positions held by him with the Group, (ii) the death or incapacity of Mr. Zhang, (iii) Mr. Zhang being engaged or involved in criminal activities, (iv) Mr. Zhang becoming insolvent or

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incurring any other significant personal debt which may affect Mr. Zhang's ability to repay the loan under the Loan Agreement, or (v) Boyaa PRC exercising its option to purchase all equity interests in Boyaa Shenzhen held by Mr. Zhang to the extent permitted by PRC laws and regulations as soon as the PRC foreign ownership restrictions applicable to the Group's online games business have been lifted. The Loan Agreement provides that the loan can only be repaid by Mr. Zhang using proceeds he will receive upon Boyaa PRC's exercise of its irrevocable option to purchase Boyaa Shenzhen's equity interests or assets pursuant to the Exclusive Option Agreement.

Confirmation from Mr. Zhang, Mr. Dai and the spouse of Mr. Dai

Each of Mr. Zhang and Mr. Dai has provided a written confirmation, confirming that appropriate arrangements have been made to ensure that none of his successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his equity interest in Boyaa Shenzhen upon his death, incapacity, divorce or any other circumstances that may affect Mr. Zhang's or Mr. Dai's ability to exercise his shareholder's rights in Boyaa Shenzhen will carry out any act that may affect or hinder the fulfillment of Mr. Zhang's or Mr. Dai's obligations under each of the agreements underlying the Contractual Arrangements to which he is a party. In addition, the spouse of Mr. Dai has also provided a written confirmation confirming that she will not carry out any act that may affect or hinder the fulfillment of Mr. Dai's obligations under each of the agreements underlying the Contractual Arrangements to which he is a party.

Operations in compliance with the Contractual Arrangements

Our Group will adopt the following measures to ensure legal and regulatory compliance and to ensure the sound and effective operation of our Group (including Boyaa Shenzhen) and the implementation of the Contractual Arrangements upon Listing:

- (i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements with Boyaa Shenzhen will be regularly reviewed, at least on a quarterly basis, by our Board after Listing. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements with Boyaa Shenzhen;
- (ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- (iii) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of our Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;
- (iv) because the Contractual Arrangements with Boyaa Shenzhen will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver, details of which is set out in the section headed "Connected Transactions" in this prospectus. Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;
- (v) if required, legal advisors and, or other professionals will be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;
- (vi) our independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in our annual report; and

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- (vii) our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Boyaa PRC for the purpose of exercising any of the rights originally granted to Boyaa PRC under the Contractual Arrangements shall be restricted to a legally-held subsidiary of our Company (which will be under the management control of our Company) or an authorized director of our Company or a legally-held subsidiary (whom shall own fiduciary duties to us). Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which does not owe any fiduciary duties to our Company.

To ensure that Mr. Zhang, Mr. Dai and Boyaa Shenzhen will comply with the Contractual Arrangements, we have decided to further introduce the following measures:

- (i) the three independent non-executive Directors will continue to play an independent role in our Board by reviewing the effective implementation of the procedures and controls referred to above and compliance of our Contractual Arrangements;
- (ii) going forward, each of Mr. Zhang and Mr. Dai shall abstain from voting on any resolutions of Boyaa Shenzhen in which he may have conflict of interest, and all resolutions shall be passed unanimously or by the affirmative vote of a simple majority of the board of Boyaa Shenzhen (as the case may be), and if any resolution could not be passed by the board of Boyaa Shenzhen unanimously or by a simple majority of votes (as the case may be), such resolution would be considered as disapproved; and
- (iii) our Group has implemented corporate governance measures to manage any conflict of interest between our Group and our Directors.

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our corporate structure is set forth in the section headed “Risk Factors — Risks Relating to Our Corporate Structure.” As at the Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance, for further details, please refer to the section headed “Risk Factors — Risks relating to our Business and our Industry — Our lack of insurance could expose us to significant costs and business disruption.” in this prospectus.

Manner of settlement of disputes which may arise from the Contractual Arrangements

Pursuant to the Contractual Arrangements, any dispute arising from the interpretation and implementation of the Contractual Arrangements between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules of the commission. The results of the arbitration shall be final and binding on all relevant parties.

Our PRC Legal Advisor confirmed that the abovementioned dispute resolution provisions set forth in the Contractual Arrangements are in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, our PRC Legal Advisor is also of the opinion that the provisions in the agreements underlying the Contractual Arrangements setting forth that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under PRC laws, see the section headed “Risk Factors — Risks Relating to Our Corporate Structure — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

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Effect and legality of the Contractual Arrangements

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over Boyaa Shenzhen and to protect and safeguard the interest of our Company and our future public shareholders in the event of any dispute between us and Boyaa Shenzhen's shareholders.

Under the Business Operating Agreement and the Powers of Attorney, Boyaa Shenzhen's shareholders have irrevocably granted Boyaa PRC the power to, among others, (i) exercise the voting rights in a shareholders' meeting on matters to be determined by Boyaa Shenzhen's shareholders, including without limitation the appointment and replacement of directors, supervisors and senior management of Boyaa Shenzhen, (ii) transfer or dispose of the equity interest held by Boyaa Shenzhen's shareholders in Boyaa Shenzhen, and (iii) sign all documents required to be signed by Boyaa Shenzhen's shareholders on their behalf.

In addition, under the Exclusive Option Agreement, each of Boyaa Shenzhen's shareholders granted Boyaa PRC or any person or entity designated by Boyaa PRC irrevocable options to purchase from Boyaa Shenzhen's shareholders all or part of the equity interest in and assets of Boyaa Shenzhen at any time at the net book value of such assets or the minimum purchase price permitted under PRC laws and regulations. These provisions provide Boyaa PRC with the powers to determine or change the composition of Boyaa Shenzhen's board of directors and management team at any time, which in turn provides Boyaa PRC with the power to control Boyaa Shenzhen without the need for any further action or cooperation of Boyaa Shenzhen's shareholders. These provisions also enable Boyaa PRC to unilaterally appoint nominee shareholders of its choice to take over the equity interest in Boyaa Shenzhen at any time.

Furthermore, under the Equity Pledge Agreement, Boyaa Shenzhen's shareholders pledged their equity interest in Boyaa Shenzhen to Boyaa PRC, and all such pledges have been properly registered with the local counterpart of SAIC as required by the PRC Property Rights Law. The registered pledges effectively prevent Boyaa Shenzhen's shareholders from impeding Boyaa PRC's control over Boyaa Shenzhen by transferring their equity interest in Boyaa Shenzhen to bona fide third parties without Boyaa PRC's knowledge or approval.

Our PRC Legal Advisor is of the opinion that each of the agreements underlying the Contractual Arrangements (i) are legal and valid and do not violate PRC laws, rules and regulations, including those applicable to the business of our Company, Boyaa PRC and Boyaa Shenzhen, and the articles of association of each of Boyaa PRC and Boyaa Shenzhen, and (ii) are legally binding on and enforceable against each party of each of the agreements under PRC laws and regulations, except that interim remedies granted by courts in Hong Kong or the Cayman Islands (even if in favour of an aggrieved party) pursuant to the terms of the Contractual Agreements regarding the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforced by PRC courts.

In light of the recently reported PRC Supreme Court decision and the two arbitration decisions (as discussed under "Risk Factors — Risks Relating to Our Corporate Structure — If the PRC government finds that the agreements that establish the structure for operating our online game business in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties, including the nullification of the Contractual Arrangements and revocation of business licenses of our VIE and/or our PRC subsidiary"), our PRC Legal Advisor has advised us that:

- (i) our corporate structure and the Contractual Arrangements are distinguishable from the facts in the Supreme Court case, as reported, because:
 - (A) the investor in the reported case was a principal who was purported to obtain the ownership of the equity interest in the target company through a "proxy" created by certain entrusted investment and shareholding arrangements, whereas the Contractual Arrangements, which

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do not purport for Boyaa PRC to obtain any equity ownership in Boyaa Shenzhen in violation of applicable laws and regulations and only enable Boyaa PRC to exercise effective control over and receive economic benefits from Boyaa Shenzhen through contracts, do not create any proxy under the PRC law;

- (B) the investor in the reported case was deemed a shareholder of the target company, directly enjoyed all economic benefits in the form of dividend distribution and directly assumed all related risks, whereas under the Contractual Arrangements, Boyaa Shenzhen's equity interest is owned by its registered shareholders (who are entitled to all dividends distributed by Boyaa Shenzhen) and Boyaa PRC only has a contractual right to collect service fees from Boyaa Shenzhen; and
 - (C) the entrusted investment and shareholding arrangements in the reported case are for the purpose of obtaining equity ownership in a financial institution would require governmental approval, whereas the Contractual Arrangements used in our industry are not subject to any governmental approval;
- (ii) the reported Supreme Court case may not be considered as authority in deciding other similar cases, because it is not one of the guiding cases (指導性案例) published by the PRC Supreme Court which all lower level people's courts throughout China should use as guidance, and upon searches and inquiries through public channels, our PRC Legal Advisor did not retrieve any guiding cases published by the PRC Supreme Court or other PRC court rulings that have adjudicated contracts similar to the Contractual Arrangements invalid; and
 - (iii) the arbitration decisions, as reported, shall only be binding upon the parties in dispute and may not be taken as authority in deciding other cases due to the private and confidential nature of the arbitration.

Therefore, our PRC Legal Advisor is of the opinion that these reported cases do not have a direct impact on the Contractual Arrangements adopted by us and the likelihood that the legality of the Contractual Arrangements will be challenged based on the reported cases is low. Based on public searches and inquiries, our PRC Legal Advisor is not aware of any examples regarding how similar contracts to the Contractual Arrangements have been enforced and upheld in the PRC court. Our PRC Legal Advisor further advises us that the possibilities of PRC courts or arbitration tribunals holding views contrary to that of our PRC Legal Advisor cannot be entirely ruled out.

In addition, our PRC Legal Advisor is of the view that the Contractual Arrangements (including the Loan Agreement between Boyaa PRC and Mr. Zhang) are, collectively or individually, not in breach of any laws or administrative regulations of the PRC (including, without limitation, the PRC Contract Law, the General Principles of Civil Laws and the General Lending Provisions), or other normative rules in the PRC that have material impact on the business of Boyaa Shenzhen and Boyaa PRC. In addition, the Contractual Arrangements entered into by the Group do not fall within any of the circumstances (including, without limitation, "concealing illegal intentions with a lawful form") under Section 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. Our PRC Legal Advisor is also of the view that based on (i) the tax certificates issued by relevant tax authorities and (ii) the fact that the Contractual Arrangements and the transactions thereunder will have negative other than favourable impact on the tax liabilities of our Group before the Contractual Arrangements are entered into, the entering into of the Contractual Arrangements should not be seen as, an attempt to circumvent any tax obligations of our Group which may otherwise be subject to challenges by the tax bureaus or government authorities.

Our PRC Legal Advisor is also of the opinion that the execution, delivery and effectiveness of each of the agreements underlying the Contractual Arrangements do not require any approvals from or filings with PRC governmental authorities, except for (i) the equity pledge under the Equity Pledge Agreement, which was properly filed with the local counterpart of SAIC on June 28, 2013 and (ii) any transfer of equity interests in Boyaa Shenzhen pursuant to the terms of the Exclusive Option Agreement, which will have to be filed with relevant governmental authorities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In May 2013, we and our PRC Legal Advisor consulted with a Deputy Chief (副處長) and a key officer-in-charge of the Department of Culture Markets and Industry of the Guangdong MOC (廣東省文化廳文化市場與產業處) with respect to the Contractual Arrangements. As advised by our PRC Legal Advisor, the Guangdong MOC is the competent government authority for the administration of the online game industry in which the Company operates and for interpretation of relevant laws and regulations of the PRC, and the said Deputy Chief is a representative of the Guangdong MOC and in charge of the review, approval and issuance of the Internet Culture Business License (網絡文化經營許可證) and the general administration of online game companies in Guangdong province.

The Guangdong MOC has confirmed that:

- (i) Boyaa Shenzhen is one of the entities regulated by the Guangdong MOC and is required to obtain the Internet Culture Business Permit (網絡文化經營許可證) for its operations;
- (ii) Foreign investors are prohibited from holding equity interest in an entity conducting online games business, and accordingly, a foreign invested entity will not be granted an Internet Culture Business Permit (網絡文化經營許可證) to conduct online game business;
- (iii) Based on existing PRC regulations and policies, they will principally regulate and monitor any foreign investment in an entity conducting online games business, and in the event that the Guangdong MOC discovered any shareholding change involving foreign investment in an entity conducting online games business, the Guangdong MOC will revoke the Internet Culture Business Permit (網絡文化經營許可證); and
- (iv) If a PRC operating entity and a foreign-invested enterprise entered into a series of contractual arrangements, such contractual arrangements are not subject to any filing requirement or approval from the Guangdong MOC and are not in violation of any relevant PRC laws and regulations concerning the operations of online games business.

Based on the consultation with the Guangdong MOC, our PRC Legal Advisor further advised us that it is not an administrative function of PRC governmental authorities to issue formal confirmations regarding agreements that do not require examination by and approval of relevant authorities under PRC laws. Accordingly, our Company has not formally filed a request with any authority in the PRC for confirmation on the legality of the Contractual Arrangements. Our PRC Legal Advisor also confirmed that the lack of confirmation from the relevant governmental authorities will not affect the legality and validity of the Contractual Arrangements.

We have complied in good faith in all material respects with relevant PRC laws and regulations. As of the Latest Practicable Date, we have not encountered any interference or encumbrance from any PRC governmental authority in operating our business pursuant to the Contractual Arrangements. However, our PRC Legal Advisor has advised us that there can be no assurance that the relevant PRC governmental authorities will not take views contrary to the above in the future. Please refer to the section headed “Risk Factors — Risks Relating to Our Corporate Structure — If the PRC government finds that the agreements that establish the structure for operating our online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties, including the shutting down of our websites” in this prospectus for further information.

On September 28, 2009, the GAPP, the NCA and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the GAPP Online Game Notice. The GAPP Online Game Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Online Game Notice has been issued to date, it is not clear how the GAPP Online Game Notice will be implemented. Furthermore, as some other primary government regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Online Game Notice, the scope of the implementation and enforcement of the GAPP Online Game Notice remains uncertain.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Based on an interview we had with Guangdong Press and Publication Bureau (廣東省新聞出版局) on September 4, 2013, our PRC Legal Advisor confirms that our Contractual Arrangements would not constitute a breach or violation of the GAPP Online Game Notice based on the view of the competent government authorities and would not result in any administrative proceedings or penalties under the GAPP Online Game Notice for the following reasons:

- (i) According to the relevant provisions of the Regulations on the Main Functions, Internal Organization and Staffing of GAPP (國家新聞出版總署(國家版權局)主要職責內設機構和人員編制規定) issued by the General Office of the State Council on July 11, 2008, the GAPP is authorized to approve publication of online games before their launch on the Internet, while the MOC is authorized to administer and regulate the overall online game industry;
- (ii) The Three Determination Notice provides that the MOC (instead of the GAPP), has the direct authority for investigation and enforcement over the online game operators after the launching of online games on the Internet;
- (iii) No implementation rule or interpretation of the GAPP Online Game Notice has been issued by the GAPP or any other government authority;
- (iv) In practice, Guangdong Press and Publication Bureau, the provincial counterpart of the GAPP, has never, individually or collectively with other PRC regulatory authorities, imposed any administrative proceedings or penalties on any online game company in accordance with the GAPP Online Game Notice, and Guangdong Press and Publication Bureau understands that it is subject to the opinion of Guangdong MOC, who has the regulatory authority to regulate the online game industry in Guangdong, as to whether the Contractual Arrangements violate the PRC laws and regulations on foreign investment in the online game industry; and
- (v) Guangdong MOC confirmed during the interview conducted in May 2013 that it had no objection to the Contractual Arrangements within the Group and that the Contractual Arrangements within the Group do not violate any PRC laws or regulations concerning online game operations.

As advised by our PRC Legal Advisor, (i) there are no statutory obligation imposed on the Group or Boyaa PRC to provide financial assistance or additional funds to offset or cover any losses incurred by Boyaa Shenzhen as a result of its business operations; and (ii) under the Contractual Arrangements, there are no mandatory contractual obligations imposed on the Group or Boyaa PRC to provide financial assistance or to provide additional funds to offset or cover any losses incurred by Boyaa Shenzhen as a result of its business operations. As Boyaa Shenzhen is treated as a wholly-owned subsidiary of the Group, the adverse economic consequence of any losses incurred by Boyaa Shenzhen is that the Group will record the losses of Boyaa Shenzhen in the Group's consolidated financial statements.

Basis of consolidating the results of Boyaa Shenzhen (including the revenue and profit attributable to Boyaa Shenzhen during the Track Record Period)

Due to the fact that all the companies now comprising our Group (including our Company, Boyaa BVI, Boyaa HK, Boyaa Thailand, Boyaa PRC and Boyaa Shenzhen) were ultimately and beneficially controlled by the same controlling shareholder, Mr. Zhang, during the Track Record Period (or where the entity was established on a date later than January 1, 2010, for the period from the date of establishment to December 31, 2012), and the fact that the control is not transitory and there was a continuation of the risks and benefits to the controlling shareholder, all the companies now comprising our Group are considered to be a combination of entities under common control. In addition, our Directors consider that through the Contractual Arrangements with Boyaa Shenzhen, our Group has obtained financial and operational control of Boyaa Shenzhen through Boyaa PRC. Accordingly, our Directors consider that the Company can consolidate the financial results of Boyaa Shenzhen as a wholly-owned subsidiary of the Group under IFRS. The basis of consolidating the results of Boyaa Shenzhen is disclosed in note 1.3 to the Accountant's Report set out in Appendix I to this prospectus.

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OVERVIEW

We are an online card and board game developer and operator with a strong strategic focus on mobile games. We have established a leading position in the mobile card and board game segment in our largest target markets, namely, China, Hong Kong, Taiwan and Thailand since we launched our first mobile game, Texas Hold'em, on the iOS platform in September 2010. Currently, we offer a total of 16 online games, 13 of which are card and board games based on long-lifespan classic card and board games. Twelve of our games are offered as both web-based games and mobile games, bringing our players an “anytime, anywhere” cross-platform game experience. As at the Latest Practicable Date, we had over 349.8 million cumulative registered players, including 248.5 million cumulative registered players for our web-based games and 101.3 million cumulative registered players for our mobile games, located in more than 100 countries and regions. According to the iResearch Report, in the category of mobile card and board games in Apple Inc.’s App Store as measured by revenue in 2012, we ranked No. 1 in China, Hong Kong and Thailand and No. 2 in Taiwan. We also own the largest mobile card and board game portfolio among all China-based online game companies with games in Apple Inc.’s App Store according to the iResearch Report.

Since we launched our first online card game, Texas Hold'em, in October 2008, we have established a solid web-based game business with a game portfolio of 14 web-based games as at the Latest Practicable Date. Over the years of growing our web-based business, we have built a strong game development and operation team and a broad game player base, accumulated valuable technical know-how and established proprietary online game development and operation infrastructure, which we believe provided a strong basis for us to start our mobile game business in September 2010 and has been continuously supporting the growth of our mobile game business. We are one of the early movers in China in developing and operating mobile card and board games. We have been able to capitalize on the tremendous growth opportunities in the mobile game market driven by technology advancement and rising penetration of smartphones and other mobile devices and high-speed wireless Internet connection. Our card and board games are highly suitable for mobile platforms, as they are easy to play, require short time commitments and are naturally embedded with the need for socializing and communication. We equip our online games with appealing social and other functions for mobile users to play during work breaks, in transit and at other fragmented time throughout the day. We provide attractive in-game features that target players with different interests, preferences and skill levels and help them connect with friends. These efforts, combined with our sophisticated technology infrastructure, data analytics and dedicated customer service, have enabled us to continuously improve our games, provide superior player experience and foster an engaging player community.

We have established a strong brand image associated with popular card and board games and a large and avid player base for both our web-based and mobile games. The average DAUs and MAUs of our web-based games increased from 1.8 million and 5.9 million, respectively, in 2010, to 2.0 million and 8.1 million, respectively, in 2011 and 2.1 million and 10.6 million, respectively, in 2012, and were 1.5 million and 7.1 million, respectively, in the six months ended June 30, 2013. The decrease in the DAUs and MAUs of our web-based games from 2012 to the six months ended June 30, 2013 was primarily a result of the strategic focus we have been placing on our mobile game business. The average DAUs and MAUs of our mobile games increased from 13.5 thousand and 41.6 thousand, respectively, in 2010, to 388.6 thousand and 1.0 million, respectively, in 2011 and 2.2 million and 10.0 million, respectively, in 2012, and reached 3.3 million and 13.9 million, respectively, in the six months ended June 30, 2013. Starting from 2012, the DAUs of our mobile games exceeded those of our web-based games. Our revenue derived from web-based games increased from RMB155.0 million in 2010 to RMB304.6 million in 2011 and RMB430.3 million in 2012 and reached RMB216.1 million in the six months ended June 30, 2013. Our revenue derived from mobile games increased rapidly from RMB1.2 million in 2010 to RMB13.3 million in 2011 and RMB87.4 million in 2012 and reached RMB92.8 million in the six months ended June 30, 2013.

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We have achieved solid and fast expansion in both the Chinese and overseas markets. In establishing a global presence, we primarily focus on expanding into countries and regions that have emerging and high growth online game markets, such as China, the Southeast Asian countries, the German-speaking countries, the French-speaking countries and the Portuguese-speaking countries. Our strong game localization capabilities enable us to re-package our games in local languages and provide features and enhancements that cater to the local culture, preferences and market demands. For example, we currently offer our most popular game, Texas Hold'em, in 19 language versions. We also offer tailor-made online games for select target markets, such as our King & Slave, a game we have specially developed for the Thai market and offered since November 2012.

In implementing our expansion strategy, we utilize multiple tiers of game distribution platforms to reach a demographically diverse player base. These game distribution platforms include major social networking websites (such as Facebook for overseas markets, and Sina Weibo, Tencent QQ and Renren.com in China), online application stores (such as Apple Inc.'s App Store and Google Play in overseas markets and Apple Inc.'s App Store and GoMarket in China) and regional online game portals (such as 51.com, Tencent Mobile QQ and 360.cn in China), as well as our own game portal, boyaa.com. Through these game distribution platforms, we effectively promote our games in Chinese and overseas markets and have generated revenue from players located in more than 80 countries and regions calculated based on IP addresses. In 2010, 2011 and 2012 and the six months ended June 30, 2013, revenue derived from our games offered in language versions other than simplified Chinese accounted for 59.2%, 71.6%, 70.2% and 69.2%, respectively, of our total revenue.

All of our games are free to play, which enables us to quickly attract new players to experience our games and achieve a critical mass for future growth. In our games, players may purchase and earn virtual tokens and other virtual items that can only be used in our games, cannot be cashed out and have no monetary value outside our games. We generate all of our revenue from the sales of such in-game virtual tokens and other virtual items. During the Track Record Period, our cumulative registered players increased from 83.8 million as at the end of 2010 to 166.7 million as at the end of 2011, 251.1 million as at the end of 2012 and 309.0 million in as at June 30, 2013.

To monetize our large and expanding player base, we take a variety of measures to increase the number of paying players and ARPPU without compromising players' game experience. Through launching promotional sales and new in-game activities and virtual items, we strive to raise players' activity level, facilitate interaction and encourage in-game competition to drive purchases and attract more paying players. To improve paying players' purchasing experience, we streamline the payment process that aim to minimize interruptions to players' game sessions. We closely monitor the free virtual tokens we offer to players as well as the pricing and consumption of virtual tokens and other virtual items, and make adjustments to maintain a stable game economy. These measures have helped us achieve sustainable player monetization. In the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013, we had 316.0 thousand, 517.4 thousand, 610.8 thousand and 688.8 thousand paying players, respectively. Over the same period, ARPPU increased from RMB41.2 in 2010 to RMB51.2 in 2011, RMB70.6 in 2012 and RMB74.7 in the six months ended June 30, 2013.

We have achieved rapid and profitable business growth since the early stage of development. During the Track Record Period, our average DAUs increased from 1.8 million in 2010 to 2.4 million in 2011, 4.3 million in 2012 and 4.8 million in the six months ended June 30, 2013, and our average MAUs increased from 5.9 million in 2010 to 9.2 million in 2011, 20.5 million in 2012 and 21.0 million in the six months ended June 30, 2013. Over the same period, our revenue increased from RMB156.1 million in 2010 to RMB317.9 million in 2011 and further to RMB517.7 million in 2012, representing a three-year CAGR of 82.1%, and amounted to RMB308.9 million for the six months ended June 30, 2013. Our net profit increased from RMB73.1 million in 2010 to RMB88.1 million in 2011 and further to RMB142.8 million in 2012, representing a three-year CAGR of 39.8%, and amounted to RMB70.2 million for the six months ended June 30, 2013. Our adjusted profit increased from RMB73.1 million in 2010 to RMB104.2 million in 2011 and further to RMB159.7 million in 2012, representing a three-year CAGR of 47.8%, and amounted to RMB103.9 million for the six months ended June 30, 2013. Please refer to the section headed "Financial Information — Non-IFRS Measure."

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OUR STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to help us expand our leadership position in the fast growing online game market:

Leading Position in Online Card and Board Games with Fast Growing Mobile Business

We are an online card and board game developer and operator with a strong strategic focus on mobile games. We have built a leading position in mobile card and board games in our target markets since we launched our first mobile game, Texas Hold'em, on the iOS platform in September 2010. According to the iResearch Report, in the category of mobile card and board games in Apple Inc.'s App Store as measured by revenue in 2012, we ranked No. 1 in China, Hong Kong and Thailand and No. 2 in Taiwan.

We have a rich mobile game portfolio consisting of 13 card and board games that are all based on long-lifespan classic card and board games with a broad player base in China and other countries and regions. Many of our games have gained wide popularity and are regarded as the top mobile games in our target markets. According to the iResearch Report, in the category of mobile card and board games in Apple Inc.'s App Store as measured by the number of downloads in 2012, we ranked No. 1 in China, Hong Kong and Thailand and No. 3 in Taiwan among game developers and operators in these markets. Our Texas Hold'em was named "Best Online Game for Mobile Platforms" by Chinajoy, the largest game and digital entertainment exhibition held in China and Asia, in 2011 and "appAttack Selected Top 50 apps" by the Global Mobile Internet Conference in 2013. Our Fight the Landlord (鬥地主) was named "Best Online Game for Mobile Platforms" by Chinajoy in 2012 and "Best Choice Game" by the mobile phone channel of 91.com, a leading smartphone portal in China, in 2012.

Driven by the success of these games, our mobile game business experienced rapid growth during the Track Record Period. The average DAUs and MAUs of our mobile games increased from 13.5 thousand and 41.6 thousand, respectively, in 2010 to 388.6 thousand and 1.0 million, respectively, in 2011 and 2.2 million and 10.0 million, respectively, in 2012, and 3.3 million and 13.9 million, respectively, in the six months ended June 30, 2013. Over the same period, revenue derived from mobile games increased from RMB1.2 million in 2010 to RMB13.3 million in 2011 and RMB87.4 million in 2012 and amounted to RMB92.8 million for the six months ended June 30, 2013.

Both the global and Chinese mobile game markets have grown rapidly in recent years and are expected to continue to grow at a high speed, driven by the technology advancement and penetration of smartphones and other mobile devices and high-speed wireless Internet connection. According to the iResearch Report, the mobile game market size in our largest four target markets, namely, China, Hong Kong, Taiwan and Thailand, is expected to increase at a CAGR of 123.9%, 63.0%, 93.7% and 62.2%, respectively, from 2012 to 2017. The market size of the mobile game market in China alone increased from approximately RMB700 million in 2007, or 5.2% of the total online game market, to approximately RMB7,860 million in 2012, or 11.9% of the total online market, and is expected to increase to approximately RMB25,800 million, or 19.7% of the total online game market in China, in 2016. With our leading position in mobile card and board games and large and expanding player base, we believe that we are well positioned to further capitalize on our early mover advantage and the tremendous growth opportunities offered by the fast growing mobile game market in China and abroad.

Extensive Global Presence Supported by Strong Localization Capability and Diverse Distribution Platforms

We have an extensive global presence that allows us to derive revenues from players located in over 80 countries and regions by offering various language versions of our games, such as simplified and traditional Chinese (targeting China, Hong Kong, Macau, and Taiwan and overseas Chinese communities), Thai, Indonesian, German, French, Portuguese, Turkish, Vietnamese, Arabic and English. As at the end of 2010, 2011 and 2012 and June 30, 2013, our cumulative registered players located outside of China increased from 9.1 million to 59.9 million, 93.3 million and 114.0 million, respectively, accounting for approximately 10.9%, 35.9%, 37.2% and 36.9%, respectively, of our total registered players as at the same dates.

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In establishing and strengthening our global presence, we have built a core strength in efficiently re-packaging our games not only in the local language, but also with features and enhancements that cater to the local culture, preferences and market demands. For example, our games offered in Thai have highly localized features, including artwork and promotional events timed to match local holidays and festivals, such as the Texas Hold'em tournament we launched in April 2013 around the time of the Songkran holiday. King & Slave, a card game we launched in Thai in November 2012, has been developed on the basis of a traditional card game widely popular in Thailand. The average DAUs and MAUs of King & Slave increased from 16.2 thousand and 90.2 thousand, respectively, for the two months ended December 31, 2012 to 62.2 thousand and 283.7 thousand, respectively, for the six months ended June 30, 2013. We have also set up a team in Thailand, which provides administrative and call centre service support to our Group. According to the iResearch Report, we ranked No. 1 in Thailand in 2012 as measured by revenue and the number of downloads under the mobile card and board game category in Apple Inc.'s App Store, and our market share as measured by revenue in the same category was more than four times larger than our closest competitor in the Thai market.

We have established multiple tiers of game distribution platforms to market and promote our games. In the PRC domestic market, as well as to access the Chinese communities overseas, we primarily utilize online application stores, such as Apple Inc.'s App Store, and mainstream social networking websites and web game portals, such as Sina Weibo, 51.com, Tencent QQ, Renren.com and 360.cn, and China-based mobile application stores, such as GoMarket, and mobile game portals, such as Tencent Mobile QQ, to promote and distribute our games. In the overseas markets, our most important international game distribution platforms are major social networking websites, such as Facebook, and online application stores, such as Apple Inc.'s App Store and Google Play. These international game distribution platforms have worldwide brand recognition and large user bases in our target markets. In countries and regions where our games receive wide acceptance and demonstrate promising growth prospects, we have been striving to deepen cooperative relationships with local game distribution platforms and leading regional game portals. Our local game distribution platforms are familiar with local online game markets and possess strong marketing capabilities to help us deepen market penetration in those countries and regions. We also offer Texas Hold'em, our most popular game, on our own game portal, www.boyya.com, to our overseas players of this game offered in traditional Chinese, Thai, Indonesian and Vietnamese.

Superior Game Experience Supported by Player-Centric Services

Since our inception, we have committed to creating a player-centric game environment that offers superior game experience. We provide appealing game design, settings and functions, all presented in easy-to-use interfaces. To enrich players' game experience, we design challenging in-game missions and grant players awards, such as bonus virtual tokens, honorary titles and other virtual items, upon the completion of such missions. We offer tiered difficulty options in order to engage players with different skill levels. In addition, we organize various online activities, such as card game tournaments, that aim to facilitate player interaction and competition. To satisfy players' needs for socializing and communication, we integrate in-game, real-time communication into 15 of our games and friend invitation functions into all of our games, which makes our games more interactive and broadens the reach of our games through players' social graph. Our games also provide one-click service to enable and encourage players to share their game experience, results and awards with family and friends on popular social media, such as Facebook and Sina Weibo.

Our sophisticated data analytics enable us to continuously enhance our games and improve player experience. Leveraging our cloud-based technologies, we collect and analyze a wide array of data from our players on a daily basis. Through analysing players' in-game behaviour, such as frequency of using specific game functions, reaction to localized game settings, receptiveness of promotional activities, buying patterns, etc., we roll out upgrades frequently to enhance the features of our games, attract more players to become paying players and increase sales of virtual token and other virtual items. In addition, our advanced technology infrastructure and dedicated customer service further ensure the superior player experience by providing a reliable and stable game environment and support.

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Our efforts have significantly improved player stickiness, as evidenced by two of our most successful games. The daily average game time per player for our Texas Hold'em increased from 1.15 hours in 2010 to 1.24 hours in the six months ended June 30, 2013, while its average DAUs and MAUs increased rapidly from 494.2 thousand and 1.6 million, respectively, in 2010 to 1.9 million and 7.7 million, respectively, in the six months ended June 30, 2013. Over the same period, the daily average game time per user for our Fight the Landlord (鬥地主) increased from 0.60 hours to 0.94 hours, while its average DAUs and MAUs increased rapidly from 57.0 thousand and 171.1 thousand, respectively, in 2010 to 2.1 million and 8.5 million, respectively, in the six months ended June 30, 2013.

Large and Expanding Player Base and Strong Monetization Capability

Since the launch of our first online game in October 2008, we have established a large and expanding player base. Our cumulative registered players increased from 83.8 million as at the end of 2010 to 166.7 million as at the end of 2011, 251.1 million as at the end of 2012 and 309.0 million as at June 30, 2013. Given this large and rapidly growing registered player base, the engaging nature of our games and the social features incorporated into all of our games, our players are more likely to connect with their friends, expand their connections in our games and explore the rich collection of games we offer. We believe that this network effect has helped us attract more active players. During the Track Record Period, our average DAUs increased from 1.8 million in 2010 to 2.4 million in 2011, 4.3 million in 2012 and 4.8 million in the six months ended June 30, 2013, and our average MAUs increased from 5.9 million to 9.2 million, 20.5 million and 21.0 million, respectively, over the same period.

We have built an effective business model to monetize our expanding registered player base with increasing number of paying players and ARPPU. We offer a wide variety of virtual items and introduce new in-game activities to sustain players' interests in our games, facilitate their interaction and communication and increase their in-game purchases and rounds of games played. We offer various in-game promotions such as offering free tokens or virtual items for new purchases and selectively launch promotions for holidays and seasonal events. We organize online card and board game tournaments that require a large amount of virtual tokens to participate and offer premium services, such as private rooms in select games for players. In addition, we provide enhanced rewards to high paying players to encourage purchases, such as allowing high paying players to progress to more advanced performance levels and display their premium player status, and offering certain specific and scarce virtual items to high paying players only. Moreover, we strive to streamline and optimize payment process for our players. We have recently expanded our payment processing service on both the iOS and the Android platforms and allow players to make payments inside a game session, which minimizes gameplay interruptions. This feature is a technical improvement offered by certain of our existing payment collection channels and does not change our existing payment collection channels. In China, we also offer our players a faster and more convenient option to make payments through the SMS service provided by the major Chinese wireless telecommunications operators, which also helps us reach these major telecommunications operators' broad user base. Driven by these measures, our paying players increased from 316.0 thousand in 2010 to 517.4 thousand in 2011 and 610.8 thousand in 2012, and amounted to 688.8 thousand in the six months ended June 30, 2013. Over the same period, our ARPPU increased from RMB41.2 in 2010 to RMB51.2 in 2011, RMB70.6 in 2012 and RMB74.7 in the six months ended June 30, 2013.

Sophisticated Technology Infrastructure Ensuring Scalable Game Development

Leveraging our sophisticated technology infrastructure, we have achieved fast and scalable game development, expanding our game portfolio from one game in 2008 to 16 games as at the Latest Practicable Date. Our advanced technology infrastructure consists of two major components. First, our proprietary Boyaa Building Engine enables us to develop new cross-platform games and upgrade existing versions in an efficient and cost-effective manner. This game building engine ensures the consistent quality and performance of our games and reduces our development costs and reliance on any particular development team member. It integrates application programming interfaces for various scripting languages, allowing our developers to develop game programs for different operating systems by inputting an uniformed scripting language. As a result, the development cycle of our games usually took less than two months in the past,

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which has enabled us to better address changing player demands and control development cost. Second, our cloud-based server and network infrastructure lays the foundation for our rapid expansion. This infrastructure integrates over 370 servers in 14 locations inside China and other countries and regions. It utilizes high-availability server clusters comprising groups of servers to provide sufficient redundancy and ensure continued services in the event of single point server failure due to hostile attacks, systematic errors or other reasons. It optimizes our network resources, ensures low-latency connections to our central game operating systems in China and efficiently accommodates a large number of concurrent online players. In addition, our cloud-based algorithms enable us to optimize player experience by reducing game queue time and grouping card and board game players at similar performance levels in the same card or board rooms.

Experienced and Visionary Management Team

Our senior management possesses extensive industry experience, deep understanding of market trends and rich operational expertise that has enabled us to successfully adapt to the changing industry and competitive landscape. In particular, Mr. Zhang, our Chief Executive Officer and Chairman of our Board of Directors, has over nine years of experience in China's Internet industry. His vision and insight into the online game sector has significantly contributed to the shaping of our business model and our rapid growth. Mr. Gao Junfeng, our Chief Financial Officer, has nearly 17 years of experience in finance and accounting and previously served as chief financial officer and financial controller in two companies listed in the United States. Mr. Suo Hongbin, our Vice President for Operations, has over nine years of experience in the Internet industry and over five years of experience in the online game sector. Our management team has developed cohesive and vibrant corporate culture to inspire and encourage collaboration, which we believe helps us attract, retain and motivate a talented and aspiring game development team to drive our fast business growth.

OUR STRATEGIES

Our goal is to become a leading global brand for online card and board games. We intend to achieve this goal by pursuing the following strategies:

Further Strengthen and Expand Game Portfolio

According to the iResearch Report, mobile games' market share in the entire online game market in China as measured by revenue increased from approximately 5.2% of the total online game market in 2007 to approximately 11.9% in 2012 and is expected to further increase to 19.7% in 2016. Mobile games available on smart devices, primarily smartphones and tablets, accounted for 24% of the market share measured by total revenue of mobile games, which was approximately RMB7.9 billion in 2012. The iResearch Report expects that the market size of games available on smart devices in the PRC will increase to approximately RMB17.8 billion in 2016, or equivalent to approximately 69.1% of total revenue from mobile games in the PRC in 2016. We expect to take advantage of this industry trend and expand our mobile game portfolio.

We plan to allocate significant resources and management attention to the development of mobile versions of other selected popular classic card and board games. We believe that classic card and board games have a vast player base in China and worldwide with the same profile as our existing players, which we expect to help us retain and enlarge our player base and increase the synergies we have realized with our other games. In the near term, we plan to develop and launch new mobile card and board games, such as Bullfighting (鬥牛) and Two-Player Mahjong, all with a broad existing player base in China, as well as leverage our localization capabilities to develop new tailor-made games targeting other specific markets. In addition, we plan to continue enhancing features and functions of our mobile games, such as improving the in-game real-time chatting and releasing additional language versions of our games. We also expect to offer games adapted to new mobile devices and technology platforms as such devices and platforms are released to the market. To achieve these goals, we plan to further strengthen our mobile game development and operation capabilities through expanding our game development team and increasing investments in our technology system and network infrastructure. Moreover, we plan to develop and offer more mobile specific value-added features to enrich the game experience on mobile devices and further strengthen the mobility and

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interactivity of our player community. For example, we have started offering location-based service in our Texas Hold'em offered as a mobile game that enables players in a close proximity to find each other and play the game in order to enhance social interaction. We plan to roll out this service in more mobile games in the near future.

In addition, we plan to continue our efforts in strengthening and expanding our web-based games. We have accumulated valuable experience in establishing and retaining a stable and growing player base from our web-based game business. Many popular functions and technical and artistic features of our games were first developed and enhanced in our web-based games. We plan to continue applying our experiences and understanding built from our web-based game business to developing and growing our mobile game business.

Deepen Market Penetration of Our Games

We plan to continue to deepen market penetration of both our web-based and mobile games and, in particular, allocate significant resources to pursue our mobile strategy. Given the popularity of card and board games, we seek to target the massive number of web-based and mobile game players in different markets. We plan to further enhance player experience by developing an integrated game community to access a large collection of our mobile games, increase cross-promotion of our web-based and mobile games and achieve greater synergies among our games. In addition, we plan to gradually integrate all our mobile games with the mobile devices' local address books and enable mobile players to invite their real-life friends to our games, which we believe will further enhance the social functions of our games, increase player stickiness and expand our mobile player base. To broaden the reach of our games to potential mobile players, we have started promoting our mobile games through pre-installation arrangements with certain mobile phone manufacturers and retailers in China. We plan to strengthen our cooperative relationships with the three major wireless telecommunications operators in China, namely, China Mobile, China Unicom and China Telecom, and make our mobile games available in their online application stores. Currently, our Texas Hold'em, Fight the Landlord (鬥地主) and Sichuan Mahjong are available in the online application stores of China Unicom, China Mobile and China Telecom, and our American 8 Ball Pool and Chinese Chess (象棋) are available in the online application stores of China Telecom. Furthermore, we plan to market and promote our mobile games in the PRC by seeking additional distribution channels, including popular online mobile game communities and websites.

According to the iResearch Report, the market share of mobile card and board games has been growing significantly and is expected to exceed the market share of web-based card and board games by the end of 2014. To implement our expansion strategy, we plan to recruit talent with solid Internet related industry experience and expertise for our marketing team. We currently have a 15-member marketing team, 80% of whom have a bachelor's or higher degree. Our marketing director, who joined us in May 2013, has overseas study and working experience and previously worked for a leading domestic Internet company. Our marketing team is charged with responsibilities relating to domestic and overseas market exploring, advertising and marketing planning.

While we focus on our mobile game business, we plan to continue to increase the number of both active players and paying players for our web-based games by selectively expanding our cooperation with high-traffic web-based game distribution platforms and continuously enhancing our games and improving player experience.

Continue Enhancing Player Monetization

We intend to explore more monetization opportunities by expanding our paying player base and increasing ARPPU for both our web-based games and our mobile games through various efforts: (i) increasing the types and number of in-game virtual items and promotional sales, (ii) increasing premium service offerings for paying players, (iii) enhancing the design and settings of our games to make them more competitive and engaging, including organizing online activities to create opportunities for players to showcase their game skills and achievements and stimulate further competition, and (iv) improving payment convenience and flexibility by utilizing emerging technology and payment methods, such as enabling payment through short message services provided by mobile telecommunications carriers, and streamlining

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payment process to increase sales. Our web-based games historically attracted more paying players until the six months ended June 30, 2013, and generated substantially higher ARPPU than our mobile games. We plan to continue to enhance game features and services specific to web-based games to retain and expand the paying player base and strive to further increase ARPPU for our web-based games. On the other hand, we plan to leverage our successful experience in driving ARPPU for web-based games in encouraging paying players to increase purchases in our mobile games while expanding the paying player base. In addition, we will continue our efforts to ensure that our game economy remains stable by constantly monitoring and adjusting the frequency and amount of free virtual items we offer to our web-based game and mobile game players and maintain the value of virtual tokens and other virtual items. We will also utilize our data analysis capability to better understand player behaviours and preferences, address player demands and improve their game experience.

Further Expand Global Presence

We intend to leverage our multi-tier distribution network to further expand our global presence and broaden our geographic penetration. We will continue to strengthen our relationships with major international game distribution platforms, including Facebook, Apple Inc.'s App Store and Google Play, to expand the reach of our games into new countries and regions. We plan to release additional language versions of both our web-based games and mobile games to target markets that offer a large and high income potential player base to deepen market penetration. For select overseas markets, such as Vietnam and Indonesia as well as other markets where the smartphone penetration rate is relatively low and web-based online games still dominate the local online game market, we plan to focus on expanding our local player base by further strengthening our game localization and establishing regional marketing and game distribution platforms through cooperative relationships with local game portals and other local distributors. In the Chinese domestic market where the smartphone penetration rate has reached a comparatively high level, we plan to focus on rapidly growing our mobile game business while continuously enhancing our web-based game business. We expect to reinforce our business relationships with popular portal websites to further broaden our player base and increase our market share.

Continue to Strengthen Research and Development and Invest in Leading Technologies

In strengthening our research and development efforts, we plan to closely follow and conduct research on emerging and cutting-edge technologies, such as technologies relating to Internet Protocol television (IPTV) and HTML5. We expect the IPTV-related technologies to facilitate our development of games compatible for televisions which we believe is one of the future trends for online games. The HTML5 technology, on the other hand, is able to improve user experience by enhancing visual performance. This technology also allows us to develop games that can be directly played in browsers on mobile devices without installing the games as separate applications and to embed games in other mobile applications, either of which will enable us to offer our games beyond the current boundaries between web-based and mobile games and further enhance the “anytime, anywhere” cross-platform game experience we offer to our players. To further expand both our web-based and mobile games, we plan to invest in developing products and services leveraging technologies that have demonstrated potential of further expanding the scope of our service offerings, improving players’ game experience or satisfying changing player preferences. We will also continue our efforts in refining our Boyaa Building Engine to enhance its game-development capability and efficiency. In order to meet the needs of our expanding business operation and player base and continuously optimize our game operation, we plan to continue to improve and invest in our cloud-based server and network infrastructure. Furthermore, we intend to strive to integrate our player accounts across various game distribution platforms and build a unified player system which we believe will further enhance our players’ game experience and enable us to offer more tailored and player-targeted products and services and enhance our player monetization.

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Enhance Brand Recognition

To enhance our brand recognition and expand our player base, we plan to increase investments in marketing efforts. Since 2010, we have started gradually placing advertisements on social networking websites and game portals both in China and overseas markets, such as Facebook, Sina Weibo, 51.com, Tencent QQ, Renren.com, Baidu.com and 360.cn, mainly for our web-based games. We plan to continue our online advertising efforts on these and other social networking websites and game portals, and add advertisement placements on popular emerging social media, such as Tencent WeChat, as well as on other advertising platforms with established wide audience. For mobile games, we plan to increase our brand recognition by utilizing our increased ranking of downloads in the mobile application stores and additional advertisement placements. In addition, we intend to sponsor real-life activities, such as live card and chess game tournaments through cooperation with selected TV programs with wide audience, to introduce our games to and raise our brand awareness among card and board game players. Furthermore, we plan to engage celebrities with positive reputation to act as our brand ambassadors to further enhance our brand recognition among both web-based game players and mobile game players.

Selectively Pursue Cooperation and Acquisition Opportunities

We plan to selectively pursue strategic partnership opportunities to expand our game portfolio and geographic coverage. In order to further monetize our large and loyal player base, we will explore opportunities of cooperation with third-party game developers to help promote their games on our multi-tier marketing and distribution network, including promoting games developed by Chinese game developers in our target overseas markets. Moreover, we intend to prudently pursue complementary acquisitions to diversify our game offerings and further monetize our player base, such as casual games that target players with diverse demographics and are suitable for mobile devices. We also plan to explore opportunities of acquiring emerging mobile social networking platforms with an appropriate scale of existing operations and user base to further broaden our reach to potential game players. As at the Latest Practicable Date, we have not identified any specific suitable target for acquisition.

OUR GAMES

We currently operate 16 online games, 14 of which are offered as web-based games and 14 as mobile games. We offer 12 of our games as both web-based games and mobile games. All of our games are multi-player games. We also offer single-player mode for select games.

Most of our games are re-creations of long-lifespan classic card and board games. For example, Texas Hold'em, Fight the Landlord (鬥地主) and Big Two (鋤大地), the three most popular online card games we offer in terms of revenue, are based on their real-world counterparts that have gained decades of wide popularity globally or in China. In addition, we also offer and operate other types of casual games, such as Ant Wars (蟲蟲特攻隊), a shooting game, Happy Babies (開心寶貝), a virtual-pet-raising game, and American 8-Ball Pool (博雅枱球), a sports game, that appeal to different demographic groups of players.

Our web-based games and mobile games do not compete with each other as most of our games are offered both as web-based games and mobile games which allow the players to choose to play on different devices to meet the needs under different circumstances. As such, these two types of games do not compete with each other for the game players' playtime; rather, these two types of games in combination expand the players' exposure to our games and are therefore complementary to each other.

Existing Game Portfolio

Descriptions of our existing games are provided below. All these games are developed by our in-house game development team.



Texas Hold'em

Texas Hold'em, our most popular online card game, is based on its real-world counterpart that dates back to the early 1900s. Our Texas Hold'em was launched in October 2008 as a web-based game.

This game is offered as both a web-based game and a mobile game that operates on the iOS and Android platforms.

Currently, this game is offered in 19 language versions, including simplified and traditional Chinese, English, Thai, Indonesian, German, French and Vietnamese.

In our Texas Hold'em, two to nine players compete with each other to win the virtual tokens contributed by all the playing parties. Players can purchase virtual tokens and other virtual items, such as avatars, club membership cards and level diamonds and emoticons, in this game.

According to the iResearch Report, in the category of mobile card and board games in Apple Inc.'s App Store as measured by revenue in 2012, our Texas Hold'em ranked No. 1 in China, No. 4 in Hong Kong, No. 1 in Taiwan and No. 1 in Thailand. Our Texas Hold'em was named "Best Creative Game" by Renren.com in 2009, a "Game with Best Player Experience" jointly by Google, Renren.com, 51.com and other leading PRC social networking websites in 2009, "Best Online Game on Mobile Platforms" by Chinajoy in 2011, "Editors' Choice Game" by the mobile phone channel of 91.com in 2012 and "appAttack Selected Top 50 apps" by the Global Mobile Internet Conference in 2013.

Approximately 155.0 million cumulative registered players from over 100 countries and regions calculated based on IP addresses have played this game since its launch. The average DAUs and MAUs of this game were 1.9 million and 7.7 million, respectively, in the six months ended June 30, 2013.



Fight the Landlord (鬥地主)

Fight the Landlord (鬥地主), our second most popular online card game, is based on its real-world counterpart that is one of the most popular card games in China. Our Fight the Landlord (鬥地主) is offered in two variations, one for three players, which was launched in June 2010, and the other for four players, which was launched in April 2012.

The two variations of this game are offered as both web-based games and mobile games that operate on the iOS and Android platforms.

Currently, the three-player variation of this game is offered in three language versions, including simplified and traditional Chinese and Thai. The four-player variation is offered in two language versions, simplified and traditional Chinese.

In this game, two or three players play collaboratively against the third or fourth player, *i.e.*, the “landlord.” The first party that has no cards left wins the game and the virtual tokens contributed by all the playing parties. Players can purchase virtual tokens and other virtual items, such as avatars, club membership cards and level diamonds, emoticons, or equipment, in this game.

According to the iResearch Report, in the category of mobile card and board games in Apple Inc.’s App Store as measured by the number of downloads in 2012, our Fight the Landlord (鬥地主) ranked No. 3 in China and No. 4 in Hong Kong. It also ranked No. 1 in Hong Kong as measured by revenue in 2012. This game was named “Favourite App Game” by weiphone.com, (a leading online community for Apple products in China), in 2012, “Best Online Game for Mobile Platforms” by Chinajoy in 2012 and “Best Choice Game” by the mobile phone channel of 91.com in 2012.

Approximately 49.2 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this games were 2.1 million and 8.5 million, respectively, in the six months ended June 30, 2013.



Big Two (鋤大地)

Big Two (鋤大地), another popular online card game we offer, is based on its real-world counterpart that is one of the most popular card games in China. This game was launched in September 2010.

This game is offered as both a web-based game and a mobile game that operates on the iOS and Android platforms.

Currently, this game is offered in three language versions, including simplified and traditional Chinese and Indonesian.

In our Big Two (鋤大地), four players play against each other. The first party that has no cards left wins the game and the virtual tokens contributed by all the playing parties. Players can purchase virtual tokens and other in-game virtual items, such as club membership cards, emoticons or interactive tools, in this game.

Approximately 7.0 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this game were 0.2 million and 0.7 million, respectively, in the six months ended June 30, 2013.



King & Slave

King & Slave is based on its real-world counterpart that is a popular card game in Thailand. We launched this game in November 2012.

This game is offered as both a web-based game and mobile game that operates on the iOS and Android platform. It is offered in Thai only.

In King & Slave, four players play against each other. The first party that has no cards left wins the game and the virtual tokens contributed by all the playing parties. Players can purchase virtual tokens and other in-game virtual items, such as emoticons or interactive tools, in this game.

Approximately 0.9 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this game were 62.2 thousand and 283.7 thousand, respectively, in the six months ended June 30, 2013.



Mahjong Games

Given the wide popularity of Mahjong games among Chinese-speaking players and the variations of rules in different Chinese-speaking regions, we started offering our first two Mahjong games, the 13-Tile Mahjong and the 16-Tile Mahjong, in November 2010. We currently offer a total of six Mahjong games, including Sichuan Mahjong, Guangdong Mahjong, Shanghai Mahjong, International Mahjong, 13-Tile Mahjong and 16-Tile Mahjong.

Our Shanghai Mahjong and International Mahjong are offered as mobile games only, and the other Mahjong games are offered as both web-based games and mobile games.

Our 13-Tile Mahjong and 16-Tile Mahjong currently are offered in traditional Chinese only, and our other Mahjong games currently are offered in simplified Chinese only.

In our Mahjong games, players compete with each other to win the virtual tokens contributed by all the playing parties. Players can purchase virtual tokens in our Mahjong games.

Approximately 8.1 million cumulative registered players have played our Mahjong games. The average DAUs and MAUs of our Mahjong games were 0.2 million and 1.5 million, respectively, in the six months ended June 30, 2013.



Chinese Chess (象棋)

Chinese Chess (象棋) is a board game we launched in June 2012.

This game is offered as both a web-based game and a mobile game that operates on the iOS and the Android platforms. It is offered in simplified Chinese only.

In Chinese Chess (象棋), two players compete with each other to win the virtual tokens contributed by the players. Players can purchase virtual tokens in this game.

Approximately 2.4 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this game were 0.1 million and 0.6 million, respectively, in the six months ended June 30, 2013.



Liar's Dice (大话骰)

Liar's Dice (大话骰) is a board game which we launched in April 2011.

This game is offered as a web-based game and in simplified Chinese.

In our Liar's Dice (大话骰), two or more players compete with each other. The first player who successfully challenges another player or withstands a challenge wins the virtual tokens contributed by all the playing parties. Players can purchase virtual tokens and other in-game virtual items, such as emoticons or interactive tools, in this game.

Approximately 2.2 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this game were 8.1 thousand and 53.1 thousand, respectively, in the six months ended June 30, 2013.



Ant Wars (蟲蟲特攻隊)

Ant Wars (蟲蟲特攻隊) is a casual shooting game which we launched in August 2010.

This game is offered as a web-based game and a mobile game.

Currently, this game is offered in six language versions, including simplified and traditional Chinese, Thai, Indonesian, Portuguese and Vietnamese.

In our Ant Wars (蟲蟲特攻隊), players, individually or in groups, battle with each other by utilizing various weaponry or skills. Players can purchase in-game virtual items, such as interactive tools, equipment, weaponry and treasures, in this game.

Approximately 22.9 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this game were 0.1 million and 1.0 million, respectively, in the six months ended June 30, 2013.



Happy Babies (開心寶貝)

Happy Babies (開心寶貝) is a casual virtual-pet-raising game which we launched in May 2009.

This game is offered as a web-based game.

Currently, this game is offered in two language versions, including simplified and traditional Chinese.

In our Happy Babies (開心寶貝), a player raises and decorates his or her virtual pets and interacts with other players' pets to earn various points and honours. Players can purchase virtual items, such as various virtual simulations of real-life objects and ornaments, in this game.

Approximately 56.0 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this game were 40.4 thousand and 211.6 thousand, respectively, in the six months ended June 30, 2013.

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American 8-Ball Pool (博雅枱球)

American 8-Ball Pool (博雅枱球) is a sports game based on the popular 8-ball pool game. We launched this game in July 2011.

This game is offered as both a web-based game and a mobile game.

Currently, this game is offered in four language versions, including simplified and traditional Chinese, Thai and Indonesian.

In our American 8-Ball Pool (博雅枱球), players compete with each other to win the virtual tokens contributed by the playing parties. Players can purchase virtual tokens and other virtual items, such as ornaments and emoticons, in this game.

Approximately 5.3 million cumulative registered players have played this game since its launch. The average DAUs and MAUs of this game were 99.5 thousand and 509.7 thousand, respectively, in the six months ended June 30, 2013.

The following table sets forth revenue generated from our online games in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Texas Hold'em										
Series	141,345	90.5	280,390	88.2	472,559	91.3	218,660	89.9	275,245	89.1
Fight the Landlord . . .	1,298	0.8	14,163	4.5	22,205	4.3	12,250	5.0	21,622	7.0
Ant Wars	109	0.1	9,598	3.0	12,819	2.5	6,159	2.5	7,811	2.5
Big Two	103	0.1	4,733	1.5	4,901	0.9	2,887	1.2	2,382	0.8
Happy Babies	10,454	6.7	5,856	1.8	1,484	0.3	669	0.3	210	0.1
Mahjong Games	2	0.0	533	0.2	675	0.1	375	0.2	844	0.3
Liar's Dice	—	—	—	—	1,194	0.2	896	0.4	163	0.0
American 8-Ball Pool	—	—	275	0.1	581	0.1	370	0.1	371	0.1
King & Slave	—	—	—	—	7	0.0	—	—	250	0.1
Chinese Chess	—	—	—	—	—	—	—	—	29	0.0
Others ⁽¹⁾	2,828	1.8	2,311	0.7	1,320	0.3	1,047	0.4	—	—
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>

Note:

(1) Represent third-party online games we distributed during the Track Record Period which we ceased distributing in 2012.

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Game Pipeline

We expand our game portfolio, particularly the mobile game portfolio, through two major efforts.

First, we focus on the development of mobile versions of other select popular classic card and board games. To determine game candidates for development, we consider factors such as player demand and availability of similar games and players' reception of such similar games in the target markets and monetization potential.

As of the date of this prospectus, we were in the process of developing two new mobile card and board games which we plan to launch within 2013:

- Bullfighting (鬥牛), which is based on a widely popular card game in China. We expect to launch this game in simplified Chinese in December 2013. As of June 30, 2013, we had not incurred any development cost for this project. We expect the total development cost for the completion of this game will be approximately RMB500,000; and
- Two-Player Mahjong, which is a variation of our other Mahjong games. We expect to launch this game in simplified and traditional Chinese in November 2013. We expect the total development cost for the completion of this game will be approximately RMB100,000.

Second, we are developing additional language versions for our existing web-based games, such as the Greek version of our Texas Hold'em, which is expected to be launched in November 2013. We expect the total development cost for the completion of this game will be approximately RMB100,000.

In addition, we also currently expect to develop and launch additional new online games to supplement our product pipeline in the next two years as described below:

- Changsha Mahjong (長沙麻將), a Mahjong game which is expected to be launched in 2014 and the development cost for the completion is approximately RMB300,000;
- Zipai (字牌), a card game which is expected to be launched in 2014 and the development cost for the completion is approximately RMB300,000;
- Sandaha (三大哈), a card game which is expected to be launched in 2014 and the development cost for the completion is approximately RMB500,000;
- Baohuang (保皇), a card game which is expected to be launched in 2014 and the development cost for the completion is approximately RMB200,000;
- Gouji (夠級), a card game which is expected to be launched in 2014 and the development cost for the completion is approximately RMB500,000;
- Shuangkou (雙扣), a card game which is expected to be launched in 2014 and the development cost for the completion is approximately RMB300,000;
- Winner (跑得快), a card game which is expected to be launched in 2015 and the development cost for the completion is approximately RMB500,000; and
- Wakeng (挖坑), a card game which is expected to be launched in 2015 and the development cost for the completion is approximately RMB500,000.

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We expect to utilize cash flow generated from our operations to fund these new game development projects as well as enhancement of our existing games. Our Directors are of the opinion that we have sufficient working capital from internally generated funds for the development of these new games.

GAME DEVELOPMENT AND OPERATION

Development and Operation Teams

As at the Latest Practicable Date, we operated 16 online games which we had developed in-house. Leveraging our technical advantages and experience, we have established a studio-based integrated game development process, which enables us to deliver and operate high quality online games in an efficient manner.

We currently have eight in-house game studios, which are responsible for game development and operation, and two technical support centres, which are responsible for the development and maintenance of the Boyaa Building Engine, our proprietary game development engine, and for the “back-end” cross-game infrastructure software development. The game studios are also responsible for the continuous enhancement of games they develop, including on-going monitoring, problem fixing and development and release of upgrades. Each studio has its dedicated team, with the number of team members ranging from two to over 40 depending on the difficulty and complexity of the game development and operation. We have established other supporting departments to provide extensive operational functions. Our product design department is responsible for the user interface design for all our games in order to deliver a consistent cross-game design among game players. Our testing department conducts tests on each product submitted by game studios before it is publicly launched. We believe that our internal studio-based game development process, which is seamlessly complemented by supporting functions, ensures effective allocation and sharing of internal resources and improves our overall operating efficiency and scalability.

As at December 31, 2010, 2011 and 2012 and June 30, 2013, we had 7, 9, 15 and 16 games in operation and 83, 243, 312 and 342 game development personnel, respectively. As at June 30, 2013, our game development team accounted for approximately 63.1% of our total employees. Our game development personnel has an average industry experience of over three years and has worked with us for an average of approximately one year. Among all the 342 game development personnel, approximately 1.5% hold master’s degrees and 64.9% hold bachelor’s degrees in majors including computer science, software engineering, network systems administration, multi-media design and production and others. Our development and operation team for the Texas Hold’em Series is led by Mr. Xie Huiming (謝慧明), a Vice President of our Group. For Mr. Xie Huiming’s qualification and experience, please see the section entitled “Directors, Senior Management and Employees — Senior Management” in this prospectus. Our game development and operation team for card and board games other than the Texas Hold’em Series is led by Mr. Yu Tong (于彤), who is a Senior Director of our Group responsible for game planning, design and development. Mr. Yu has approximately seven years of experience in the Internet and online games industries, including working as a development engineer of a subsidiary of ZTE Corporation and Tencent Holdings Limited. Mr. Yu graduated from Jilin University (吉林大學) with a bachelor’s degree in Information Management and Information System in July 2005. Of the total 45 key game development personnel who are currently in charge of various game development functions, 0.4% hold master’s degrees and 68.9% hold bachelor’s degrees. Such development functions primarily include web-based and iOS and Android game design and development, software testing, ActionScript and C++ language development as well as game engine maintenance and improvement.

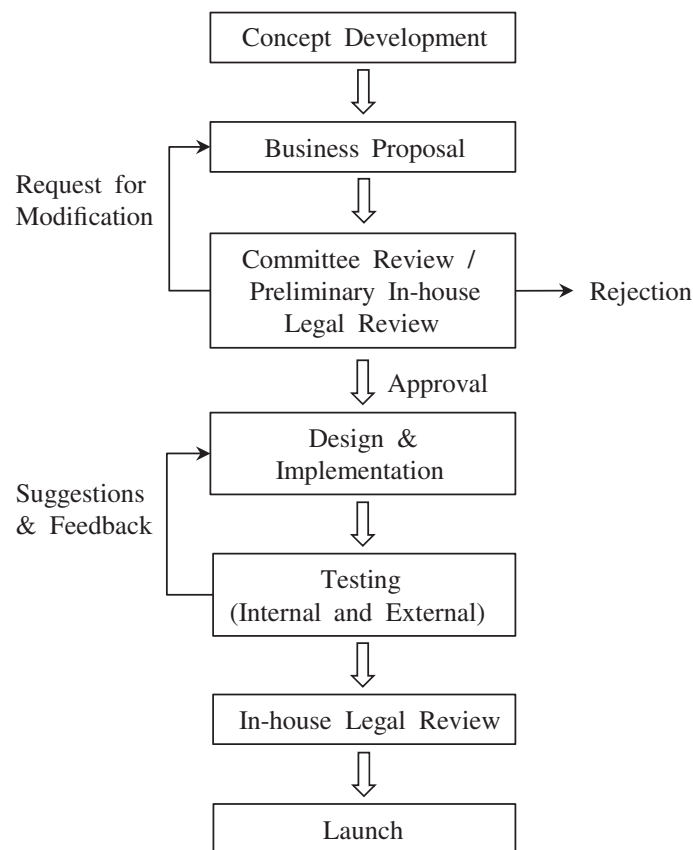
Game Development Process

During the process of game development and daily operation, our senior management or the managers from each game studio will identify and evaluate opportunities of new games to further complement our game portfolio. The managers proposing such new development will prepare a business proposal. The proposal, which will be submitted to a project review committee, includes analysis of the target markets and potential player base, comparable games and competition environment, as well as the proposed language versions to

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be developed. The review committee, generally comprising senior management in charge of game development, design and marketing teams, will then review and approve or reject such proposal. Our in-house legal team will conduct a comprehensive intellectual property right search to avoid potential infringement upon third-parties' existing intellectual properties. Once a new game development project is approved, our management team will assign the project to a game studio responsible for the same or a similar type of games, taking into account the experience, specialty and current workload of such studio. If the game to be developed is materially different from all existing games, it will be assigned to a group of developers and a new dedicated studio may be established depending on the anticipated prospects of the game and development progress. The assigned studio will be responsible for the design and the implementation of the new game with the help from our product design department. After the design and implementation phase, all the new games will go through internal testing conducted by our testing department. Selected games are also tested by a small group of players. Suggestions for improvement and defects identified in the games during the testing process will be sent back to the design team. The assigned game studio will fix the defects identified and adjust the game based on the suggestions and feedbacks from the testing phase. After several rounds of testing with satisfying results, the game will be submitted to our in-house legal team, which will perform content review to ensure that the game under development does not violate any applicable laws and regulations in its target markets. Upon completion of the above procedures, we will launch the new game.

The following diagram illustrates our development process for both web-based and mobile games:



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There are no significant differences between the level of investment and development of web-based and mobile games, both of which require a development team of five to ten development personnel. In our experience, it usually takes no longer than two months for a studio and the supporting departments to complete the development cycle of a new game, either a web-based or a mobile game, from concept development to launch. In addition, except for certain device-specific technologies relating to user interface design and display which are different for mobile and web-based games, the technology infrastructure and know-how required for mobile and web-based games are largely similar. As a result, operating costs, primarily consisting of labour cost, server and broad bandwidth costs, as well as marketing expenses, for both mobile and web-based games are also generally similar. Our management periodically reviews the milestones achieved throughout the development process for each new game to ensure that the game will meet the expected quality standards and time schedule.

Given the similarities between web-based games and mobile games discussed above, we were able to leverage our experience and expertise in the different aspects of web-based game development and apply such experience and expertise, as well as the technical know-how and technological infrastructure we have built from web-based game development and operation, in our mobile card and board game development. We were also able to leverage our understanding of online game players' preferences and behaviours accumulated from our experience in developing and operating web-based games to attract a large and fast-growing mobile game player base and establish a strong market position in a relatively short period of time. Our development team is also able to apply data analytics and utilize our server and network infrastructure with high availability for the development of both mobile and web-based games.

Boyaa Building Engine

We develop online games by utilizing our Boyaa Building Engine, an integrated set of source codes we have developed for our cross-platform game development.

As a result of the different programming specifications and configurations adopted by various desktop computer and mobile operating systems, game developers are typically required to use separate scripting languages to develop game programs for each operating system. For game developers who expect to offer cross-platform games, this technical barrier usually presents significant costs in terms of technology, time and capital resources. Our Boyaa Building Engine offers a cost-effective solution for this issue; it integrates application programming interfaces for various scripting languages, allowing our developers to develop game programs for various operating systems by inputting only one uniformed scripting language. In addition, our Boyaa Building Engine uses memory management solutions, which we call "handles," to improve systematic stability. We also use two advanced application programming interfaces to support graphics systems which allow us to create a high performance environment for graphics processing.

Leveraging on the Boyaa Building Engine, we are able to develop cross-platform games at an efficient and cost-effective manner, while ensuring the consistent quality and performance of the games that are developed. It also significantly reduces our reliance on any particular development personnel and the cost in the on-going maintenance and operation.

Game Operation and Upgrades

Upon the completion of game development and testing, we launch a new game by uploading the game package onto our server network for players to access through our various game distribution platforms on a 24/7 basis. Our server network consists of over 370 owned and leased servers hosted in 14 locations in China and other countries and regions in Asia, Europe and North America. Our game operation team in China operates all our online games. We constantly monitor our network infrastructure in order to ensure its stability and safety.

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In order to continuously improve our games and player experience, we frequently release upgrades for our games. Currently, our web-based games are upgraded approximately on a weekly basis, and our mobile games are upgraded approximately on a monthly basis. We upgrade our games for fixing bugs or programming or technical issues, installing new in-game features and rolling out updates for newly released mobile devices or updated operating systems. Mobile players are usually able to access the upgraded version by downloading the upgrade package once.

Data Analytics

We use data analytics to collect and analyze data that enable us to enhance our games and improve player experience. We have a dedicated seven-member team responsible for data analysis. Leveraging our cloud-based infrastructure and machine learning technology, we collect and analyze a wide array of data from our game players on a daily basis in a centralized, web-based data management system which can be accessed by all the relevant game development and operation teams. Through evaluation and analysis of such data, we are able to accurately understand the characteristics and the lifespan of our games, which enables us to work closely with our in-house game developers to evaluate and enhance the features and extend the lifespan of our games.

We closely track and analyze players' in-game performance and behaviour, such as preferred time of gameplay, number of rounds of games played, in-game activity levels, progress of skill levels, frequency of using specific in-game functions, social connections, reactions to localized game settings and newly-introduced activities, receptiveness of promotional activities, preference to specific types of virtual items, buying patterns and histories and effectiveness of our marketing activities. Through these efforts, we are able to understand our game players' in-game behaviour patterns, which helps us enhance the design of our game features through adjusting the difficulty levels of in-game missions and challenges and optimizing the minimum amount of virtual tokens required to play specific games. Our data analytics also enable us to anticipate and address players' reactions to our new game features and virtual item promotions, optimize our marketing efforts and effectiveness, attract more registered players to become paying players and drive sales of virtual tokens and other virtual items.

Regulation of Game Environment

We have implemented various measures, including adopting comprehensive terms and conditions for game players, to regulate our game environment and prevent certain unauthorized acts by third parties or inappropriate player or third-party behaviours which we believe have an adverse impact on our game operation and player experience. Inappropriate behaviours that we seek to regulate include:

- Unauthorized sales, purchases or transfers of our virtual tokens or other virtual items among our players, in our games or through unauthorized third-parties, including by means of soliciting purchases through our in-game communication systems, in our player community or on third-party platforms, intentional losses by players for the purpose of transferring virtual tokens or other virtual items, and collusion among players;
- Obtaining our virtual tokens or other virtual items through cheating practices, such as using cheating or unauthorized software, to exploit the vulnerabilities in our games, or scamming our players with fake offers or virtual items or other game benefits;
- Player account theft through in-game phishing, malware or other inappropriate methods, for the purpose of gaining unauthorized access to other players' game accounts and their virtual tokens or virtual items;
- Abnormal purchases, including abnormal number of purchases or amount of money spent during a day; and
- Other inappropriate or harassing behaviours or communications.

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We have detected violations of our game policies by our players in the past, including unauthorized transfers of virtual tokens, collusion and intentional losses, use of cheating programs and account theft. In order to detect violations of our game policies and unauthorized or inappropriate activities, our centralized data system sets certain limitations on player activities that are allowed, such as the amount of free tokens or virtual items one player account can receive, significant changes in the virtual tokens or items in players' accounts or the total amount of payments one player account can make in a certain period of time. Once the limitation is breached, our system will alert our operation team to review such activities of the relevant player account. In addition, our operation team will also review the list of player accounts that have the largest numbers of virtual tokens to ensure that there is no unreasonable change in a player account or no abnormal transaction or other inappropriate player activities. Our data system maintains logs of player actions, including but not limited to, rounds of games played, balance of virtual tokens, each addition or use of virtual tokens for each player, to ensure the accuracy of such information. Once an unauthorized or inappropriate activity is detected, we take measures against the players involved based on the nature and magnitude of each violation, such as forfeiting the awarded virtual tokens, suspending the relevant player account for a certain period or terminating the account permanently. During the Track Record Period, we recorded account terminations of 91,200, 106,667, 23,750 and 19,099 in 2011, 2012, the six months ended June 30, 2013 and the period from July 1, 2013 to the Latest Practicable Date, respectively. The table below sets forth the numbers of major violations we recorded during the Track Record Period and up to the Latest Practicable Date:

	For the Year Ended December 31,		For the Six Months Ended June	For the Period from July, 2013 to the Latest Practicable Date
	2011	2012	30, 2013	
Use of cheating programs	74,784	84,267	19,238	15,156
Account theft	8,208	9,600	1,900	1,710
Abnormal purchases	1,824	5,332	950	709
Unauthorized transfers of virtual tokens	3,648	3,200	950	884
Other inappropriate or harassing behaviours	2,736	4,268	712	640
Total	<u>91,200</u>	<u>106,667</u>	<u>23,750</u>	<u>19,099</u>

The above violations of our game policies resulted in losses to us in an amount of approximately RMB0.8 million, RMB1.3 million, RMB0.3 million and RMB0.4 million, respectively, for each of the periods presented above.

As we were still in the early stage of our business operation in 2010, our centralized data system did not track the violations of our game policies in that year and we are not able to provide the above information with the same level of accuracy for 2010. Although the absolute numbers of violations detected by us increased during the Track Record Period as both our business and our player base significantly expanded, the percentage of such violations of total cumulative registered players changed from approximately 0.05% in 2011 and 0.04% in 2012 and further to 0.01% in the six months ended June 30, 2013 and 0.01% for the period from January 1, 2013 to the Latest Practicable Date. We believe that the decrease since 2011 was primarily attributable to the on-going control measures we have implemented to monitor the inappropriate behaviours of our players.

To properly inform our players of our policies against unauthorized transactions and other inappropriate behaviours, we post our in-game policy and privacy policy on our official website and in our games we offer on our game distribution platforms. In our adopted policies, we notify the players that the virtual tokens and other virtual items have no monetary value outside the relevant game, and cannot be converted to any real-life currency. We also explicitly prohibit players from selling or transferring virtual tokens or other virtual items in their player accounts. We from time to time publish notices in our games to announce the suspension or termination of player accounts that violate the terms and conditions of our games and remind players of our relevant policies against unauthorized transactions.

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We have a seven-member team dedicated to monitoring players' behaviours. We have established alert systems to detect abnormalities, such as unreasonable win rates or abnormal changes of virtual tokens in a player account. We also conduct real-time inspections in public card rooms or players' bulletin boards. Our systems automatically screen and block user messages relating to unauthorized sales and purchases of virtual tokens or containing inappropriate content. We utilize our data analytics to collect and analyze players' behaviours and account information to detect unauthorized transfers of virtual tokens or other virtual items, collusion, scamming or cheating practices, use of authorized software. We regularly monitor transfers of our virtual tokens and virtual items on third-party platforms and request such platforms to terminate such transactions. Our games are embedded with reporting function that the players can use if they perceive any cheating or other inappropriate player activities. Our game operation team will investigate the reported activities and review game sessions or player accounts to prevent violations of our game policies.

We implement various technological measures to detect and prevent unauthorized transactions. For example, our Texas Hold'em will periodically ask players to manually enter into verification code before logging into the games, in order to identify and prevent programming bots. In addition, our Texas Hold'em does not allow players using the same IP address to sit in the same room to avoid potential cheating practice.

GAME PUBLICATION

We engage qualified publishers to publish online games that we offer. During the Track Record Period, Sanchen Audio-Visual Press Co., Ltd. ("**Sanchen Press**") and Shanghai Tongji University Electronic Audio-Visual Publishing House Co., Ltd. ("**Tongji Publishing**") were engaged to complete the publishing and filing procedures for our Happy Babies (開心寶貝) and Texas Hold'em with the GAPP, which were completed in April and August 2010, respectively. We have also engaged Tongji Publishing to complete the publishing and filing procedures of the remaining 11 online games we offer in the PRC. As advised by our PRC Legal Advisor, each of Sanchen Press and Tongji Publishing is a qualified publisher based on these publishers' information displayed on the GAPP's website. Under the cooperation agreement and the publishing agreement we have entered into with Tongji Publishing which have a term of five years, Tongji Publishing is responsible for completing the application procedures with the GAPP and publishing these online game, censoring and reviewing contents and technologies of these online game. We undertake in the agreements that the content of our games are in compliance with the relevant PRC rules and regulations and we are responsible for the direct losses incurred by such publishers due to any regulatory incompliance of our games.

Under the cooperation agreement and the publishing agreement we entered into with Tongji Publishing for the publishing and filing procedures of the remaining 11 online games we offer in the PRC, we are obliged to pay a total of RMB160,000 to Tongji Publishing in consideration of the completion of the relevant publishing and filing procedures for these games.

Our PRC Legal Advisor has advised that we do not have the statutory obligation to comply with the publishing and filing requirement under the GAPP Online Game Notice because (i) in China, we do not provide online interactive gameplay services or game downloading services within PRC — such services are provided by our game distribution platforms, and (ii) we offer online interactive gameplay and game downloading services relating to our Texas Hold'em on our own game portal, boyaa.com, only to overseas players with non-PRC IP addresses, which, as advised by our PRC Legal Advisor, is not an Internet publishing activity subject to the GAPP Online Game Notice and the Internet Publication Regulations. However, Boyaa Shenzhen has contractual obligations for completing publishing and filing procedures in connection with our online games offered on game distribution platforms in China under our agreements with these game distribution platforms. In addition, these agreements provide that Boyaa Shenzhen shall be liable for losses, including legal fees, notary fees and administrative penalties, if any, incurred by the game distribution platforms arising from the non-completion of the publishing and filing procedures for the online games offered on these game distribution platforms. Our PRC Legal Advisor is of the opinion that such contractual obligations under the agreements between Boyaa Shenzhen and these game distribution platforms will not cause the statutory obligation of filing and publishing under the GAPP Online Game Notice to be transferred to Boyaa Shenzhen.

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Boyaa Shenzhen does not have any contractual obligation to, and did not, send any formal notice to inform the relevant game distribution platforms that it did not complete the publishing and filing procedures for certain online games offered on such platforms. The file number assigned and allocated by GAPP for each online game that has completed the publishing and filing procedures is required to be displayed in a conspicuous location in such game. Due to the fact that Boyaa Shenzhen did not display the file numbers for certain of the online game offered through the relevant game distribution platforms, such game distribution platforms should have already become aware of the fact that these online games were still subject to the completion of the required publishing and filing procedures. Boyaa Shenzhen has not been informed by any game distribution platforms that they have suffered any loss, nor have we identified any loss suffered by game distribution platforms as the result of Boyaa Shenzhen's non-completion of the publishing and filing procedures for the online games offered on those game distribution platforms. Furthermore, Boyaa Shenzhen, as a party to the agreements entered into with the game distribution platforms, has not received any claim of compensation from such game distribution platforms in this respect. In addition, during the Track Record Period, the operation of none of the games we offered through game distribution platforms in the PRC was affected due to the non-completion of the publishing and filing procedures.

Apart from the completion of the publishing and filing procedures for Happy Babies (開心寶貝) and Texas Hold'em with the GAPP in April and August 2010, respectively, the publishing and filing procedures for another ten online games operated on the game distribution platforms within the PRC were completed with the GAPP in August, September and October of 2013, whereby Boyaa Shenzhen has rectified its prior breach of the contractual obligation relating to those games. The publishing and filing procedures of the remaining one game, namely Liar's Dice (大話骰), is still pending as of the Latest Practicable Date.

Based on the above, we believe that the likelihood that the relevant game distribution platforms may file claims against Boyaa Shenzhen for compensation of any losses suffered due to Boyaa Shenzhen's failure to complete the publishing and filing procedures is remote and Boyaa Shenzhen's potential liabilities, if any, for its prior failure to complete the relevant publishing and filing procedures, would not be significant. Our PRC Legal Advisor is also of the view that our engagement of qualified publishers to complete the relevant publishing and filing procedures does not release us from, but can be used to fulfill, such contractual obligations. In addition, our PRC Advisor is of the view that such approach of engaging qualified publishers to publish online games for us is in line with industry practice and there is no legal impediment for us to complete the online game publication through qualified publishers.

GAME MONETIZATION

All of our online games, whether offered as web-based games or mobile games, are free to play. Players may choose to enhance their game experience by purchasing virtual tokens and a variety of other virtual items we offer. By allowing players to play our games without initial costs, this business model enables us to quickly attract new players to experience our games and then gradually develop their interests in purchasing our virtual tokens and other virtual items. We generated all of our revenue from the sales of virtual tokens and other virtual items during the Track Record Period. See "Financial Information — Significant Accounting Policies and Estimates — Revenue Recognition."

Virtual Tokens and Other Virtual Items

Depending on the games, we offer the following major types of virtual items to our players:

- *Virtual tokens*, which are required to play all of our card and board games. We offer a limited amount of free virtual tokens to our players each day they enter our games. Players may choose to purchase extra virtual tokens to keep playing or to enter higher level games, obtain premium services or enhance in-game communication.

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- *Avatars, club membership cards and level diamonds*, which provide unique aesthetics or characteristics and allow players to customize their game characters and display their in-game performance levels. A player can display the purchased avatar for a specific period of time. In addition, advanced memberships provide players with certain privileges, such as the ability to set up private card rooms, retrieve their historical game statistics and earn higher rewards at a faster speed.
- *Emoticons and interactive tools*, which are offered in most of our games, except the Mahjong games, to allow players to enhance their in-game communication. Players can select and purchase emoticons which are used in their in-game conversations for a specific period of time.
- *Equipment, weaponry and treasures*, such as water guns, bows and arrows, various gems, potions and rings, which help improve players' in-game performance, and are primarily offered for Ant Wars (蟲蟲特攻隊). Players can select various equipment or weaponry in order to battle with enemies and accomplish the missions in game.
- *Virtual simulations of real-life objects*, such as flower seeds, furniture, clothing, and jewellery, which are primarily offered for Happy Babies (開心寶貝) to increase the variety of players' in-game activities. For example, players can purchase virtual objects to decorate his or her room or pet.

Virtual tokens, avatars, club membership cards and level diamonds are the most popular virtual items offered in our games.

We offer virtual items that are “consumables,” *i.e.*, those that are consumed in one instance, which primarily are virtual tokens in our card and board games, and virtual items that are “durables”, *i.e.*, those that can be used over a long period of time with continuous benefits, such as avatars, emoticons, club membership cards and level diamonds. All virtual items are distinctively designed for each game, and can be used by players for various purposes such as to enter games, extend playtime, improve in-game communication, customize game settings, improve in-game performance and accelerate game progression.

In our games, players can earn certain basic virtual items, such as virtual tokens and limited types and amounts of virtual items. High-level virtual items, including most of the virtual items, such as diamonds, club memberships and emoticons, typically can only be purchased with real money. We do not allow players to transfer virtual tokens or other virtual items, except for limited types of virtual items other than virtual tokens that can be used once as gifts to other players. We have been advised by our PRC Legal Advisor that the Virtual Currency Notice discussed in the section headed “Applicable Laws and Regulations in China Regulation on Telecommunications Services and Foreign Ownership Restrictions — Regulations on Virtual Currency” does not apply to virtual items that are gifts, because these virtual items we permit our players to send to others as gifts are not virtual currencies as defined under the Virtual Currency Notice.

Virtual tokens and other virtual items can be purchased through various channels. See “— Game Distribution Platforms and Payment Collection Channels — Payment Collection Channels” below.

We levy our players service charges in the form of virtual tokens at different rates depending on the games and levels played and not on the winning or losing of the games by deducting virtual tokens from the players' accounts when they play each round of our card and board games.

To price our virtual tokens and other virtual items, we consider various factors, including the level of discretionary income and game players' purchasing habit in the target markets, our experience in other markets and the prices of virtual tokens and virtual items in similar games offered by competitors. Selling prices of our virtual items may vary in different language versions targeting different markets as we evaluate the local purchasing power by studying general prices in target markets. We compare price ranges of virtual items in comparable games in the target markets to better position our own games. We also analyze the component of major users of the game distribution platforms we intend to cooperate and their purchasing habits, in order to better design the types and prices of in-game virtual items.

We normally do not adjust the selling prices for our virtual tokens and virtual items once the prices are determined for a game. In order to maintain the value of players' virtual tokens and other virtual items, we closely monitor and adjust the pricing of our virtual tokens and other virtual items by adjusting the frequency or amounts of bonuses or awards we provide to our players from time to time. In addition to offering a

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nominal amount of free virtual tokens to players in all of our games each day they enter our games, we also provide various in-game awards from time to time. For example, in our Mahjong games, Big Two and King & Slave, players may obtain bonuses in the form of virtual tokens or other virtual items once a day by accomplishing a daily mission. In our Texas Hold'em and Fight the Landlord, players may have opportunities to obtain additional virtual tokens free of charge once a day if their accumulative game time reaches a certain level. Our PRC Legal Advisor is of the view that this promotional activity is not deemed as "lucky draw" prohibited under the Anti-gambling Notice and the Virtual Currency Notice as it is an incentive program which randomly awards virtual tokens to the players if their respective accumulative game time reaches a certain level in the games. This incentive program is fundamentally different from the "lucky draw" prohibited under the Anti-gambling Notice and the Virtual Currency Notice, as players in our Texas Hold'em and Fight the Landlord (鬥地主) do not need to pay any cash or spend any virtual token or virtual currency to obtain virtual tokens awarded in this incentive program. We launch promotional sales by providing discounts on players' in-game purchases, normally with a frequency of one to three times a month and usually offer discounts at a rate of 5% to 20% on every purchase. To achieve certain level of monetization, we may also raise the minimum amount of virtual tokens required for playing a specific game or during a specific period of time.

Monetization Measures

Increasing the number of paying players

We implement the following measures to increase the number of paying players:

- First, we give players limited amounts of free virtual tokens in all of our online games the first time of a day they enter our games, enable them to play and stay in our games, offer them a taste of the in-game experience without any initial cost to them, and encourage them to make purchases to further enhance their experience.
- Second, we set the minimum purchase thresholds at a low level and make the purchase easy in order to facilitate their first purchase, which is critical to the success of the monetization process.
- Third, while ensuring that our players consistently have a pleasant game experience regardless of whether they have made purchases or not, we encourage them to become paying players or increase their purchases by emphasizing the advanced features and privileges that are only available to players who have made purchases on an on-going basis.

As a result of these efforts, our paying players increased from 316.0 thousand in 2010 to 610.8 thousand in 2012. In the six months ended June 30, 2013, we had 688.8 thousand paying players.

Increasing ARPPU

We have formulated and implemented a set of measures that help increase ARPPU through increasing the paying players' in-game purchases and the number of rounds of games played.

We maintain a wide variety of virtual item offerings and continuously offer a variety of new virtual items and in-game activities, so as to sustain our players' interests in our games and increase their purchases and the number of rounds of games they play. In designing and offering virtual items, we focus on those we expect to raise players' activity level, enable them to customize their personal settings, and facilitate their in-game interaction.

To promote players' in-game purchases and the number of rounds of games they play, we launch various in-game promotions and activities, such as offering free virtual tokens or virtual items for new purchases, organizing in-game tournaments for players to play with those at similar skill levels or challenge higher level players that requires a larger amount of virtual tokens as "entrance fee," offering premium services such as private rooms in select games. In order to drive incremental revenues, we also selectively launch promotions for holidays and seasonal events.

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We offer various loyalty programs to enhance our player stickiness and encourage purchases. For example, paying players with higher amount of purchases may progress to more advanced performance levels in relevant games. Players may also subscribe to premium club memberships in our Texas Hold'em, Fight the Landlord (鬥地主) and Big Two (鋤大地), which are displayed in a prominent location next to their player account names to show their in-game status and provide certain privileges, such as the ability to set up private card rooms, retrieve their historical game statistics and earn higher rewards at a faster speed.

We strive to enhance the payment convenience and streamline the payment processes for players. We have recently launched a service on both the iOS and the Android platforms that allows players to make payments in a game session, which minimizes gameplay interruptions. As a result of these measures, our ARPPU increased from RMB41.2 in 2010 to RMB51.2 in 2011 to RMB70.6 in 2012 and RMB74.7 in the six months ended June 30, 2013.

The table below sets forth certain information relating to our web-based games and mobile games for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2010	2011	2012	2013
Paying players (in thousands)	316	517	611	689
Web-based games	310	454	402	207
Mobile games	6	63	209	482
ARPPU (in RMB)	41.2	51.2	70.6	74.7
Web-based games ARPPU	41.6	55.9	89.3	173.8
Mobile games ARPPU	16.4	17.5	34.8	32.1
Revenue (in RMB'000)	156,139	317,859	517,745	308,927
Web-based games	154,976	304,597	430,331	216,094
Mobile games	1,163	13,262	87,414	92,833

During the Track Record Period, the ARPPU of our web-based games was significantly higher than that of our mobile games, primarily as a result of (i) the more developed paying player base and a broader coverage of various payment channels provided by web-based games, compared to currently underserved mobile players who have limited payment options for mobile games, (ii) better user experience resulted from larger screens, higher hardware configuration and processing capabilities of most desktop computers compared to most mobile devices, as well as from more operable functions, such as certain tournaments that require more complicated operations that currently are only possible on desktop computers, and (iii) more effective marketing efforts for web-based games that leverage the existing user analytics and active user interactivities provided by our game distribution platforms.

INTERNATIONAL FOOTPRINT

We have established a large international player base, particularly in Southeast Asian countries and regions. See “— Our Players and Customer Service — Our Players” below. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, revenue contributed by players of our games offered in language versions other than simplified Chinese accounted for approximately 59.2%, 71.6%, 70.2% and 69.2% of our total revenue, respectively.

Our game localization capability is an important driver of our overseas expansion. Most of our online games are available in multi-languages in order to attract players from various countries and regions. For example, Texas Hold'em, our most popular game, currently has 19 language versions, including simplified and traditional Chinese, English, Thai, Indonesian, German, French and Vietnamese; Fight the Landlord (鬥地主) has three language versions, including simplified Chinese, traditional Chinese and Thai, and Ant Wars (蟲蟲特攻隊) has six language versions, including simplified and traditional Chinese, Thai, Indonesian, Portuguese and Vietnamese.

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More importantly, we have built up localization capabilities that offer in-game features specifically designed and offered for different cultures and preferences appealing to local players. For example, in the Thai version of Texas Hold'em, we design Thai-style costumes for virtual characters and provide special virtual items associated with local traditional elements. We launch in-game activities during local festivals to stimulate our players and promote our virtual items, such as the Texas Hold'em tournament we offered in April 2013 around the time of the Songkran holiday in Thailand. We also develop games that target a specific country or region. We launched a card game, King & Slave, in November 2012 in Thai language which targets players in Thailand. It was developed on the basis of a traditional card game widely popular in Thailand. These localized game features and new games significantly improve player experience and help foster the awareness of our games as to their artistic and cultural aspects, which helps us retain and expand our player base in those countries and regions.

We select target overseas markets by evaluating various factors, including but not limited to the overall economy in the target market, the size of potential online game population, and the competition environment in the local online game industry. We have identified Thailand as a market with significant growth potential, and set up a team in Thailand in August 2012 to provide administrative and call centre support. We are evaluating the local market conditions and player preferences in other selected overseas markets, such as Vietnam, Indonesia, Germany, Russia and India. In our future business expansion in other overseas markets, we plan to further strengthen our game localization and establish regional marketing and distribution channels through cooperative relationships with local game portals and other local distributors.

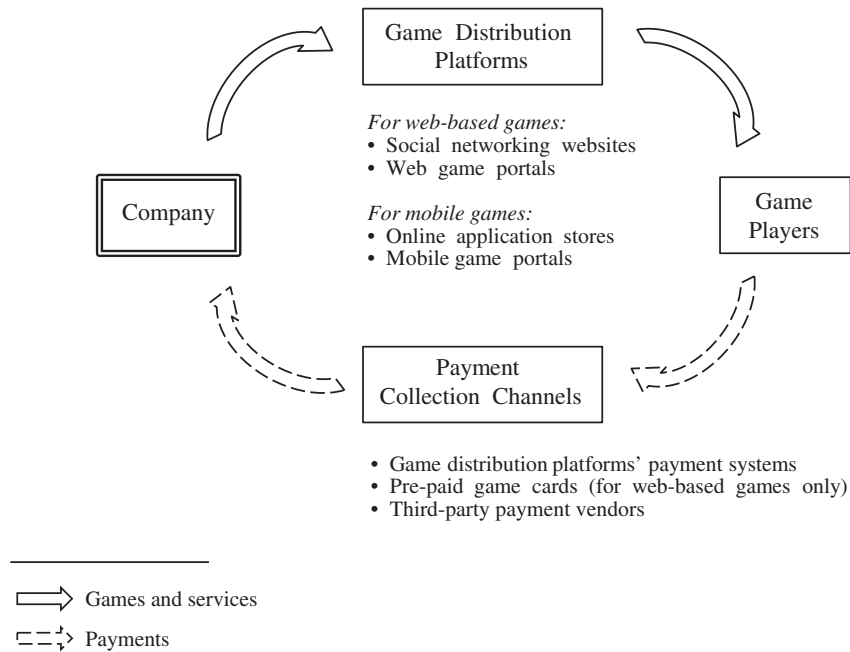
In determining in which jurisdiction we operate our game business, we take into account the following factors: (i) the location of servers that host our online games, and (ii) the location of our personnel who engages in game operation activities, *i.e.*, design and development of games, provision of game updates and enhancement, technical problem-solving, technical support, abnormal player behaviours detection, game environment regulation and server system and technological infrastructure maintenance to ensure stable game play experience. All servers we own or lease that host online games are located in China; all servers located outside of China are solely used to analyse and back up game operation data. In addition, except in connection with the steps we have recently taken to comply with the Qualification Requirement as discussed in "History, Reorganization and Corporate Structure — Contractual Arrangements — Introduction," all of our employees who conduct the game operation activities are located in the PRC. In addition, we believe that it is the nature of the Internet industry that services offered via the Internet, including online game services, can be generally accessed by anyone in any location in the world with Internet connections. The fact that our online games are accessible to, and are played by, players from over 100 countries and regions based on IP addresses does not, on its own, conclude that we operate our online game business in those countries and regions. Nevertheless, as our games are offered over the Internet and mobile application stores that can be accessed all over the world, we have also established and implemented various measures to ensure regulatory compliance in connection with our games offered to game players in our target overseas markets. Please see "— Internal Control over Business Operations" below.

GAME DISTRIBUTION PLATFORMS AND PAYMENT COLLECTION CHANNELS

We utilize game distribution platforms to reach online game players by providing our games on the websites or online application stores operated by our game distribution platforms. Game players may access our web-based games by entering the relevant websites or our mobile games by downloading the relevant games onto their mobile devices. Our game players make payments through various payment collection channels. Our ultimate customers are individual game players. We collect payments from the sales of our in-game virtual items directly from our payment collection channels and not directly from individual game players. For more details about our relationships with these parties, see discussion in "— Game Distribution Platforms" and "— Payment Collection Channels" below.

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The diagram below illustrates the process of how we promote and market our web-based and mobile games through various game distribution platforms to game players, and how we collect proceeds from the sale of in-game virtual tokens and other virtual items from our paying players through the various payment collection channels.



While the game distribution channels for our web-based and mobile games may be relatively distinguished, the payment collection channels for these two types of games may overlap to the extent that certain social networking websites, web and mobile game portals allow our players to use third-party payment vendors to make in-game purchases. In addition, under the circumstance where a player make purchases through a game distribution platform's own payment system, such game distribution platform also acts as our payment collection channel.

Game Distribution Platforms

To promote and distribute our games, we primarily rely on our game distribution platforms, which comprise social networking websites and web game portals for our web-based games, and global and regional online application stores and mobile game portals for our mobile games. In November 2012, we also started promoting our mobile games through pre-installation arrangements with certain mobile phone manufacturers and retailers in China. All of the entities that operate such game distribution platforms are independent third parties. We do not have any exclusive arrangement with any of our game distribution platforms.

Under most of our agreements with game distribution platforms, we are fully responsible for the compliance of our games with various applicable rules and regulations in the geographic markets where our games are made available to game players. We may be held liable if any of our games distributed on any game distribution platform is found to have infringed upon the intellectual property right of other game developers and operators.

For Web-based Games: Social Networking Websites and Web Game Portals

Most of our online games are offered as web-based games. We utilize international and regional social networking websites and web game portals to attract web-based game players.

In overseas markets, we primarily utilize Facebook to promote our web-based games. At the regional level, we actively seek cooperative opportunities with other well-known social networking websites in order to take advantage of the well-established social network among their users. For instance, in China, we

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promote our games through several major social networking platforms, including Sina Weibo, Tencent QQ and Renren.com. We have also established close relationships with a number of dedicated web-based game portals, such as 51.com, which are primarily “one-stop” websites hosting a large number of online games catering to players with vastly diverse demographics and interests.

We enter into cooperative agreements with these social networking websites and game portals with terms that typically range from one to two years. Under these agreements, these social networking websites and game portals provide game platform services for us to offer and operate our online games, and payment services for players to purchase our in-game virtual tokens and other virtual items. These social networking websites and game portals charge us commission fees for their services. See “— Payment Collection Channels” below. We operate all game servers and maintain all games operated on these game distribution platforms, provide game enhancements, solve technical problems relating to game operations and provide customer service to players in a timely manner. We are responsible for the losses incurred by the social networking websites and web game portals resulting from the violation of any applicable rules and regulations or the infringement upon other third parties’ intellectual property rights by our games. The cooperative agreements may be terminated by the social networking websites or web game portals if our games are reported to have violated the relevant rules or regulations or infringed upon other parties’ intellectual property rights, or if our games are not able to operate properly and we are not able to solve the technical problems within the required period. On the other hand, under certain agreements with the social networking websites and web game portals, we may terminate such agreements with a prior written notice, provided that we agree to maintain the game in operation for a certain period, usually at least two months, after the written notice, to allow enough time for the players of the affected games to consume their unused virtual tokens and other virtual items.

In addition, we also offer our Texas Hold’em on our own game portal, boyaa.com, which mainly targets our existing players of this game offered in traditional Chinese, Thai, Indonesian and Vietnamese. Currently, only players with an IP address located outside of the PRC can access boyaa.com to play our Texas Hold’em. The Texas Hold’em on our own game portal is identical to the game offered on other third-party game distribution platforms. We offer more payment options for players who access our own game portal, allowing them to use our pre-paid game cards and certain third-party online payment vendors to make purchases in this game.

For Mobile Games: Application Stores and Mobile Game Portals

As we allocate significant resources and focus on offering and operating mobile games, we closely cooperate with major online application stores in order to reach various mobile device users. We have become a developer for Apple Inc.’s App Store to provide our online games for the iOS system since September 2010 and have established a cooperative relationship with Google Play, the online application store for the Android platform since July 2012. We also offer our games for Android platforms other than Google Play and utilize various other regional online application stores well known among local game players, such as GoMarket, an Android market in China, to further deepen market presence in select regional and local markets. In addition, we utilize mobile game portals in China, the majority of which are websites focusing on the promotion and distribution of mobile games, to complement the distribution network that is not covered by online application stores.

We enter into cooperative agreements with application stores and mobile game portals with terms that typically range from one to two years. Under these agreements, these application stores and mobile game portals provide game platform services for us to offer and operate our mobile games. The major terms and conditions of the cooperation agreements with the application stores and mobile game portals are largely identical to those under our agreements with social networking websites and web-game portals discussed above. Our primary responsibility is to offer online games and related technical support and customer services. We will also be held liable for the losses incurred by the application stores or mobile game portals as a result of the violation of any applicable laws and regulations or the infringement upon other third parties’ intellectual property rights by our games, in which case the affected application store or the mobile game portal may terminate the agreement. In addition, due to the significant bargaining power of some of the application stores we cooperate with, such as Apple Inc.’s App Store, we are required to enter into the application stores’ standard terms and conditions that are generally applicable to all games on their platforms and not negotiable. All these application stores and a number of mobile game portals also provide payment

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services for players to purchase our in-game virtual tokens and other virtual items. These application stores and mobile game portals charge us commission fees for their services. See “— Payment Collection Channels” below for a detailed discussion of the commission fee rates. We operate all game servers and maintain all games operated on these application stores and mobile game portals, provide game enhancements, solve technical problems relating to game operations and provide customer services to players.

Pre-installation of Games on Mobile Phones

We have started cooperating with certain mobile phone manufacturers and mobile phone retailers in China regarding the pre-installation of our mobile games on the mobile phones they sell. Our cooperative agreements with mobile phone manufacturers and retailers usually have a term of one year and may be renewed upon mutual agreement. We are responsible for offering mobile games and related technical support and customer services relating to our games. We are also fully responsible for the content and information included in our games and we may be held liable if any of our games pre-installed is found to have violated applicable laws and regulations or has infringed upon third parties’ intellectual property rights. The mobile phone manufacturers and retailers have the contractual obligation to maintain the smartphones they manufacture or sell in order to enable the display and operation of our games on such smartphones. They also have the obligation to provide technical support relating to the smartphones they manufacture or sell in a timely manner. Under our agreements with mobile phone manufacturers and retailers, we pay them a flat fee, usually 30% to 60% of the total revenue derived from the games pre-installed on their mobile devices net of the fees charged by the payment collection channels depending on the payment options the players choose. We are usually entitled to terminate the cooperative agreement by delivering an advance written notice. We have also recently established cooperative relationships with the three major wireless telecommunications operators in China, namely China Mobile, China Unicom and China Telecom, and made our mobile games available in their online application stores.

Our Major Game Distribution Platforms

The following tables set forth our top five game distribution platforms, their contribution to our business operations in terms of revenue for the periods indicated and the other relevant information:

For the Year Ended December 31, 2010

Rank	Game Distribution Channels	Length of Relationship as of June 30, 2013	Revenue (RMB’000)	% of Total Revenue (%)	Background
1	Renren.com	4 years and 2 months	14,578	9.3	Renren.com is a popular social networking platform in the PRC operated by Renren Inc. Renren.com is an independent third-party distribution channel for our web-based games.
2	Kaixin001.com	2 years and 8 months	9,083	5.8	Kaixin001.com is a popular social networking platform in the PRC operated by Beijing Kaixinren Information Technology Co., Ltd. Kaixin001.com is an independent third-party distribution channel for our web-based games.
3	51.com	1 year and 8 months	6,087	3.9	51.com is a social networking platform in the PRC, which offers microblogging, online music, instant messaging and web-based game portal services. 51.com is an independent third-party distribution channel for our web-based games in the PRC.
4	360.cn	4 years and 4 months	3,281	2.1	360.cn is an online game portal operated by Qihoo 360 Technology Co., Ltd., which is a software company well known for its antivirus software and web browser. 360.cn is an independent third-party distribution channel for our web-based games.

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Rank	Game Distribution Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
5	baofeng.com	3 years and 9 months	3,213	2.1	baofeng.com is an online game portal operated by Beijing BaoFeng WangJi Technology Co., Ltd., a well-known video service provider in the PRC. baofeng.com is an independent third-party distribution channel for our web-based games.

For the Year Ended December 31, 2011

Rank	Game Distribution Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
1	Facebook	2 years and 4 months	49,817	15.7	Facebook is a major social networking website in the world, which is a major distribution channel for our web-based games. Facebook is an independent third-party.
2	Renren.com	4 years and 2 months	14,347	4.5	See description above.
3	Apple Inc.'s App Store	2 years and 9 months	11,802	3.7	Apple Inc. is a U.S.-based multinational corporation that designs, develops, and sells consumer electronics, computer software and personal computers. Apple Inc.'s App Store is a major distribution channel for our mobile games. Apple Inc. is an independent third-party.
4	Kaixin001.com	2 years and 8 months	9,380	3.0	See description above.
5	Sina Weibo	1 year and 11 months	8,835	2.8	Sina Weibo is a popular Chinese microblogging platform operated by Sina Corporation. Sina Weibo is a major distribution channel for our web-based games in the PRC. Sina Weibo is an independent third-party.

For the Year Ended December 31, 2012

Rank	Game Distribution Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
1	Facebook	2 years and 4 months	113,884	22.0	See description above.
2	Apple Inc.'s App Store	2 years and 9 months	53,534	10.3	See description above.
3	Sina Weibo	1 year and 11 months	39,293	7.6	See description above.
4	Tencent QQ	2 years and 8 months	30,640	5.9	Tencent QQ is a popular social networking platform developed by Tencent Holdings limited, which offer a variety of services, including instant messaging, group and voice chat, social games, music, shopping. Tencent QQ is an independent third-party distribution channel for our web-based games in the PRC.
5	51.com	1 year and 8 months	11,859	2.3	See description above.

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For the Six Months Ended June 30, 2013

Rank	Game Distribution Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
1	Facebook	2 years and 4 months	56,079	18.2	See description above.
2	Apple Inc.'s App Store	2 years and 9 months	50,005	16.2	See description above.
3	Sina Weibo	1 year and 11 months	21,748	7.0	See description above.
4	Tencent QQ	2 years and 8 months	16,531	5.4	See description above.
5	Renren.com	4 years and 2 months	7,530	2.4	See description above.

Payment Collection Channels

We utilize three types of payment collection channels to collect proceeds from our paying players' purchases of our in-game virtual tokens and other virtual items. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our five largest payment collection channels contributed a total of 75.8%, 55.1%, 63.2% and 62.7%, respectively, of our total revenue. Facebook, our current largest payment collection channel, contributed nil, 15.7%, 22.0% and 18.2%, respectively, of our total revenue, for the same periods. All the payment collection channels are operated by independent third parties.

We have established business relationships with an increasing number of payment collection channels as our business continues to expand. During the Track Record Period, we also terminated our business relationships with a total of six payment collection channels primarily as a result of their historical insignificant contributions to our total payments or their failure to meet our requirement for timely account settlement. The revenue contribution from the payment collection channels that were terminated by us for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was nil, RMB31.0 million, RMB647.8 thousand and RMB7.3 thousand, respectively. The table below sets forth the movement of the numbers of payment collection channels we used during the Track Record Period:

	For the Year Ended December 31,			For the Six Months Ended June
	2010	2011	2012	30, 2013
Newly added payment collection channels	6	8	14	8
Terminated payment collection channels	—	3	2	1
Balance as at period end	6	11	23	30

In late September 2013, we and our largest pre-paid game card distributor for 2012 and the six months ended June 30, 2013 terminated our business relationship as we did not agree to this distributor's request for acting as the exclusive distributor for our pre-paid game cards based on our requirements for exclusive distributors in terms of managing existing distribution channels and further expanding the distribution network. The revenue contribution from this distributor in 2012 and the six months ended June 30, 2013 accounted for approximately 16.9% and 15.9%, respectively, of our total revenue for these periods. This distributor's sales volume of pre-paid game cards decreased significantly to an insignificant amount in September 2013 while we negotiated its request. Despite this distributor's insignificant sales volume of pre-paid game cards in that month, the total cash collection from our pre-paid game card sales in September

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2013 was not negatively affected. As such, we do not expect that the termination of business relationship with this distributor will have a significant adverse effect on our overall business operation or our pre-paid game card sales. For discussion of the risks relating to the termination of business relationship with this distributor, please see “Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to risks relating to third-party distributors of our pre-paid game cards” in this prospectus.

Although we have not adopted an exclusive distributorship model for our pre-paid game cards, nor have we appointed any exclusive distributors, we have started establishing a set of standards for selecting and appointing exclusive distributors since September 2013 in preparation for our future expansion needs. Before a distributor can be appointed as an exclusive distributor, we require such distributors to be one of our top two distributors in the latest six-month period who must also have, among other things, (i) required licenses and the ability to ensure that the distribution of our pre-paid game cards in the relevant regions is in compliance with applicable local rules and regulations, (ii) demonstrated capability of managing distribution channels, and (iii) sufficient capital resources to handle large amounts of purchase orders and maintain stable supply of our pre-paid game cards in the target countries and regions.

In early September 2013, we started, on a trial basis, an exclusive relationship with one of the existing distributors, Shuei Jing Yu Co. (水晶羽科技有限公司), for the distribution of pre-paid game cards for the traditional Chinese versions of our online games. Shuei Jing Yu Co. (水晶羽科技有限公司) and its affiliate have been a distributor of our pre-paid game cards since February 2012 primarily targeting markets for the traditional Chinese version of our online games. It was our second largest pre-paid game card distributor in 2012 and the six months ended June 30, 2013, and contributed 6.1% and 5.2%, respectively, of our total revenue in these periods. We chose to start the trial exclusive relationship with Shuei Jing Yu Co. (水晶羽科技有限公司) because, unlike the distributor we recently terminated, Shuei Jing Yu Co. (水晶羽科技有限公司) was willing to establish an exclusivity relationship on a trial basis and agreed to the terms and conditions we requested. In addition, compared to the terminated distributor, Shuei Jing Yu Co. (水晶羽科技有限公司) is a more established business entity with a sophisticated distribution platform and strong and diverse supporting businesses that meet our standards for exclusive distributors discussed above. Our trial relationship with this distributor achieved satisfactory results in September 2013 — our cash collection from sales of pre-paid game cards in September were in line with the monthly average cash collection from sale of pre-paid game card during the period from January to August 2013 in spite of the significant decrease in sales volume from our former largest distributor in September discussed above. As the exclusive relationship is still in a trial period, we have not yet entered into any exclusive distributorship agreement with this distributor. Under our form exclusive distribution agreement (which is being finalized based on our experience from this trial exclusive relationship and may be subject to further changes), the exclusive distributor will be authorized to distribute a specific type of pre-paid game cards (for example, for the traditional Chinese version of our games only) in an authorized region on an exclusive basis for a certain period of time. The exclusive distributor will be required to pay us exclusivity fees on a monthly basis and purchase a pre-determined minimum amount of pre-paid game cards from us each month. Other major terms of our form exclusive distribution agreement are similar to our non-exclusive distribution agreement.

We plan to continue this trial relationship and closely monitor its results over an extended period of time. If we decide to establish exclusive distribution arrangements with our distributors, we expect such arrangements to help us enhance the management of our pre-paid game card distributors, foster orderly competition among our distributors, improve services to our players and achieve sustainable growth of player base and results of operations. Our decision to formally establish such an exclusive distributorship for pre-paid game cards in the future, if at all, will be based on various factors, such as the needs of expanding player base in specific geographic markets, our assessment of the sustainability of the positive results from such exclusive relationship and the impact it may have on the other distributors’ performance.

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Payments through game distribution platforms' payment systems

Substantially all of our game distribution platforms, including those for web games and mobile games, have their own payment systems that collectively serve as our largest payment collection channel. Our players who play our games on these game distribution platforms use the payment options offered by these platforms, which may include payments by credit card, online wire transfer through third-party online payment vendors, to make payments and purchase our in-game virtual tokens and other virtual items.

Many of these game distribution platforms have their own virtual currency systems, such as Facebook Credits on Facebook or Weibo Credit (微幣) on Sina Weibo. Our players need to purchase such virtual currencies which can be converted, at a ratio agreed upon by us and each of these game distribution platforms, into our virtual tokens or other virtual items. These game distribution platforms charge us commission fees that are a portion, normally 30% to 60%, of the proceeds from purchases by the players who play in our games through such game distribution platforms' payment systems. Substantially all of our game distribution platforms charge us commission fees either at flat rates or at rates that vary based on the amount of proceeds collected, which are stipulated under these platforms' standard terms and conditions generally applicable to all the games on their platforms and not negotiable. The average commission fee rate charged to us by the game distribution platforms during the Track Record Period was 55.3%, 45.3%, 40.1% and 39.1% in the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Since most game distribution platforms usually adopt their own form service agreements which provide a standard fee rate applicable to game developers, we believe that the commission fees charged to us are in line with the industry norm.

These game distribution platforms typically are required to settle the proceeds from the sales of our in-game virtual tokens and other virtual items with us on a monthly basis upon mutual confirmation of the total proceeds collected and after deducting the commission fees charged by them. Our personnel from data collection and accounting departments review the monthly transaction statements provided by the relevant payment collection channels and reconcile the transaction details stated in such transaction statements with the data recorded by our own back-end data centre. For each in-game purchase, our back-end data centre tracks various information, including the player account reference number, the relevant game and virtual items purchased, the payment collection channel used, the payment amount and the corresponding number of virtual items purchased and the time of purchase. Our personnel will look into any discrepancies between the transaction statements and our recorded data and coordinate with the payment collection channels to sort out the discrepancies. Upon the mutual confirmation of the final amount, we will issue the invoice and actively follow up on the subsequent payments. We do not make any refunds to players for payments made by them through the payment systems of our game distribution platforms.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, revenue derived from our game distribution platforms' payment systems accounted for 41.5%, 47.8%, 58.7% and 55.0% of our total revenue, respectively.

Payments through pre-paid game cards

In certain overseas markets, mainly in Hong Kong, Macau, Taiwan, Thailand, Indonesia and Vietnam, pre-paid game cards are a commonly used method of payment among many game players when making purchases in online games. In 2011, we started offering our players in these markets the option to purchase pre-paid game cards from third-party distributors which can be used in the web version of Texas Hold'em hosted on our own game portal, boyaa.com.

We select pre-paid game card distributors based on their marketing resources and capability, as well as the results of our trial sales to them. We sell pre-paid game cards to these distributors on a wholesale basis, typically at a 10% discount off the face value of the cards, and require them to make full payments in cash of the purchase prices before we deliver the cards, in the form of card numbers and matching passwords, to them. We offer rebates to pre-paid game card distributors based on the volumes they sell. We maintain policies that prohibit distributors from distributing our pre-paid game cards at any price below the price stipulated under our distribution agreements with such distributors or engaging in any form of unauthorized

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trading of our pre-paid game cards. The distributors are responsible for addressing problems buyers of the pre-paid game cards encounter with the cards. The distributors may exchange defective pre-paid game cards with us for replacement cards but are not allowed to return to us any pre-paid game cards they have purchased. The distributors typically place small-amount orders for our pre-paid game cards to avoid excessive inventories. Under the agreements with the distributors of our pre-paid game cards, the distributors are required to comply with all relevant laws and regulations in their distribution of our pre-paid game cards. After the delivery of the pre-paid game cards to the distributors, we are not responsible for any losses or damages they suffer.

There are no expiration dates for our pre-paid game cards, and we do not generate any forfeited income from pre-paid game cards. We record the purchase prices we receive from the distributors, net of volume rebates we offer our pre-paid game card distributors, in trade and other receivables, which will be recorded as deferred revenue upon players' activation of the relevant pre-paid game cards, *i.e.*, the first time players use the pre-paid game cards to credit their game accounts. We recognize revenue on these payments over the period of time the virtual tokens and other virtual items purchased with pre-paid game cards are consumed by the paying players. See "Financial Information — Significant Accounting Policies and Estimates — Revenue Recognition."

As a result of our fast expansion in Southeast Asian countries in recent years, particularly in the web-based game market in Thailand where pre-paid game cards are a common payment option for online games, revenue contributed by pre-paid game card sales experience a significant increase. Since we started offering pre-paid game cards in 2011, revenue derived from pre-paid game card sales accounted for 6.9%, 23.8% and 27.4% of our total revenue in the years of December 31, 2011 and 2012 and the six months ended June 30, 2013, respectively. Pre-paid game cards are only used in the web version of the Texas Hold'em on our own game portal, boyaa.com.

Payments through third-party payment vendors

To purchase our in-game virtual tokens and other virtual items, players of our games offered in traditional Chinese, Thai, Indonesian and Vietnamese may also make payments through third-party online payment vendors, such as MOL AccessPortal Co., Ltd. and Soft-World International Corporation (智冠科技股份有限公司). Upon payments to these third-party online payment vendors, players will receive these vendors' virtual currencies, which can be used in Texas Hold'em offered on our own game portal, boyaa.com, and to a lesser extent, mobile games offered on the Android platform in overseas markets.

Under our agreements with these third-party online payment vendors with terms that typically range from one year to two years, the vendors are responsible for handling players' payments made through their online payment systems and provide related customer service and technical support to ensure the completion of the payment process. We are responsible for providing access in our games for our players to use the vendors' virtual currencies to make purchases. We are also responsible for obtaining all necessary licenses, permits or approvals and for the compliance of our games with relevant laws and regulations. To ensure the safety of players' accounts, we and the third-party online payment vendors usually agree in the agreements that in case there is any material safety issue remain unsolved, the payment vendors are allowed to temporarily suspend the payment process until the relevant issue is solved. Under the agreements with the payment vendors, we are responsible for the losses incurred by those parties resulting from our games or our services. The agreements may be terminated by either party by delivering a prior written notice.

Commissions charged to us by these third-party online payment vendors for their payment service typically range from 15% to 30% of the total payments they process, which are negotiated with these third-party online payment vendors on a case-by-case basis. These third-party online payment vendors are normally required to settle the proceeds of the payment made through their systems on a monthly basis upon mutual confirmation of the total amount of proceeds processed and after deducting the commission fees charged by them. Similar to the settlement procedures with game distribution platforms' payment systems, we review and verify the monthly transaction statements provided by these third-party payment vendors and the settlement will be made upon mutual confirmation. We do not make any refunds for payments made by players through these online payment vendors.

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To a lesser extent, we utilize other payment vendors, such as Alipay and UnionPay (each a China-based third-party payment vendor) and payments through short message services, to enable our players in China to purchase our in-game virtual tokens and other virtual items in certain of our mobile games offered on the Android platform. Each of these payment channels charges us a payment handling fee at a flat rate, typically ranging from 1% to 10% of the total amounts paid by our players via these payment channels, which normally are not subject to negotiation. We do not make any refunds to players for payments made by players through these payment vendors.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, revenue derived from these third-party payment vendors accounted for 58.5%, 45.3%, 17.5% and 17.6% of our total revenue, respectively.

Our Major Payment Collection Channels

The following tables set forth our top five payment collection channels, revenue generated from these payment collection channels for the periods indicated and the other relevant information:

For the Year Ended December 31, 2010

Rank	Payment Collection Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
1	Soft-World International Corporation	3 years and 5 months	43,134	27.6	Soft-World International Corporation is a game developer and distributor based in Taiwan. Soft-World International Corporation is an independent third-party payment vendor of us.
2	PayPal Pte. Ltd.	3 years and 7 months	25,626	16.4	PayPal Pte. Ltd. is an online money transfer service provider and is a subsidiary of eBay Inc. PayPal Pte. Ltd. is an independent third-party payment vendor of us.
3	Beijing Comsenz Century Technology Co., Ltd.	3 years and 8 months	20,004	12.8	Beijing Comsenz Century Technology Co., Ltd. is an online community forum developer and service provider, which developed Discuz!, a popular open-end Internet forum program. Beijing Comsenz Century Technology Co., Ltd. collected payments from various small online community platforms that utilize Discuz! for us. Beijing Comsenz Century Technology Co., Ltd. was founded by one of our Directors, Mr. Dai Zhikang, please refer to “Directors, Senior Management and Employees — Directors” in this prospectus.
4	Babi Mobile Media Company Ltd.	1 year and 2 months	15,213	9.7	Babi Mobile Media Company is a virtual voucher solution provider based in Hong Kong. Babi Mobile Media Company is an independent third-party payment vendor of us.
5	Renren.com	4 years and 2 months	14,578	9.3	See description above.

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For the Year Ended December 31, 2011

Rank	Payment Collection Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
1	Soft-World International Corporation	3 years and 5 months	54,369	17.1	See description above.
2	Facebook	2 years and 4 months	49,817	15.7	See description above.
3	Babi Mobile Media Company Ltd.	1 year and 2 months	27,805	8.7	See description above.
4	MOL AccessPortal Co., Ltd.	2 years and 7 months	22,349	7.0	MOL AccessPortal Co., Ltd. is a Malaysia-based company that develops and operates payment systems. MOL AccessPortal Co., Ltd. is an independent third-party payment vendor of us.
5	Beijing Comsenz Century Technology Co., Ltd.	3 years and 8 months	20,947	6.6	See description above.

For the Year Ended December 31, 2012

Rank	Payment Collection Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
1	Facebook	2 years and 4 months	113,884	22.0	See description above.
2	Happy Tan Trading*	1 year and 8 months	87,639	16.9	Happy Tan Trading is a Malaysia-based company which is an independent third-party pre-paid game card distributor of us.
3	Apple Inc.'s App Store	2 years and 9 months	53,534	10.3	See description above.
4	Sina Weibo	1 year and 11 months	39,293	7.6	See description above.
5	MOL AccessPortal Co., Ltd.	2 years and 7 months	33,255	6.4	See description above.

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For the Six Months Ended June 30, 2013

Rank	Payment Collection Channels	Length of Relationship as of June 30, 2013	Revenue (RMB'000)	% of Total Revenue (%)	Background
1	Facebook	2 years and 4 months	56,079	18.2	See description above.
2	Apple Inc.'s App Store	2 years and 9 months	50,005	16.2	See description above.
3	Happy Tan Trading*	1 year and 8 months	49,101	15.9	See description above.
4	Sina Weibo	1 year and 11 months	21,748	7.0	See description above.
5	Tencent QQ	2 years and 8 months	16,531	5.4	See description above.

* In late September 2013, we and this pre-paid game card distributor terminated our business relationship as we did not agree to its request for acting as the exclusive distributor for our pre-paid game cards. We do not expect that the termination of business relationship with this distributor will have a significant adverse effect on our overall business operation or our pre-paid game card sales. For details, please see "Business — Game Distribution Platforms and Payment Collection Channels — Payment Collection Channels" in this prospectus.

GAME FEATURES AND EXPERIENCE

Players may access our online games through various devices and operating platforms. Our web-based games are accessible through web-based game platforms operated by major social networking websites and game portals, as well as our own game portal, boyaa.com. Our mobile games can be downloaded and installed from online application stores and mobile games platforms operated by major game portals.

To enter our web-based games, players need to use their existing accounts with the relevant game distribution platforms through which they access our games. To enter our mobile games, players need to download our games onto their mobile devices and enter our games using their existing accounts with select social networking websites or as guests. When players enter our games, we assign them primarily by the language version of the games on their devices to our different servers located in China or foreign countries and regions. In certain games, such as our Texas Hold'em, players may enter card rooms of their own choice based on their skill levels or the minimum amount of tokens they are willing to use to play a game. Otherwise, players are assigned to card rooms, with respect to our card and board games, or groups of players, with respect to our other games, on the basis of various factors, such as their levels of performance in that game and the virtual tokens they have in their accounts.

To help players familiarize themselves with our games, we provide tutorials for new players for each of our games. While playing the games, players may raise questions or concerns at any time through the in-game customer service system.

In order to improve player experience, we offer in-game social functions, including online chatting and friend invitation, that enable our players to communicate with each other, publicly or privately, on a real-time basis. To further increase player interaction, we provide in-game gift giving functions that allow players to send limited types of virtual items as gifts, such as virtual flowers and ornaments, to each other. We encourage players to invite friends and family to join our games by granting them bonus virtual tokens and other virtual items for successful referrals. Our games offered through social networking websites all

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incorporate the players' connections and friends. We believe such social functions and features enhance our players' loyalty by building connections among players and fostering an engaging player community in our games. Our games also provide a one-click service to enable and encourage players to share their game experience and results to family and friends on popular social media, such as Facebook and Sina Weibo. We believe that these efforts make our games more interactive and significantly enhance player stickiness.

Given the engaging nature of our games, small storage requirements for downloading, the short time needed to play each game and the easy access and cross-platform game experience we offer, our players tend to play our games at leisure time. On average, it normally takes minutes to play a session of most of our games, which makes our games ideal for relaxation during work breaks, in transit and at other fragmented time throughout the day. In June 2013, the daily average game time per player was 1.2 hours in Texas Hold'em, 1.1 hours in the four-player version of Fight the Landlord, 0.9 hours in the three-player version of Fight the Landlord (鬥地主), 1.0 hours in Big Two (鋤大地) and 1.1 hours in King & Slave.

OUR PLAYERS AND CUSTOMER SERVICE

Our Players

Through offering an extensive card and board game portfolio that is supplemented by other types of casual games, we have attracted a large and rapidly growing player base. Given the popularity of card and board games, we seek to target massive mobile users in different markets. Our cumulative registered players increased from 83.8 million as at December 31, 2010 to over 309.0 million as at June 30, 2013. Our average DAUs increased from 1.8 million in 2010 to 2.4 million in 2011, 4.3 million in 2012 and 4.8 million in the six months ended June 30, 2013, and our average MAUs increased from 5.9 million in 2010 to 9.2 million in 2011, 20.5 million in 2012 and 21.0 million in the six months ended June 30, 2013.

Calculated based on IP addresses, we have registered players located in over 100 countries and regions, including China, Hong Kong, Macau, Taiwan, Thailand, Indonesia, Vietnam, Brazil, Egypt, Turkey, Italy, Germany, Malaysia, France and other countries and regions. As at June 30, 2013, 1.8 million of our cumulative registered players were paying players located in more than 80 countries and regions, including China, Hong Kong, Macau and Taiwan, Thailand, Indonesia, German-speaking countries, French-speaking countries, Portuguese-speaking countries, Turkish-speaking countries and Vietnam.

We offer our games in various language versions. The table below sets forth a breakdown of active player information of the largest language versions of our games measured by revenue for the periods indicated:

Language Version	DAUs				MAUs			
	Year Ended December 31,			Six Months Ended June 30,	Year Ended December 31,			Six Months Ended June 30,
	2010	2011	2012	2013	2010	2011	2012	2013
	(in thousands)							
Simplified Chinese. . .	982	588	1,819	2,442	3,338	2,338	10,182	11,486
Traditional Chinese . .	746	969	973	878	2,161	3,376	3,285	2,779
Thai	16	530	819	719	60	1,902	2,791	2,701
Indonesian	12	125	313	309	78	730	2,245	1,721
Vietnamese	—	29	107	112	—	145	502	554
German.	—	29	39	61	—	124	155	238
French	—	13	40	56	—	68	201	284
Arabic	—	4	54	65	—	39	373	296
Portuguese	—	26	41	45	—	112	212	222
Turkish.	—	38	37	39	—	127	204	173
English.	22	17	26	39	215	60	163	258
Others	—	36	41	68	—	169	205	300
Total	1,778	2,404	4,309	4,833	5,852	9,190	20,518	21,012

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Our most popular games have attracted a large number of active players. The table below sets forth our player information for all our games as well as our most popular games for the periods indicates:

	For the Year Ended December 31,			For the Six Months
	2010	2011	2012	Ended June 30, 2013
(in thousands)				
All Games				
DAUs	1,778	2,404	4,309	4,833
MAUs	5,852	9,190	20,518	21,012
Cumulative registered players (at period end) . .	83,776	166,662	251,073	309,035
Texas Hold'em Series				
DAUs	494	1,244	1,614	1,933
MAUs	1,564	4,506	6,999	7,690
Cumulative registered players (at period end) . .	38,313	92,722	133,051	155,049
Fight the Landlord (鬥地主)				
DAUs	57	309	1,587	2,081
MAUs	171	714	6,960	8,455
Cumulative registered players (at period end) . .	685	4,948	25,393	49,172
Ant Wars (蟲蟲特攻隊)				
DAUs	22	140	360	101
MAUs	134	1,156	1,765	971
Cumulative registered players (at period end) . .	340	10,935	19,922	22,879
Big Two (鋤大地)				
DAUs	37	150	249	204
MAUs	110	512	955	746
Cumulative registered players (at period end) . .	530	3,560	5,634	7,043

Players of our mobile card and board games are inclined to play games more often during their leisure time on mobile devices, which present a higher number of rounds of games on average and a larger number of log-ins on average, compared to the web-based version of the games.

Historically, our web-based games attracted the majority of our active players. Starting in 2012, the average DAUs of our mobile games exceeded those of our web-based games. The table below sets forth a breakdown of average DAUs and MAUs of our web-based games and mobile games in the periods indicated:

	For the Year Ended December 31,						For the Six Months	
	2010		2011		2012		Ended June 30, 2013	
	(in thousands)	%	(in thousands)	%	(in thousands)	%	(in thousands)	%
DAUs:								
Web-based games . . .	1,764	99.2	2,015	83.8	2,062	47.9	1,546	32.0
Mobile games	14	0.8	389	16.2	2,247	52.1	3,287	68.0
Total	<u>1,778</u>	<u>100.0</u>	<u>2,404</u>	<u>100.0</u>	<u>4,309</u>	<u>100.0</u>	<u>4,833</u>	<u>100.0</u>
MAUs:								
Web-based games . . .	5,810	99.3	8,144	88.6	10,568	51.5	7,149	34.0
Mobile games	42	0.7	1,046	11.4	9,950	48.5	13,863	66.0
Total	<u>5,852</u>	<u>100.0</u>	<u>9,190</u>	<u>100.0</u>	<u>20,518</u>	<u>100.0</u>	<u>21,012</u>	<u>100.0</u>

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We have been continuously strengthening our strategic focus on our mobile game business since we offered our first mobile game in September 2010. As a result, the size of active player base of our mobile games experienced rapid development during the Track Record Period. Largely due to the strategic focus we place on our mobile game business, the DAUs and MAUs of our web-based games decreased for the first time from 2012 to the six months ended June 30, 2013 as shown in the table above.

Customer Service

We currently maintain a dedicated customer service team with 54 service representatives, who are able to provide services in 18 languages in a timely manner.

Players may submit inquiries, feedback or complaints by sending messages via our in-game customer service system at any time. Players of our games offered in simplified and traditional Chinese may also call our service hotline, which operates on a 24/7 basis. We currently provide customer services eight hours a day through our in-game service system for players of games offered in languages other than simplified and traditional Chinese and Thai.

Upon receipt of complaints or inquiries from our players, our customer service team will conduct testing and respond promptly. Our customer service representatives will provide detailed explanation and instruction to guide the players to solve problems that relate to functions and features of the games. Complaints relating to in-game payments or awards, programming errors or technical issues or claims for damages are reported to the managers for the relevant games, who will be responsible for resolving the reported complaints. Under our complaint processing policy, complaints relating to in-game payments or awards are required to be resolved within one to three business days, material complaints, such as those relating to programming errors or technical issues or claims for damages, are required to be resolved within three to seven business days. As at the Latest Practicable Date, we had not received any material complaints from our players that resulted in any material adverse impact on our business.

We believe that outstanding customer service plays a significant role in retaining players and differentiating us from other game developers and operators. In serving our players, our customer service team also collects valuable first-hand player experience and feedback, which has helped us better understand player preference and demand and further enhance our games.

OUR TECHNOLOGY INFRASTRUCTURE

In addition to our proprietary Boyaa Building Engine, which is discussed under “— Game Development” above, the other components of our technology infrastructure have also significantly contributed to the success of our business operations.

Large server infrastructure and network-based caches

Our diversified online game portfolio and large global player base are supported by a stable and powerful network infrastructure. All of our card and board games are synchronous games featuring real-time interaction, which require our server network to respond promptly with low latency. To meet these needs, our team of experts design our cloud-based network infrastructure with centralized server systems to maximize the efficiency of our network infrastructure. As at the Latest Practicable Date, we owned and leased a total of over 370 servers hosted in 14 locations in China and certain other countries and regions, 125 of which were located in four centralized data centres in Singapore, Washington D.C. and Seattle, United States and Amsterdam, the Netherlands. In addition, we implement network-based caches to quickly respond to massive data access triggered by a large number of concurrent players, minimizing the access to server database. As such, our large capacity server centres ensure the data synchronization while the other local servers cache the Internet content in order to speed up access to data and reduces demand on local bandwidth. We believe that our current network facilities provide us with sufficient capacity to carry out our current operations and are able to be expanded to meet additional capacity needs relatively quickly and with minimum incremental cost.

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Data Centre Service and Server Procurement

The servers used in our game operation are hosted in data centres in different geographic regions in China and overseas. The data centres in our network are owned and maintained for us by data centre service providers. We typically enter into leasing and hosting service agreements with data centre service providers that are renewable annually. The data centre service providers are responsible for providing server hosting space with stable power supply, IP addresses, broadband Internet connection facilities and firewall monitoring services that can meet our requirements. The data centre service providers are also responsible for the technical consulting and supporting services on a 24/7 basis. We are obliged to pay service fees subject to the terms of the leasing and hosting service agreements. In addition, we lease servers from certain server providers outside of China, who provide servers that meet our configuration requirements. The server providers are also responsible for the related technical support services on a 24/7 basis. We are obliged to pay server service fees subject to the terms of the server service agreements. Our server service agreements generally have a one-year term and are renewable annually subject to mutual agreement. We are fully responsible for the content and information stored and published on the servers and the data centre service providers and the server service providers are entitled to terminate the agreements with us if we are found in the violation of the relevant laws and regulations.

We have established server and other equipment procurement policies to manage and monitor our procurement procedures and costs. In principle, we directly purchase servers for locations inside China and Hong Kong and lease servers for locations in other countries and regions. To ensure the quality and safety of our network infrastructure, we usually purchase servers from qualified and reliable suppliers. We select server rental service providers based on the historical business relationships with us, the compatibility of their products with our requirements, prices, customer service and reputation. We may also test the products before making a procurement decision. We evaluate our suppliers on a quarterly basis based on the performance of their products and services and will replace unqualified suppliers in a timely manner.

Data centres that provide server hosting and leasing services are our major suppliers. During the Track Record Period, our five largest suppliers in the aggregate accounted for 0.5%, 3.1%, 3.4% and 5.3% of our total purchases from all of our suppliers in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

Anti-attack system with high-availability clusters

The stability and safety of our network infrastructure is critical to our reputation and online game operations. We have experienced various hacking attacks during the ordinary course of business. For example, during the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our system recorded nil, 9, 65 and 93 distributed denial-of-service attacks. We had not experienced any other hacking attacks or unauthorized access to player accounts, according to our records. However, we discovered incidents of account theft during the Track Record Period. None of these attacks caused any material interruption to our network infrastructure or loss or corruption of data during the Track Record Period. We utilize high-availability clusters comprising groups of servers to provide sufficient redundancy and ensure continued services in the event of single point server failure due to hostile attacks, systematic errors or other reasons. We utilize a dynamic domain name system with changing IP addresses to avoid distributed denial-of-service attacks. Our network-based caches also provide protection for our database by limiting direct data access requests, which effectively prevent hackings and other security breaches. Once a hacking attack is detected, our technical team will immediately coordinate with the local supporting staff of the relevant server provider to diagnose and solve the technical problems.

Furthermore, we have adopted comprehensive measures to enhance the safety of our players' accounts. Our system maintains logs of player actions, including but not limited to rounds of games played, balance of virtual tokens, each addition or use of virtual tokens for each player, to ensure the accuracy of such information. We assign a separate system for the storage of information relating to virtual tokens, which is complemented by the real-time backup and off-site disaster-tolerant backup programs. We have provided account protection functions in our Texas Hold'em and are in the process of implementing account protection measures for our other games. We ask players to set a private security code, subject to their preference, for

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each log-in or for a log-in with a different IP address from the previous time. For players who have purchased in-game memberships, we also offer a virtual safety box function for the players to store their virtual tokens separately. The safety box will be locked for one day if a wrong security code is entered for three times. Lastly, our customer service staff will assist our players to investigate any claims relating to account theft or unauthorized access.

SALES AND MARKETING

We implement various marketing and promotional measures to market and promote our online games. Since 2010, we have started to promote our games to game players through social networking websites and online application stores, as well as web-based game portals and mobile game portals. Due to the different distribution platforms we utilize for our web-based and mobile games, we design different marketing activities tailored for each type of the games. For example, for web-based games, we strategically leverage the existing interactions among users of social networking websites to allow our players to invite their friends or send in-game gifts to their friends on those social networking websites in order to attract new or existing players. For mobile games, we send push notifications to players to remind them of new version updates and provide free virtual tokens for downloading and installing the new version of our games, which in turn increase the number of downloads of our games and raise the ranking of these games in the mobile application stores and attract more potential new players.

In China, we primarily utilize game portals and application stores operated by some of China's most popular social networking services, comprehensive Internet service platforms and well-established games platform operators, such as Sina Weibo, Tencent QQ, 51.com, Renren.com, Baidu.com, 360.cn and GoMarket, to promote our games. In the overseas markets, we primarily market and promote our web-based games through Facebook and our mobile games through Apple Inc.'s App Store and Google Play. We also attend trade fairs, such as the Global Mobile Internet Conference in Beijing, China, the Thailand Game Show and Social Games Expo in Thailand and Indonesia Game Show in Indonesia, to enhance our brand recognition in both China and overseas markets.

COMPETITION

Real-world card and board games have a long and rich history, a large and solid base of players and an extensive popularity in China and many other countries and regions in the world. The online versions of card and board games also share similar characteristics to their offline counterparts, and have created a huge and competitive online game market. As the Internet infrastructure continues to improve and mobile devices become increasingly affordable and popular, the online card and board game market has experienced an exponential growth while a large number of game players are increasingly playing card and board games on their mobile devices. The rapid growth in the mobile card and board game segment is mainly attributable to the easy access to games on mobile devices, convenient payment channels, these games' social networking functions and efficient utilization of leisure time, allowing the player base to expand beyond existing web-based game players and increase their willingness to pay. Given the fast growing potential and relatively low entry barrier, the online card and board game sector has become highly competitive, attracting a large number of global, national, regional developers and individuals to compete.

We compete principally with online game developers and operators in the international markets, such as Zynga Inc., Playtech Ltd. (which operates Ipoker.com), IGG Inc. (which operates Igg.com) and SNSplus, Inc. (which operates Snsplus.com), and in China, such as Ourgame.com and JJworld (Beijing) Network Technology Co., Ltd. Some of these competitors offer games that are based on the same real-world counterparts as our games, such as the various Texas Hold'em card games offered by Zynga Inc., Playtech Ltd., IGG Inc. and JJworld (developed and operated by JJworld (Beijing) Network Technology Co., Ltd.), and the various Fight the Landlord (鬥地主) card games and Mahjong games offered by Ourgame.com and other online game developers. We also compete with comprehensive Internet service platform operators that also


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offer online games, such as Tencent Holdings Limited, Renren Inc. and Qihoo 360 Technology Co. Ltd. We may also face competition from new online game developer and operators. Some of our existing and potential competitors have significantly greater financial, technological and marketing resources, a larger user base, stronger relationships with industry participants and a larger and more diverse portfolio of online games, greater development experience and resources than we do.

We compete primarily on our abilities to develop highly engaging online games, attract and retain paying players by anticipating and satisfying player demands, provide online games with various language versions and localized game features, acquire new game players through marketing and advertising efforts, and ensure the stability of the game operation systems. In competition with domestic and international online card and board game developers, we believe that our current leading market positions in mobile card and board games are primarily attributable to our large card and mobile game portfolio, dedicated research and development teams, capability to localize our products, commitment to continuously improving player experience and early mover advantage in developing mobile card and board games. We believe our game portfolio that is primarily consisted of card and board games generally has a longer life span than other types of online games, which allows us to continuously expand our player base. In addition, compared with some competitors' mobile games that are based on their web-based counterparts, we believe our established mobile strategy and advanced mobile game technologies have enabled us to deliver mobile games with better player experience. We also believe that our established global presence constitutes another competitive advantage over other domestic online game developers who only offer limited products for domestic markets. For a discussion of risks relating to competition, see “Risk Factors — Risks Relating to Our Business and Our Industry — The entry barriers are low in the online game industry. We face intense competition, which could reduce our market share and materially and adversely affect our results of operations and growth prospects.”

INTELLECTUAL PROPERTIES

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual property critical to our business operations. We had eight registered domain names as at the Latest Practicable Date, including boyaa.com and boyaa poker.com. We rely on a combination of patents, copyrights, trademarks and trade secret laws to protect our intellectual properties. As at the Latest Practicable Date, we had registered:

- four trademarks in China, including the logo “” for our Ant Wars (“**蟲蟲特攻隊**”);
- six trademarks in Taiwan, Turkey and the European Union, including the logos “**boyaa**” and “**博雅**”; and
- 42 copyrights in China, which are relate to all of our in-house developed online games and our proprietary game development engine, Boyaa Building Engine.

As at the Latest Practicable Date, we had (i) 31 pending trademark applications in China, (ii) 11 pending trademark applications in overseas jurisdictions, including Hong Kong, Macau, Thailand, Indonesia and the United States, and (iii) one patent right (utility model) and 22 pending patent applications in China, including 20 invention patents and two utility patents. As our trade names, brands and trademarks are becoming more recognized in China and overseas markets, we expect to devote additional resources to enhance the protection of our trademarks and register our trademarks and other intellectual properties in overseas markets where we offer our games. Most of our intellectual properties are owned by Boyaa PRC, and Boyaa Shenzhen owns certain trademarks, copyrights and domain names for the purpose of maintaining and renewing its operating license as required by relevant PRC government authorities. Please refer to “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Our Intellectual Property Rights” to this prospectus for detailed information for our intellectual properties.

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The computer software copyrights that cover all the 13 games we currently offer in the PRC are registered under Boyaa Shenzhen's name and have been filed with the MOC under the Online Game Measures. We do not plan to transfer these computer software copyrights to Boyaa PRC for the following reasons:

- Online games with computer software copyrights registered under a foreign-invested company (such as Boyaa PRC) may potentially be treated as "imported online games," which would be subject to MOC's content review and prior approval procedure. In addition, prior to such review and approval procedure, the operation of these games would need to be suspended; and
- The Exclusive Option Agreement provides that Boyaa Shenzhen must obtain written consent from Boyaa PRC prior to any transfer, assignment or license of any of Boyaa Shenzhen's assets, including intellectual property rights, which effectively protects Boyaa PRC's interest in and control over the computer software copyrights registered under Boyaa Shenzhen's name.

The computer software copyrights of online games we offer outside of the PRC (which are not subject any filing, review or approval by any PRC governmental authorities) are owned by Boyaa PRC.

We have received confirmation from our PRC Legal Advisor and legal advisor from Taiwan and Thailand, and based on legal searches in Hong Kong, we had not been subject to any material dispute, claims for infringement upon third parties' trademarks, licenses and other intellectual property rights in our largest target markets, namely, China, Hong Kong, Taiwan and Thailand.

We implement comprehensive measures to protect our intellectual properties in addition to making trademark and patent registration applications in our target markets. For example, in addition to the relevant patent and copyright registrations in the PRC, we have established internal rules for overall source code protection and confidentiality management, which specify the relevant authorities and responsibilities for employees to produce and use confidential information, including the technical information relating to the Boyaa Building Engine. While we actively take steps to protect our intellectual property rights, circumstances outside our control could pose a threat to our intellectual property rights. Measures we have taken may not be adequate to prevent the infringement or misappropriation of our intellectual property. Also, we cannot be certain that our products and services do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others. See discussion in "Risk Factors — Risks Relating to Our Business and Our Industry — Unauthorized use of our intellectual property may adversely affect our business and reputation" and "— We cannot be certain that our operation does not or will not infringe any patents, valid copyrights or other intellectual property rights held by third parties."

Currently, Boyaa Shenzhen uses nine ICP-related but unregistered trademarks that it has applied for registration in the PRC. For the purpose of keeping intellectual property rights under Boyaa PRC, thus providing additional protection for the Company's interest under the Contractual Arrangements, Boyaa Shenzhen has started the process of transferring the applications relating to six of these nine ICP-related trademarks to Boyaa PRC (please refer to item nos. 1, 2, 3, 12, 13 and 14 in the table on pages IV-10 and IV-11 in the section headed "Statutory and General Information" in Appendix IV to this prospectus), so that Boyaa PRC will replace Boyaa Shenzhen to become the applicant for the registration applications of these six trademarks. However, in order to ensure Boyaa Shenzhen's compliance with the MIIT Notice's requirement for registered ICP-related trademarks after the completion of registration of these six ICP-related trademarks, the Company has subsequently decided to transfer the applications of these six trademarks back to Boyaa Shenzhen, so that Boyaa Shenzhen will become the applicants for the registration of those six trademarks. Our PRC Legal Advisor is of the view that despite the foregoing transfers, Boyaa Shenzhen is in compliance of the MIIT Notice because the MIIT Notice only applies to registered ICP-related trademarks, whereas the six ICP-related trademarks are not yet registered — Boyaa Shenzhen has only applied for their registration and has started transferring the registration applications to Boyaa PRC. Our PRC Legal Advisor, is of the opinion that (a) Boyaa Shenzhen's current use of the six unregistered ICP-related trademarks, (b) Boyaa Shenzhen's transfer of the registration applications relating to these unregistered trademarks to Boyaa PRC, and (c) Boyaa PRC becoming the applicant of such registration applications for a short period of time before Boyaa PRC transfers such registration applications back to Boyaa Shenzhen, will not violate the MIIT Notice.

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FACILITIES

As at the Latest Practicable Date, we leased an aggregate gross floor area of 6,391.2 square meters in Shenzhen, China under five lease agreements for our office spaces. All of the landlords are independent third parties. The lease agreements have various terms from one year to five years, expiring from June 2014 to March 2018. The record-filing procedure for one of these lease agreements, covering a total of 3,817.5 square meters of leased properties, has been completed. We have also leased 189.7 square meters in Bangkok, Thailand under a lease agreement in Thailand.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at June 30, 2013, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

INSURANCE

We maintain insurance policies covering risks including loss and theft of and damages to our motor vehicles. We do not maintain business liability or interruption insurance, which, based on public available information available to us relating to online game companies based in China, is in line with customary industry practice in China. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our lack of insurance could expose us to significant costs and business disruption."

LICENSES, PERMITS AND APPROVALS

As at the Latest Practicable Date, all of our current 16 online games were developed and operated in the PRC. Among all of our 16 online games, 13 online games are subject to the filing requirements of the Online Game Measures as these 13 online games are developed in the PRC by Boyaa Shenzhen and are offered via Internet to online users within the PRC. Our PRC Legal Advisor is of the view that the remaining three online games are not subject to the filing requirements under the Online Game Measures, because they are offered solely to Internet users outside the PRC.

We have obtained all licenses which are material licenses requisite for our business operations in the PRC, including the ICP Licence and the Internet Culture Business License (網絡文化經營許可證). These two licenses will expire in September 2016 and November 2015, respectively. We do not expect any legal impediment to renew these licenses upon their expiration.

The table below sets forth the relevant details of these two major licenses required for our operation in the PRC:

License/Permit	Holder	Expiration Date	Renewal Requirements
ICP license.	Boyaa Shenzhen	September 13, 2016	Submit renewal application 90 days prior to expiration
Internet Culture Business Licenses . . .	Boyaa Shenzhen	November 29, 2015	Submit Renewal Application 30 days prior to expiration

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See “Applicable Laws and Regulations in China” for more details of all the licenses, permits and approvals we need for our business operations in the PRC.

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and as at the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which could have a material adverse effect on our operations or financial condition. Our PRC Legal Advisor has confirmed that, based on their knowledge after due inquiry and our Group’s confirmation, there are no legal, arbitral or administrative proceedings before any court of the PRC current or pending against, or involving the properties, or the business of, our Group (including claims from any registered intellectual property right owners for any infringement of its intellectual property rights) or to which any of the properties or members of our Group is subject. Our PRC Legal Advisor is of the opinion that, other than disclosed, we have complied with all relevant PRC laws and regulations during the Track Record Period. However, we may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Our PRC Legal Advisor is of the view that Boyaa Shenzhen has fully complied with, and its online games do not constitute gambling activities prohibited under, the Anti-gambling Notice and the Virtual Currency Notice, has not conducted any of the prohibited acts thereunder in its operation of online games and has not offered or promoted its online games as a tool for gambling. We have also obtained a compliance letter from Guangdong MOC dated June 3, 2013, confirming that Boyaa Shenzhen’s operation is in compliance.

In addition, the Stock Exchange’s announcement on “Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers” issued in 2003 discussed requirements applied to listing applicants or listed issuers which are engaged in activities contrary to the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (the “**Gambling Ordinance**”) or not lawful under the Gambling Ordinance. We engaged a Hong Kong senior counsel to advise us regarding the Gambling Ordinance, and the Hong Kong senior counsel is of the view that the business operations of the Group should not be considered to violate the Gambling Ordinance or other gaming or gambling laws or regulations in Hong Kong. Furthermore, local legal advisors in our other major markets, including Thailand, Taiwan and Indonesia, are of the opinion that the business operations of the Group do not violate relevant gambling laws and regulations in the respective jurisdictions.

Our games offered in language versions targeting the PRC, Hong Kong, Taiwan, Thailand and Indonesia (the “**Major Jurisdictions**”) have contributed a vast majority of our revenue during the Track Record Period. None of the other language versions of our games (or any market outside the Major Jurisdictions targeted by any other language version of our games) contributed any significant portion of our revenue during the Track Record Period. For details of revenue contribution by the language versions of our games, see “Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by language versions of games” in this prospectus. Given the insignificant portion of revenue contributed by other language versions of the games (or any market outside the Major Jurisdictions targeted by any other language version of our games), and we have not been in the past subject to and are not currently aware of any material legal, arbitral or administrative proceedings, we do not believe that we are subject to legal or compliance risks in jurisdictions outside these Major Jurisdictions which could have a material adverse effect on our business operations or financial condition.

Non-compliance with Filing Requirements for Online Games

Under the Online Game Measures, with respect to the online games developed and offered in the PRC, the online game operators are required to submit filing materials with the MOC within 30 days after the online games are provided via Internet. As advised by our PRC Legal Advisor, the purpose of the filing requirements for online games is for the MOC to review whether the online games have complied with the content requirements under the Online Game Measures. Upon the completion of filing with the MOC, the

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online game operators are required to indicate the filing numbers at the designated places of their websites or at a prominent place in the games. See “Applicable Laws and Regulations in China — Regulation on Telecommunications Services and Foreign Ownership Restrictions — Regulations on Online Games and Cultural Products and Foreign Ownership Restrictions.”

We currently offer 13 of our 16 online games in the PRC. The other three games, namely King & Slave, 13-Tile Mahjong and 16-Tile Mahjong, are not offered in the PRC — they are offered solely to players outside the PRC in languages other than simplified Chinese and not on any game distribution platforms in China. As such, our PRC Legal Advisor is of the view that although those three games are developed in the PRC, they are not subject to the filing requirement under the Online Game Measures. As at the Latest Practicable Date, we have completed the filing procedure of ten of the 13 online games we offer in the PRC. Based on our PRC Legal Advisor’s understanding of our games and the content requirements under the Online Game Measures and after due inquiry, our PRC Legal Advisor is of the view that the online games offered by Boyaa Shenzhen within the PRC complied with the content requirements under the Online Game Measures and other relevant rules and regulations.

The table below sets forth the relevant information of a non-compliance issue relating to this requirement:

Non-compliance issue and reasons	Legal consequents and potential maximum penalties and other financial losses	Latest status	Measures taken/to be taken to prevent any future breaches and ensure on-going compliance
<p>We currently offer 13 online games in the PRC, but have failed to submit the filing materials within the time limit as required under the Online Game Measures. As a private company, we lacked sufficient knowledge on, and did not engage outside counsel to provide professional advices on all the aspects of our business operations, particularly the requirements under the relevant rules and regulations in the PRC before we started the preparation for the Listing.</p>	<p>Under the Online Games Measures, failure to submit filing materials as required may subject us to a maximum fine of RMB20,000 for each game that has not been filed under the Online Games Measures, with a total potential maximum fine of RMB260,000 for failure to submit filing materials for the 13 online games we offer in the PRC within the required time limit. The Online Games Measures do not impose any other penalties for the failure to submit filing materials as required thereunder, such as requiring the suspension or termination of the online games due to the failure in satisfying the filing procedure within the required time limit.</p>	<p>Since early 2013, we started the submission of filing materials for all the online games that we offer within the PRC with the MOC. As of the Latest Practicable Date, the filing procedure for ten of our games has been completed. The filing procedures for the remaining three games, namely Texas Hold’em, American 8-Ball Pool (博雅拾球) and Liar’s Dice (大話骰), are in the process of being completed. Our PRC Legal Advisor is of the view that there is no legal impediment for the Company to complete the filing procedures for the remaining three online games.</p>	<p>We have submitted filing materials for all the 13 online games we offer in the PRC, and will submit filing materials for all new games we will offer in the PRC in the future within the required time limit.</p> <p>Since December 2012, we have taken various rectification measures, including establishing internal policies to strengthen our internal control over on-going compliance with applicable laws and regulations. According to our current internal control procedures, our in-house legal department will review and monitor the status of all licenses and permits for a game that is under development to ensure that all such requisite license and permits will be obtained subject to the relevant regulatory requirements, including the filing with the MOC. For more details of our internal control procedures, please refer to “— Internal Control Over Business Operations” below.</p>

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Our PRC Legal Advisor has advised us that the Online Game Measures only stipulates that online games shall be filed with the MOC within 30 days after the date of online operation. As the Online Game Measures does not impose any time limit on the MOC for the completion of the filing, the time required for the completion of the filing procedure is subject to the internal procedures of the MOC. Therefore, the time required for the completion of the filing procedures for the remaining three online games is beyond our control.

In October 2013, we had a phone interview with the Deputy Chief (副處長) of the Department of Culture Markets and Industry of the Guangdong MOC (廣東省文化廳文化市場與產業處), whom we consulted in May 2013, and explicitly informed this official of the prior non-compliance discussed above. This official confirmed during the phone interview that, before Guangdong MOC issued the compliance certificate in June 2013, it had performed all required internal inquiries and consultation, and was aware of the fact that we did not submit filing materials for our online games within the required time limit.

We undertake to provide periodic updates in annual and interim reports after the Listing to inform the investing public of the status of the filing procedures for these three games.

Given that (i) the potential maximum fine for failure to submit filing materials for the 13 online games we offer in China would be no more than RMB260,000, and such failure is not subject to other penalties under the Online Game Measures, (ii) the filing materials for all of the online games we offer in the PRC have been submitted as at the Latest Practicable Date, and (iii) we have completed the filing procedures for ten of these 13 games as at the Latest Practicable Date without being imposed any fines or other penalties, our Directors and our PRC Legal Advisor confirm that the issue of regulatory non-compliance disclosed in this prospectus was not significant to our business operations and has not had any material adverse effect on our business, financial condition and results of operations. For the same reasons, our Directors and the Sponsor are of the view that the revenue and net profit generated from the online games for which we have failed to submit the filing materials within the required time limit is not required to be excluded from our results of operations during the Track Record Period for the purpose of the profit test requirement under Rule 8.05(1)(a).

Having considered the facts and circumstances leading to the above non-compliance incident as disclosed in this section and our Group's enhanced internal control measures to avoid recurrence of these non-compliance incidents discussed above, our Directors are of the view that the above past non-compliance incident does not affect their suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

We have adopted internal procedures to ensure regulatory compliance in our business operations both in China and in overseas markets. Under these procedures, our in-house legal department, which was established in April 2012, is responsible for monitoring the regulatory environment and developments in local laws and regulations to support our business expansion in our existing and future target markets. Our in-house legal team currently has nine members, eight of whom have obtained the legal professional qualification certificates in the PRC with one IP coordinator holding the patent agent qualification certificate in the PRC. Our legal team has an average industry experience of over six years and an average experience of over 11 months with us. Ms. Xiao Han, the director of our legal department, has been with us for 18 months since our legal department was established. Two members, including Ms. Xiao Han, have obtained a master's degree with all the remaining members holding a bachelor's degree. Our in-house legal department will collect and study the relevant laws and regulations in the PRC and our other target markets relating to our business operation on a monthly basis, in order to ensure regulatory compliance of our business operations. It will examine the contract terms and all relevant documents, including the licences and permits obtained by the counterparties and all the necessary underlying due diligence materials, before we enter into any contract and will review our contracts on a monthly basis to ensure that they comply with the most

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updated laws and regulations. Our in-house legal department will also maintain and update a checklist of requisite licenses, permits or approvals for online game development and operation in China on a quarterly basis. We will organize seminars every quarter for employees to introduce legal compliance matters relating to our daily operation.

In addition to the general control measures mentioned above, we have established detailed measures to ensure that the content of our online games is in compliance with the relevant rules and regulations in the PRC and overseas markets. Prior to the commencement of game development, our legal department will conduct comprehensive intellectual property right search in PRC and overseas markets, primarily by conducting researches on the relevant websites that are open to public, to avoid potential infringement upon third parties' existing trademark, copyright or patent rights. Our legal department will follow our internal procedures and actively apply for registration for trademark, copyright or patent for new games. Under our internal procedures, the initial applicant needs to submit the application materials relating to the proposed trademark, copyright or patent right to our in-house legal department for a preliminary review. The applicant is required to provide all relevant information requested by our in-house legal department for purposes of making a preliminary assessment on whether such application violates any third parties' existing intellectual property rights. Our in-house legal department will then conduct searches, including searches on intellectual property right related websites, to ensure such new application does not infringe upon existing intellectual property rights. Upon the approval by the director of our in-house legal department, we will engage professional agencies to complete the application with the relevant government authorities. When necessary, such as when evaluating whether a patent application is significant and relevant to our game development and operation, the in-house legal department will also consult with our technical team. In addition, it will also commence the publishing and filing procedures with the GAPP for a newly developed game that is to be offered in China in a timely manner. Prior to the launch of a new game, our in-house legal team will review and confirm again that the game is in full compliance with the relevant laws and regulations. Upon the launch of the game, the relevant development and operation team is responsible for the real-time monitoring to ensure the game operation, including the player activities in the game, is in compliance with all the relevant rules and regulations. Our in-house legal department will conduct a general legal review on all the games' compliance status in PRC and overseas markets every six months. The legal team will also conduct due diligence on our business partners, including examining the requisite licenses they shall obtain, such as the ICP license.

In China, pursuant to our internal control policies, we will engage external counsel to help us ensure that (i) we comply with all filing and registration requirements under the PRC law with respect to the games we develop and offer and (ii) the content of our games and the virtual items used in our games are in compliance with applicable laws and regulations in China.

In overseas jurisdictions, pursuant to our internal control policies, we will engage local advisors when necessary to assess the impact of local laws and regulations on our existing or proposed business activities, and take measures to comply with such laws and regulations. In the jurisdictions where we have established subsidiaries, *i.e.*, the PRC, Hong Kong and Thailand, and certain other target markets of our major revenue-contributing language versions of games, such as Taiwan (which is a target market of our traditional Chinese games), we have engaged local counsels from time to time to provide advice on compliance with local laws and regulations.

Our Directors confirm that, as at the Latest Practicable Date, none of our games or our game business had been challenged or subject to any regulatory actions by any governmental authorities in any of our target markets. Our Directors are of the view that we have adequate internal control procedures in place for purpose of Rule 3A.15(5) of the Listing Rules.

Internal Control Consultant

To enhance our internal control over business operations as well as in connection with the Listing, we have engaged an independent internal control consultant since April 2013.

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Scope of Review in April 2013

The selected areas of the Group's internal controls reviewed by the internal control consultant included: (i) the Group's entity level controls including control environment, risk assessment, policies and procedures of significant business processes, information and communication, and monitoring; and (ii) business process level controls including revenue and receivables, purchases and payables, research and development expenses, fixed asset, treasury, financial closing, taxation, payroll and general controls of information technology.

Major Findings in the Review in April 2013 and Rectifications

As the result of its review performed in April 2013, the internal control consultant had the following major findings:

- A Board of Directors, Audit Committee, Remuneration Committee and Nomination Committee should be formally established in accordance with the Listing Rules.
- A formalized framework for the monitoring and reporting of information disclosure (including price sensitive information, connected parties and transactions) as required under Listing Rules should be established.

The internal control consultant performed a follow-up review in June 2013 to review the status of the remedial actions taken by the management to address the findings of the review in April 2013. The internal control consultant noted that the Group has taken remedial measures to address the deficiencies identified in the Group's internal control systems in its review in April 2013. In addition, the internal control consultant did not identify any further deficiencies in the follow-up review conducted in June 2013.

Internal Control Measures to Ensure that All Online Games Are Filed with the MOC Within the Timeframe

Since December 2012, we have implemented the following specific measures to ensure that all online games will be filed with the MOC within the timeframe specified under the Online Game Measures:

- Before an online game is launched, the director of our legal department will review the status of the MOC filing in respect of such game. If the MOC filing is submitted, the director of our legal department will sign a game implementation approval form as a formal internal approval.
- Our legal department is required to double check the compliance status of the MOC filing of each online game immediately before it is launched to ensure that (i) the game name is consistent with its corresponding copyright certificate, publication serial number certificate and the MOC registration documents, and (ii) such copyright certificate number, publication serial number, the MOC registration document number as well as ICP License number are properly displayed in the game, in accordance with the relevant regulations. Upon the completion of the above procedure performed by our legal department, the online game will be submitted to our Chief Executive Officer for final review and approval before the formal launch of such game.

We have launched one online game in the PRC since December 2012, *i.e.*, Shanghai Mahjong on January 4, 2013. On January 18, 2013, Boyaa Shenzhen started its initial consultation with the MOC regarding the submission of the relevant filing materials and submitted the relevant filing materials pursuant to the MOC's guidance on April 17, 2013. The filing procedure for this game was completed on June 21, 2013.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), Boyaa Global and Emily Technology Limited will be entitled to exercise voting rights of approximately 27.69% and 10.85% of the issued share capital of our Company, respectively. Each of Boyaa Global and Emily Technology Limited are wholly owned by Chunlei Investment under the Zhang Family Trust. The Zhang Family Trust is a discretionary trust established by Mr. Zhang (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang and his children. Accordingly, Mr. Zhang will, through Chunlei Investment under the Zhang Family Trust, and in turn, Boyaa Global and Emily Technology Limited, control the exercise of the voting rights of the said Shares in our Company. Accordingly, Chunlei Investment, Boyaa Global, Emily Technology Limited and Mr. Zhang are our Controlling Shareholders. We, through our wholly-owned subsidiary, Boyaa PRC, have also entered into certain agreements underlying the Contractual Arrangements with Mr. Zhang. For further details of such agreements, please refer to the section headed “History, Reorganization and Corporate Structure — Contractual Arrangements” in this prospectus.

COMPETING INTERESTS

Save as the directorship held by Mr. Zhang in Shanghai Teqi Internet Technology Co. Ltd. (an associated company in which Boyaa Shenzhen holds a 28% interest) and the interest of and directorship held by Mr. Dai in Blingstorm Entertainment Ltd. (a company in which Boyaa Shenzhen holds approximately 11.7% equity interest) as further disclosed in the section headed “History, Reorganization and Corporate Structure — Corporate and Shareholding Changes of the Members of our Group — Investments of Boyaa Shenzhen” in this prospectus, our Controlling Shareholders and Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Deed of Non-Competition

Each of Mr. Zhang, Boyaa Global and Emily Technology Limited, being the Covenantors, has entered into the Deed of Non-Competition in favour of our Company on October 25, 2013, pursuant to which each of the Covenantors has jointly and severally, unconditionally and irrevocably undertaken with our Company that he/it will not (except through the Group and any investment or interests held through the Group), and will procure his/its associates (other than any member of our Group) not to, directly or indirectly (including through nominees), carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in competition with or similar to or is likely to be in competition with the business of our Group, being online games development and operation (the “**Restricted Business**”) during the period commencing on the Listing Date and ending on the earliest of the date that:

- (a) the Shares cease to be listed on the Stock Exchange; or
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in our Company falls below 30% of the issued Shares; or
- (c) in relation to a particular Covenantor individually, the date when such Covenantor and all of his/its associates cease to hold, or otherwise be interested in beneficially, whether directly or indirectly, any of the Shares (the “**Non-Competition Period**”).

Such non-competition undertaking does not apply where the Covenantors and their associates:

- hold, directly or indirectly, no more than 5% of the equity interests in any company listed on a recognized stock exchange; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- have interests in the shares of a company, other than our Group and any investment or interests held through our Group, provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated sales or consolidated assets, whichever is less, as shown in that company's latest audited accounts; and
 - (b) the total number of the shares held by the Covenantors and their associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and the Covenantors and their associates are not entitled to appoint a majority of the directors of that company.

Corporate Governance Measures

We shall adopt the following corporate governance measures to manage any potential conflicts of interest arising from competing business and to safeguard the interests of our Shareholders:

- our independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition;
- the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the undertakings contained in the Deed of Non-Competition;
- our Company will disclose decisions and related basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking by the Covenantors under the Deed of Non-Competition in the annual reports of the Company; and
- each of the Covenantors has undertaken to provide, upon request, our Company with a written confirmation in respect of his/its compliance with the Deed of Non-Competition and will consent to the inclusion of such confirmation in our annual report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

The Board comprises three executive Directors (including Mr. Zhang), one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Accordingly, our Directors are of the view that we are able to operate independently from the Controlling Shareholders notwithstanding that Mr. Zhang is also a Controlling Shareholder and an executive Director.

Apart from the transactions set out in the sections headed "History, Reorganization and Corporate Structure — Contractual Arrangements" and "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries or pursuant to the Contractual Arrangements) holds or enjoys the benefit of all relevant licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

In addition, although the Controlling Shareholders will retain a controlling interest and our PRC operating entity, Boyaa Shenzhen, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of shareholders of Boyaa Shenzhen and the right to enjoy all the economic benefits of Boyaa Shenzhen and to exercise management control over the operations of Boyaa Shenzhen will be conferred upon the Group. Pursuant to the Exclusive Option Agreement, Boyaa PRC has been granted irrevocable options to purchase the equity interest in Boyaa Shenzhen, entirely or partially, at a minimum purchase price permitted under applicable PRC laws and regulations. In addition, pursuant to the Exclusive Option Agreement, Boyaa PRC has been granted an irrevocable option to acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Our Directors consider that through the Contractual Arrangements, our Group has obtained financial and operational control of Boyaa Shenzhen through Boyaa PRC and that the Contractual Arrangements are sufficient to ensure that the financial results of Boyaa Shenzhen can be consolidated as a wholly-owned subsidiary of our Company.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and we make financial decision according to our own business needs.

In addition, our Group does not rely on the Controlling Shareholders and/or their associates by virtue of their provision of financial assistance. During the Track Record Period and up to the latest Practicable Date, our Group does not have any long-term loan or other type of long-term financing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

We provided cash advances to Mr. Zhang for personal uses in 2010 and 2011. As at December 31, 2010 and 2011, the balance of such cash advances was RMB7.8 million and RMB9.3 million, respectively. Such cash advances were partially repaid by Mr. Zhang in 2012. As Mr. Zhang had made an additional capital contribution of RMB8.0 million into Boyaa Shenzhen on behalf of the Group in 2012, such amount due to Mr. Zhang was offset against the balance of the cash advances due from Mr. Zhang in our consolidated accounts. Accordingly, the balance of the cash advances was nil as at December 31, 2012. In May 2013, Mr. Zhang entered into the Loan Agreement as part of the overall scheme of enhancing the control over Boyaa Shenzhen pursuant to the Contractual Arrangements. Further details of the Loan Agreement underlying the Contractual Arrangements are set out in the sections headed “History, Reorganization and Corporate Structure — Contractual Arrangements — Loan Agreement” in this prospectus. Our Company and our Directors does not believe that the existence of this Loan Agreement would affect our ability to operate independently of our Controlling Shareholders and their respective associates from a financial perspective.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective associates.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transactions

We set out below details of the continuing connected transactions between our Group and our connected parties which are all exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

Cooperation Agreements

On January 1, 2009, the PRC operating entity of our Group, Boyaa Shenzhen, entered into a cooperation agreement (the "**Beijing Qihu Cooperation Agreement**") with Beijing Qihu Technology Company Limited ("**Beijing Qihu**"), pursuant to which Beijing Qihu agreed to provide certain websites operated by Beijing Qihu (including www.360.cn, www.qihoo.com and www.qikoo.com) as a web-based game platform to Boyaa Shenzhen for offering and operating our Texas Hold'em game, where users of Beijing Qihu's website will be allowed to convert virtual tokens offered by Beijing Qihu into in-game virtual tokens and virtual items for our Texas Hold'em game offered through the Beijing Qihu's web-based platform. Pursuant to the Beijing Qihu Cooperation Agreement, Boyaa Shenzhen and Beijing Qihu agreed to share the revenue generated from the sale and conversion of virtual tokens and virtual items for our Texas Hold'em game through the Beijing Qihu's platform at a ratio of 25 (Boyaa Shenzhen):75 (Beijing Qihu). The initial term of the Beijing Qihu Cooperation Agreement is four years, commencing from January 1, 2009 and expiring on December 31, 2012. However, the parties had agreed to early terminate the Beijing Qihu Cooperation Agreement on March 31, 2012. During the Track Record Period, the amount of revenue shared with Beijing Qihu accounted for as commission charges by Boyaa Shenzhen under the Beijing Qihu Cooperation Agreement were approximately RMB2,482,000, RMB1,863,000 and RMB209,000 for each of the year ended December 31, 2010, the year ended December 31, 2011 and the three months ended March 31, 2012.

On April 1, 2012, Boyaa Shenzhen entered into an online game operation and cooperation agreement (the "**Beijing Star World Cooperation Agreement**") with Beijing Star World Technology Co., Ltd. ("**Beijing Star World**") in replacement of the Beijing Qihu Cooperation Agreement and on terms (including, but not limited to, the terms in relation to the services to be provided by Beijing Star World and the revenue sharing mechanism) similar to that of the Beijing Qihu Cooperation Agreement. The Beijing Star World Cooperation Agreement has a term of two years commencing from April 1, 2012 and expiring on March 31, 2014. In addition, on October 8, 2012, Boyaa Shenzhen further entered into an online game operation and cooperation framework agreement (the "**Beijing Star World Cooperation Framework Agreement**") with Beijing Star World, pursuant to which Beijing Star World agreed to provide certain websites operated by Beijing Star World (including but not limited to wan.360.cn) as a web-based game platform to Boyaa Shenzhen for offering and operating our range of games (excluding Texas Hold'em, the operation and cooperation of which shall be governed by the Beijing Star World Cooperation Agreement) offered in simplified Chinese on terms similar to that of Beijing Star World Cooperation Agreement. Similarly, users of Beijing Star World's website will be allowed to convert virtual tokens offered by Beijing Star World into in-game virtual tokens and virtual items for our online games offered through Beijing Star World's web-based platform and Boyaa Shenzhen further agreed that the Beijing Star World's virtual tokens can be converted into our in-game virtual tokens and virtual items at a rate that is no less favourable than the rate offered to other web-based platforms. Pursuant to the Beijing Star World Cooperation Framework Agreement, Boyaa Shenzhen and Beijing Star World agreed to share the revenue generated from the sale and conversion of

CONNECTED TRANSACTIONS

virtual tokens and virtual items for our in-game virtual tokens and virtual items through the Beijing Star World's platform at a ratio of 30 (Boyaa Shenzhen):70 (Beijing Star World). The Beijing Star World Cooperation Framework Agreement has a term of three years commencing from October 8, 2012 and expiring on October 7, 2015.

During the Track Record Period, the amount of revenue shared with Beijing Star World accounted for as commission charges by Boyaa Shenzhen under the Beijing Star World Cooperation Agreement and the Beijing Star World Cooperation Framework Agreement (the “**Beijing Star World Agreements**”), as aggregated, were approximately RMB776,000 for the nine months period ended December 31, 2012 and approximately RMB1,300,000 for the six months ended June 30, 2013. Further, we estimated that the total amount of revenue shared with Beijing Star World accounted for as commission charges by Boyaa Shenzhen under the Beijing Star World Agreements shall not exceed RMB3,100,000 for the year ending December 31, 2013.

Listing Rules Implications

Each of Beijing Qihu and Beijing Star World is a company incorporated under the laws of the PRC and is a consolidated variable interest entity of Qihoo 360 Technology Co. Ltd. (“**Qihoo 360**”), a company listed on the New York Stock Exchange (NYSE: QIHU). Qihoo 360 controlled both Beijing Qihu and Beijing Star World through a series of contractual arrangements. Mr. Zhou Hongyi (周鴻禕), the spouse of Ms. Hu Huan, is the Chairman and Chief Executive Officer of Qihoo 360 and owned 17.7% of its outstanding ordinary shares and 37.8% of its voting interest. Ms. Hu Huan was the angel investor of our Company who exited our Group in January 2011 and a director of Boyaa Shenzhen, which is treated as our Company's wholly-owned subsidiary as a result of the Contractual Arrangements, until she resigned in December 2012 and therefore is a connected person of our Company under Rule 14A.11(2) of the Listing Rules. Accordingly, each of Beijing Qihu and Beijing Star World is an associate of Ms. Hu Huan and hence a connected person of our Company (only at the level of our subsidiary) under Rule 14A.11(4) of the Listing Rules. In addition, under the Listing Rules, these transactions will be aggregated and treated as if they were one transaction as they are of similar nature with parties connected or otherwise associated with one another. As the transactions contemplated under the Beijing Qihu Cooperation Agreement and the Beijing Star World Agreements constitute continuing connected transactions only because they involve a person (namely Ms. Hu Huan and her associates) who is a connected person of our Company by virtue of his/her/its relationship with our subsidiary (namely Boyaa Shenzhen), and that the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Beijing Qihu Cooperation Agreement and the Beijing Star World Agreements, as aggregated, are less than 1.0%, the transactions contemplated under the Beijing Qihu Cooperation Agreement and the Beijing Star World Agreements constitute *de minimis* continuing connected transactions pursuant to Rule 14A.33(3)(b) of the Listing Rules, and are exempt from reporting, announcement and independent shareholders' approval requirements. No annual cap is therefore set for these agreements.

However, Ms. Hu Huan will cease to be a connected person of our Company under the Listing Rules (whether under Rule 14A.11(2) of the Listing Rules or otherwise) commencing from December 2013, which is 12 months after she resigned as a director of Boyaa Shenzhen. Accordingly, the transactions contemplated under the Beijing Star World Agreements will then cease to be continuing connected transactions of the Company.

Non-Exempt Continuing Connected Transactions

We set out below details of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

1. Contractual Arrangements

As disclosed in the section “History, Reorganization and Corporate Structure” in this prospectus, we, as foreign investors, are prohibited from holding equity interest in Boyaa Shenzhen, our PRC operating entity, which conducts our online games business and is considered to be engaged in the provision of

CONNECTED TRANSACTIONS

value-added telecommunications services as a result of the operations of our website. As a result, our Group, through our wholly-owned subsidiary, Boyaa PRC, has entered into the Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through Boyaa Shenzhen while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide our Group with effective control over the financial and operational policies of Boyaa Shenzhen and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Boyaa Shenzhen after Listing through Boyaa PRC. As we operate our online games business through Boyaa Shenzhen, which is controlled by Mr. Zhang and we do not hold any direct equity interest in Boyaa Shenzhen, the Contractual Arrangements were entered into on May 15, 2013 pursuant to which all material business activities of Boyaa Shenzhen are instructed and supervised by our Group, through Boyaa PRC, and all economic benefits and risks arising from the business of Boyaa Shenzhen are transferred to our Group.

The Contractual Arrangements currently in effect comprise of six agreements, namely (i) the restated and amended Business Operating Agreement, (ii) the restated and amended Exclusive Business Consulting and Service Agreement, (iii) the Exclusive Option Agreement, (iv) the restated and amended Equity Pledge Agreement, (v) the Intellectual Properties License Agreement and (vi) the Loan Agreement, which were entered into between or amongst Boyaa Shenzhen, Boyaa PRC, Mr. Zhang and/or Mr. Dai (as the case may be), the detailed terms of which are set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus.

Listing Rules Implications

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

Our PRC Legal Advisor are of the opinion that, except for the provisions in the agreements underlying the Contractual Arrangements setting forth that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under PRC laws (see the section headed “Risk Factors — Risks Relating to Our Corporate Structure — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”), each of the agreements underlying the Contractual Arrangements are legal and valid and do not violate PRC laws, rules and regulations, including those applicable to the business of our Company, Boyaa PRC and Boyaa Shenzhen, and the articles of association of each of Boyaa PRC and Boyaa Shenzhen, and are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations.

Our Directors (including the independent non-executive Directors) and the Sole Sponsor are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors also believe that our Group’s structure whereby the financial results of Boyaa Shenzhen are consolidated into our Group’s financial statements as a wholly-owned subsidiary, and the flow of economic benefit of its business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between Boyaa Shenzhen and any member of our Group (“**New Intergroup Agreements**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders’ approval requirements.

CONNECTED TRANSACTIONS

Application for waiver

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to Boyaa PRC under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the following conditions:

(a) ***No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements will be made without the approval of the independent non-Executive Directors;

(b) ***No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) ***Economic benefits flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Boyaa Shenzhen through (i) our Group's option, to the extent permitted under PRC laws and regulations) to acquire, all or part of the equity interest in and/or assets of Boyaa Shenzhen at the minimum purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by Boyaa Shenzhen is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Boyaa PRC by Boyaa Shenzhen under the Exclusive Business Consulting and Service Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Boyaa Shenzhen.

(d) ***Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and Boyaa Shenzhen, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Boyaa Shenzhen has been substantially retained by Boyaa PRC, (ii) no dividends or other distributions have been made by Boyaa Shenzhen to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Boyaa Shenzhen during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.
- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Boyaa Shenzhen to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Boyaa Shenzhen will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Boyaa Shenzhen and its associates will be treated as connected persons of our Company (excluding for this purpose, Boyaa Shenzhen), and transactions between these connected persons and our Group (including for this purpose, Boyaa Shenzhen), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Boyaa Shenzhen will undertake that, for so long as the Shares are listed on the Stock Exchange, Boyaa Shenzhen will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from Boyaa Shenzhen under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that Boyaa Shenzhen will continue to be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Boyaa Shenzhen and its associates will be treated as connected persons of our Company (excluding for this purpose, Boyaa Shenzhen), and transactions between these connected persons and our Group (including for this purpose, Boyaa Shenzhen), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has participated in the due diligence and discussions with our management and our PRC Legal Advisor and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations, and are commonly adopted by companies in the online game industry in the PRC that are operated and ultimately owned by a foreign holding company.

The Sole Sponsor is of the view that the non-exempt continuing connected transactions described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of Boyaa Shenzhen can be effectively controlled by Boyaa PRC, (ii) Boyaa PRC can obtain the economic benefits derived from Boyaa Shenzhen, and (iii) any possible leakages of assets and values of Boyaa Shenzhen can be prevented, on an uninterrupted basis.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

Name	Age	Position	Date of Appointment	Key Role
Zhang Wei (張偉)	37	Chairman of the Board, Chief Executive Officer and Executive Director	June 14, 2010	Overall strategic planning and general management
Dai Zhikang (戴志康)	32	Executive Director	August 19, 2013	Overseeing our management and strategic development
Gao Junfeng (高峻峰)	40	Executive Director and Chief Financial Officer	October 23, 2013 and appointment with effect upon Listing	Overall management of finance and business operations
Zhou Kui (周逵)	45	Non-executive Director	January 7, 2011	Overseeing our management and strategic development
Cheung Ngai Lam (張毅林)	44	Independent Non-executive Director	October 25, 2013	Supervising and providing independent judgment to our Board
Choi Hon Keung Simon (蔡漢強)	53	Independent Non-executive Director	October 25, 2013	Supervising and providing independent judgment to our Board
Gao Shaofei (郜韶飛)	29	Independent Non-executive Director	October 25, 2013	Supervising and providing independent judgment to our Board

Executive Directors

Mr. Zhang Wei (張偉), age 37, is our Chairman and Chief Executive Officer and was appointed as an executive Director on June 14, 2010. Mr. Zhang is the founder of our Group. Mr. Zhang received an associate's degree in computer application from Zhengzhou University of Technology (鄭州工業大學), now known as Henan University of Technology (河南工業大學) in July 1996. Prior to founding our Group, Mr. Zhang served as an engineer at two companies, including Kingsoft Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3888). In 2001, Mr. Zhang began to venture into the Internet industry by commencing research and feasibility study on the online game business, exploring the various options and opportunities available within the Internet industry and investment planning. In 2004,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang established our PRC operating entity, Boyaa Shenzhen. Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since the establishment of Boyaa Shenzhen. Mr. Zhang has approximately nine years of experience in the Internet industry.

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

Mr. Gao Junfeng (高峻峰), age 40, has served as our Chief Financial Officer since November 2012. He is appointed as an executive Director on October 23, 2013 and his appointment will become effective upon Listing. Mr. Gao is responsible for the overall financial operation and day-to-day business of our Group. Mr. Gao has approximately 17 years of accounting and finance experience. Prior to joining our Group, Mr. Gao held senior positions in accounting and finance in China-based, U.S.-listed companies. From August 1996 to October 2007, Mr. Gao served as a senior manager of the Internal Control and Risk Management Department at PricewaterhouseCoopers's Beijing office. From October 2007 to March 2008, he served as a director of business risk services of Ernst & Young. From July 2008 to February 2010, he was the Director of Finance of ATA Inc., a company listed on the NASDAQ Stock Market (NASDAQ: ATAI), and from March 2010 to November 2012, the chief financial officer of Xueda Education Group, a company listed on the New York Stock Exchange (NYSE: XUE). Mr. Gao received his bachelor's degree in accounting from the Shanghai University of Finance and Economy (上海財經大學) in July 1996. Mr. Gao is a member of the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Non-executive Director

Mr. Zhou Kui (周逵), age 45, joined the Board as a non-executive Director on January 7, 2011. Mr. Zhou has years of management experience in various sectors, including investment, manufacturing, energy conservation and hi-tech. Mr. Zhou is currently a partner of Sequoia Capital China (紅杉資本中國基金). Mr. Zhou has been with Sequoia Capital China (紅杉資本中國基金) since October 2005. Mr. Zhou currently also acts as a director of Xiamen Changelight Co., Ltd. (廈門乾照光電股份有限公司), a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange (Stock Code: 300102), a director of Beijing Shouhang Resources Saving Co., Ltd. (北京首航艾啟威節能技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002665), a director of Sky-Mobi Limited, a company listed on the NASDAQ Stock Market (NASDAQ: MOBI). Mr. Zhou also acted as a director of VanceInfo Technologies Inc. (文思信息技術有限公司), a company listed on the New York Stock Exchange (NYSE: VIT) from 2006 to 2012 and a supervisor of Beijing Ourpalm Co., Ltd. (北京掌趣科技股份有限公司) a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange (Stock Code: 300315) from 2010 to 2013. From April 2001 to October 2005, he served as a senior vice president of Legend Capital Co., Ltd. (聯想投資有限公司, now known as 北京君聯資本管理有限公司), a member of Legend Holdings group. Mr. Zhou received his bachelor's degree in electrical automation from Wuhan University of Technology (武漢理工大學) in June 1989 and graduated from Tsinghua University (清華大學) with a master of business administration degree in July 2000.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Mr. Cheung Ngai Lam (張毅林), age 44, joined the Board as an independent non-executive Director on October 25, 2013. Mr. Cheung currently works as the director of corporate finance for Profound Heavy Industry Limited. He currently also acts as an independent director of Ninetowns Internet Technology Group Co., Ltd., a company listed on the NASDAQ Stock Market (NASDAQ: NINE). Mr. Cheung was an independent non-executive director of China Environmental Resources Group Limited (formerly known as Benefun International Holdings Limited) (Stock Code: 01130) from July 2008 to March 2013 and Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (Stock Code: 01383) from February 2007 to June 2012, and both are companies listed on the Stock Exchange. Mr. Cheung is a member of the American Institute of Certified Public Accountants and is a Certified Practicing Accountant of Australia. Mr. Cheung obtained a bachelor's degree in social sciences from the University of Hong Kong in November 1991 and a master of science (investment management) degree in finance from the Hong Kong University of Science and Technology in November 2002.

Mr. Choi Hon Keung Simon (蔡漢強), age 53, joined the Board as an independent non-executive Director on October 25, 2013. Mr. Choi currently serves as an independent non-executive director of Kenford Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 00464) and also serves as a member of each its audit committee, remuneration committee and nomination committee. Mr. Choi also serves as an independent director of China BCT Pharmacy Group, Inc., a company listed on the OTC Electronic Bulletin Board (OTN: CNBI). Mr. Choi is also an active PRC legal advisor to the Hong Kong Electrical Appliances Industries Associations. Mr. Choi joined TCL Multimedia Technology Holdings Limited, a global TV manufacturer and a company listed on the Stock Exchange (Stock Code: 01070) in 2005 and has been its deputy general counsel since 2011. Mr. Choi obtained a bachelor degree in laws from Peking University in July 1991, a master degree in laws from London University in November 1992 and a Common Profession Examination Certificate in laws from Hong Kong University in June 1994. Mr. Choi was admitted as a Solicitor of the Supreme Court of England and Wales in 1998, a Solicitor of the High Court of Hong Kong in 1997 and a member of the Institute of Linguists in 1996.

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

We have entered into service contracts with each of our executive Directors and our non-executive Director and have issued letters of appointment to each of our independent non-executive Directors. Each of the service contracts and letters of appointment with our Directors is for three years commencing from October 25, 2013 (except for Gao Junfeng, the term shall be 3 years commencing from the Listing Date).

Save as disclosed above, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this prospectus. Save as disclosed herein and their respective interests or short positions (if any) as set out in the section headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders" in Appendix IV to this prospectus, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following table sets forth certain information concerning our senior management personnel.

Name	Age	Position in the Company	Key Role
Liu Weiwu (劉衛武)	29	Vice President	Product planning, design, development, sales and marketing of our web-based card games (other than Texas Hold'em)
Suo Hongbin (索紅彬)	31	Vice President	Product development and sales and marketing of our Texas Hold'em game
Xie Huiming (謝慧明)	29	Vice President	Overall management of research and development
Huang Haiyan (黃海燕)	34	Vice President and Joint Company Secretary	Administrative matters and financial matters

Mr. Liu Weiwu (劉衛武), age 29, is a Vice President of our Group. Mr. Liu joined our Group in April 2010 and is in charge of product planning, design, development, sales and marketing of our web-based card games (other than Texas Hold'em). Mr. Liu has approximately seven years of experience in the Internet/online games industry. Prior to joining our Group, Mr. Liu held senior managerial positions in Internet/information technology companies. He served as the general manager of Shenzhen Xingheng Technology Co., Ltd. (深圳興恆科技有限公司) from 2006 to 2009. Mr. Liu obtained a bachelor's degree in business management from Hubei University of Economics (湖北經濟學院) in January 2013.

Mr. Suo Hongbin (索紅彬), age 31, is a Vice President of our Group. Mr. Suo joined our Group in March 2004 and is responsible for product development and sales and marketing of our Texas Hold'em game. Mr. Suo has over nine years of experience in the Internet/online games industry. Mr. Suo is also a director of Boyaa Thailand since its incorporation in June 2012. Mr. Suo obtained an associate's degree in computer science and technology from Pingyuan University (平原大學), now known as Xinxiang University (新鄉學院), in July 2003.

Mr. Xie Huiming (謝慧明), age 29, is a Vice President of our Group. Mr. Xie joined our Group in April 2006 and is responsible for the overall management of research and development of our Group. Mr. Xie has approximately seven years of experience in the Internet/online games industry. He graduated from Changsha Social Work College (長沙民政職業技術學院) with an associate's degree in computer and application in July 2004.

Ms. Huang Haiyan (黃海燕), age 34, is a Vice President of our Group. Ms. Huang joined our Group in March 2011 and is in charge of the administrative matters of our Group and has a substantial involvement in the financial matters of our Group. Ms. Huang has approximately 12 years of experience in accounting and finance. She served as a senior auditor at the audit department of PricewaterhouseCoopers' Shenzhen office from July 2002 to August 2004. From August 2004 to July 2005, Ms. Huang was a settlement analyst at the billing and settlement department of Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 700). From August 2005 to February 2008, she was the financial planning and analysis leader of the finance department of Maigao Fine High-tech Materials Co., Ltd. (邁高精細高新材料(深圳)有限公司) (formerly known as GE High-technology Materials (Shenzhen) Co., Ltd. (通用精細高新材料深圳有限公司)). From February 2008 to March 2011, Ms. Huang served as a senior finance manager at the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

finance department of Shenzhen Huadong Feitian Network Development Co., Ltd, a subsidiary of A8 Digital Music Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 800). Ms. Huang obtained her bachelor's degree in public finance and taxation from Sun Yat-Sen University (中山大學) in June 2001.

JOINT COMPANY SECRETARIES

Ms. Huang Haiyan is one of the joint company secretaries of our Company. For details of Ms. Huang Haiyan's biography, please see the paragraph headed "Senior Management" above.

Ms. Lai Siu Kuen (黎少娟) is another joint company secretary of our Company and was appointed on October 25, 2013. Ms. Lai is a manager of the Listing Services Department of KCS Hong Kong Limited. She has over 15 years of professional and in-house experience in company secretarial field. Prior to joining KCS Hong Kong Limited, Ms. Lai worked in the corporate services division of KPMG Hong Kong and two Main Board listed companies in Hong Kong. She holds a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University in 1997. Ms. Lai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

BOARD OF DIRECTORS COMMITTEES

Audit Committee

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

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, being Mr. Choi Hon Keung Simon and Mr. Gao Shaofei and one executive Director, being Mr. Zhang. Mr. Zhang has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

Remuneration Committee

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

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

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed “Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies Ordinance — Waiver in relation to Management Presence in Hong Kong”.

Qualification of one of our Joint Company Secretaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the requirement on the qualifications of one of our joint company secretaries, Ms. Huang Haiyan. For details of the waiver, please see the section headed “Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies Ordinance — Waiver in relation to our Joint Company Secretary”.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for our Directors for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was approximately RMB234,000, RMB362,000, RMB1,200,000 and RMB5,370,000, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013.

The aggregate amount of fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind incurred for our five highest paid individuals in respect of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was approximately RMB733,000, RMB4,227,000, RMB5,634,000 and RMB9,341,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013. Further, none of our Directors had waived or agreed to waive any remuneration during the same period.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2013 is estimated to be approximately RMB10.0 million in aggregate.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

EMPLOYEES

As at June 30, 2013, we had a total of 542 full-time employees. The following table sets forth a breakdown of our employees by function as at June 30, 2013:

	<u>Number of Employees</u>
Game development & operation	444
Game support	39
Business development	13
Administration.	39
Senior management	<u>7</u>
Total	<u><u>542</u></u>

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth a breakdown of our employees by geographic location as at June 30, 2013:

	<u>Number of Employees</u>
China	524
Hong Kong	10
Thailand	<u>8</u>
Total	<u><u>542</u></u>

We believe that maintaining a stable and motivated employee force is critical to the success of our business. As a fast growing company, we are able to provide our employees with ample career development choices and opportunities of advancement. We organize and launch various training programs on a regular basis for our employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. We also provide various incentives to better motivate our employees. In addition to providing performance-based bonuses and share-based awards, we offer unsecured, interest-free housing loans to employees with good performance. We consider our relations with our employees to be good.

As required by PRC laws and regulations, we have made contributions to the various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to mandatory housing accumulation funds, for or on behalf of our employees. We have not experienced any strikes or labour disputes that have materially affected our operations, or any that are expected to materially affect our operations. We do not use any employment agents and are not subject to any collective bargaining agreement.

SHARE INCENTIVE SCHEMES

To incentivize our Directors, senior management and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of the Group, we have adopted the Pre-IPO Share Option Scheme in January 2011 and have subsequently granted options to subscribe for new ordinary shares of our Company to certain employees of our Group. In anticipation of the Listing and as part of our Reorganization, we adopted the RSU Scheme to partially replace the Pre-IPO Share Option Scheme such that 50% of the options granted and outstanding under the Pre-IPO Share Option Scheme were replaced by 29,527,782 RSUs. As a result, there are outstanding options representing 29,527,781 Shares granted under the Pre-IPO Share Option Scheme. In addition, our Company granted a total of 50,516,783 RSUs on March 4, 2013. Our Company has appointed the RSU Trustee as the administrator of the RSU Scheme and the RSU Nominee to hold Shares underlying the RSUs for the benefit of eligible officers, employees and senior management of our Group. As at the date of this prospectus, the RSU Nominee holds 106,737,190 Shares, out of which 35,769,526 Shares were transferred to the RSU Nominee by Boyaa Global at nil consideration and 70,967,664 Shares were issued and allotted by the Company to the RSU Nominee at par value of US\$0.00005 each (with the consideration funded by Mr. Zhang). In addition, we have conditionally adopted the Post-IPO Share Option Scheme to allow us to grant options to selected Directors, senior management and employees after Listing. The principal terms of the Pre-IPO Share Option Scheme, the RSU Scheme and the Post-IPO Share Option Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme), the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name of shareholder	Name of company	Nature of interest	Number of Shares or securities held ⁽¹⁾	Approximate percentage of interest in our Company or our subsidiary ⁽⁷⁾
Cantrust (Far East) Limited ⁽²⁾⁽³⁾ . . .	The Company	Trustee of a trust	324,230,474	43.96%
Rustem Limited ⁽²⁾⁽³⁾	The Company	Nominee for another person	324,230,474	43.96%
Chunlei Investment ⁽²⁾	The Company	Interest in a controlled corporation	284,230,474	38.54%
Mr. Zhang ⁽²⁾	The Company	Founder of a discretionary trust	284,230,474	38.54%
Boyaa Global ⁽²⁾	The Company	Beneficial owner	204,230,474	27.69%
Emily Technology Limited ⁽²⁾ . . .	The Company	Beneficial owner	80,000,000	10.85%
Visioncode Holdings Limited ⁽³⁾ . .	The Company	Interest in a controlled corporation	40,000,000	5.42%
Mr. Dai ⁽³⁾	The Company	Founder of a discretionary trust	40,000,000	5.42%
Comsenz Holdings Limited ⁽³⁾ . . .	The Company	Beneficial owner	40,000,000	5.42%
Li Bing ⁽⁴⁾	The Company	Interest of spouse	40,000,000	5.42%
Sequoia Capital China II, L.P. and its affiliates ⁽⁵⁾	The Company	Beneficial owner	122,201,460	16.57%
The Core Trust Company Limited ⁽⁶⁾	The Company	Trustee of a trust	106,737,190	14.47%
The Core Admin Boyaa RSU Limited ⁽⁶⁾	The Company	Nominee for another person	106,737,190	14.47%
Mr. Zhang	Boyaa Shenzhen	Beneficial owner	RMB9,800,000 registered capital	98%

Notes:

- (1) All interests stated are long positions.
- (2) Cantrust (Far East) Limited, the trustee of the Zhang Family Trust, holds the entire issued share capital of Chunlei Investment through Rustem Limited (as nominee for Cantrust (Far East) Limited). Chunlei Investment in turn holds the entire issued share capital of each of Boyaa Global and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang and his children. Accordingly, each of Mr. Zhang, Cantrust (Far East) Limited and Chunlei Investment are deemed to be interested in the 204,230,474 Shares and 80,000,000 Shares held by each of Boyaa Global and Emily Technology Limited, respectively.

SUBSTANTIAL SHAREHOLDERS

- (3) Cantrust (Far East) Limited, the trustee of the Dai Family Trust, holds the entire issued share capital of Visioncode Holdings Limited through Rustem Limited (as nominee for Cantrust (Far East) Limited). Visioncode Holdings Limited in turn holds the entire issued share capital of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai (as the settlor) and the discretionary beneficiaries of which include Mr. Dai and his children. Accordingly, each of Mr. Dai, Cantrust (Far East) Limited and Visioncode Holdings Limited are deemed to be interested in the 40,000,000 Shares held by Comsenz Holdings Limited.
- (4) Ms. Li Bing is the wife of Mr. Dai and is deemed to be interested in the Shares which are interested by Mr. Dai under the SFO.
- (5) Assuming the Series A Preferred Shares are converted into Shares of our Company on a one-for-one basis, each of Sequoia Capital China II, L.P., Sequoia Capital Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. all managed by Sequoia Capital China Advisors Limited with Sequoia Capital China Management II, L.P. acting as each of their general partner, shall hold 102,417,054 Shares, 2,578,446 Shares and 17,205,960 Shares, representing approximately 13.89%, 0.35% and 2.33% of the total issued share capital of the Company, respectively, upon Listing.
- (6) The Core Trust Company Limited, being the RSU Trustee, directly holds the entire issued share capital of the RSU Nominee, The Core Admin Boyaa RSU Limited, which holds 106,737,190 Shares underlying the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme.
- (7) The calculation is based on the total number of 737,559,124 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme).

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue as of the date of this prospectus and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

	US\$
<i>Authorized share capital:</i>	
1,000,000,000 Shares	50,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:</i>	
430,967,664 Shares in issue as of the date of this prospectus	21,548
129,577,460 Shares to be issued upon conversion of all Series A Preferred Shares on a one-for-one basis	6,479
<u>177,014,000</u> Shares to be issued pursuant to the Global Offering	<u>8,851</u>
<u>737,559,124</u> Total	<u>36,878</u>

Pursuant to the written resolutions passed by the Shareholders on October 23, 2013, the authorized share capital of our Company was increased from US\$50,000 to US\$100,000 by the creation of an additional 1,000,000,000 Shares upon Listing.

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE INCENTIVE SCHEMES

We have adopted the Pre-IPO Share Option and the RSU Scheme and conditionally adopted the Post-IPO Share Option Scheme. Under the Pre-IPO Share Option and the RSU Scheme, certain persons were granted options and/or RSUs prior to the Listing Date. The principal terms of the Pre-IPO Share Option and the RSU Scheme and the Post-IPO Share Option Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles;
- (c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme); and
- (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed “— General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or
- (2) at the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information — A. Further Information About our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on October 23, 2013” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information About our Group — 6. Repurchases of Our Own Securities” in Appendix IV to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information — A. Further Information About our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on October 23, 2013” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Information presented in this section, in particular, in respect of the sections headed "Liquidity and Capital Resources — Net Current Assets" and "Indebtedness", that are not extracted or derived from the Accountant's Report have been extracted or derived from unaudited management accounts as at and for the nine-month period ended September 30, 2013 (which are not included in this prospectus) or from other records.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2010, 2011 and 2012 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading online card and board game developer and operator with a strong strategic focus on mobile games. We currently offer a total of 16 online games, 13 of which are card and board games. Fourteen of our online games are offered as web-based games and another 14 are mobile games. We had over 349.8 million cumulative registered players, including 248.5 million cumulative registered players for our web-based games and 101.3 million cumulative registered players for our mobile games, located in more than 100 countries and regions calculated based on IP addresses as at the Latest Practicable Date. All of our games are free to play, and we generate all of our revenues from sales of in-game virtual tokens and other virtual items.

We have a strong brand image associated with popular card and board games and a large and avid player base for both our web-based and mobile games. The average DAUs and MAUs of our web-based games increased from 1.8 million and 5.9 million, respectively, in 2010, to 2.0 million and 8.1 million, respectively, in 2011 and 2.1 million and 10.6 million, respectively, in 2012, and were 1.5 million and 7.1 million, respectively, in the six months ended June 30, 2013. The average DAUs and MAUs of our mobile games increased from 13.5 thousand and 41.6 thousand, respectively, in 2010, to 388.6 thousand and 1.0 million, respectively, in 2011 and 2.2 million and 10.0 million, respectively, in 2012, and reached 3.3 million and 13.9 million, respectively, in the six months ended June 30, 2013. Starting from 2012, the DAUs of our mobile games exceeded those of our web-based games. Our revenue from web-based games increased from RMB155.0 million in 2010 to RMB304.6 million in 2011 and RMB430.3 million in 2012 and reached RMB216.1 million in the six months ended June 30, 2013. Our revenue derived from mobile games increased rapidly from RMB1.2 million in 2010 to RMB13.3 million in 2011 and RMB87.4 million in 2012 and reached RMB92.8 million in the six months ended June 30, 2013. Our adjusted profit increased from RMB73.1 million in 2010 to RMB104.2 million in 2011 and further to RMB159.7 million in 2012, representing a three-year CAGR of 47.8%, and amounted to RMB103.9 million for the six months ended June 30, 2013. Please refer to the section headed "Financial Information — Non-IFRS Measure."

We have established a broad global presence over the past years. As at the Latest Practicable Date, we had derived revenues from players located in more than 80 countries and regions by offering various language versions of our games, such as simplified and traditional Chinese (targeting China, Hong Kong, Macau, Taiwan and overseas Chinese communities), Thai, Indonesian, German, French, Portuguese, Turkish, Vietnamese, Arabic and English. In 2010, 2011 and 2012 and the six months ended June 30, 2013, revenues contributed by our games offered in language versions other than simplified Chinese accounted for approximately 59.2%, 71.6%, 70.2% and 69.2% of our total revenue, respectively.

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We have established multiple tiers of game distribution platforms that market and promote our online games among game players in China and other countries and regions. These game distribution platforms include major social networking websites (such as Facebook), online application stores (such as Apple Inc.'s App Store and Google Play) and web and mobile game portals. We utilize three types of payment collection channels, namely game distribution platforms' payment systems, pre-paid game card distributors and third-party payment vendors, which charge us commission fees, to collect the proceeds from sales of in-game virtual tokens and other virtual items on a commission basis.

BASIS OF PRESENTATION

Our Company was incorporated in the British Virgin Islands on June 14, 2010 as an exempted company with limited liability under the Business Companies Act, 2004 of the BVI. With a board resolution passed on May 28, 2013, our Company re-domiciled to the Cayman Islands and the registration procedures with the relevant authority was completed on June 7, 2013. Accordingly, the Company became an exempted company with limited liability under the Cayman Companies Law. Immediately prior to and after the Reorganization, our business of online card and board game development and operation, or the "Listing Business", was carried out by Boyaa Shenzhen, which was under the control of Mr. Zhang. As a result of the Reorganization, both Boyaa Shenzhen and the Listing Business are under the effective control of Boyaa PRC and ultimately, of our Company, through the Contractual Arrangements. For the details of the Contractual Arrangements, please see the section headed "History, Reorganization and Corporate Structure" in this prospectus.

Prior to the Reorganization, our Company did not engage in any other business and its operations did not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business and did not result in any change in the business substance, nor in any management or the Controlling Shareholders of the Listing Business. Accordingly, the financial information of the companies now comprising our Group for the Track Record Period as contained in the Accountant's Report in Appendix I to this prospectus has been prepared using the carrying value of the Listing Business for all periods presented.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Development of Online Games Industry

The online game industry is highly competitive and has grown rapidly in China and other countries and regions in recent years, driven primarily by technology advancement and rising penetration of smartphones and other mobile devices and high-speed wireless Internet connection. To continue our success in this industry, we must anticipate and respond to changes in the competitive landscape and effectively respond to changing player interests and preferences. Although we expect player demand for online games to continue to grow rapidly, changes in market conditions, player preferences or the Internet and mobile technologies may render it more difficult to compete with other industry players in various geographic markets. In addition, an increasing number of online games available in the market and existing and emerging online game developers and operators have presented significant pressure on our game development and marketing and selling efforts, which may increasingly affect our results of operations.

Expansion of Our Player Base

The size of our player base reflects the popularity of our games and the basis for a sustainable growth. We measure our player base primarily by cumulative registered players since our inception, average DAUs and average MAUs. Our cumulative registered players increased from 83.8 million as at the end of 2010 to 309.0 million as at June 30, 2013. Our average DAUs increased from 1.8 million in 2010 to 4.8 million in the six months ended June 30, 2013, and our average MAUs increased from 5.9 million to 21.0 million over the same period. These increases were primarily driven by the enhanced player acceptance of our games as

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a result of our expanded game portfolio, the engaging nature of our games, the superior game experience we offer to our players and our marketing and distribution efforts. We offer our games in multiple language versions that are equipped with localized features and services, and have attracted registered users located in more than 100 countries calculated based on IP addresses. In addition, all of our games are offered on a free-to-play basis, which enables us to quickly establish a sizable registered and active user base, opening up access to a pool of potential players to purchase our in-game virtual tokens and other virtual items. Our future growth will largely depend on whether we are able to retain our existing players, attract new players and maintain an active player base.

Ability to Offer Highly Engaging Online Games

Our ability to further expand our player base depends on our ability to develop and offer new games that are interesting and compelling to play. During the Track Record Period, three of our most popular games, namely, the Texas Hold'em Series, Fight the Landlord (鬥地主) and Ant Wars (蟲蟲特攻隊), generated substantially all of our revenue. To reduce our reliance on a limited number of games and expand our revenue base, we have developed and offered players other highly engaging games, such as Big Two (鋤大地), a popular card game, and various Mahjong games, as well as other types of casual games. We currently offer a total of 16 online games. We plan to develop and launch several new card games that are based on popular long-lifespan card games worldwide or in China. However, the success of our new games depends on many factors beyond our control, such as trends in the online game industry and game player preferences. We believe that our ability to develop and launch new and highly engaging games will have a long-term impact on our sustainable growth and profitability.

Monetization of Our Player Base

We generate all of our revenues from the sales of virtual tokens and other virtual items, which allow our players to enhance their game experience through extending playtime, improving in-game communication, customizing game settings, improving in-game performance and accelerating game progress. Our results of operations depend on our ability to monetize our player base, *i.e.*, to increase both the number of paying players and ARPPU. Our paying players increased from 316.0 thousand in 2010 to 517.4 thousand in 2011 and 610.8 thousand in 2012, and were 688.8 thousand in the six months ended June 30, 2013. Our ARPPU increased from RMB41.2 in 2010 to RMB51.2 in 2011 and RMB70.6 in 2012 and decreased from RMB102.6 in the six months ended June 30, 2012 to RMB74.7 in the six months ended June 30, 2013. To enhance game monetization, we will continue to stimulate player interest and drive in-game purchases and the number of rounds of games they play by improving the quality of our games, introducing new game features and services and virtual items, launching additional in-game promotions and other activities.

Business Relationships with Game Distribution Platforms and Payment Collection Channels

We primarily utilize our game distribution platforms, which comprise social networking websites and web game portals for our web-based games, and global and regional online application stores and mobile game portals for our mobile games, to promote and market our games and attract game players in both our existing markets and new countries and regions. We utilize three types of payment collection channels, namely, game distribution platforms, pre-paid game card distributors and third-party payment vendors, which charge us commission fees, to collect proceeds from players' purchases of our in-game virtual items on a commission basis. See the section headed "Business — Game Distribution Platforms and Payment Collection Channels" above. Our ability to expand and deepen our relationships with our game distribution platforms and payment collection channels significantly affects the expansion of business and results of operations. During the Track Record Period, our revenue growth was primarily driven by the significant increases in revenue derived from our game distribution platforms and pre-paid game card sales. In addition, the commission fees charged by our payment collection channels have a significant impact on our cost of revenue. Our cost of revenue, gross profit and gross margin during the Track Record Period were affected by the changes in the rates of commission fees charged by our payment collection channels.

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SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in Note 2 of Section II to the Accountant's Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of significant accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Revenue Recognition

Our revenue is primarily derived from the sales of in-game virtual tokens and other virtual items in the game development operations through cooperation with three types of payment collection channels, namely, game distribution platforms, pre-paid game card distributors and third-party payment vendors. See "Business—Game Distribution Platforms and Payment Collection Channels." Revenue we report is measured at the fair value of the consideration received or receivable.

In our cooperation with the payment collection channels, we are responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities. Our payment collection channels are responsible for distribution, marketing, platform maintenance, payer authentication and/or payment collections related to the games we offer and operate.

Our games are free to play and players can purchase virtual tokens or other virtual items for better in-game experience. Players purchase our virtual tokens or other virtual items through the payment collection channels. Our payment collection channels collect the payments from players and remit the cash net of commission charges to us.

Upon the sales of virtual tokens or other virtual items, we typically have an implied obligation to provide the relevant game services. As a result, the proceeds received from sales of virtual tokens or other virtual items are initially recorded as deferred revenue, while the proceeds received from sales of prepaid game cards are initially recorded as advance received from sales of prepaid game cards. This advance is then transferred to deferred revenue when the game cards are activated by the players, *i.e.*, the first time the players use the prepaid game cards to credit their game accounts. The attributable portion of the deferred revenue relating to values of the virtual tokens consumed and other virtual items purchased are immediately or ratably recognized as revenue only when the services are rendered to the respective players.

For the purposes of determining when services have been provided, we have determined the following:

- *Consumable virtual items*, which represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The players will not continue to benefit from the virtual items thereafter. Revenue is recognized (as a release from deferred revenue) when the items are consumed and the related services are rendered.
- *Durable virtual items*, which represent items that are accessible and beneficial to players over an extended period of time. Revenue is recognized ratably over the average life of durable virtual items for the applicable game, or the "Player Relationship Period". We consider the game profile, target audience and its appeal to players of different demographics groups in estimating the Player Relationship Period, until a newly launched game has established its own track record, which is normally up to 12 months after launch. We estimate the Player Relationship Period on a game-by-game and platform-by-platform basis and re-assess such periods semi-annually. The range of the average Player Relationship Period for our games was around three to seven months during the Track Record Period.

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We have evaluated our roles and responsibilities and those of our payment collection channels in the delivery of game services to our players and concluded we take the primary responsibilities in rendering the services. We are determined to be the primary obligor and accordingly, we record revenue on a gross basis, and commission charges by our payment collection channels are recorded as cost of revenue.

We grant virtual items free of charge to our players during the ordinary course of business, which are identical in nature and in function with the paid ones, and the players cannot distinguish whether the virtual items are paid or not at the time of consumption. Our back-end data centre captures the details of virtual items purchased as well as those granted free of charge, and the consumption of these virtual items (with no differentiation of paid ones or free ones given they are identical) for each game on each game distribution platform on a daily basis. As revenue is derived only from paying players, only paid and free virtual items granted to paying players are (while free virtual items granted to non-paying players are not) taken into account in our revenue recognition policy. For the purposes of revenue recognition, we assign a value for each of the paid and free virtual items granted to paying players calculated using the total payments made by paying players. The fair value of each of the paid or free virtual item is identical given they are identical in nature and in function, which is determined by computing a weighted average unit price to “each” of the paid and free virtual item purchased or granted to a paying player. Revenue associated with these items is recognized upon their respective consumption based on the policy described above.

Current and Deferred Income Tax

Our tax expense comprises two parts, current income tax and deferred income tax. Tax is recognized in the statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax is calculated pursuant to the tax laws enacted or substantively enacted at the balance sheet date in the countries and regions where our subsidiaries and associates operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. We establish provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, and 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 at the balance sheet date and are expected to apply when the related deferred income tax asset is realised 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 utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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Offsetting

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

Share-based Payments

Equity-settled share-based payment transactions

We have established a number of equity-settled, share-based compensation plans, under which we grant share options to our directors, officers and other employees. The fair value of the services received in exchange for the grant of the share options is recognized as an expense. The total amount to be expensed is determined by making reference to the fair value of the options granted:

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

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

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

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

At the end of each reporting period, we revise our estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. We recognise the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

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

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

The Series A Preferred Shares issued are accounted for as a compound financial instrument which has a liability component (*i.e.*, the preferred share shareholder's right to demand payment in cash) and an equity component (*i.e.*, the preferred share shareholder's right to demand settlement in the Company's shares).

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We first measure the fair value of the liability component, and the residual is recognized as the equity component. Subsequent to the initial recognition, the liability component of the Series A Preferred Shares is stated at fair value, with changes recorded in profit or loss under “financial income/(costs) — net”. The equity component is not re-measured subsequent to its initial recognition.

Share-based payment transactions among group entities

Our grant of options to the employees of our subsidiary undertakings is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in the subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets forth our consolidated statements of comprehensive income with line items in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Revenue	156,139	100.0	317,859	100.0	517,745	100.0	243,313	100.0	308,927	100.0
Cost of revenue ⁽¹⁾	(68,571)	(43.9)	(135,121)	(42.5)	(203,916)	(39.4)	(98,043)	(40.3)	(117,696)	(38.1)
Gross profit	87,568	56.1	182,738	57.5	313,829	60.6	145,270	59.7	191,231	61.9
Selling and marketing expenses ⁽¹⁾	(6,049)	(3.9)	(31,582)	(9.9)	(81,714)	(15.8)	(35,970)	(14.8)	(63,317)	(20.5)
Administrative expenses ⁽¹⁾	(7,318)	(4.7)	(33,884)	(10.7)	(46,918)	(9.1)	(16,643)	(6.8)	(43,401)	(14.0)
Other (losses)/gains, net.	(1,519)	(1.0)	2,153	0.7	11,347	2.2	4,573	1.9	6,057	2.0
Operating profit	72,682	46.5	119,425	37.6	196,544	38.0	97,230	40.0	90,570	29.3
Finance income/(costs), net.	18	0.0	(8,297)	(2.6)	(7,722)	(1.5)	(6,650)	(2.7)	(5,937)	(1.9)
Share of (loss)/profit of associates	(140)	(0.1)	359	0.1	(1,341)	(0.3)	(157)	(0.1)	(229)	(0.1)
Profit before income tax	72,560	46.4	111,487	35.1	187,481	36.2	90,423	37.2	84,404	27.3
Income tax credit/(expense)	574	0.4	(23,428)	(7.4)	(44,690)	(8.6)	(22,364)	(9.2)	(14,244)	(4.6)
Profit for the year/period	<u>73,134</u>	<u>46.8</u>	<u>88,059</u>	<u>27.7</u>	<u>142,791</u>	<u>27.6</u>	<u>68,059</u>	<u>28.0</u>	<u>70,160</u>	<u>22.7</u>
Non-IFRS Measure:										
Adjusted net profit (unaudited)⁽²⁾	<u>73,134</u>	<u>46.8</u>	<u>104,178</u>	<u>32.8</u>	<u>159,749</u>	<u>30.9</u>	<u>77,727</u>	<u>31.9</u>	<u>103,933</u>	<u>33.6</u>

(1) Included the following amounts of share-based compensation expenses for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of revenue	—	—	—	—	7,815
Selling and marketing expenses	—	—	—	—	2,967
Administrative expenses	—	3,380	5,729	2,156	8,972
Total	<u>—</u>	<u>3,380</u>	<u>5,729</u>	<u>2,156</u>	<u>19,754</u>

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- (2) We define adjusted net profit as net income excluding (i) share-based compensation expenses, (ii) fair value change of liability component of Series A Preferred Shares, (iii) service fees relating to the issuance of our Series A Preferred Shares and listing-related expenses. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. Please refer to the section headed “Financial Information — Non-IFRS Measure.”

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We derive all of our revenue from the sales of virtual tokens and other virtual items, which our players use to enhance their game experience through extending playtime, improving in-game communication, customizing game settings, improving in-game performance and accelerating game progress. Our revenue is recognized when services have been provided to paying players. In the case of consumable virtual items, such as virtual tokens used in our card and board game, which accounted for substantially all of the virtual items we sell, revenue is recognized when such items are consumed in the form of fixed charges levied on each round of games played.

Revenue by language versions of games

We generate revenue from players located in over 80 countries and regions. Offering our games in overseas markets has been one of the major strategic focuses of our business operations since we launched the traditional Chinese version of our Texas Hold'em mainly targeting Hong Kong, Macau and Taiwan in November 2009. During the Track Record Period, we generated the majority of revenue from games offered in various language versions that target both China and overseas markets. As our game distribution platforms (which contribute a significant portion of our revenue) only provide players' in-game purchase information by the language versions of our games. As one of their general policies, these game distribution platforms consistently decline to share details, including IP addresses of their users when making in-game purchases (which indicate the users' geographic locations) with third parties (including us). As a result, we present our revenue by the language versions of our games accordingly.

As a percentage of our total revenue, revenue derived from games that are offered in language versions other than simplified Chinese was 59.2%, 71.6%, 70.2%, 70.9% and 69.2% in 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively.

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The following table sets forth a breakdown of revenue derived from major language versions of our games in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Simplified Chinese	63,733	40.8	90,219	28.4	154,036	29.8	70,768	29.1	95,017	30.8		
Traditional Chinese	90,025	57.7	185,109	58.2	150,108	29.0	75,999	31.2	73,795	23.9		
Thai	—	—	34,053	10.7	137,298	26.5	64,775	26.6	84,858	27.5		
Indonesian	—	—	671	0.2	24,281	4.7	10,145	4.2	12,104	3.9		
German	279	0.2	49	0.0	16,280	3.1	7,379	3.0	12,279	4.0		
French	—	—	—	—	6,984	1.3	2,926	1.2	5,699	1.8		
Portuguese	182	0.1	3,042	1.0	6,251	1.2	3,359	1.4	3,100	1.0		
Turkish	—	—	—	—	6,050	1.2	2,946	1.2	3,378	1.1		
Vietnamese	—	—	—	—	5,875	1.1	1,689	0.7	3,769	1.2		
Arabic	—	—	—	—	4,976	1.0	1,187	0.5	5,940	1.9		
English	1,307	0.8	4,534	1.4	2,040	0.4	865	0.4	1,630	0.5		
Others	613	0.4	182	0.1	3,566	0.7	1,275	0.5	7,358	2.4		
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>		

According to our internally collected data based on player IP addresses for the three months ended September 30, 2013, the PRC, Hong Kong, Taiwan, Thailand and Indonesia contributed a vast majority of players' total in-game purchases of virtual items for this period, and no single other jurisdiction contributed any significant portion of players' in-game purchases for this period. Such geographic breakdown prepared on the basis of internally collected data for this period was largely consistent, but with certain immaterial discrepancies, with our revenue breakdown by the language versions of our games.

The above geographic breakdown of players' in-game purchases prepared on the basis of such internally collected data does not meet the requirements for financial reporting, because such data is incomparable with and does not provide a mutually accepted basis for comparing and verifying data provided by the relevant game distribution platforms.

Revenue by game forms

Our online games are offered in two forms: web-based games and mobile games.

Since we started offering mobile games in September 2010, revenue contributed by our mobile games experienced a substantial increase. The following table sets forth a breakdown of revenue contributed by web-based games and mobile games in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Web-based games	154,976	99.3	304,597	95.8	430,331	83.1	209,262	86.0	216,094	69.9		
Mobile games	1,163	0.7	13,262	4.2	87,414	16.9	34,051	14.0	92,833	30.1		
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>		

Revenue by games

Certain of our games have been highly popular among players and have generated a substantial portion of our revenue during the Track Record Period. Our three highest revenue-generating games, the Texas Hold'em Series, Fight the Landlord (鬥地主) and Ant Wars (蟲蟲特攻隊), generated an aggregate of 91.4%,

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95.7%, 98.1%, 97.4% and 98.6% of our total revenue in 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively, and our Texas Hold'em Series generated 90.5%, 88.2%, 91.3%, 89.9% and 89.1%, respectively, of our total revenue in the same periods.

The following table sets forth revenue generated from our top five games in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Texas Hold'em Series ⁽¹⁾	141,345	90.5	280,390	88.2	472,559	91.3	218,660	89.9	275,245	89.1		
Fight the Landlord ⁽²⁾	1,298	0.8	14,163	4.5	22,205	4.3	12,250	5.0	21,622	7.0		
Ant Wars ⁽³⁾	109	0.1	9,598	3.0	12,819	2.5	6,159	2.5	7,811	2.5		
Big Two ⁽⁴⁾	103	0.1	4,733	1.5	4,901	0.9	2,887	1.2	2,382	0.8		
Happy Babies ⁽⁵⁾	10,454	6.7	5,856	1.8	1,484	0.3	669	0.3	210	0.1		
Others	2,830	1.8	3,119	1.0	3,777	0.7	2,688	1.1	1,657	0.5		
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>		

Notes:

- (1) Texas Hold'em is offered in 19 language versions.
- (2) Fight the Landlord is offered in two variations. The three-player version of Fight the Landlord is offered in three language versions, and the four-player version of Fight the Landlord is offered in two language versions.
- (3) Ant Wars is offered in six language versions.
- (4) Big Two is offered in three language versions.
- (5) Happy Babies is offered in two language versions.

Revenue by payment collection channels

We utilize three types of payment collection channels to collect proceeds from sales of virtual tokens and other virtual items. See "Business — Game Distribution Platforms and Payment Collection Channels."

The following table sets forth a breakdown of revenue contributed by the three types of payment collection channels in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Game distribution platforms' payment systems	64,827	41.5	152,069	47.8	303,871	58.7	142,730	58.7	169,757	55.0		
Pre-paid game card distributors*	—	—	21,797	6.9	123,117	23.8	52,531	21.6	84,583	27.4		
Third-party payment vendors	91,312	58.5	143,993	45.3	90,757	17.5	48,052	19.7	54,587	17.6		
Total	<u>156,139</u>	<u>100.0</u>	<u>317,859</u>	<u>100.0</u>	<u>517,745</u>	<u>100.0</u>	<u>243,313</u>	<u>100.0</u>	<u>308,927</u>	<u>100.0</u>		

* In late September 2013, we and our largest pre-paid game card distributor for 2012 and the six months ended June 30, 2013 terminated our business relationship as we did not agree to its request for acting as the exclusive distributor for our pre-paid game cards. We do not expect that the termination of business relationship with this distributor will have a significant adverse effect on our overall business operation or our pre-paid game card sales. For details, please see "Business — Game Distribution Platforms and Payment Collection Channels — Payment Collection Channels" in this prospectus.

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Revenue derived from game distribution platforms' payment systems, our largest type of payment collection channel during the Track Record Period, experienced steady growth, primarily due to the expansion of our business and our cooperation with an increasing number of various game distribution platforms which required our players to make in-game purchases through such platforms' payment systems. Revenue derived from pre-paid game card sales experienced a significant increase during the Track Record Period both in absolute amounts and as a percentage of our total revenue, largely as a result of the fast expansion of our business in Southeast Asia, particularly in the web-based game market in Thailand in 2012 and the six months ended June 30, 2013, where pre-paid game cards are a common payment option for online games. Pre-paid game cards currently can only be used in the web version of our Texas Hold'em. Our revenue derived from third-party payment vendors experienced an overall decline during the Track Record Period as we terminated business relationships with certain third-party payment vendors based on their performance and proceeds settlement.

Revenue by types of virtual items sold

We derive all of our revenue from the sales of virtual items, including virtual tokens and other virtual items. We have divided the virtual goods we sell into two types, consumable virtual items and durable virtual items, for the purpose of determining when services have been provided. Substantially all of the virtual items we sold are consumable virtual items, most of which are virtual tokens used in our card and board games.

The table below sets forth a breakdown of revenue derived from the sales of the two types of virtual items we sold in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Consumable virtual items	145,576	93.2	302,405	95.1	503,442	97.2	236,485	97.2	300,905	97.4
Durable virtual items	10,563	6.8	15,454	4.9	14,303	2.8	6,828	2.8	8,022	2.6
Total	156,139	100.0	317,859	100.0	517,745	100.0	243,313	100.0	308,927	100.0

Paying players and ARPPU

The number of paying players and ARPPU in a specific period are the two most direct factors that affect revenue generated from our online games in such period. We calculate our ARPPU as the monthly average revenue per paying player, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in the period. We focus on increasing both the number of paying players and ARPPU. During the Track Record Period, our paying users increased from 316.0 thousand in 2010 to 517.4 thousand in 2011 and 610.8 thousand in 2012 and further to 688.8 thousand in the six months ended June 30, 2013, primarily as a result of the various measures we have implemented to increase the number of our paying players. In addition, as a result of the various measures we have implemented to increase ARPPU and our expanding cooperation with various payment channels, including the commencement of pre-paid game card distribution since 2011, our ARPPU increased during the Track Record Period. For details of the various measures we implement to increase the number of paying players and ARPPU, please see "Business — Game Monetization — Monetization Measures" above.

The table below sets forth our paying players and ARPPU for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2010	2011	2012	2012	2013
	Paying players in the period (in '000)	316.0	517.4	610.8	395.1
ARPPU (in RMB)	41.2	51.2	70.6	102.6	74.7

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Cost of Revenue

Our cost of revenue consists primarily of (i) commission fees charged by our payment collection channels, (ii) compensation and benefits for employees involved in the operation of our online games, as well as share-based compensation expenses in connection with the share options we have granted to these employees, (iii) business tax and related surcharges, (iv) server rental expenses and (v) other expenses, such as depreciation of property and equipment. The following table sets forth a breakdown of the components of our cost of revenue in absolute amounts and as percentages of revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Commission charges	56,260	36.0	107,368	33.8	159,615	30.8	74,965	30.8	87,879	28.4
Employee benefit expenses	2,452	1.6	6,438	2.0	12,981	2.5	6,998	2.9	12,537	4.1
Business tax, value-added tax and related surcharges	6,723	4.3	14,706	4.7	21,624	4.2	11,871	4.9	8,718	2.8
Server rental expense	2,398	1.5	5,521	1.7	8,961	1.7	3,893	1.6	6,282	2.0
Other expenses	738	0.5	1,088	0.3	735	0.2	316	0.1	2,280	0.8
Total	68,571	43.9	135,121	42.5	203,916	39.4	98,043	40.3	117,696	38.1

Commission charges

The three types of payment collection channels we use charge us commission fees for collecting the proceeds from sales of our virtual tokens and other virtual items. See “Business — Game Distribution Platforms and Payment Collection Channels — Payment Collection Channels.”

The table below sets forth a breakdown of the commission fees charged by the three types of payment collection channels in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Game distribution platforms' payment systems	35,845	22.9	68,950	21.7	121,934	23.5	55,822	22.9	66,328	21.4
Pre-paid game card distributors	—	—	2,146	0.7	12,755	2.5	5,313	2.2	9,194	3.0
Third-party payment vendors	20,415	13.1	36,272	11.4	24,926	4.8	13,830	5.7	12,357	4.0
Total	56,260	36.0	107,368	33.8	159,615	30.8	74,965	30.8	87,879	28.4

Employee benefit expenses

Employee benefit expenses consist of salaries, bonuses, share-based compensation expenses and benefits paid to our employees involved in the operation of our online games. Employee benefit expenses as a percentage of our total revenue increased from 1.6% in 2010 to 2.0% in 2011 and 2.5% in 2012 and increased from 2.9% in the six months ended June 30, 2012 to 4.1% in the six months ended June 30, 2013, primarily as a result of our expanded business operations and our efforts in enhancing the operation of our online games.

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Business tax, value-added tax and related surcharges

During the Track Record Period, our business operations in the PRC were subject to business tax, value-added tax and certain surcharges on the revenue generated from online game services. We were also subject to certain surcharges, such as city construction tax and education surcharges. Business tax, value-added tax and related surcharges accounted for approximately 4.3%, 4.6% and 4.2%, 4.9% and 2.8% of our total revenue for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively. The table below sets forth the business tax, value-added tax and related surcharges and their rates that were applicable to us during the periods indicated:

Category	Tax Rate	Basis of Levies
Business tax	5% prior to July 1, 2011 and 3% afterwards 5% prior to May 15, 2013	Revenue from online game services Revenue from online game related advisory services
Value-added tax	3% since May 15, 2013 6% since September 1, 2013	Revenue from online game related advisory services
City construction tax . . .	1% prior to December 1, 2010 and 7% afterwards	Actual business tax, value-added tax payments
Educational surcharges . .	3%	Actual business tax, value-added tax payments

In 2011 and 2012 and the six months ended June 30, 2012 and 2013, Boyaa PRC charged Boyaa Shenzhen service fees in an amount of RMB80.0 million, RMB170.0 million, RMB85.0 million and RMB15.7 million, respectively, under the original contractual arrangements entered into in January 2011 (see “History, Reorganization and Corporate Structure — Introduction”) and the Contractual Arrangements, which service fees were subject to business tax and/or value-added tax, as applicable, and related surcharges in an aggregate amount of RMB4.8 million, RMB10.2 million, RMB5.1 million and RMB0.5 million for 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of (i) expenses relating to advertising, marketing and brand promotion activities, (ii) salaries and benefits paid to our selling and marketing staff, as well as share-based compensation expenses in connection with the share options we have granted to these employees, (iii) travel and entertainment expenses relating to selling and marketing activities, and (iv) other expenses, which include depreciation of computers and office equipment and general office expenses incurred by selling and marketing personnel. We incurred selling and marketing expenses of RMB6.0 million, RMB31.6 million, RMB81.7 million, RMB36.0 million and RMB63.3 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively, accounting for 3.9%, 9.9%, 15.8%, 14.8% and 20.5%, respectively, of our total revenue for the same periods. The significant increase in selling and marketing expenses during the Track Record Period reflected our strengthened marketing efforts in promoting our online games and expanding our player base and our expanded selling and marketing team.

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The following table sets forth a breakdown of the components of our selling and marketing expenses in absolute amounts and as percentages of revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Advertising expenses	4,572	2.9	26,408	8.3	68,330	13.2	30,795	12.7	53,928	17.5
Employee benefit expenses	1,135	0.7	4,411	1.4	11,633	2.2	4,475	1.8	7,040	2.3
Travel and entertainment expenses	47	—	13	—	429	0.1	154	0.1	287	0.1
Other expenses	295	0.3	750	0.2	1,322	0.3	546	0.2	2,062	0.6
Total	6,049	3.9	31,582	9.9	81,714	15.8	35,970	14.8	63,317	20.5

Administrative Expenses

Administrative expenses primarily consist of (i) research and development expenses, which primarily relating to labour cost associated with new game development and enhancement of existing games, as well as the development and enhancement of our Boyaa Building Engine, (ii) employee benefit expenses, which include compensation and benefits for our general and administrative staff, as well as share-based compensation expenses in connection with the share options we have granted to our employees, (iii) professional service expenses relating to audit, legal, valuation and consulting services we used in our business operations, (iv) service fees, relating to the consulting and advisory services the holders of our Series A Preferred Shares provided to us and incurred in 2011, (v) office rental expenses, (vi) travel and entertainment expenses incurred by general and administrative personnel, (vii) listing-related expenses and (viii) other expenses, including general office expenses and impairment of receivables. We incurred administrative expenses of RMB7.3 million, RMB33.9 million, RMB46.9 million and RMB16.6 million and RMB43.4 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively, accounting for 4.7%, 10.7%, 9.1% and 6.8% and 14.0%, respectively, of our total revenue for the same periods.

The following table sets forth a breakdown of the components of our administrative expenses in absolute amounts and as percentages of revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Research and development expenses ⁽¹⁾	2,148	1.4	7,467	2.3	21,154	4.1	7,913	3.3	11,850	3.8
Employee benefit expenses ⁽²⁾	962	0.6	9,318	2.9	14,932	2.9	5,694	2.3	16,067	5.2
Professional service expenses	830	0.6	3,130	1.0	3,154	0.6	2,869	1.2	1,992	0.6
Service fees relating to issuance of Series A Preferred Shares	—	—	4,909	1.5	—	—	—	—	—	—
Office rental expense	47	—	798	0.3	2,024	0.4	446	0.1	1,334	0.4
Travel and entertainment expenses	151	0.1	500	0.2	1,299	0.3	269	0.1	1,441	0.5
Listing-related expenses	—	—	—	—	3,000	0.6	1,200	0.5	8,271	2.7
Impairment charges/(reversal of impairment charges) on trade receivables	—	—	4,860	1.5	(3,968)	(0.8)	(3,557)	(1.4)	—	—
Other expenses	3,180	2.0	2,902	1.0	5,323	1.0	1,809	0.7	2,446	0.8
Total	7,318	4.7	33,884	10.7	46,918	9.1	16,643	6.8	43,401	14.0

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Notes:

- (1) We did not capitalize such research and development expenses as it did not meet the recognition criteria as set out in International Accounting Standards 38 “Intangible Assets” (“IAS 38”), according to which an intangible asset must be identifiable and attributable to a specific product or project in order to meet the recognition criteria for an intangible asset. The primary costs incurred by us relating to research and development activities relate to the research and development staff costs. Such staff performs a range of functions and work on multiple projects, including upgrading existing games and developing new games. It is therefore not possible for us to separately identify and reliably measure the portion of such costs which are attributable to research or development activities for individual games. As the recognition criteria of IAS 38 are not met, such expenses are charged to the consolidated statements of comprehensive income.
- (2) Employee benefit expenses include share-based compensation expenses, which amounted to nil, RMB3.4 million, RMB5.7 million, RMB2.2 million and RMB9.0 million for the year ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively.

Other (Losses)/Gains, Net

Our other (losses)/gains, net is the net effect of the following primary components: foreign exchange losses, government subsidies, realized/unrealized fair value gains/(losses) on financial assets at fair value through profit or loss, impairment charges on investments in associates and available-for-sale financial assets, and dilution gains arising from deemed disposal of investments in certain associates.

Our recorded other losses, net accounted for 1.0% of our total revenue in 2010, and our recorded other gains, net accounted for 0.7%, 2.2%, 1.9% and 2.0% of our total revenue in 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively.

The table below sets forth a breakdown of the components of other (losses)/gains, net in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Realized/unrealized fair value gains/(losses) on financial assets at fair value through profit or loss	121	0.1	(123)	(0.0)	10,362	2.0	3,629	1.5	4,737	1.5
Government subsidies	—	—	1,400	0.4	8,073	1.6	1,300	0.5	413	0.1
Impairment charges on investments in associates and available-for-sale financial assets	—	—	—	—	(6,415)	(1.2)	(574)	(0.2)	—	—
Dilution gains arising from deemed disposal of investment in certain associates	—	—	3,942	1.2	941	0.2	—	—	—	—
Gain arising from partial disposal of an associate . . .	—	—	—	—	—	—	—	—	854	0.3
Foreign exchange (losses)/gains, net	(1,640)	(1.1)	(3,084)	(1.0)	(702)	(0.1)	231	0.1	178	0.1
Loss on disposals of property, plant and equipments	—	—	—	—	(41)	—	—	—	(1)	—
Others	—	—	18	0.0	(871)	(0.2)	(13)	(0.0)	(124)	—
Total	<u>(1,519)</u>	<u>(1.0)</u>	<u>2,153</u>	<u>0.7</u>	<u>11,347</u>	<u>2.2</u>	<u>4,573</u>	<u>1.9</u>	<u>6,057</u>	<u>2.0</u>

Realized/unrealized fair value gains /(losses) on financial assets at fair value through profit or loss

Please see the discussion in “— Liquidity and Capital Resources — Financial assets at fair value through profit or loss” below.

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Government subsidies

Government subsidies represented various industry-specific subsidies that have been granted to support our research and development efforts. During the Track Record Period, we received government grants in an amount of nil, RMB1.4 million, RMB8.1 million and RMB0.4 million in the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. We have not been engaged by any government authorities to develop Internet related services or products. Most of the grants were awarded to us by local government authorities in Shenzhen, including but not limited to the Economy, Trade and Information Commission of Shenzhen, the Development and Reform Commission of Shenzhen and the Finance Commission of Shenzhen, as special funds for development of Internet related services or products. We also received certain amounts as subsidies for IP and trademark registrations from the Market Supervision and Administration Bureau of Shenzhen and the Finance Bureau of Nanshan District of Shenzhen. We are required to apply such funds to the development of the projects stipulated by the relevant government authorities and are not subject to any additional specific obligations under such grants. We have applied such government subsidies to the projects as stipulated by the relevant government authorities.

Impairment charges on investments in associates

During the Track Record Period, we invested in five associates, all of which were early-stage online game related companies with at least one game under development or a game development proposal which we believed at the time of our investment was promising or if successful would be complementary to our then existing game portfolio.

Each of the investment in these five associates was reviewed, assessed and approved by our then Directors (for our investments made before 2010, Mr. Zhang and Mr. Dai; for the remaining investments, Mr. Zhang, Mr. Dai and Mr. Zhou Kui), all of whom have substantial industry experience.

Due to the inherent risks relating to all investments, particularly as a result of the fast changing technology, player preferences and interests and industry trends specific to the online game industry, which risks were significantly aggravated for early-stage technology companies, the games developed by three of the associates we invested in failed to attract a meaningful player base and establish profitable business operations. As a result, we considered that the carrying amounts of these investments were not recoverable and made full impairments for these three investments in 2012 in an amount of approximately RMB1.8 million.

Our Directors are of the view that the failure of these three associates was primarily a result of the risks associated with early-stage technology companies, as well as industry trends and player preferences and interest which were fast changing and beyond our or these three associates' control. As such, the failure of these three associates does not affect our Directors' view that the personnel who authorized these investments have sufficient competency to make investment decisions.

Since January 2013, we have established capital and investment management policies to monitor and control the risks relating to our investment activities. Under these policies, a proposed acquisition is subject to review and approval by the board of directors. The relevant investment term sheet is subject to the review and approval of the director of our in-house legal department, the chief financial officer, the chief executive officer and the chairman of the board. Our finance department is responsible for the review and analysis of the financial performance of the target entity. These internal policies were formulated primarily by Mr. Zhang, our Chief Executive Officer, Mr. Gao Junfeng, our Chief Financial Officer, Ms. Huang Haiyan, our Vice President for finance matters. The personnel responsible for the ongoing review and monitoring of the relevant post-transaction risks include Mr. Gao, Ms. Huang and the accounting manager of our finance department, Ms. Wu Xiaojuan, who has approximately four years of working experience in an accounting firm and two years of experience in another company's finance and accounting department. In addition, for the purpose of reviewing, assessing and approving future investments, we have set up an investment committee. The investment committee currently consists of Mr. Zhang, Mr. Gao Junfeng, Ms. Huang Haiyan

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and Ms. Xiao Han, a senior director who is responsible for legal matters. Ms. Xiao Han has over ten years of working experience in the legal department of Internet companies. For the qualification and working experience of Mr. Zhang, Mr. Gao and Ms. Huang, please refer to “Directors, Senior Management and Employees — Directors” and “— Senior Management” in this prospectus.

We do not intend to make similar investments in early-stage companies with no established products or business models after the Listing.

Finance Income/(Costs), Net

Our finance income/(costs), net consists of the following for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Finance income										
Interest income	18	0.0	184	0.1	510	0.1	185	0.1	1,405	0.5
Finance costs										
Fair value change of liability component of Series A Preferred Shares ⁽¹⁾	—	—	(7,830)	(2.5)	(8,229)	(1.6)	(6,312)	(2.6)	(5,748)	(1.9)
Foreign exchange losses, net	—	—	(651)	(0.2)	(3)	(0.0)	(523)	(0.2)	(1,594)	(0.5)
Finance income/(costs), net	18	0.0	(8,297)	(2.6)	(7,722)	(1.5)	(6,650)	(2.7)	(5,937)	(1.9)

(1) On the basis of a proposed Offer Price range of HKD4.55 to HKD5.60 and the same other major bases and assumptions as those used for the valuation as at June 30, 2013 as disclosed in Note 22 of Section II of Appendix I to this prospectus, we estimate that the fair value loss of the liability component of the Series A Preferred Shares for the year ending December 31, 2013 will be between approximately RMB12.0 million and approximately RMB17.0 million.

We recorded finance income which represented interest income on our bank deposits. Our finance costs primarily consist of fair value change of liability component of Series A Preferred Shares. Our finance costs, net accounted for 2.6%, 1.5%, 2.7% and 1.9% of our total revenue in 2011 and 2012 and the six months ended June 30, 2012 and 2013 respectively.

TAXATION

Cayman Islands

We are an exempt company with limited liability incorporated in the Cayman Islands. Under the Cayman Islands law, we are not subject to income or capital gains tax in the Cayman Islands.

Hong Kong

Boyaa HK is subject to a profit tax of 16.5% on the estimated assessable profit derived from its Hong Kong operation. For years ended December 31, 2010 and 2011, Boyaa HK recorded a loss before income tax of RMB5.4 thousand and RMB0.4 million, respectively. For the year ended December 31, 2012 and the six months ended June 30, 2013, Boyaa HK's profit before income tax was RMB1.2 million, RMB6.9 million, respectively. Therefore, Boyaa HK incurred income tax of RMB0.1 million and RMB1.1 million, for the same periods.

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PRC

Income tax

Pursuant to the CIT Law, a uniform 25% CIT rate is generally applied to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

Boyaa PRC was subject to this uniform 25% CIT rate in 2010 and 2011. In a public announcement of the relevant government authority, Boyaa PRC has become a candidate enterprise to be granted the status of a “High and New Technology Enterprises” and expects to receive such qualification by the end of 2013. If Boyaa PRC is granted the status of a “High and New Technology Enterprise” within 2013, it will be subject to a 15% income tax rate retrospectively from January 1, 2013 after obtaining approval from competent tax authority. If not, Boyaa PRC’s income tax rate will remain at 25% for 2013.

Boyaa Shenzhen was qualified as a “High and New Technology Enterprise” in 2010 and was entitled to a preferential CIT rate of 15%. In addition, under relevant tax regulation, Boyaa Shenzhen is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generated in prior years. Therefore, the actual income tax rate for Boyaa Shenzhen was nil, 12%, 12.5% and 12.5% for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

In 2011 and 2012 and the six months ended June 30, 2012 and 2013, Boyaa PRC charged Boyaa Shenzhen service fees in an amount of RMB80.0 million, RMB170.0 million, RMB85.0 million and RMB15.7 million, respectively, under the original contractual arrangements entered into in January 2011 (see “History, Reorganization and Corporate Structure — Introduction) and the Contractual Arrangements. These payments reduced the taxable profits of Boyaa Shenzhen and increased the taxable profits of Boyaa PRC. The different CIT rates applicable to Boyaa PRC and Boyaa Shenzhen discussed above and the service fees charged by Boyaa PRC to Boyaa Shenzhen resulted in additional income tax expenses for our Group in an amount of RMB8.7 million, RMB18.7 million, RMB9.1 million and RMB1.7 million for 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively, which effectively increased the effective tax rate of the Group. In addition, the fair value loss on our Series A Preferred Shares and our share-based compensation expenses were not deductible for tax purposes, which also resulted in a higher effective tax rate. As a result of the above, the effective tax rate of our Group was 21.0% and 23.8% for the years ended December 31, 2011 and 2012, respectively, despite the preferential tax rate of 12% and 12.5%, respectively, granted to Boyaa Shenzhen for these years as discussed above. In 2010 and the six months ended June 30, 2013, our effective tax rate was 0.8% and 16.9%, respectively.

Under the CIT Law and the CIT Rules, an enterprise established outside of the PRC with “*de facto* management bodies” within the PRC is considered a resident enterprise and is subject to CIT at the rate of 25% on its global income. The CIT Rules define the term “*de facto* management bodies” as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. We do not believe we are a resident enterprise. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us. See “Risk Factors — Risk Relating to Conducting Business in the PRC — We may be deemed a PRC resident enterprise under the PRC CIT Law and be subject to PRC taxation on our worldwide income.”

Withholding tax

Under the CIT Law and the CIT Rules, the profits of a foreign-invested enterprise that are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5% if a Hong Kong resident enterprise owns over 25% of a PRC company during the 12 consecutive months preceding the receipt of the dividends. Boyaa PRC is currently wholly owned by Boyaa HK, our Hong Kong subsidiary. However, there is no assurance the PRC tax authorities will approve the 5% withholding tax rate on dividends received by Boyaa HK from Boyaa PRC. See “Risk Factors — Risk Relating to Conducting Business in the PRC — Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.”

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As at June 30, 2013, the unremitted earnings of Boyaa PRC and Boyaa Shenzhen for which no deferred income tax liability had been provided was RMB358.6 million. Such earnings are expected to be retained by Boyaa PRC and Boyaa Shenzhen and not to be remitted to Boyaa HK in the foreseeable future based on management's estimation of our overseas funding requirements.

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Net Profit

We define adjusted net profit as net income for the year/period excluding share-based compensation expenses, fair value change of liability component of Series A Preferred Shares, service fees relating to the issuance of our Series A Preferred Shares and listing-related expenses. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant year/period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance.

In light of the foregoing limitations for this non-IFRS measure, when assessing our operating and financial performance, you should not consider adjusted net profit in isolation or as a substitute for our profit for the year/period, operating profit or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies.

The following table reconciles our adjusted net profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the periods indicated:

	Years Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit for the year/period	73,134	88,059	142,791	68,059	70,160
Add:					
Share-based compensation expenses	—	3,380	5,729	2,156	19,754
Fair value change of liability component of Series A Preferred Shares	—	7,830	8,229	6,312	5,748
Service fees relating to issuance of Series A Preferred Shares	—	4,909	—	—	—
Listing-related expenses	—	—	3,000	1,200	8,271
Adjusted net profit (unaudited)	<u>73,134</u>	<u>104,178</u>	<u>159,749</u>	<u>77,727</u>	<u>103,933</u>

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Revenue

Our revenue increased by 27.0% from RMB243.3 million in the six months ended June 30, 2012 to RMB308.9 million in the six months ended June 30, 2013, primarily due to (i) a 172.1% increase in revenue from our mobile games from RMB34.1 million to RMB92.8 million and (ii) a 3.2% increase in revenue from our web-based games from RMB209.3 million to RMB216.1 million, as we continued placing significant strategic focus on mobile games and the number of language versions of our games and paying players continued to grow over this period. The increase in revenue also reflected (i) a 34.2% increase in revenue derived from our games offered in simplified Chinese from RMB70.8 million in the six months ended June 30, 2012 to RMB95.0 million in the six months ended June 30, 2013, and (ii) a 31.0% increase in revenue derived from our games offered in Thai from RMB64.8 million in the six months ended June 30, 2012 to RMB84.9 million in the six months ended June 30, 2013. The increase in revenue was driven by the increase in paying players from 395.1 thousand in the six months ended June 30, 2012 to 688.8 thousand in the six months ended June 30, 2013, which was partially offset by the decrease in ARPPU from RMB102.6 to RMB74.7 over the same period, primarily because ARPPU of our Fight the Landlord (鬥地主) decreased while its active player base and number of paying players increased significantly over this period.

Cost of revenue

Our cost of revenue increased by 20.1% from RMB98.0 million in the six months ended June 30, 2012 to RMB117.7 million in the six months ended June 30, 2013, primarily due to increases in commission fees paid to our payment collection channels, share-based compensation expenses and server rental expense. Commission fees charged by our payment collection channels increased by 17.2% from RMB75.0 million in the six months ended June 30, 2012 to RMB87.9 million in the six months ended June 30, 2013, primarily as a result of the increase of RMB10.5 million in the commission fees charged by our game distribution platforms' payment systems and the increase of RMB3.9 million in commission fees charged by our pre-paid game card distributors, which were in line with the increases in revenue derived from these two types of payment collection channels. The increase in cost of revenue was also attributable to an increase in share-based compensation expenses from nil to RMB7.8 million and an increase in server rental expense from RMB3.9 million to RMB6.3 million over this period as a result of the expansion of our business operation. The increase in commission fees and server rental expense was partially offset by a RMB3.2 million decrease in business tax, value-added tax and related surcharges.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 31.6% from RMB145.3 million in the six months ended June 30, 2012 to RMB191.2 million in the six months ended June 30, 2013. In addition, primarily as a result of the increase in the proportion of revenue derived from pre-paid game card sales, which is subject to lower commission rates compared to the revenue derived from the other two types of payment collection channels, our gross margin increased from 59.7% in the six months ended June 30, 2012 to 61.9% in the six months ended June 30, 2013.

Selling and marketing expenses

Our selling and marketing expenses increased by 75.8% from RMB36.0 million in the six months ended June 30, 2012 to RMB63.3 million in the six months ended June 30, 2013, primarily due to increased advertising and promotional activities for our games in China and overseas markets.

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Administrative expenses

Our administrative expenses increased by 161.4% from RMB16.6 million in the six months ended June 30, 2012 to RMB43.4 million in the six months ended June 30, 2013. This increase was primarily due to an increase of RMB6.8 million in employee benefit expenses resulting from the increase in share-based compensation expenses in connection with the share options and RSUs we have granted to our employees. The increase was also due to the listing related expenses in the amount of RMB8.3 million we incurred relating to the Global Offering.

Other gains, net

We recorded other gains, net of RMB6.1 million in the six months ended June 30, 2013, which primarily consisted of (i) RMB4.7 million of realized and unrealized fair value gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and (ii) RMB0.9 million of gains arising from partial disposal of an associate, namely RaySns Technology Co., Ltd. (雷尚(北京)科技有限公司). For details of the wealth management products we purchased, see “— Liquidity and Capital Resources — Net Current Assets — Financial assets at fair value through profit or loss” below. We recorded other gains, net of RMB4.6 million in the six months ended June 30, 2012, which primarily consisted of (i) RMB3.6 million of realized and unrealized fair value gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and (ii) RMB1.3 million of government subsidies we received. For details of the government subsidies we received, see “— Description of Major Components of Our Results of Operations — Other (Losses)/Gains, Net” above.

Finance income/(costs), net

Our finance income increased from RMB0.2 million in the six months ended June 30, 2012 to RMB1.4 million in the six months ended June 30, 2013 as a result of the increase in interest income. Our finance costs increased slightly from RMB6.8 million in the six months ended June 30, 2012 to RMB7.3 million in the six months ended June 30, 2013, primarily due to the increase of RMB1.1 million in foreign exchange losses. As a result, we recorded finance costs, net of RMB6.7 million and RMB5.9 million in the six months ended June 30, 2012 and 2013, respectively.

Share of loss of associates

We held investments in certain associates, all of which were Internet companies or online game companies. We recorded a share of loss of associates of RMB0.2 million and RMB0.2 million in the six months ended June 30, 2012 and 2013, respectively, primarily relating to the investment in one of our associates, which was liquidated in 2013.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by 6.6% from RMB90.4 million in the six months ended June 30, 2012 to RMB84.4 million in the six months ended June 30, 2013.

Income tax expense

Our income tax expense decreased by 36.6% from RMB22.4 million in the six months ended June 30, 2012 to RMB14.2 million in the six months ended June 30, 2013, primarily due to (i) a decrease in Boyaa PRC’s income tax expense as a result of a smaller amount of service fees charged by Boyaa PRC to Boyaa Shenzhen in the six months ended June 30, 2013 compared to the same period in 2012, and (ii) the decrease in profit before income tax from RMB90.4 million to RMB84.4 million.

Profit for the period

As a result of the foregoing, our net profit increased by 3.1% from RMB68.1 million in the six months ended June 30, 2012 to RMB70.2 million in the six months ended June 30, 2013.

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Adjusted net profit

Our adjusted net profit increased by 33.7% from RMB77.7 million in the six months ended June 30, 2012 to RMB103.9 million in the six months ended June 30, 2013. Please refer to the section headed “— Non-IFRS Measure” above.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue

Our revenue increased by 62.8% from RMB317.9 million in 2011 to RMB517.7 million in 2012, primarily due to (i) a 557.1% increase in revenue from our mobile games from RMB13.3 million to RMB87.4 million and (ii) a 41.3% increase in revenue from our web-based games from RMB304.6 million to RMB430.3 million, as we started shifting our strategic focus from web-based games to mobile games and the number of language versions of our games and paying players grew. The increase in revenue also reflected (i) a 70.7% increase in revenue derived from our games offered in simplified Chinese from RMB90.2 million in 2011 to RMB154.0 million in 2012, and (ii) a significant increase in revenue derived from our games offered in Thai from RMB34.1 million in 2011 to RMB137.3 million in 2012. The above increases in revenue were partially offset by a 18.9% decrease in revenue derived from our games offered in traditional Chinese from RMB185.1 million in 2011 to RMB150.1 million in 2012, since we prioritized our marketing and promotional efforts to focus on the simplified Chinese versions and other language versions in order to expand in the Southeast Asia markets in 2012. In addition, the increase in revenue was also attributable to the significant increase in revenue derived from our games offered in other language versions from RMB8.5 million in 2011 to RMB76.3 million in 2012, as we started offering our games in a large number of new language versions in 2012. The increase in revenue was driven by the increase in paying players from 517.4 thousand in 2011 to 610.8 thousand in 2012 and the increase in ARPPU from RMB51.2 in 2011 to RMB70.6 in 2012, primarily as a result of our effective monetization measures and the provision of more payment options.

Cost of revenue

Our cost of revenue increased by 50.9% from RMB135.1 million in 2011 to RMB203.9 million in 2012, primarily due to increases in commission fees paid to our payment collection channels, employee benefit expenses and business tax and related surcharges. Commission fees charged by our payment collection channels increased by 48.6% from RMB107.4 million in 2011 to RMB159.6 million in 2012, primarily as a result of (i) a 76.7% increase in the commission fees charged by our game distribution platforms' payment systems from RMB69.0 million in 2011 to RMB121.9 million in 2012 and (ii) a significant increase in commission fees charged by our pre-paid game card distributors from RMB2.1 million in 2011 to RMB12.8 million in 2012, which were in line with the increases in revenue derived from these two types of payment collection channels. The increase in commission fees was partially offset by a 31.4% decrease in commission fees charged by third-party payment vendors from RMB36.3 million in 2011 to RMB24.9 million in 2012, which reflected the decrease in revenue derived from third-party payment vendors as we terminated business relationships with such vendors on the basis of their performance and proceeds settlement. In addition, as we hired more personnel in 2012 to support our expanding business operations, employee benefit expenses increased by 103.1% from RMB6.4 million in 2011 to RMB13.0 million in 2012. Furthermore, due to the increases in our revenue and the service fees charged by Boyaa PRC to Boyaa Shenzhen in 2012, our business tax and related surcharges increased from RMB14.7 million in 2011 to RMB21.6 million in 2012, which was partially offset by the effect of the decrease in the business tax rate applicable to Boyaa Shenzhen from 5% prior to July 1, 2011 to 3% after that date.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 71.8% from RMB182.7 million in 2011 to RMB313.8 million in 2012. Primarily as a result of the increase in the proportion of revenue derived from (i) game distribution platforms, while their average commission fee rates decreased from 45.2% in 2011 to

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40.1% in 2012, primarily due to the increase in the proportion of revenue generated from game distribution platforms, particularly, Facebook and Apple Inc.'s App Store, that charged lower rates of commission fees compared to the other game distribution platforms' payment systems, and (ii) pre-paid game card sales, which is subject to lower commission rates compared to the other two types of payment collection channels, our gross margin increased from 57.5% in 2011 to 60.6% in 2012 despite the increase over this period in the average rate of commission fees charged by third-party payment vendors.

Selling and marketing expenses

Our selling and marketing expenses increased by 158.5% from RMB31.6 million in 2011 to RMB81.7 million in 2012, primarily due to increased advertising and promotional activities for our games in China and overseas markets. The increase in selling and marketing expenses was also due to the increase in the selling and marketing staff to implement our marketing activities.

Administrative expenses

Our administrative expenses increased by 38.3% from RMB33.9 million in 2011 to RMB46.9 million in 2012. This increase was primarily due to an increase in research and development expenses, which increased by 182.7% from RMB7.5 million in 2011 to RMB21.2 million in 2012, primarily relating to the development of our Boyaa Building Engine and new game development. To a lesser extent, the increase in administrative expense was due to an increase in employee benefit expenses caused by the increase in our general corporate and administrative staff as we significantly expanded our business operations, as well as an increase in professional service expenses due to various demands for both business operations and management.

Other (losses)/gains, net

We recorded other gains, net of RMB11.3 million in 2012, which primarily consisted of (i) RMB10.4 million of realized and unrealized fair value gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and (ii) RMB8.1 million of government subsidies we received, partially offset by RMB6.4 million of impairment charges on our investments in associates and available-for-sale financial assets. For details of the wealth management products we purchase, see “— Liquidity and Capital Resources — Net Current Assets — Financial assets at fair value through profit or loss” below. We recorded other gains, net of RMB2.2 million in 2011, which consisted of a dilution gain of RMB3.9 million and government subsidies of RMB1.4 million, partially offset by foreign exchange losses of RMB3.1 million.

Finance income/(costs), net

Our finance income increased by 150.0% from RMB0.2 million in 2011 to RMB0.5 million in 2012 as a result of the increase in interest income. Our finance costs decreased slightly from RMB8.5 million in 2011 to RMB8.2 million in 2012, as a result of the combined effects of an increase of RMB0.4 million in fair value change of liability component of Series A Preferred Shares and a decrease of RMB0.7 million in foreign exchange losses. As a result, we recorded finance costs, net of RMB8.3 million and RMB7.7 million in 2011 and 2012, respectively.

Share of profit/(loss) of associates

We held investments in certain associates, all of which were Internet companies or online game companies. We realized a share of profit of associates of RMB0.4 million in 2011 and recorded a share of loss of associates of RMB1.3 million in 2012.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 68.2% from RMB111.5 million in 2011 to RMB187.5 million in 2012.

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Income tax expense

Our income tax expense increased by 91.0% from RMB23.4 million in 2011 to RMB44.7 million in 2012, primarily due to the increases in profit before income tax.

Profit for the year

As a result of the foregoing, our net profit increased by 62.1% from RMB88.1 million in 2011 to RMB142.8 million in 2012.

Adjusted net profit

Our adjusted net profit increased by 53.3% from RMB104.2 million in 2011 to RMB159.7 million in 2012. Please refer to the section headed “— Non-IFRS Measure” above.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenue

Our revenue increased by 103.7% from RMB156.1 million in 2010 to RMB317.9 million in 2011, primarily due to (i) a 41.6% increase in revenue derived from our games offered in simplified Chinese from RMB63.7 million in 2010 to RMB90.2 million in 2011, (ii) a 105.7% increase in revenue derived from our games offered in traditional Chinese from RMB90.0 million in 2010 to RMB185.1 million in 2011, (iii) the revenue contribution of RMB34.1 million in 2011 from our games offered in Thai, and (iv) the increase in revenue derived from our games offered in the other language versions from RMB2.4 million in 2010 to RMB8.5 million in 2011. The increase in revenue was driven by the increase in our paying players from 316.0 thousand in 2010 to 517.4 thousand in 2011 and the increase in ARPPU from RMB41.2 in 2010 to RMB51.2 in 2011, primarily as a result of our effective monetization measures and the provision of more payment options.

Cost of revenue

Our cost of revenue increased by 96.9% from RMB68.6 million in 2010 to RMB135.1 million in 2011, primarily due to increases in commission fees charged by our payment collection channels, employee benefit expenses and business tax and related surcharges. Commission fees charged by our payment collection channels increased by 90.8%, from RMB56.3 million in 2010 to RMB107.4 million in 2011, primarily as a result of (i) a 92.7% increase in the commission fees charged by our game distribution platforms' payment systems from RMB35.8 million in 2010 to RMB69.0 million in 2011 and (ii) a 77.9% increase in commission fees charged by our third-party payment vendors from RMB20.4 million in 2010 to RMB36.3 million in 2011, which were in line with the increases in revenue derived from these two types of payment collection channels. The increase in commission charges was also attributable to the commission fees charged by pre-paid game card distributors, which we started to use in 2011. In addition, as we hired more personnel in 2011, employee benefit expenses increased by 156.0% from RMB2.5 million in 2010 to RMB6.4 million in 2011. Furthermore, due to the increase in our revenue and the service fees charged by Boyaa PRC to Boyaa Shenzhen in 2011, our business tax and related surcharge increased from RMB6.7 million in 2010 to RMB14.7 million in 2011.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 108.6% from RMB87.6 million in 2010 to RMB182.7 million in 2011. Primarily as a result of the increase in the proportion of revenue derived from (i) game distribution platforms, while their average commission fee rates decreased from 55.3% in 2010 to 45.2% in 2011, primarily due to the increase in the proportion of revenue generated from game distribution platforms, particularly Facebook and Apple Inc.'s App Store, that charged lower rates of commission fees compared to the other game distribution platforms' payment systems, and (ii) pre-paid game card sales, which

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is subject to a lower commission rate compared to the other two types of payment collection channels, our gross margin increased from 56.1% in 2010 to 57.5% in 2011 despite the increases over this period in the proportion of revenue derived from third-party payment vendors and in the average rate of commission fees they charged.

Selling and marketing expenses

Our selling and marketing expenses increased by 426.7% from RMB6.0 million in 2010 to RMB31.6 million in 2011, primarily due to increased advertising and promotional activities for our games in China and overseas markets. The increase in selling and marketing expenses was also due to the increase in the selling and marketing staff to implement our marketing activities.

Administrative expenses

Our administrative expenses increased by 364.4% from RMB7.3 million in 2010 to RMB33.9 million in 2011. This increase was primarily due to an increase in employee benefit expenses, which increased from RMB1.0 million in 2010 to RMB9.3 million in 2011 as both administrative staff and average level of compensation increased significantly to support our expanded business operations. To a lesser extent, the increase in administrative expenses was due to a 257.1% increase in research and development expenses from RMB2.1 million in 2010 to RMB7.5 million in 2011, resulting from our new game development in 2011, as well as an increase in impairment of trade receivables from nil in 2010 to RMB4.9 million in 2011, which was made on certain receivables from one of our third-party payment vendors that we believed could not be collected.

Other gains/(losses), net

We recorded other gains, net of RMB2.2 million in 2011, primarily consisting of a dilution gain of RMB3.9 million and government subsidies of RMB1.4 million, partially offset by foreign exchange losses of RMB3.1 million. We incurred other losses, net of RMB1.5 million in 2010, primarily due to foreign exchange losses.

Finance income/(costs), net

Our finance income increased from RMB18.7 thousand in 2010 to RMB184.2 thousand in 2011 as a result of the increase in interest income. Our finance costs increased from RMB0.4 thousand in 2010 to RMB8.5 million in 2011 as the result of an increase in fair value changes of the liability component of the Series A Preferred Shares. Due to the combined effects of the above, our finance income, net was RMB18.3 thousand in 2010, compared to finance costs, net of RMB8.3 million in 2011.

Share of (losses)/profit of associates

We held investments in certain associates, all of which are Internet companies or online game companies. We recorded a share of losses of associates of RMB0.1 million in 2010 and realized a share of profit of associates of RMB0.4 million in 2011.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 53.6% from RMB72.6 million in 2010 to RMB111.5 million in 2011.

Income tax credit/(expense)

Our income tax credit was RMB0.6 million in 2010, which mainly represented deferred tax on deferred revenue and prepaid commission charges. Our income tax expense was RMB23.4 million in 2011, primarily due to the increase in profit before income tax and the increase in income tax rate applicable to Boyaa Shenzhen from nil in 2010 to 12.0% in 2011.

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Profit for the year

As a result of the foregoing, our net profit increased by 20.5% from RMB73.1 million in 2010 to RMB88.1 million in 2011.

Adjusted net profit

Our adjusted net profit increased by 42.5% from RMB73.1 million in 2010 to RMB104.2 million in 2011. Please refer to the section headed “— Non-IFRS Measure” above.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily through cash generated from our operating activities and the issuance of Series A Preferred Shares. During the Track Record Period, we did not have any short-term or long-term bank borrowings. As at December 31, 2010, 2011 and 2012 and June 30, 2013, we had cash and cash equivalents of RMB39.2 million, RMB111.6 million, RMB274.7 million and RMB273.0 million, respectively, which primarily consisted of cash at bank and in hand.

Net Current Assets

As at December 31, 2010, 2011 and 2012, June 30, 2013 and September 30, 2013, we had net current assets of RMB59.2 million, RMB161.1 million, RMB316.3 million, RMB405.6 million and RMB458.6 million, respectively. The following table sets forth the breakdown of current assets and current liabilities as at the dates indicated:

	As at December 31,			As at	As at
	2010	2011	2012	June 30, 2013	September 30, 2013
	RMB'000				
Current assets					
Trade receivables	21,729	28,298	38,032	54,608	62,746
Prepayments and other receivables	20,579	17,197	15,030	26,398	21,370
Financial assets at fair value through profit or loss	—	68,437	117,085	210,116	332,096
Cash and cash equivalents	39,196	111,610	274,682	273,034	196,857
Total current assets	<u>81,504</u>	<u>225,542</u>	<u>444,829</u>	<u>564,156</u>	<u>613,069</u>
Current liabilities					
Trade and other payables	11,592	28,685	62,971	70,900	70,549
Deferred revenue	10,494	12,020	23,969	36,390	27,901
Current income tax liabilities	231	23,714	41,555	51,281	56,021
Total current liabilities	<u>22,317</u>	<u>64,419</u>	<u>128,495</u>	<u>158,571</u>	<u>154,471</u>
Net current assets	<u>59,187</u>	<u>161,123</u>	<u>316,334</u>	<u>405,585</u>	<u>458,598</u>

Trade receivables

Our trade receivables consist of the portion of the sales proceeds that the game distribution platforms' payment systems and online payment vendors have collected from players but not yet paid to us. As we require our pre-paid game card distributors to make full payments of the purchase prices before we deliver the pre-paid game cards to them, we do not record any trade receivables from our pre-paid game card distributors. For details of our payment collection channels, see “Business — Game Distribution Platforms and Payment Collection Channels — Payment Collection Channels.” Our trade receivables increased at a rate significantly lower than our revenue growth rate during the Track Record Period.

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We record trade receivables net of any provision for impairment made. The table below sets forth the impairment and reversal provision for impairment we made as at the dates indicated:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
At beginning of the period	—	—	4,860	892
Provision/(reversal of provision) for impairment.	—	4,860	(3,968)	—
At end of the period	<u>—</u>	<u>4,860</u>	<u>892</u>	<u>892</u>

A provision for impairment of RMB4.9 million was made as of December 31, 2011 on certain receivables from one of our third-party payment vendors which we believed could not be collected. As a result of subsequent collection, a reversal of provision for impairment of RMB4.0 million was made as of December 31, 2012. We did not make any additional provision for impairment in the six months ended June 30, 2013.

The credit terms granted to our game distribution platforms' payment systems and third-party payment vendors range from 30 days to 60 days. The following table sets forth an aging analysis of our gross trade receivables as at the dates indicated:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
0-60 days	19,478	22,521	34,138	43,510
60-90 days	2,251	3,109	2,279	4,658
90-180 days	—	2,668	1,615	5,987
Over 180 days	—	4,860	892	1,345
Total	<u>21,729</u>	<u>33,158</u>	<u>38,924</u>	<u>55,500</u>

As at December 31, 2010, 2011 and 2012 and June 30, 2013, trade receivables past due but not impaired were RMB2.3 million, RMB5.8 million, RMB3.9 million and RMB11.1 million, respectively. These overdue amounts were receivables from a number of third-party payment channels who had never committed any credit default in the past and were assessed to be financially trustworthy. As such, we believed that these overdue amounts could be recovered.

The table below sets forth the average trade receivables turnover days as at the dates indicated:

	As at December 31,			As at
	2010	2011	2012	June 30,
				2013
Average trade receivables turnover days ⁽¹⁾	27	29	23	27

(1) Average trade receivables turnover days equals the average of the opening and closing balances of trade receivables for the relevant period, divided by revenue and multiplied by 365 days (for the full-year periods) or 183 days (for the six-month period).

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Our trade receivables increased during the Track Record Period in line with the increase in revenue over this period, while our average trade receivables turnover days remained stable during the Track Record Period.

Prepayments and other receivables

The following table sets forth a breakdown of our prepayments and other receivables included in current and non-current assets as at the dates indicated:

	As at December 31,			As at
	2010	2011	2012	June 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid commission charges	3,740	4,046	6,934	10,304
Loans to employees	260	1,689	7,153	8,889
Prepayments for advertising costs	—	2,126	1,766	3,658
Amounts due from related parties	7,803	9,317	—	—
Amount due from a third-party payment vendor . .	7,397	151	852	847
Prepayment for listing-related expenses	—	—	—	3,535
Prepayment for leasehold improvement expenditure	—	—	—	1,348
Prepayment for purchase of motor vehicles	—	—	—	680
Others	1,379	868	974	4,390
Total	<u>20,579</u>	<u>18,197</u>	<u>17,679</u>	<u>33,651</u>

Prepaid commission charges. Prepaid commission charges in a period represents the commission fees already collected by our game distribution platforms' payment systems and online payment vendors which correspond to the portion of virtual tokens and other virtual items that have been sold but have not yet been consumed by our players in such period. The increase in prepaid commission charges during the Track Record Period was in line with the increases in both revenue and commission fees over this period.

Loans to employees. Loans to employees mainly represent advances to our employees for expenses to be incurred in the ordinary course of business and housing loans offered to a small number of employees, which are unsecured and interest free. Before 2012, we offered housing loans to a small number of employees. In 2012, we established an employee housing loan scheme and started offering housing loans to more employees, which caused the increase in this line item during the Track Record Period. In the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we made housing loans to our employees with an aggregate principal amount of nil, RMB1.0 million, RMB2.6 million and RMB5.2 million, respectively, were required to be repaid in two to ten years.

Prepayment for advertising costs. Payment for advertising costs primarily represent the prepayments we made to our game distribution platforms or their advertising agencies which we used to market our online games.

Amounts due from related parties. See “— Related Party Transactions” below.

Prepayment for listing-related expenses. Prepayment for listing-related expenses represents the payments we made to certain professional parties for the preparation of this Global Offering, which were incremental and directly attributable to the issue of new Shares and would be treated as equity when new Shares issued.

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Financial assets at fair value through profit or loss

These financial assets represent short- to mid-term wealth management products which we held for trading. During the Track Record Period, we invested in certain wealth management products provided by high-credit-quality commercial banks and financial institutions, mainly risk-free, principal protected and low-risk listed funds in the PRC, with a term ranging from six months to three years, for our short term cash flows and treasury management purposes. The majority of these wealth management products do not involve derivative elements and we have a diversified investment portfolio to mitigate risks. The significant increase in financial assets at fair value through profit or loss from 2011 to June 30, 2013 reflected the significant increase in cash generated from our expanded business operations.

The table below sets forth a breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

	As at December 31,			As at
	2010	2011	2012	June 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Included in non-current assets				
- Quoted investments	—	5,050	5,170	—
- Non-quoted investments	—	—	2,067	7,000
	<u>—</u>	<u>5,050</u>	<u>7,237</u>	<u>7,000</u>
Included in current assets				
- Quoted investments	—	44,286	32,228	—
- Non-quoted investments	—	24,151	84,857	210,116
	<u>—</u>	<u>68,437</u>	<u>117,085</u>	<u>210,116</u>
	<u>—</u>	<u>73,487</u>	<u>124,322</u>	<u>217,116</u>

34.0%, 57.5% and 62.6% of our financial assets outstanding as at December 31, 2011 and 2012 and June 30, 2013, respectively, were principal-guaranteed wealth management funds. The remaining of our financial assets as at the above dates were all low-risk structured investment products offered by commercial banks and financial institutions in the PRC and Hong Kong. As at the Latest Practicable Date, all of our financial assets that were not principal-guaranteed wealth management products as at the above dates had been redeemed and realized relevant investment returns. The wealth management products currently held by us either have a maturity date due from October 2013 to September 2014 or may be redeemed by us at any time.

We are subject to interests risk, default risk and market risk associated with the wealth management products. Since 2011, we have started implementing investment policies that required appropriate internal approval for each investment in wealth management products. Starting from early 2012, we have gradually formalized our capital and investment management policies to monitor and control the potential risks relating these investment activities. Such policies specify detailed responsible parties and their respective authorities as well as internal procedures for the review and approval for each investment activity. In determining whether and which product to invest, our management team will consider, on a case-by-case basis and among other things, the level of risk, return on investment, liquidity and the term to maturity of the relevant wealth management product. According to our current internal investment management policies adopted in January 2013, for all new investments we make since then, we can invest no less than 95% of our total investment amounts in risk-free or principal protected investments with the remaining up to 5% of the total investment amount in products with low level of risk. Our board of directors and management are responsible for evaluating our investment portfolio and investment policies on an annual basis. Under the supervision of Mr. Gao Junfeng, our Chief Financial Officer, the finance department is responsible for the daily execution and communication with the wealth management advisors, the relevant banks or financial institutions. Our Chief

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Financial Officer also reviews and analyses the performance of our investments to ensure that they are in line with our investment management policies. In addition, to manage and mitigate the potential risks of these investments, our investment management policies require our management team to consider and adjust the investment policies based on its constant evaluation of return on the investments, allocation among various types of investment products, credit ratings of the relevant products or financial institutions as well as the overall macroeconomic environment. The finance department staff prepares investment reports on a monthly basis for our management's review.

All investment decisions are subject to the review and approval by the director of our finance department, Ms. Huang Haiyan, our Vice President for finance matters and Mr. Gao Junfeng, our Chief Financial Officer. Any investment other than in risk-free or principal protected products also needs our Chief Executive Officer's approval. For the qualification and working experience of Mr. Zhang, Mr. Gao and Ms. Huang, please refer to "Directors, Senior Management and Employees — Directors" and "— Senior Management." We do not believe that currently any single investment in the wealth management products will cause any material impact on our business or financial performance. Our investments during the Track Record Period were in line with our then effective capital and investment management policies and strategies. Subject to working capital sufficiency requirements, we may from time to time consider purchasing additional risk-free or principal protected investment products after the Listing.

Trade and other payables

The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at December 31,			As at
	2010	2011	2012	June 30, 2013
	RMB'000			
Trade payables	—	644	484	1,145
Other taxes payable	9,066	18,628	31,780	36,872
Salary and staff welfare payables	1,496	6,161	11,526	3,767
Accrued expenses	—	1,935	14,557	20,436
Advance received from sales of pre-paid game cards	—	936	3,075	2,881
Dividend payable	994	—	—	—
Others	36	381	1,549	5,799
Total	<u>11,592</u>	<u>28,685</u>	<u>62,971</u>	<u>70,900</u>

Trade payables. Trade payables are primarily server rental payments that are due but not yet paid at the period end. We did not have significant amounts of trade payables in the Track Record Period.

Other taxes payable. Other taxes payable mainly include the accrued PRC business tax for our revenue, which increased during the Track Record Period in line with our revenue growth over the same period. Such taxes payable will be eliminated upon Boyaa Shenzhen's actual payment of business tax. Other taxes payable also include city construction tax and education surcharges.

Salary and staff welfare payables. Salary and staff welfare payables represent the employee compensation and benefits accrued but unpaid yet at the relevant period end. The amount of salary and staff welfare payables increased from 2011 to 2012 as our total employee benefit expenses increased in line with the expansion of our business operation and bonus accrual for the year. Salary and staff welfare payables decreased from 2012 to June 30, 2013 primarily due to payment of bonuses previously accrued.

Accrued expenses. Accrued expenses, which primarily consist of advertisement fee and audit fee that have accrued but not yet paid, increased significantly from 2011 to 2012 and reflected the significant increase in advertising fees over this period.

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Advance received from sales of pre-paid game cards. Advance received from sales of pre-paid game cards represents payments of purchase prices for pre-paid game cards we receive from pre-paid game card distributors before the paying players activate the relevant cards. See “— Significant Accounting Policies and Estimates — Revenue Recognition” above.

Dividend payable. Dividend payable represents the dividend we declared for 2010 but not yet paid as at the end of 2010.

Others. Others primarily include payables for leasehold improvements, entertainment and transportation payables, as well as consulting and advisory fees.

Deferred Revenue

Deferred revenue consists of the proceeds from the sales of in-game virtual tokens and other virtual items or from our pre-paid game cards that have been purchased, but not yet consumed, by players. It represents the services already purchased by players but not yet rendered by us as at the relevant period end.

Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	53,344	138,002	201,389	95,835	89,854
Net cash used in investing activities	(1,437)	(85,835)	(46,314)	(7,063)	(86,373)
Net cash (used in)/generated from financing activities	(15,838)	20,898	8,000	8,000	(3,535)
Net increase/(decrease) in cash and cash equivalents	36,069	73,065	163,075	96,772	(54)
Cash and cash equivalents at beginning of the period	3,127	39,196	111,610	111,610	274,682
Cash and cash equivalents at the end of the period	39,196	111,610	274,682	207,859	273,034

Net Cash Generated from Operating Activities

Our primary source of cash generated from operating activities consists of proceeds we receive from the sales of our in-game virtual tokens and other virtual items. Our primary uses of cash in operating activities are employee compensation, selling and marketing expenses, income tax payment and server rental expense.

In the six months ended June 30, 2013, net cash generated from operating activities was RMB89.9 million, which primarily consisted of (i) profit before income tax of RMB84.4 million, (ii) add-back of certain non-cash items, including share-based compensation expenses, fair value change in the liability component of Series A Preferred Shares and depreciation of property, plant and equipment, in a total amount of RMB27.2 million, and (iii) an increase in deferred revenue of RMB12.4 million, partially offset by (i) an increase in trade receivables of RMB16.6 million primarily due to the increase in our revenue, (ii) an increase in prepayments and other receivables of RMB12.3 million, primarily as a result of the increase of RMB3.4

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million in the commission fees charged by our payment collection channels, the increase of RMB1.9 million in prepayments for advertising costs and the increase of RMB1.7 million in loans to employees, (iii) realized and unrealized fair value gains on financial assets at fair value through profit or loss of RMB4.7 million and (iv) income tax paid of RMB5.2 million.

In 2012, net cash generated from operating activities was RMB201.4 million, which primarily consisted of (i) profit before income tax of RMB187.5 million, (ii) an increase in trade and other payables of RMB34.1 million primarily due to increases in other taxes payable, salary and welfare payables and accrued expenses, which were in line with the expansion of our business operations, (iii) an increase in deferred revenue of RMB11.9 million primarily attributable to the growth in sales, and (iv) add-back of certain non-cash items, including impairment charges on investments in associates and available-for-sale financial assets, fair value change in the liability component of Series A Preferred Shares, share-based payments and depreciation of property, plant and equipment, in a total amount of RMB22.3 million, partially offset by (i) income tax paid of RMB27.0 million, (ii) realized and unrealized fair value gains on financial assets at fair value through profit or loss of RMB10.4 million in connection with the wealth management products we purchased, (iii) an increase in prepayments and other receivables of RMB7.5 million mainly due to an increase in prepaid commission charge and loan to employees, (iv) an increase in trade receivables of RMB5.8 million primarily due to an increase in our revenue, and (v) an increase in reversal of impairment charges on trade receivables of RMB4.0 million.

In 2011, net cash generated from operating activities was RMB138.0 million, which primarily consisted of (i) profit before income tax of RMB111.5 million, (ii) an increase in trade and other payables of RMB16.7 million primarily due to increases in other taxes payable, salary and welfare payables and accrued expenses, which was in line with the expansion of our business operations, (iii) add-back of certain non-cash items, including impairment charges on trade receivables, share-based compensation expenses, fair value change in the liability component of Series A Preferred Shares, and depreciation of property, plant and equipment, in a total amount of RMB17.1 million, (iv) the payment of service fees relating to issuance of Series A Preferred Shares of RMB4.9 million, (v) a decrease in prepayments and other receivables of RMB2.0 million mainly due to a decrease in the amounts due from a third-party payment vendor and (vi) an increase in deferred revenue of RMB1.5 million, partially offset by (i) an increase in trade receivables of RMB11.4 million, primarily due to an increase in our revenue, and (ii) deduction of non-cash dilution gain of RMB3.9 million.

In 2010, net cash generated from operating activities was RMB53.3 million, which primarily consisted of (i) profit before income tax of RMB72.6 million, (ii) an increase in trade and other payables of RMB10.2 million primarily due to increases in other taxes payable, salary and welfare payables and accrued expenses, which were in line with the expansion of our business operations, (iii) an increase in deferred revenue of RMB9.2 million, partially offset by (i) an increase in trade receivables of RMB20.1 million primarily due to an increase in our revenue, and (ii) an increase in prepayments and other receivables of RMB18.3 million mainly due to an increase in the amounts due from a third-party payment vendor and a related party.

Net Cash Used in Investing Activities

Our investing activities mainly relate to the investment in financial assets, primarily wealth management products offered by commercial banks in China and Hong Kong, and the purchase of property and equipment, which includes leasehold improvement.

In the six months ended June 30, 2013, net cash used in investing activities was RMB86.4 million, which primarily consisted of (i) the purchase of financial assets at fair value through profit and loss of RMB420.0 million, and (ii) the purchase of property, plant and equipment of RMB1.5 million, partially offset by (i) proceeds from disposals of financial assets at fair value through profit or loss of RMB331.9 million, (ii) proceeds from the disposal of the investment in an associate of RMB2.0 million, and (iii) interest received of RMB1.4 million.

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In 2012, net cash used in investing activities was RMB46.3 million, which included (i) the purchase of financial assets at fair value through profit or loss of RMB568.1 million in connection with the purchase of wealth management products, and (ii) the purchase of property, plant and equipment of RMB4.4 million, which was partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB527.6 million.

In 2011, net cash used in investing activities was RMB85.8 million, which included (i) the purchase of financial assets at fair value through profit or loss of RMB438.7 million in connection with the purchase of wealth management products, (ii) the purchase of property, plant and equipment of RMB4.8 million and (iii) the investments in associates and available-for-sale financial assets of RMB7.6 million, which was partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB365.1 million.

In 2010, net cash used in investing activities was RMB1.4 million, which included (i) the purchase of financial assets at fair value through profit or loss of RMB28.0 million in connection with the purchase of the wealth management products and (ii) the payments for investments in associates of RMB3.0 million, which was partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB30.6 million.

Net Cash Generated from Financing Activities

Our financing activities primarily consist of issuance and sale of Series A Preferred Shares, capital contribution from shareholders and dividend payment.

For the six months ended June 30, 2013, net cash used in financing activities was RMB3.5 million, representing the prepayment for listing-related expenses.

In 2012, net cash generated from financing activities was RMB8.0 million, representing the capital contribution from our founder.

In 2011, net cash generated from financing activities was RMB20.9 million, which primarily consisted of proceeds from the issuance of Series A Preferred Shares of RMB39.8 million, partially offset by the repurchase of ordinary shares of RMB17.9 million.

In 2010, our net cash used in financing activities was RMB15.8 million, representing the dividends declared and paid to the Group's then shareholders.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditure comprised expenditures on the purchase of office furniture and equipment, motor vehicles and leasehold improvements. The following table sets forth our capital expenditures for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Furniture and office equipment	1,076	1,509	2,248	793	1,472
Motor vehicles	—	1,144	526	—	—
Leasehold improvements	—	2,133	1,669	1,018	15
Total	<u>1,076</u>	<u>4,786</u>	<u>4,443</u>	<u>1,811</u>	<u>1,487</u>

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For the year ending December 31, 2013, our capital expenditure is expected to include the purchase of additional office furniture and equipment, motor vehicles and leasehold improvements. As at the Latest Practicable Date, we had committed capital expenditure of approximately RMB5.0 million for leasehold improvements for the year ending December 31, 2013 or the following years. We plan to fund our planned capital expenditure by using our cash flow generated from our operations and the net proceeds received from this Global Offering.

Capital Commitments

We had no material capital commitments as at December 31, 2010, 2011 and 2012 and June 30, 2013.

INDEBTEDNESS

Borrowings and the liability component of Series A Preferred Shares

As of September 30, 2013, we had liability of Series A Preferred Shares amounting to RMB56.2 million. Other than that, our Group did not have any short-term or long-term borrowings. As of September 30, 2013, we had unutilized banking facilities of RMB30 million. The related loan interest rates will be determined when we enter into definitive loan agreements with the bank. We intend to finance expansion and business operations by internal resources and through organic and sustainable growth. For further details of Series A Preferred Shares, please refer to the section headed “History, reorganization and corporate structure” and Note 22 in Appendix I to the prospectus.

Contingent liabilities and guarantees

As at the Latest Practicable Date, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

Disclaimer

Save as disclosed herein and apart from intra-group liabilities, our Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there has not been any material change in the indebtedness commitments and contingent liabilities of our Group since July 1, 2013 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as at the dates indicated:

	As at December 31,			As at
	2010	2011	2012	June 30, 2013
Current ratio (times) ⁽¹⁾	3.65	3.50	3.46	3.56
Quick ratio (times) ⁽²⁾	3.65	3.50	3.46	3.56
Return on equity (%) ⁽³⁾	114.2	57.2	47.2	18.0
Return on total assets (%) ⁽⁴⁾	84.7	34.7	30.1	11.7

Notes:

- (1) Current assets divided by current liabilities.
- (2) Current assets less inventories and divided by current liabilities.
- (3) Profit divided by total equity and multiplied by 100%.
- (4) Profit divided by total assets and multiplied by 100%.

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Current Ratio

Our current ratio decreased from 3.65 times as at December 31, 2010 to 3.50 times as at December 31, 2011 and 3.46 times as at December 31, 2012, primarily due to the significant increase in current liabilities, which in turn resulted from increases in current income tax liabilities and other taxes payable as a result of our rapidly growing revenue and service fees charged by Boyaa PRC to Boyaa Shenzhen. Our current ratio increased to 3.56 times as at June 30, 2013, primarily due to the increase in current assets which was primarily a result of the increases in trade receivables and prepayments and other receivables associated with our business growth.

Quick Ratio

As we did not have inventories during the Track Record Period, our quick ratio was the same as current ratio. See “— Current Ratio” above.

Return on Equity

Our return on equity decreased from 114.2% for the year ended December 31, 2010 to 57.2% for the year ended December 31, 2011 and 47.2% for the year ended December 31, 2012 and 18.0% for the six months ended June 30, 2013, primarily due to the significant increases in total equity, which in turn resulted from significant increases in reserves and retained earnings due to our rapidly growing and profitable business operations over this period.

Return on Total Assets

Our return on assets decreased from 84.7% for the year ended December 31, 2010 to 34.7% for the year ended December 31, 2011 and 30.1% for the year ended December 31, 2012, primarily due to the significant increase in assets, which in turn resulted from increases in financial assets at fair value through profit or loss and cash and cash equivalents as a result of our rapidly growing and profitable business operations over this period. Return on asset was to 11.7% for the six months ended June 30, 2013.

WORKING CAPITAL

Taking into account the internal resources available to the Group and the estimated net proceeds of the Global Offering, our Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this prospectus.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

In the ordinary course of our business, we are exposed to various market risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performances.

Foreign Exchange Risk

We generate revenue from players in countries and regions outside China, who make in-game purchases in foreign currencies through our payment collection channels. As a result, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollars and also including Hong Kong dollars, New Taiwan dollars and Thai Baht. We currently do not hedge transactions undertaken in foreign currencies but manage our exposure through constant monitoring to limit as much as possible the amount of our foreign currency exposures. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than our functional currency. Our finance department is responsible for monitoring and managing the net position in each foreign currency.

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For Boyaa PRC and Boyaa Shenzhen, whose functional currency is Renminbi, if U.S. dollar had strengthened or weakened by 5% against Renminbi with all other variables held constant, the post-tax profit would have been nil, RMB1.6 million, RMB1.2 million and RMB1.5 million higher or lower, for the years ended 31 December 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in U.S. dollar.

Interest Rate Risk

Other than the interest-bearing bank deposits, we have no other significant interest-bearing assets. Our Directors do not anticipate significant impacts to interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Price Risk

We are exposed to price risk due to the investments held by us, which are classified as fair value through profit or loss. We are not exposed to commodity price risk.

The sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss at the end of each reporting period. If the fair value of the respective instruments held by us had been 5% higher/lower, the post-tax profit would have been nil, RMB3.3 million, RMB5.4 million and RMB9.5 million higher/lower, respectively, for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

Credit Risk

We are exposed to credit risk in relation to our cash and deposits, trade and other receivables, as well as financial assets at fair value through profit or loss. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets. To manage such risks, we only transact with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC and Hong Kong. There has been no recent history of default in relation to these financial institutions.

A significant portion of trade receivables was due from our game distribution platforms and third-party payment vendors. If the business relationship with these game distribution platforms and third-party payment vendors is terminated or scaled back, or if game distribution platforms and third-party payment vendors change the terms of the agreements with us, or if they experience financial difficulties in paying us, our trade receivables might be adversely affected in terms of recoverability. To manage this risk, we maintain frequent communications with the game distribution platforms and third-party payment vendors to ensure effective credit control. In view of the history of cooperation with game distribution platforms and third-party payment vendors and the sound collection history of receivables due from them, our Directors believe that the credit risk inherent in our outstanding trade receivable balances due from game distribution platforms and third-party payment vendors is low.

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors that there is no material credit risk inherent in our outstanding balance of other receivables.

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Liquidity Risk

We aim to maintain sufficient cash and cash equivalents.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2010				
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	1,030	—	—	1,030
At December 31, 2011				
Series A Preferred Shares (including interest) . . .	—	—	45,367	45,367
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	2,960	—	—	2,960
Total	2,960	—	45,367	48,327
At December 31, 2012				
Series A Preferred Shares (including interest) . . .	—	—	45,256	45,256
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	16,590	—	—	16,590
Total	16,590	—	45,256	61,846
At June 30, 2013				
Series A Preferred Shares (including interest) . . .	—	—	44,487	44,487
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	27,380	—	—	27,380
Total	27,380	—	44,487	71,867

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDEND POLICY

We are a holding company incorporated in the Cayman Islands. We rely on payments made from Boyaa Shenzhen to Boyaa PRC, our wholly-owned PRC subsidiary, pursuant to the Contractual Arrangements, and the distribution of such payments to Boyaa HK (being the immediate holding company of Boyaa PRC) as dividends from Boyaa PRC. Certain payments from Boyaa Shenzhen to Boyaa PRC are subject to PRC taxes. In addition, PRC laws and regulations require that dividends of a PRC company, such as Boyaa PRC, be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. In addition, PRC laws and regulations require a foreign-invested enterprise, such as Boyaa PRC, to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to

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fund certain statutory reserves, which may not be distributed as cash dividends. Further, Boyaa PRC may also allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds which may not be distributed to us. In addition, payments and distributions from our subsidiaries may be restricted if any of them incur losses or debts or as a result of any restrictive covenants in the instruments governing the debt or other agreements that our subsidiaries may enter into the future. Any dividends paid by Boyaa PRC to Boyaa HK will be subject to a withholding tax at a rate of up to 10.0%, provided that Boyaa HK is not considered to be a PRC tax resident enterprise.

We declared dividends in an aggregate amount of RMB16.8 million for the year ended December 31, 2010 to our then shareholders, which were paid in 2010 and 2011. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars. The payment and the amount of any future dividends will be at the discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Companies Law, including the approval of our Shareholders and that dividends can only be paid out of profits or other distributable reserves.

We intend to distribute a portion of our distributable profits as dividends after the Listing, subject to our future results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board deem relevant. After the Listing, all Shareholders on our register of members as of the relevant record date as determined by our Board for the relevant dividend distribution, including the RSU Nominee which holds the underlying Shares for the RSUs under the RSU Scheme, will be entitled to receive the dividends declared. The total number of Shares held by the RSU Nominee may exceed the total number of underlying Shares represented by the RSUs granted at the time when future dividend entitlement is determined. As of the date of this prospectus, RSUs represented by 26,692,625 issued Shares held by the RSU Nominee have not been granted and the RSUs that have been granted may lapse under certain circumstances, such as certain termination of employment situations, in which case the underlying Shares will return to the RSU pool. The dividend distributed in respect of such underlying Shares where RSUs have not been granted will be first used to settle the outstanding fees and expenses of the RSU Scheme payable by the Company and to pay the RSU Trustee and its affiliates. To the extent there is any surplus after the settlement of the above fees and expenses, such surplus will be transferred to the Company's Shareholders immediately prior to the adoption of the RSU Scheme and in the proportion of the then shareholding interests of such Shareholders in the Company. However, we give no assurance that dividends of any amount will be declared or distributed in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by contracts or agreements that we may enter into in the future.

In addition, as at June 30, 2013, the unremitted earnings of Boyaa PRC and Boyaa Shenzhen for which no deferred income tax liability had been provided were approximately RMB358.6 million. Such earnings are expected to be retained in Boyaa PRC and Boyaa Shenzhen to meet their operation cash flow needs. We do not intend to distribute these unremitted earnings in the foreseeable future. This amount of past unremitted earnings will affect the amount of reserves available for dividend distribution in the foreseeable future. However, we do not believe that it will affect our ability to generate distributable profits in the future or our intention to distribute dividends after the Global Offering.

DISTRIBUTABLE RESERVES

As at June 30, 2013, our distributable reserves were RMB3.4 million.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The total estimated listing-related expenses (excluding underwriting commissions to the Underwriters) in relation to the Global Offering is approximately RMB31.1 million, of which RMB14.8 million have been incurred during the Track Record Period. RMB3.0 million and RMB8.3 million were charged to profit or loss

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for the year ended December 31, 2012 and the six months ended June 30, 2013, respectively. The remaining RMB3.5 million that was incremental and directly attributable to the issue of new Shares was included in “prepayment” as at June 30, 2013 and will be treated as equity when new Shares are issued. Our Directors do not expect expenses to be incurred after the Track Record Period to have a material and adverse impact on our financial results for the year ending December 31, 2013.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of our Group as at June 30, 2013 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our net tangible assets had the Global Offering been completed as of June 30, 2013 or at any future date. The unaudited pro forma statement of net tangible assets is based on the audited consolidated net tangible assets derived from the audited financial information of our Group as at June 30, 2013, as set out in the Accountant’s Report in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant’s Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013	Estimated net proceeds from the Global Offering	Estimated impact to consolidated net tangible assets of the Group upon the conversion of the Series A Preferred Shares	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB’000 (Note 1)	RMB’000 (Note 2)	RMB’000 (Note 3)	RMB’000 (Note 4)	RMB	HK\$
Based on an Offer Price of						
HK\$4.55 per Share	389,132	589,994	48,131	1,027,257	1.39	1.75
Based on an Offer Price of						
HK\$5.60 per Share	389,132	732,131	48,131	1,169,394	1.59	1.99

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013 is extracted from the Accountant’s Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at June 30, 2013 of RMB390,127,000 with an adjustment for the intangible assets as at June 30, 2013 of RMB995,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$4.55 and HK\$5.60 per Share after deduction of the underwriting fees and commissions and other estimated listing-related expenses (excluding listing-related expenses of approximately RMB11,271,000 which have been accounted for prior to June 30, 2013) payable by the Company and takes no account of any Shares which may be issued and allotted upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue Shares or to repurchase Shares as described in the section headed “Share Capital” or any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued pursuant to the RSU Scheme.
- (3) Upon the Global Offering, 129,577,460 shares of Series A Preferred Shares will be automatically converted to the Shares on a one-to-one basis under which the carrying amounts of the Series A Preferred Shares recorded as a liability of the Company will be transferred to the Company’s equity.

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- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 737,559,124 Shares were in issue assuming that the Global Offering had been completed on June 30, 2013 but takes no account of any Shares which may be issued and allotted upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue Shares or to repurchase Shares as described in the section headed “Share Capital” or any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued pursuant to RSU Scheme.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2013.
- (6) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.0000 to RMB0.7966.

RELATED PARTY TRANSACTIONS

Contractual Arrangements with Boyaa Shenzhen and its Shareholders

See the section headed “History, Reorganization and Corporate Structure” in this prospectus.

Transactions with Our Founder

We provided cash advances to Mr. Zhang for personal uses in 2010 and 2011. As at December 31, 2010 and 2011, the balance of such cash advances was RMB7.8 million and RMB9.3 million, respectively. Such cash advances were partially repaid by Mr. Zhang in 2012. As Mr. Zhang made an additional capital contribution of RMB8.0 million into Boyaa Shenzhen on behalf of the Group in 2012, such amount due to Mr. Zhang was offset against the balance of the cash advances due from Mr. Zhang in our consolidated accounts. Accordingly, the balance of the cash advances was nil as at December 31, 2012. We ceased to provide cash advances or loans to our related parties in 2012 and will not make any similar cash advances or loans in the future.

In May 2013, Boyaa PRC and Mr. Zhang entered into the Loan Agreement as part of the overall scheme of enhancing the control over Boyaa Shenzhen pursuant to the Contractual Arrangements. See the section headed “History, Reorganization and Corporate Structure — Contractual Arrangements — Loan Agreement” above.

Our Directors believe that the related parties transactions described above were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2013, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since June 30, 2013 which would materially affect the information as set out in the Accountant’s Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$5.08 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$816.2 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering.

If the Offer Price is fixed at HK\$5.60 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$88.4 million.

If the Offer Price is fixed at HK\$4.55 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$90.1 million.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 30%, or HK\$244.9 million, will be used for expanding our marketing and promotion activities, including hiring additional sales and marketing personnel;
- approximately 30%, or HK\$244.9 million, will be used for the expansion and enhancement of our game portfolio, investment in our technology infrastructure, as well as for other research and development efforts;
- approximately 15%, or HK\$122.4 million, will be used for potential acquisitions of technologies and complementary online games or businesses, partnerships and licensing opportunities; as of the Latest Practicable Date, we have not identified any specific suitable target of acquisition;
- approximately 15%, or HK\$122.4 million, will be used for establishing and expanding local business operations in selected overseas markets;
- the remaining amount of approximately HK\$81.6 million, representing not more than 10% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

We do not plan to transfer any of the net proceeds of the Global Offering to Boyaa Shenzhen.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the proposed Offer Price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares (after deduction of underwriting commissions payable by the Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK\$5.08 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is not exercised) are approximately HK\$36.0 million.

We estimate that the net proceeds to be received by the Over-allotment Option Grantor from the sale of the Shares to be sold pursuant to the Over-allotment Option (after deduction of underwriting commissions payable by the Over-allotment Option Grantor in relation to the Global Offering, and assuming an Offer Price of HK\$5.08 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is fully exercised) are approximately HK\$134.9 million.

We will not receive any of the proceeds from the Sale Shares or Shares to be sold pursuant to the Over-allotment Option.

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HONG KONG UNDERWRITERS

Joint Lead Managers

Credit Suisse (Hong Kong) Limited
China Renaissance Securities (Hong Kong) Limited

Co-Manager

China Galaxy International Securities (Hong Kong) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 18,440,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including the Joint Bookrunners, on behalf of the Underwriters, and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (A) there shall develop, occur, exist or come into effect:
- (a) any event, or series of events, in the nature of *force majeure* (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in the PRC, Hong Kong, Taiwan, Thailand, Indonesia, the United States, the United Kingdom, the European Union (or any member thereof), Japan or the Cayman Islands; or
 - (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, Taiwan, Thailand, Indonesia, the United States, the United Kingdom, the European Union (or any member thereof), Japan or the Cayman Islands; or

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- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, Taiwan, Thailand, Indonesia, the European Union (or any member thereof), Japan or the Cayman Islands, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
- (e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting Hong Kong, the PRC, Taiwan, Thailand, Indonesia, the United States, the United Kingdom, the European Union (or any member thereof), Japan or the Cayman Islands; or
- (f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC, Hong Kong, Taiwan, Thailand or Indonesia; or
- (g) a change or development involving a prospective change in Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in Hong Kong, the PRC, Taiwan, Thailand, Indonesia, the United States, the United Kingdom, the European Union (or any member thereof), Japan or the Cayman Islands; or
- (h) any adverse change or prospective adverse change in the earnings, assets and liabilities, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of any third party being threatened or instigated against our Company or any member of our Group); or
- (i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (j) our chairman or chief executive officer vacating his office; or
- (k) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (l) a contravention by any member of our Group of the Companies Ordinance, the Listing Rules or applicable laws; or
- (m) a prohibition on our Company for whatever reason from allotting or selling the Shares (including any additional Shares that may be sold pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (n) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

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- (o) the issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) without the prior consent of the Sole Global Coordinator; or
- (p) any material change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (q) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

and which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting, the Hong Kong Public Offering and/or the Global Offering) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(B) there has come to the notice of the Sole Global Coordinator:

- (a) that any statement contained in any of the Application Forms, this prospectus and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in any of the Application Forms, this prospectus and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Application Forms, this prospectus and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

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- (c) any breach of any of the material obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, Sole Global Coordinator, Joint Bookrunners, Hong Kong Underwriters or the International Underwriters or their respective affiliates); or
- (d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or
- (e) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement; or
- (f) any litigation or dispute or potential litigation or dispute which would materially adversely affect the operation, financial condition or reputation of our Group; or
- (g) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) our Company withdraws this prospectus or the Global Offering.

Undertakings Given to The Stock Exchange Pursuant to the Listing Rules

(A) Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders immediately before the completion of the Global Offering, has undertaken to the Stock Exchange that except pursuant to the Global Offering, he/it will not, and will procure that the relevant registered shareholders will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (“**First Six-month Period**”), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which he/it is shown in this prospectus to be the beneficial owner; and
- (b) in the six-month period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”) dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in paragraph (a) above, and to such extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would then cease to be a controlling shareholder of the Company.

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Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) when he/it receives any indications, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertaking by our Company

We have undertaken to each of the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor pursuant to the Hong Kong Underwriting Agreement that, except pursuant to the Global Offering and the exercise of any of the options granted under the Pre-IPO Share Option Scheme, we will not, without the prior written consent of the Sole Global Coordinator and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-month Period,

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above, or
- (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above,

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in each case, whether any of the transactions specified in sub-paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-month Period). In the event that, during the Second Six-month Period, our Company enters into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings in this paragraph.

(B) Undertaking by the Controlling Shareholders

Each of the Controlling Shareholders of the Company, pursuant to the Hong Kong Underwriting Agreement, has agreed and undertaken to the Company, the Sole Global Coordinators, the Joint Bookrunners, the Joint Lead Manager, the Sole Sponsor and the Hong Kong Underwriters that, none of the Controlling Shareholders will, without the prior written consent of the Sole Global Coordinator and subject to requirements set out in the Listing Rules,

- (a) at any time from the date of the Hong Kong Underwriting Agreement up to and including the expiry date of the First Six-month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
 - (iii) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) it will not, during the Second Six-month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company; and

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- (c) until the expiry of the Second Six-month period, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 4% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the New Shares to be issued in relation to the Global Offering.

In addition, the Joint Bookrunners will receive a fixed listing preparation fee of US\$1,000,000 payable by our Company in two equal installments, on November 1, 2013 and upon Listing.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$83.1 million in total (based on the mid-point of our indicative Offer Price range for the Global Offering and including listing-related expense of approximately RMB14.8 million which have been incurred or paid prior to June 30, 2013) and assuming that the Over-allotment Option is not exercised at all.

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or the Controlling Shareholders of the Hong Kong Underwriting Agreement as the case may be.

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. Please refer to the section headed "Structure of the Global Offering — The International Offering" for detail.

The Over-allotment Option Grantor expects to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under

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the Hong Kong Public Offering, to require the Over-allotment Option Grantor to sell up to an aggregate of 27,658,000 Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

Over-allotment and Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Credit Suisse (Hong Kong) Limited, its affiliates or any person acting for it, as the Stabilizing Manager, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such market purchases of Offer Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571 of the Laws of Hong Kong) includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell Offer Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing, or agreeing to purchase, Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell Offer Shares to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 27,658,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of our Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. Investors should be warned that, in the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on December 5, 2013. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilizing Manager, or any person acting for them, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Stabilizing bids for or market purchases of the Shares by the Stabilizing Manager, or

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any person acting for it, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made after the expiry of the stabilizing period.

Undertaking by the Selling Shareholders and the Investor Shareholders

Under the International Underwriting Agreement, each of the Selling Shareholders will undertake, and the Investor Shareholders (through a lock-up agreement) will undertake, to the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters that such Selling Shareholder or Investor Shareholder will not, without the prior written consent of the Sole Global Coordinator, during the First Six-month Period:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares),
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares),
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above, or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or in cash or otherwise (whether or not the issue of Shares will be completed within the aforesaid period).

SOLE SPONSOR INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (a) the Hong Kong Public Offering of 18,440,000 New Shares (subject to reallocation) in Hong Kong as described below in the section headed “— The Hong Kong Public Offering”; and
- (b) the International Offering of an aggregate of 165,950,000 Shares (comprising 158,574,000 New Shares and 7,376,000 Sale Shares and subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 18,440,000 Hong Kong Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.50% of our Company’s enlarged issued share capital immediately after completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “— Conditions of the Hong Kong Public Offering”.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

STRUCTURE OF THE GLOBAL OFFERING

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 9,220,000 Hong Kong Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. In the event of over-applications in the Hong Kong Public Offering, the Joint Bookrunners shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 55,318,000 Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 73,756,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 92,196,000 Shares, representing 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. Subject to the foregoing paragraph, the Joint Bookrunners may in their discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Bookrunners will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$5.60 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, equal to a total of HK\$5,656.45 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in the section headed “— Pricing and Allocation” below, is less than the maximum price of HK\$5.60 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 165,950,000 Offer Shares (comprising 158,574,000 New Shares and 7,376,000 Sale Shares) representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 22.50% of our Company's enlarged issued share capital immediately after completion of the Global Offering.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered International Offer Shares and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The total number of International Offer Shares to be issued or sold may change as a result of the clawback arrangement described in the section headed “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in the section headed “— Over-allotment Option” below, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any International Offer Shares to the Hong Kong Public Offering at the discretion of the Joint Bookrunners.

OVER-ALLOTMENT OPTION

The Over-allotment Option Grantor expects to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Option Grantor to sell up to an aggregate of 27,658,000 Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Joint Bookrunners, their affiliates or any person acting for them may cover such over-allocation by (among other methods) using Shares purchased by the Joint Bookrunners, their affiliates or any person acting for them in the secondary market and/or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise of the Over-allotment Option, being 27,658,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 27,658,000 Shares from Boyaa Global pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring International Offer Shares. Prospective professional and institutional investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around November 5, 2013 and in any event on or before November 8, 2013, by agreement between the Joint Bookrunners, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

STRUCTURE OF THE GLOBAL OFFERING

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the offer price per International Offer Share based on the Hong Kong dollar price per International Offer Share, as determined by the Joint Bookrunners, on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK\$5.60 per Offer Share and is expected to be not less than HK\$4.55 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$5.60 per Hong Kong Offer Share (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%). If the Offer Price is less than HK\$5.60, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before November 8, 2013, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.boyyaa.com.hk, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicant to proceed are received. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Bookrunners, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on November 11, 2013 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.boyaa.com.hk.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme);
- (b) the Offer Price having been duly agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement and the Stock Borrowing Agreement on the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than November 30, 2013 (*i.e.*, the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before November 8, 2013, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.boyaa.com.hk on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” has not been exercised.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on November 12, 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on November 12, 2013.

The Shares will be traded in board lots of 1,000 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, October 31, 2013 until 12:00 noon on Tuesday, November 5, 2013 from:

- (i) any of the following offices of the Joint Bookrunners:

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

China Renaissance Securities (Hong Kong) Limited

Unit 901-3, Agricultural Bank of China Tower, 50 Connaught Road Central, Central, Hong Kong

- (ii) any of the branches of the following receiving banks:

• **Bank of China (Hong Kong) Limited**

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Connaught Road Central Branch	13-14 Connaught Road Central
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
New Territories	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **The Bank of East Asia, Limited**

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Queen's Road Central Branch	Shop A-C, G/F, Wah Ying Cheong Central Building, 158-164 Queen's Road Central
	North Point Branch	326-328 King's Road
	Quarry Bay Branch	Shop G2-G4, G/F, Fok Cheong Building, 1032-1044 King's Road, Quarry Bay
	Admiralty Branch	Shop 1007-1008, 1/F, United Centre, 95 Queensway
Kowloon	Ma Tau Wei Road Branch	23-27 Ma Tau Wei Road
	Whampoa Garden Branch	Shop 1-3, G/F, Site 9, Whampoa Garden
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall
New Territories	Tai Po Branch	62-66 Po Heung Street, Tai Po Market
	East Point City Branch	Shop 217B, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O
	Yuen Long Branch	77 Castle Peak Road

You can collect a YELLOW Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, October 31, 2013 until 12:00 noon on Tuesday, November 5, 2013 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Bank of China (Hong Kong) Nominees Limited — Boyaa Interactive Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- **Thursday, October 31, 2013 — 9:00 a.m. to 5:00 p.m.**
- **Friday, November 1, 2013 — 9:00 a.m. to 5:00 p.m.**
- **Saturday, November 2, 2013 — 9:00 a.m. to 1:00 p.m.**
- **Monday, November 4, 2013 — 9:00 a.m. to 5:00 p.m.**
- **Tuesday, November 5, 2013 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, November 5, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Hong Kong Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** Service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, October 31, 2013 until 11:30 a.m. on Tuesday, November 5, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, November 5, 2013 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Boyaa Interactive International Limited” White Form eIPO application submitted via www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <http://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
 - agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- **Thursday, October 31, 2013 — 9:00 a.m. to 8:30 p.m.⁽¹⁾**
- **Friday, November 1, 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾**
- **Saturday, November 2, 2013 — 8:00 a.m. to 1:00 p.m.⁽¹⁾**
- **Monday, November 4, 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾**
- **Tuesday, November 5, 2013 — 8:00 a.m.⁽¹⁾ to 12:00 noon**

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, October 31, 2013 until 12:00 noon on Tuesday, November 5, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, November 5, 2013, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Company Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, November 5, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application using a WHITE or YELLOW Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering- Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, November 5, 2013, instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, November 5, 2013, or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, November 11, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company’s website at www.boyya.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.boyya.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, November 11, 2013;
- from the designated results of allocations website at www.iporeresults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, November 11, 2013 to 12:00 mid-night on Sunday, November 17, 2013;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, November 11, 2013 to Thursday, November 14, 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, November 11, 2013 to Wednesday, November 13, 2013 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through **White Form eIPO** Service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the White Form eIPO service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$5.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering - Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, November 11, 2013.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC

HOW TO APPLY FOR HONG KONG OFFER SHARES

transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, November 11, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, November 12, 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712 -1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 11, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, November 11, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, November 11, 2013, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, November 11, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 11, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712 -1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 11, 2013, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, November 11, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, November 11, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “Publication of Results” above on Monday, November 11, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 11, 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, November 11, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, November 11, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

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 Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

October 31, 2013

The Directors
Boyaa Interactive International Limited

Credit Suisse (Hong Kong) Limited

Dear Sirs,

We report on the financial information of Boyaa Interactive International Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at December 31, 2010, 2011 and 2012 and June 30, 2013, the balance sheets of the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in 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 October 31, 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 British Virgin Islands on June 14, 2010 as an exempted company with limited liability under the Business Companies Act, 2004 of the BVI. With a board resolution passed on May 28, 2013, the Company re-domiciled to the Cayman Islands and the registration procedures with the relevant authority was completed on June 7, 2013. Accordingly, the Company became an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1.2 of Section II headed "History and reorganization of the Group" below, which was completed on January 7, 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and associates as set out in Note 1.2 and Note 10 of Section II below, respectively. 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 was not required to issue audited financial statements under the statutory requirements in either the British Virgin Islands or the Cayman Islands. The audited financial statements of the other companies now comprising the Group as at 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 places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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 give a true and fair view in accordance with IFRSs. PricewaterhouseCoopers Zhong Tian LLP has audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “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, and on the basis set out in Note 1.3 of Section II below.

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 the basis of presentation set out in Note 1.3 of Section II below and 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 (the “HKICPA”).

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the state of affairs of the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013 and of the state of affairs of the Group as at 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 of the Company 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 basis of presentation set out in Note 1.3 of Section II below and 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 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, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013 and for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 (the "Financial Information"), presented on the basis set out in Note 1.3 of Section II below.

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at
		2010	2011	2012	June 30,
		RMB'000	RMB'000	RMB'000	2013
				RMB'000	
ASSETS					
Non-current assets					
Property, plant and equipment	6	1,208	4,985	7,426	7,236
Intangible assets	7	—	21	871	995
Investments in associates	10	2,860	10,161	8,946	7,571
Available-for-sale financial assets	11	—	4,600	—	—
Deferred income tax assets	12	810	2,326	2,844	3,372
Financial assets at fair value through profit or loss	15	—	5,050	7,237	7,000
Prepayments and other receivables	14	—	1,000	2,649	7,253
		<u>4,878</u>	<u>28,143</u>	<u>29,973</u>	<u>33,427</u>
Current assets					
Trade receivables	13	21,729	28,298	38,032	54,608
Prepayments and other receivables	14	20,579	17,197	15,030	26,398
Financial assets at fair value through profit or loss	15	—	68,437	117,085	210,116
Cash and cash equivalents	16	39,196	111,610	274,682	273,034
		<u>81,504</u>	<u>225,542</u>	<u>444,829</u>	<u>564,156</u>
Total assets		<u><u>86,382</u></u>	<u><u>253,685</u></u>	<u><u>474,802</u></u>	<u><u>597,583</u></u>

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at
		2010	2011	2012	June 30,
		RMB'000	RMB'000	RMB'000	2013
				RMB'000	
EQUITY AND LIABILITIES					
Equity					
Share capital	17	137	123	123	123
Reserves	18	3,515	10,792	31,038	48,581
Retained earnings		60,413	142,978	271,263	341,423
Total equity		<u>64,065</u>	<u>153,893</u>	<u>302,424</u>	<u>390,127</u>
Liabilities					
Non-current liabilities					
Deferred income tax liabilities	12	—	504	903	754
Series A Preferred Shares	22	—	34,869	42,980	48,131
		—	<u>35,373</u>	<u>43,883</u>	<u>48,885</u>
Current liabilities					
Trade and other payables	20	11,592	28,685	62,971	70,900
Deferred revenue	21	10,494	12,020	23,969	36,390
Current income tax liabilities.		231	23,714	41,555	51,281
		<u>22,317</u>	<u>64,419</u>	<u>128,495</u>	<u>158,571</u>
Total liabilities		<u>22,317</u>	<u>99,792</u>	<u>172,378</u>	<u>207,456</u>
Total equity and liabilities		<u>86,382</u>	<u>253,685</u>	<u>474,802</u>	<u>597,583</u>
Net current assets		<u>59,187</u>	<u>161,123</u>	<u>316,334</u>	<u>405,585</u>
Total assets less current liabilities.		<u>64,065</u>	<u>189,266</u>	<u>346,307</u>	<u>439,012</u>

BALANCE SHEETS — COMPANY

	Note	As at December 31,			As at
		2010	2011	2012	June 30,
		RMB'000	RMB'000	RMB'000	2013
				RMB'000	
ASSETS					
Non-current assets					
Investments in subsidiaries	9	9	3,388	9,117	28,871
Current assets					
Prepayments and other receivables		133	453	348	1,820
Financial assets at fair value through profit or loss	15	—	16,998	—	—
Cash and cash equivalents	16	3,965	8,143	38,488	38,102
		4,098	25,594	38,836	39,922
Total assets		4,107	28,982	47,953	68,793
EQUITY AND LIABILITIES					
Equity					
Share capital	17	137	123	123	123
Reserves	18	(3)	2,099	7,831	27,781
Accumulated losses		(2)	(12,482)	(18,961)	(24,430)
Total equity		132	(10,260)	(11,007)	3,474
Liabilities					
Non-current liabilities					
Series A Preferred Shares	22	—	34,869	42,980	48,131
Current liabilities					
Amounts due to subsidiaries	9	3,975	4,274	15,881	17,091
Other payables		—	99	99	97
		3,975	4,373	15,980	17,188
Total liabilities		3,975	39,242	58,960	65,319
Total equity and liabilities		4,107	28,982	47,953	68,793
Net current assets		123	21,221	22,856	22,734
Total assets less current liabilities		132	24,609	31,973	51,605

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5	156,139	317,859	517,745	243,313	308,927
Cost of revenue	23	(68,571)	(135,121)	(203,916)	(98,043)	(117,696)
Gross profit		87,568	182,738	313,829	145,270	191,231
Selling and marketing expenses	23	(6,049)	(31,582)	(81,714)	(35,970)	(63,317)
Administrative expenses	23	(7,318)	(33,884)	(46,918)	(16,643)	(43,401)
Other (losses)/gains - net	25	(1,519)	2,153	11,347	4,573	6,057
Operating profit		72,682	119,425	196,544	97,230	90,570
Finance income	26	18	184	510	185	1,405
Finance costs	26	—	(8,481)	(8,232)	(6,835)	(7,342)
Finance income/(costs) - net	26	18	(8,297)	(7,722)	(6,650)	(5,937)
Share of (loss)/profit of associates	10	(140)	359	(1,341)	(157)	(229)
Profit before income tax		72,560	111,487	187,481	90,423	84,404
Income tax credit/(expense)	27	574	(23,428)	(44,690)	(22,364)	(14,244)
Profit for the year/period		<u>73,134</u>	<u>88,059</u>	<u>142,791</u>	<u>68,059</u>	<u>70,160</u>
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
- Currency translation differences		515	241	11	245	(2,211)
Total comprehensive income for the year/period		<u>73,649</u>	<u>88,300</u>	<u>142,802</u>	<u>68,304</u>	<u>67,949</u>
Profit attributable to:						
Equity holders of the Company		<u>73,134</u>	<u>88,059</u>	<u>142,791</u>	<u>68,059</u>	<u>70,160</u>
Total comprehensive income attributable to:						
Equity holders of the Company		<u>73,649</u>	<u>88,300</u>	<u>142,802</u>	<u>68,304</u>	<u>67,949</u>
Earnings per share (expressed in RMB cents per share)						
- Basic	28	<u>18.28</u>	<u>51.81</u>	<u>66.24</u>	<u>32.99</u>	<u>26.84</u>
- Diluted	28	<u>18.28</u>	<u>19.65</u>	<u>30.85</u>	<u>15.19</u>	<u>15.50</u>
Dividends	29	<u>16,832</u>	—	—	—	—

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2010	—	2,511	4,600	7,111
Comprehensive income				
Profit for the year	—	—	73,134	73,134
Other comprehensive income				
- currency translation differences	—	515	—	515
Total comprehensive income for the year	—	515	73,134	73,649
Total contributions by and distributions to equity holders of the Company recognized directly in equity				
Issuance of new ordinary shares (Note 17)	137	—	—	137
Appropriation to statutory reserves	—	489	(489)	—
Dividends (Note 29)	—	—	(16,832)	(16,832)
Total contributions by and distributions to equity holders of the Company	137	489	(17,321)	(16,695)
Balance at December 31, 2010	137	3,515	60,413	64,065
	137	3,515	60,413	64,065
	137	3,515	60,413	64,065
Balance at January 1, 2011	137	3,515	60,413	64,065
Comprehensive income				
Profit for the year	—	—	88,059	88,059
Other comprehensive income				
- currency translation differences	—	241	—	241
Total comprehensive income for the year	—	241	88,059	88,300
Total contributions by and distributions to equity holders of the Company recognized directly in equity				
Appropriation to statutory reserves	—	5,494	(5,494)	—
Issuance of Series A Preferred Shares (Note 22)	—	16,061	—	16,061
Employee share option scheme				
- value of employee services	—	3,380	—	3,380
Repurchase of ordinary shares (Note 17)	(14)	(17,899)	—	(17,913)
Total contributions by and distributions to equity holders of the Company	(14)	7,036	(5,494)	1,528
Balance at December 31, 2011	123	10,792	142,978	153,893

	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2012	123	10,792	142,978	153,893
Comprehensive income				
Profit for the year	—	—	142,791	142,791
Other comprehensive income				
- currency translation differences	—	11	—	11
Total comprehensive income for the year	—	11	142,791	142,802
Total contributions by and distributions to equity holders of the Company recognized directly in equity				
Appropriation to statutory reserves	—	14,506	(14,506)	—
Employee share option scheme				
- value of employee services	—	5,729	—	5,729
Total contributions by and distributions to owners of the Company	—	20,235	(14,506)	5,729
Balance at December 31, 2012	123	31,038	271,263	302,424
	<u>123</u>	<u>31,038</u>	<u>271,263</u>	<u>302,424</u>
	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2013	123	31,038	271,263	302,424
Comprehensive income				
Profit for the period	—	—	70,160	70,160
Other comprehensive loss				
- currency translation differences	—	(2,211)	—	(2,211)
Total comprehensive income for the period	—	(2,211)	70,160	67,949
Total contributions by and distributions to equity holders of the Company recognized directly in equity				
Employee share option scheme				
- value of employee services	—	19,754	—	19,754
Total contributions by and distributions to owners of the Company	—	19,754	—	19,754
Balance at June 30, 2013	123	48,581	341,423	390,127
	<u>123</u>	<u>48,581</u>	<u>341,423</u>	<u>390,127</u>

(Unaudited)	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2012	123	10,792	142,978	153,893
Comprehensive income				
Profit for the period	—	—	68,059	68,059
Other comprehensive income				
- currency translation differences	—	245	—	245
Total comprehensive income for the period	—	245	68,059	68,304
Total contributions by and distributions to equity holders of the Company recognized directly in equity				
Appropriation to statutory reserves	—	14,506	(14,506)	—
Employee share option scheme				
- value of employee services	—	2,156	—	2,156
Total contributions by and distributions to owners of the Company	—	16,662	(14,506)	2,156
Balance at June 30, 2012	123	27,699	196,531	224,353

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	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
Cash flows from operating activities						
Cash generated from operations	30	53,765	138,538	228,357	108,573	95,049
Income tax paid		(421)	(536)	(26,968)	(12,738)	(5,195)
Net cash generated from operating activities		53,344	138,002	201,389	95,835	89,854
Cash flows from investing activities						
Purchase of property, plant and equipment		(1,076)	(4,786)	(4,443)	(1,811)	(1,487)
Purchase of intangible assets		—	(23)	(908)	(28)	(234)
Purchase of financial assets at fair value through profit or loss		(28,000)	(438,721)	(568,051)	(208,124)	(420,000)
Proceeds from disposals of financial assets at fair value through profit or loss		30,621	365,111	527,578	203,715	331,943
Proceeds from partial disposal of investment in an associate		—	—	—	—	2,000
Investments in associates		(3,000)	(3,000)	(1,000)	(1,000)	—
Purchase of available-for-sale financial assets		—	(4,600)	—	—	—
Interest received		18	184	510	185	1,405
Net cash used in investing activities		(1,437)	(85,835)	(46,314)	(7,063)	(86,373)
Cash flows from financing activities						
Capital contribution from the Founder		—	—	8,000	8,000	—
Proceeds from issuance of the Series A Preferred Shares	22	—	39,805	—	—	—
Repurchase of ordinary shares	17	—	(17,913)	—	—	—
Prepayment for listing-related expenses	14	—	—	—	—	(3,535)
Dividends paid to the then shareholders		(15,838)	(994)	—	—	—
Net cash (used in)/generated from financing activities		(15,838)	20,898	8,000	8,000	(3,535)
Net increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at beginning of year/period		36,069	73,065	163,075	96,772	(54)
Exchange losses on cash and cash equivalents		3,127	39,196	111,610	111,610	274,682
		—	(651)	(3)	(523)	(1,594)
Cash and cash equivalents at end of the year/period		<u>39,196</u>	<u>111,610</u>	<u>274,682</u>	<u>207,859</u>	<u>273,034</u>

II NOTES TO THE FINANCIAL INFORMATION

1. General information, reorganization and basis of presentation

1.1 General information

Boyaa Interactive Limited (the “Company”) was incorporated in the British Virgin Islands (“BVI”) on June 14, 2010 as an exempted company with limited liability under the Business Companies Act, 2004 of the BVI. With a board resolution passed on May 28, 2013, the Company re-domiciled to the Cayman Islands and the registration procedures with the relevant authority was completed on June 7, 2013. Accordingly, the Company became an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Upon completion of the redomicile of the Company to the Cayman Islands, the Company changed its name to Boyaa Interactive International Limited on June 28, 2013. The current address of the Company’s registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

1.2 History and reorganization of the Group

Prior to the incorporation of the Company and the completion of the group reorganization (as explained below), the Listing Business was initially conducted through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (深圳市東方博雅科技有限公司, “Boyaa Shenzhen”), a company incorporated in the PRC on February 13, 2004 with a registered capital of RMB1,000,000. Upon establishment of Boyaa Shenzhen, the entire share capital of Boyaa Shenzhen was beneficially held by Mr. Zhang Wei (the “Founder”) through certain nominee arrangements enacted with Ms. Zhang Aiqing (mother of the Founder) as to 70%, Ms. Feng Lili (the then wife of the Founder) as to 25%, and Mr. Ma Zhaohu (a friend of the Founder) as to 5%.

In December 2007, the Founder terminated the nominee arrangements with Ms. Zhang Aiqing and Mr. Ma Zhaohu and assumed the legal ownership of the equity interests (75% in total) in Boyaa Shenzhen. Meanwhile, Boyaa Shenzhen’s registered capital was increased to RMB2,000,000. The RMB1,000,000 increase in capital contribution was made by the Founder and two angel investors, namely Ms. Hu Huan and Mr. Dai Zhikang in the amounts of RMB300,000, RMB300,000 and RMB400,000, respectively. After completion of the transaction, Boyaa Shenzhen was held by the Founder as to 60%, Ms. Feng Lili as to 5%, Mr. Dai Zhikang as to 20% and Ms. Hu Huan as to 15%.

In preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (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 June 14, 2010, the Company was incorporated by the Founder, Ms. Feng Lili (as a nominee of the Founder), Ms. Hu Huan, and Mr. Dai Zhigang (a cousin and nominee of Mr. Dai Zhikang), through their respective wholly-owned offshore investment holding companies outside of the PRC, namely Boyaa Global Limited (“Boyaa Global”), Emily Technology Limited (“Emily Technology”), Cagico Technology Limited (“Cagico Technology”) and Valuecode Investments Limited (“Valuecode Investments”) (collectively, the “Shareholders’ Companies”). The then authorized share capital of the Company was USD50,000, consisting of 50,000,000 ordinary shares of USD0.001 each. 20,000,000 ordinary shares with par value of USD0.001 each were issued to the Shareholders’ Companies in aggregate. The share capital of the Company was initially beneficially held by the Founder as to 60%, Ms. Feng Lili as to 20%, Ms. Hu Huan as to 10% and Mr. Dai Zhigang as to 10% through the Shareholders’ Companies.

- (ii) On July 8, 2010, Boyaa Interactive International Limited (“Boyaa HK”) was incorporated in Hong Kong as a wholly-owned subsidiary of the Company with primary purpose of providing sales and marketing support to Boyaa Shenzhen in relation to its overseas business. On September 27, 2013, Boyaa HK changed its name to Boyaa Interactive (Hong Kong) Limited.
- (iii) On November 29, 2010, Boyaa On-line Game Development (Shenzhen) Co., Ltd. (博雅網絡遊戲開發(深圳)有限公司, “Boyaa PRC”) was established in the PRC as a wholly foreign owned enterprise of Boyaa HK.
- (iv) On January 7, 2011, the Company issued 6,478,873 series A preferred shares (“Series A Preferred Shares”, Note 22) to certain third-party private equity investors, namely Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. (collectively, “Sequoia Capital”). In connection with the issuance of Series A Preferred Shares and on January 7, 2011:
- Ms. Hu Huan transferred her entire 15% equity interest in Boyaa Shenzhen to the Founder and Ms. Feng Lili (the Founder’s nominee), and Mr. Dai Zhikang transferred his 10% equity interest in Boyaa Shenzhen to Ms. Feng Lili (the Founder’s nominee). As a result, Boyaa Shenzhen was held by the Founder as to 70%, Ms. Feng Lili as to 20% and Mr. Dai Zhikang as to 10%;
 - The Company repurchased 2,000,000 of its ordinary shares held by Cagico Technology (Note 17), the shares repurchased were cancelled immediately; and
 - Boyaa PRC, Boyaa Shenzhen and its then equity holders entered into a series of contractual arrangements (the “Contractual Arrangements”) and pursuant to which, Boyaa PRC acquired effective control over the key financial and operational policies of Boyaa Shenzhen and became entitled to economic benefits generated by Boyaa Shenzhen. Accordingly, Boyaa Shenzhen became a subsidiary of Boyaa PRC for accounting purpose. Further details of the Contractual Arrangements are set out in Note 2.2(a)(i) below.

Upon completion of the Reorganization, the Company became the holding company of the Group.

In July 2011, Mr. Dai Zhikang terminated his nominee arrangement with Mr. Dai Zhigang and as a result, Mr. Dai Zhigang transferred all his equity interest in the Company indirectly held through Valuecode Investments to Comsenz Holding Limited, which is wholly-owned by Mr. Dai Zhikang. In November 2011, the Founder terminated the nominee arrangement with Mr. Feng Lili and assumed her equity interest in Emily Technology. After completion of the transaction, the Company became indirectly held by the Founder as to 65.36%, Mr. Dai Zhikang as to 8.17% and Sequoia Capital as to 26.47%.

In November 2011, the Founder terminated the nominee arrangement with Ms. Feng Lili and assumed the 20% legal ownership in Boyaa Shenzhen. In May 2012, the Founder made additional capital injection of RMB8,000,000 into Boyaa Shenzhen. After completion of the transaction, Boyaa Shenzhen was 98% held by the Founder and 2% held by Mr. Dai Zhikang.

On June 25, 2012, Boyaa Interactive (Thailand) Limited (“Boyaa Thailand”) was incorporated in Thailand and is principally responsible for providing administrative and call centre services support to the Group in Thailand. Boyaa HK owns approximately 97.96% of the issued ordinary shares of Boyaa Thailand, the remaining 2.04% of the equity interest is held by Mr. Suo Hongbin (a director of Boyaa Thailand and a senior management personnel of the Group). In addition, Mr. Ohm Ammaramorn, a Thai national holds all issued preference shares of Boyaa Thailand. Pursuant to the articles of association of Boyaa Thailand, the preference shares are entitled to non-accumulated fixed dividend but shall not be entitled to any further right to participate in the profits of Boyaa Thailand. Therefore, from accounting perspective, the preference shares have been accounted for as a financial liability rather than equity in Boyaa Thailand’s separate financial statements, and Boyaa Thailand is accounted for as a 97.96% subsidiary held by the Group. The directors of the Company consider that the non-controlling interests of Boyaa Thailand during the Relevant Periods was insignificant to the Group and thus are not separately presented in the consolidated financial statements.

Boyaa Holdings Limited (“Boyaa BVI”) was incorporated in the BVI with limited liability on August 1, 2013 to act as an intermediate holding company of the Group. On August 13, 2013, one ordinary share of US\$1.00 were allotted and issued to the Company. Accordingly, Boyaa BVI became a wholly-owned

subsidiary of the Company. Prior to the Reorganization, Boyaa HK was wholly owned by the Company and the Company held one ordinary share with par value HK\$1.00 of the issued share capital of Boyaa HK. After the incorporation of Boyaa BVI, on August 19, 2013, Boyaa HK allotted and issued 9,999 new ordinary shares to Boyaa BVI and the remaining one ordinary share in Boyaa HK became held on trust by the Company in favour of Boyaa BVI pursuant to a declaration of trust arrangement entered into by the Company with Boyaa BVI on the same day. Accordingly, Boyaa HK is a direct wholly-owned subsidiary of Boyaa BVI.

In anticipation of the Listing, the Company re-domiciled to the Cayman Islands and the registration procedures with the relevant authority was completed on June 7, 2013. Accordingly, the Company became an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The shareholding structure of the Company remains unchanged after the transfer of the Company's registration from the BVI to the Cayman Islands.

Pursuant to a resolution passed by the Board of Directors of the Company on September 17, 2013, the Company set up a restricted shares unit ("RSU") scheme ("RSU Scheme") (details disclosed in Note 19). On October 11, 2013, the Company entered into a trust deed with The Core Trust Company Limited (the "RSU Trustee") and The Core Admin Boyaa RSU Limited (the "RSU Nominee"), pursuant to which the RSU Trustee shall act as the administrator of the RSU Scheme and the RSU Nominee shall hold the shares underlying the RSU Scheme. On October 23, 2013, Boyaa Global transferred 35,769,526 of the Company's ordinary shares held by it to the RSU Nominee at nil consideration. On October 23, 2013, the Company also issued 70,967,664 ordinary shares to the RSU Nominee at par value of US\$0.00005 each, with the consideration funded by the Founder. Accordingly, 106,737,190 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme.

As at the date of this report, the Company is held by the Founder as to 50.70%, Mr. Dai Zhikang as to 7.14%, Sequoia Capital as to 23.12% and the RSU Trustee as to 19.04%.

Upon completion of the Reorganization and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries (such interests have remained unchanged during the Relevant Periods):

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/registered capital	Equity interest held	Principal activities and place of operation	Note
Boyaa BVI	BVI/August 1, 2013	US dollar ("USD") \$1	100% (direct)	Investment holding/BVI	(1)
Boyaa HK	Hong Kong/July 8, 2010	Hong Kong dollar ("HKD") \$10,000	100% (indirect)	Provision of marketing and collection services to Boyaa Shenzhen/Hong Kong	(2)
Boyaa PRC	PRC/November 29, 2010	USD\$5,000,000	100% (indirect)	Operation of online games and provision of advisory services/the PRC	(3)
Boyaa Shenzhen	PRC/February 13, 2004	RMB10,000,000	100% (indirect)	Development of online games/the PRC	(4)
Boyaa Thailand	Thailand/June 25, 2012	THB4,000,000	97.96% (indirect)	Provision of advisory services relating to online game applications/Thailand	(5)

Notes:

- (1) No audited financial statements have been prepared by Boyaa BVI as it is not required to issue audited financial statements under the statutory requirements in the BVI.

- (2) The statutory financial statements of Boyaa HK for the years ended December 31, 2011 and 2012 were audited by PricewaterhouseCoopers.
- (3) The statutory financial statements of Boyaa PRC for the years ended December 31, 2011 and 2012 were audited by 深圳明華會計師事務所 (Shenzhen Minghua Certified Public Accountants).
- (4) The statutory financial statements of Boyaa Shenzhen for the years ended December 31, 2011 and 2012 were audited by 深圳明華會計師事務所 (Shenzhen Minghua Certified Public Accountants); and the statutory financial statements of Boyaa Shenzhen for the year ended December 31, 2010 were audited by 深圳市德源會計師事務所 (Shenzhen DeYuan Certified Public Accountants).
- (5) The statutory financial statements of Boyaa Thailand for the period ended December 31, 2012 were audited by Phakaporn Ordinary Partnerships.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business was carried out by Boyaa Shenzhen which was under the control of the Founder. Pursuant to the Reorganization, both Boyaa Shenzhen and the Listing Business are under the effective control of Boyaa PRC, 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 recapitalization of the Listing Business and does not result in any changes in business substance, management nor the ultimate controlling shareholder 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 IFRSs. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets and the liability component of the Series A Preferred Shares.

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

The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning January 1, 2013 and have not been early adopted by the Group.

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

- Amendments to IFRS 10, IFRS12 and IAS 27, “Investment entities”, provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments are effective from January 1, 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of IFRS 10.
- Amendments to IAS 36, “Recoverable amount disclosures for non-financial assets”, the IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. The unintended result requires to disclose the recoverable amount for each cash-generating unit (“CGU”) with significant amount of goodwill or intangible assets with indefinite useful lives no matter whether there has been impairment. IASB has published limited amendments to remove such requirement for CGU without impairment and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment. The amendments are effective from annual periods beginning on or after January 1, 2014.
- IFRIC Interpretation 21, “Levies”, the interpretation clarifies the accounting for levies in the financial statements of the entity that is paying the levy. The interpretation is effective from annual periods beginning on or after January 1, 2014.
- IFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This new standard is effective for annual periods beginning on or after January 1, 2015.
- Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures, which amends the effective date of IFRS 9 Financial Instruments to annual periods beginning on or after January 1, 2015 modifies the relief from restating comparative periods and the associated disclosures in IFRS 7 Financial Instruments: Disclosures.

The Group is in the process of making an assessment of the impact of the above new standards, amendments and interpretations to standards on the financial statements of the Group in their initial applications.

2.2 Consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over the entity and is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these 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, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) *Subsidiaries arising from Reorganization*

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

- exercise effective financial and operational control over Boyaa Shenzhen;
- exercise equity holders' voting rights of Boyaa Shenzhen;
- receive substantially all of the economic interest returns generated by Boyaa Shenzhen in consideration for the business support, technical and consulting services provided by Boyaa PRC;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Boyaa Shenzhen from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa PRC may exercise such options at any time until it has acquired all equity interests and/or all assets of Boyaa Shenzhen;
- obtain a pledge over the entire equity interest of Boyaa Shenzhen from their respective equity holders as collateral security for all of Boyaa Shenzhen's payments due to Boyaa PRC and to secure performance of Boyaa Shenzhen's obligations under the Contractual Arrangements.

The Group does not have any equity interest in Boyaa Shenzhen. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Boyaa Shenzhen and has the ability to affect those returns through its power over Boyaa Shenzhen and is considered to control Boyaa Shenzhen. Consequently, the Company regards Boyaa Shenzhen as an indirect subsidiary under IFRSs. The Group has consolidated the financial position and results of Boyaa Shenzhen in the consolidated financial statements of the Group during the Relevant Periods (Refer to Note 1.3 of Section II above 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 Boyaa Shenzhen and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Boyaa Shenzhen. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Boyaa PRC, Boyaa Shenzhen and its equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(ii) *Subsidiaries other than from Reorganization*

Except for the Reorganization of which the accounting treatment is described in Note 2.2(a)(i) 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 acquirer's previously held equity interest in the acquiree is remeasured 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 fair value 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.

(b) *Associates*

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in "other (losses)/gains - net" in the consolidated statements of comprehensive income.

Dilution gains or losses arising from investments in associates are 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.

(d) *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 consolidated financial statements 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. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 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 United States dollars ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered Renminbi ("RMB") as their functional currency. As the game development and operation of the Group during the Relevant Periods are within the PRC, the Group determined to present the 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 profit or loss.

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 income or costs'. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains or losses".

(c) *Group companies*

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

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

2.5 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains — net", in the consolidated statements of comprehensive income.

2.6 Intangible assets

(a) *Computer software*

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

(b) *Research and development expenditures*

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the 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 or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount

is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

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

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

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

(b) *Loans and receivables*

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

(c) *Available-for-sale financial assets*

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

2.8.2 Recognition and measurement

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

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

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

(a) *Assets carried at amortized cost*

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

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

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

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

(b) *Assets classified as available for sale*

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

2.11 Trade and other receivables

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

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

2.12 Cash and cash equivalents

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

2.13 Share capital

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

Where any group company purchases the Company's equity share capital (treasury shares), the considerations paid, including any directly attributable incremental costs, 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.

The accounting policies applicable for the Series A Preference Shares issued by the Company are described in Note 2.17(b) below.

2.14 Trade and other payables

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

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

2.15 Current and deferred income tax

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

(a) Current income tax

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

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) *Offsetting*

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

2.16 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) *Pension obligations*

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

2.17 Share-based payments

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

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

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

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

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

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

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

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

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

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

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

The Company first measures the fair value of the liability component, and the residual is recognized as the equity component. Subsequent to the initial recognition, the liability component of the Series A Preferred Shares is stated at fair value, with changes recorded in profit or loss under "financial income/(costs) — net". The equity component is not re-measured subsequent to its initial recognition.

(c) *Share-based payment transactions among group entities*

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

2.18 Revenue recognition

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

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

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

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

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

- Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognized (as a release from deferred revenue) when the items are consumed and the related services are rendered.
- Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognized ratably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be average playing period of Paying Players ("Player Relationship Period").

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

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

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

2.19 Interest income

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

2.20 Government grants

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

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

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

2.21 Operating leases

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

2.22 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

The Group is subject 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 strategy seeks to minimize the potential adverse effects on the financial performance of the Group. Risk management is carried out by the senior management of the Group and approved by the board of directors.

(a) *Market risk*

(i) *Foreign exchange risk*

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

For Boyaa PRC and Boyaa Shenzhen whose functional currencies are RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax profit would have been nil, approximately RMB1,600,000, RMB1,170,000 and RMB1,544,000 higher/lower, for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD.

(ii) *Interest rate risk*

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

The liability component of the Series A Preferred Shares under redemption feature bears a fixed interest rate and exposes the Group to fair value interest rate risk. The directors of the Company do not anticipate there is any significant impact to this interest-bearing liability resulted from the changes in interest rates.

(iii) *Price risk*

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

The sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss at the end of each reporting period. If the fair values of the respective instruments held by the Group had been 5% higher/lower, the post-tax profit would have been nil, approximately RMB3,345,000, RMB5,358,000, and RMB9,497,000 higher/lower, for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

(b) *Credit risk*

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

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

Trade receivables at the end of each reporting period were due from the Platforms and third-party payment vendors in cooperation with the Group. If the strategic relationship with the Platforms and third-party payment vendors is terminated or scaled-back; or if the Platforms and third-party payment vendors alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's Game Development receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the Platforms and third-party payment

vendors to ensure the effective credit control. In view of the history of cooperation with the Platforms and third-party payment vendors and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the Platforms and third-party payment vendors is low.

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

(c) *Liquidity risk*

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

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

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2010				
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	1,030	—	—	1,030
At December 31, 2011				
Series A Preferred Shares (including interest)	—	—	45,367	45,367
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	2,960	—	—	2,960
Total.	2,960	—	45,367	48,327
At December 31, 2012				
Series A Preferred Shares (including interest)	—	—	45,256	45,256
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	16,590	—	—	16,590
Total.	16,590	—	45,256	61,846
At June 30, 2013				
Series A Preferred Shares (including interest)	—	—	44,487	44,487
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	27,380	—	—	27,380
Total.	27,380	—	44,487	71,867

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2010				
Amounts due to subsidiaries and other payables . . .	3,975	—	—	3,975
At December 31, 2011				
Series A Preferred Shares (including interest)	—	—	45,367	45,367
Amounts due to subsidiaries and other payables . . .	4,373	—	—	4,373
	4,373	—	45,367	49,740
At December 31, 2012				
Series A Preferred Shares (including interest)	—	—	45,256	45,256
Amounts due to subsidiaries and other payables . . .	15,980	—	—	15,980
	15,980	—	45,256	61,236
At June 30, 2013				
Series A Preferred Shares (including interest)	—	—	44,487	44,487
Amounts due to subsidiaries and other payables . . .	17,188	—	—	17,188
Total	17,188	—	44,487	61,675

3.2 Capital risk management

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

The Group monitors capital (including share capital, 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. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2011 and 2012 and June 30, 2013:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2011				
Assets				
Financial assets at fair value through profit or loss	16,998	—	56,489	73,487
Available-for-sale financial assets	—	—	4,600	4,600
	<u>16,998</u>	<u>—</u>	<u>61,089</u>	<u>78,087</u>
Liabilities				
Series A Preferred Shares	—	—	34,869	34,869
At December 31, 2012				
Assets				
Financial assets at fair value through profit or loss	—	—	124,322	124,322
Liabilities				
Series A Preferred Shares	—	—	42,980	42,980
At June 30, 2013				
Assets				
Financial assets at fair value through profit or loss	—	—	217,116	217,116
Liabilities				
Series A Preferred Shares	—	—	48,131	48,131

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. 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 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 for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

The following table presents the changes in level 3 asset instruments for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013:

	Year ended December 31			Six months ended June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	2,500	—	61,089	124,322
Additions	28,000	425,723	568,004	420,000
Disposals	(30,621)	(365,111)	(509,288)	(329,614)
Gains recognized in profit or loss	121	477	9,117	2,408
Impairment provision	—	—	(4,600)	—
Closing balance	—	61,089	124,322	217,116

The following table presents the changes in level 3 liability instruments for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013:

	Year ended December 31,		Six months ended June 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Opening balance	—	34,869	42,980
Additions	28,653	—	—
Fair value change	7,830	8,229	5,748
Exchange gains	(1,614)	(118)	(597)
Closing balance	34,869	42,980	48,131

4. Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

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

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

As described in Note 2.18, the Group recognizes revenue from durable virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

(b) *Deferred revenue recognition prior to October 1, 2012*

Prior to October 1, 2012, the Group had not maintained sufficient data to determine the consumption patterns of Game Tokens by Paying Players. As a result, deferred revenue as at December 31, 2010 and 2011 was ascertained with reference to the purchase/consumption patterns of Paying Players in the last quarter of 2012. The directors of the Company consider that it is a reasonable estimate given there have not been significant changes in the major games with high popularity operated by the Group and user demographics during the Relevant Periods, and the relatively short consumption periods, which were assessed to be approximately 1 to 2 months, demonstrated by the Paying Players in utilizing the Game Tokens.

(c) *Recognition of share-based compensation expenses*

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

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

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognized by the Group in respect of their services rendered for the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013 was approximately RMB3,380,000, RMB5,729,000 and RMB19,754,000 respectively.

(d) *Fair value of the Series A Preferred Shares at the issuance date and the end of each reporting period*

The directors have used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation method to determine the fair value of the Series A Preferred Shares as a whole at the issuance date and the fair value of the liability component of the Series A Preferred Shares under liquidation preferences at the issuance date and at the end of each reporting period. The fair value of the liability component of the Series A Preferred Shares under redemption feature at the issuance date and the end of each reporting period has been determined using the discounted cash flow method. Key assumptions used to determine the above fair values are disclosed in Note 22.

The estimated fair value of the Series A Preferred Shares as a whole at the issuance date would have been approximately RMB800,000 lower or higher, should the discount rate used in the discount cash flow analysis higher/lower by 100 basis points from management's estimates.

The estimated fair value of the liability component of the Series A Preferred Shares as at December 31, 2011 and 2012 and June 30, 2013 would have been approximately RMB690,000, RMB630,000 and RMB500,000 lower or higher, respectively, should the discount rate used in discount cash flow analysis higher/lower by 100 basis points from management's estimates.

(e) *Provision for impairment of trade receivables*

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgment and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, such differences will impact the carrying value of the receivables, and the amount of doubtful debt expenses or write-back of provision for trade receivables in the period in which such estimate has been changed. Based on the Group's assessment on the collectability of trade receivables, impairment provision of nil, approximately RMB4,860,000, approximately RMB892,000 and approximately RMB892,000 was made as at December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 respectively.

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

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

4.2 Critical judgments in applying the Group's accounting policies

(a) *Current and deferred income taxes*

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

(b) *Accounting for repurchase of ordinary shares from Cagico Technology*

In January 2011, the Company repurchased 2,000,000 ordinary shares from Cagico Technology (Note 17). The directors of the Company regard it as a transaction between the Company and its then shareholder. Thus, the difference between the repurchase price and the carrying value of the related share capital was debited to "other reserves".

(c) *Restrictions on ordinary shares held by the Founder*

As described in details in Note 17(b), the Founder, Sequoia Capital and the Company entered into a share restriction agreement on January 7, 2011 that the Founder agreed to have certain of his 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 Founder has to remain as an employee 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 Founder and therefore the arrangement has not been accounted for as share-based payments in accordance with IFRS 2 "Share-based payments" ("IFRS 2").

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

As described in details in Note 22 below, Sequoia Capital undertook to offer certain consulting and advisory services to the Company in preparing it for the initial public offering of the Company's shares ("IPO"). As a result, the Series A Preferred Shares were issued to Sequoia Capital at certain discount from the then assessed fair value. These shares issued have been accounted for as share-based payments in accordance with IFRS 2.

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

5. Revenue and segment information

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Development and operations of online games:					
- Web-based games	154,976	304,597	430,331	209,262	216,094
- Mobile games	1,163	13,262	87,414	34,051	92,833
	<u>156,139</u>	<u>317,859</u>	<u>517,745</u>	<u>243,313</u>	<u>308,927</u>

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

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Simplified Chinese	63,733	90,219	154,036	70,768	95,017
Other languages	92,406	227,640	363,709	172,545	213,910
	<u>156,139</u>	<u>317,859</u>	<u>517,745</u>	<u>243,313</u>	<u>308,927</u>

The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group's revenue during the Relevant Periods.

The Group's non-current assets other than financial instruments and deferred income tax assets were located in the PRC at December 31, 2010, 2011 and 2012 and June 30, 2013.

6. Property, plant and equipment

	Furniture and equipments	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010				
Cost	396	282	—	678
Accumulated depreciation	(57)	(215)	—	(272)
Net book amount	<u>339</u>	<u>67</u>	<u>—</u>	<u>406</u>
Year ended December 31, 2010				
Opening net book amount	339	67	—	406
Additions	1,076	—	—	1,076
Depreciation	(236)	(38)	—	(274)
Closing net book amount	<u>1,179</u>	<u>29</u>	<u>—</u>	<u>1,208</u>
At December 31, 2010				
Cost	1,472	282	—	1,754
Accumulated depreciation	(293)	(253)	—	(546)
Net book amount	<u>1,179</u>	<u>29</u>	<u>—</u>	<u>1,208</u>
Year ended December 31, 2011				
Opening net book amount	1,179	29	—	1,208
Additions	1,509	1,144	2,133	4,786
Depreciation	(674)	(172)	(163)	(1,009)
Closing net book amount	<u>2,014</u>	<u>1,001</u>	<u>1,970</u>	<u>4,985</u>
At December 31, 2011				
Cost	2,981	1,426	2,133	6,540
Accumulated depreciation	(967)	(425)	(163)	(1,555)
Net book amount	<u>2,014</u>	<u>1,001</u>	<u>1,970</u>	<u>4,985</u>
Year ended December 31, 2012				
Opening net book amount	2,014	1,001	1,970	4,985
Additions	2,248	526	1,669	4,443
Depreciation	(813)	(257)	(891)	(1,961)
Disposals	(41)	—	—	(41)
Closing net book amount	<u>3,408</u>	<u>1,270</u>	<u>2,748</u>	<u>7,426</u>
At December 31, 2012				
Cost	5,121	1,952	3,802	10,875
Accumulated depreciation	(1,713)	(682)	(1,054)	(3,449)
Net book amount	<u>3,408</u>	<u>1,270</u>	<u>2,748</u>	<u>7,426</u>

	Furniture and equipments	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2013				
Opening net book amount	3,408	1,270	2,748	7,426
Additions	1,472	—	15	1,487
Depreciation	(609)	(203)	(864)	(1,676)
Disposals	(1)	—	—	(1)
Closing net book amount	<u>4,270</u>	<u>1,067</u>	<u>1,899</u>	<u>7,236</u>
At June 30, 2013				
Cost	6,593	1,952	3,817	12,362
Accumulated depreciation	(2,323)	(885)	(1,918)	(5,126)
Net book amount	<u>4,270</u>	<u>1,067</u>	<u>1,899</u>	<u>7,236</u>

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of revenue	60	279	510	114	221
Administration expenses	57	399	1,200	516	1,305
Selling and marketing costs	157	331	251	104	150
	<u>274</u>	<u>1,009</u>	<u>1,961</u>	<u>734</u>	<u>1,676</u>

7. Intangible assets

	Computer software
	RMB'000
Year ended December 31, 2011	
Opening net book amount	—
Additions	23
Amortization	(2)
Closing net book amount	<u>21</u>
At December 31, 2011	
Cost	23
Accumulated amortization	(2)
Net book amount	<u>21</u>
Year ended December 31, 2012	
Opening net book amount	21
Additions	908
Amortization	(58)
Closing net book amount	<u>871</u>
At December 31, 2012	
Cost	931
Accumulated amortization	(60)
Net book amount	<u>871</u>
Period ended June 30, 2013	
Opening net book amount	871
Additions	234
Amortization	(110)
Closing net book amount	<u>995</u>
At June 30, 2013	
Cost	1,165
Accumulated amortization	(170)
Net book amount	<u>995</u>

Amortization of intangible assets was charged to administrative expenses during the Relevant Periods.

8. Financial instruments by category

	Loans and receivables	Assets at fair value through profit or loss	Available- for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets per balance sheet				
Group				
At December 31, 2010				
Trade and other receivables	38,568	—	—	38,568
Cash and cash equivalents	39,196	—	—	39,196
	<u>77,764</u>	<u>—</u>	<u>—</u>	<u>77,764</u>
At December 31, 2011				
Trade and other receivables	40,323	—	—	40,323
Financial assets at fair value through profit or loss	—	73,487	—	73,487
Available-for-sale financial assets	—	—	4,600	4,600
Cash and cash equivalents	111,610	—	—	111,610
	<u>151,933</u>	<u>73,487</u>	<u>4,600</u>	<u>230,020</u>
At December 31, 2012				
Trade and other receivables	47,011	—	—	47,011
Financial assets at fair value through profit or loss	—	124,322	—	124,322
Cash and cash equivalents	274,682	—	—	274,682
	<u>321,693</u>	<u>124,322</u>	<u>—</u>	<u>446,015</u>
At June 30, 2013				
Trade and other receivables	68,734	—	—	68,734
Financial assets at fair value through profit or loss	—	217,116	—	217,116
Cash and cash equivalents	273,034	—	—	273,034
	<u>341,768</u>	<u>217,116</u>	<u>—</u>	<u>558,884</u>
Company				
At December 31, 2010				
Other receivables	133	—	—	133
Cash and cash equivalents	3,965	—	—	3,965
	<u>4,098</u>	<u>—</u>	<u>—</u>	<u>4,098</u>
At December 31, 2011				
Other receivables	417	—	—	417
Financial assets at fair value through profit or loss	—	16,998	—	16,998
Cash and cash equivalents	8,143	—	—	8,143
	<u>8,560</u>	<u>16,998</u>	<u>—</u>	<u>25,558</u>
At December 31, 2012				
Other receivables	348	—	—	348
Cash and cash equivalents	38,488	—	—	38,488
	<u>38,836</u>	<u>—</u>	<u>—</u>	<u>38,836</u>
At June 30, 2013				
Other receivables	326	—	—	326
Cash and cash equivalents	38,102	—	—	38,102
	<u>38,428</u>	<u>—</u>	<u>—</u>	<u>38,428</u>

	Liabilities at amortized cost	Liabilities at fair value	Total
	RMB'000	RMB'000	RMB'000
Liabilities per balance sheet			
Group			
At December 31, 2010			
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	1,030	—	1,030
At December 31, 2011			
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	2,960	—	2,960
Series A Preferred Shares	—	34,869	34,869
	<u>2,960</u>	<u>34,869</u>	<u>37,829</u>
At December 31, 2012			
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	16,590	—	16,590
Series A Preferred Shares	—	42,980	42,980
	<u>16,590</u>	<u>42,980</u>	<u>59,570</u>
At June 30, 2013			
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	27,380	—	27,380
Series A Preferred Shares	—	48,131	48,131
	<u>27,380</u>	<u>48,131</u>	<u>75,511</u>
Company			
At December 31, 2010			
Amounts due to subsidiaries and other payables	3,975	—	3,975
At December 31, 2011			
Amounts due to subsidiaries and other payables	4,373	—	4,373
Series A Preferred Shares	—	34,869	34,869
	<u>4,373</u>	<u>34,869</u>	<u>39,242</u>
At December 31, 2012			
Amounts due to subsidiaries and other payables	15,980	—	15,980
Series A Preferred Shares	—	42,980	42,980
	<u>15,980</u>	<u>42,980</u>	<u>58,960</u>
At June 30, 2013			
Amounts due to subsidiaries and other payables	17,188	—	17,188
Series A Preferred Shares	—	48,131	48,131
	<u>17,188</u>	<u>48,131</u>	<u>65,319</u>

9. Investments in subsidiaries and amounts due to subsidiaries — Company**(a) Investments in subsidiaries**

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Investments in subsidiaries:				
- Investment in a subsidiary (Note (i))	9	8	8	8
- Deemed investments arising from share-based compensation (Note (ii))	—	3,380	9,109	28,863
	<u>9</u>	<u>3,388</u>	<u>9,117</u>	<u>28,871</u>

Details of the subsidiaries of the Group are set out in Note 1.2 of Section II.

- (i) The Company's investment cost in a subsidiary is HKD10,000.
- (ii) The amount represents share-based compensation expenses arising from the grant of share options and RSUs of the Company to employees (Note 19) in exchange for their services provided to certain subsidiaries of the Group, which were deemed to be investment made by the Company to these subsidiaries.

(b) Amounts due to subsidiaries

The amounts due to subsidiaries as at December 31, 2010, 2011 and 2012 and June 30, 2013 represented current account balances maintained by the Company with certain subsidiaries. All balances are unsecured, interest-free and repayable on demand.

10. Investments in associates

	Year ended December 31,			Six months
	2010	2011	2012	ended
	RMB'000	RMB'000	RMB'000	June 30,
				2013
				RMB'000
At beginning of the year/period	—	2,860	10,161	8,946
Additions	3,000	3,000	1,000	—
Disposal	—	—	—	(1,146)
Share of (loss)/profit	(140)	359	(1,341)	(229)
Dilution gain	—	3,942	941	—
Impairment loss	—	—	(1,815)	—
At end of the year/period	<u>2,860</u>	<u>10,161</u>	<u>8,946</u>	<u>7,571</u>

As at December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the Group's share of the results of its investments in associates, all of which are unlisted, and the aggregated assets (including goodwill) and liabilities, are as follows:

Name	Principal activities/ Country of incorporation	Assets	Liabilities	Revenues	(Loss)/ Profit	% interest held
		RMB'000	RMB'000	RMB'000	RMB'000	
At December 31, 2010						
Shenzhen Sleet Game Co., Ltd. (深圳市雨銳互動網絡 有限公司) ("Sleet Game")	Game development/ PRC	947	—	—	(54)	35%
Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司) ("Fanhou Technology")	Game development/ PRC	1,965	52	192	(86)	30%
		<u>2,912</u>	<u>52</u>	<u>192</u>	<u>(140)</u>	
At December 31, 2011						
Sleet Game	Game development/ PRC	731	157	150	(372)	35%
Fanhou Technology	Game development/ PRC	7,300	30	2,837	1,414	24%
RaySns Technology Co., Ltd. (雷尚(北京)科技有限公司) ("RaySns Technology")	Game development/ PRC	1,597	175	215	(578)	30%
Shanghai Teqi Internet Technology Co., Ltd. (上海特奇網絡科技有限公司) ("Teqi Internet")	Game development/ PRC	896	1	—	(105)	35%
		<u>10,524</u>	<u>363</u>	<u>3,202</u>	<u>359</u>	
At December 31, 2012						
Fanhou Technology	Game development/ PRC	5,654	146	1,332	(1,762)	24%
RaySns Technology	Game development/ PRC	3,555	117	2,704	1,075	24%
Teqi Internet	Game development/ PRC	688	57	63	(264)	28%
Shenzhen Duoluo Technology Co., Ltd. (深圳多羅科技有限公司) ("Duoluo Technology")	Game development/ PRC	610	—	—	(390)	40%
		<u>10,507</u>	<u>320</u>	<u>4,099</u>	<u>(1,341)</u>	
At June 30, 2013						
Fanhou Technology	Game development/ PRC	4,534	102	927	(1,076)	24%
RaySns Technology	Game development/ PRC	3,244	105	1,323	847	16%
		<u>7,778</u>	<u>207</u>	<u>2,250</u>	<u>(229)</u>	

In December 2011, a third-party investor invested RMB19,199,000 and obtained 20% equity interest in Fanhou Technology. As a result, the Group's interest in Fanhou Technology was diluted from 30% to 24% which resulted in a dilution gain of approximately RMB3,942,000 recognized for the year ended December 31, 2011. In November 2012, a third-party investor invested RMB6,000,000 and obtained 20% equity interest in RaySns Technology. As a result, the Group's equity interest in RaySns Technology was diluted from 30% to 24%, which resulted in a dilution gain of approximately RMB941,000 recognized for the year ended December 31, 2012. The dilution gain represents the difference between the attributable carrying value of the investment deemed to be disposed of immediately prior to the third-party investor made the investment and the Group's share of the investment made by the third-party investor.

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

As a result of unfavourable operating performances exhibited by Sleet Game, Duoluo Technology and Teqi Internet, all these three investee companies reported continuous losses. Sleet Game was liquidated in 2012 while Duoluo Technology was under its liquidation process as at December 31, 2012. The directors of the Company consider that the carrying amounts of these investments were not recoverable and full impairment was made to these investments in 2012.

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

11. Available-for-sale financial assets

	Year ended December 31,			Six months ended
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
At beginning of the year/period	—	—	4,600	—
Additions	—	4,600	—	—
Impairment provision	—	—	(4,600)	—
At end of the year/period, all non- current and unlisted	—	4,600	—	—

In December 2011, the Group acquired 13% equity interest in Blingstorm Entertainment Ltd. (晶合思動(北京)科技有限公司, "Blingstorm"), which is mainly engaged in provision of mobile games in the PRC, at a consideration of RMB4,600,000. The fair value of the equity investment approximated its carrying amount as at December 31, 2011.

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

12. Deferred income tax

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

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Deferred income tax assets:				
- to be recovered within 12 months	810	2,326	2,844	3,372
Deferred income tax liabilities:				
- to be settled within 12 months	—	(11)	(410)	(261)
- to be settled after 12 months	—	(493)	(493)	(493)
	—	(504)	(903)	(754)
	810	1,822	1,941	2,618

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

	Year ended December 31,			Six months
	2010	2011	2012	ended
	RMB'000	RMB'000	RMB'000	June 30,
				RMB'000
Beginning of the year/period	—	810	1,822	1,941
Recognised in profit or loss (Note 27)	810	1,012	119	677
End of the year/period	810	1,822	1,941	2,618

Movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Deferred revenue and prepaid commission charges	Fair value changes of financial assets at fair value through profit or loss	Provision for impairment of trade receivables	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2010					
At beginning of the year	—	—	—	—	—
Credited to profit or loss	810	—	—	—	810
At end of the year	<u>810</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>810</u>
Year ended December 31, 2011					
At beginning of the year	810	—	—	—	810
Credited to profit or loss	186	90	608	632	1,516
At end of the year	<u>996</u>	<u>90</u>	<u>608</u>	<u>632</u>	<u>2,326</u>
Year ended December 31, 2012					
At beginning of the year	996	90	608	632	2,326
Credited/(charged) to profit or loss . .	1,133	(90)	(496)	(29)	518
At end of the year	<u>2,129</u>	<u>—</u>	<u>112</u>	<u>603</u>	<u>2,844</u>
Period ended June 30, 2013					
At beginning of the period	2,129	—	112	603	2,844
Credited/(charged) to profit or loss . .	1,131	—	—	(603)	528
At end of the period	<u>3,260</u>	<u>—</u>	<u>112</u>	<u>—</u>	<u>3,372</u>

Deferred income tax liabilities:

	Fair value changes of financial assets at fair value through profit or loss	Dilution gains (Note 10)	Total
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011			
At beginning of the year	—	—	—
Charged to profit or loss	11	493	504
At end of the year	<u>11</u>	<u>493</u>	<u>504</u>
Year ended December 31, 2012			
At beginning of the year	11	493	504
Charged to profit or loss	399	—	399
At end of the year	<u>410</u>	<u>493</u>	<u>903</u>
Period ended June 30, 2013			
At beginning of the period	410	493	903
Credited to profit or loss	(149)	—	(149)
At end of the period	<u>261</u>	<u>493</u>	<u>754</u>

As at June 30, 2013, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, was approximately RMB358,568,000. 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.

13. Trade receivables

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	21,729	33,158	38,924	55,500
Less: impairment provision (Note (c))	—	(4,860)	(892)	(892)
	<u>21,729</u>	<u>28,298</u>	<u>38,032</u>	<u>54,608</u>

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
0-60 days	19,478	22,521	34,138	43,510
60-90 days	2,251	3,109	2,279	4,658
90-180 days	—	2,668	1,615	5,987
Over 180 days	—	4,860	892	1,345
	<u>21,729</u>	<u>33,158</u>	<u>38,924</u>	<u>55,500</u>

- (b) As at December 31, 2010, 2011 and 2012 and June 30, 2013, trade receivables of past due but not impaired were approximately RMB2,251,000, RMB5,777,000, RMB3,894,000 and RMB11,098,000, respectively. These related to a number of independent Platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables was as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Outstanding after due dates:				
60-90 days	2,251	3,109	2,279	4,658
90-180 days	—	2,668	1,615	5,987
Over 180 days	—	—	—	453
	<u>2,251</u>	<u>5,777</u>	<u>3,894</u>	<u>11,098</u>

- (c) As at December 31, 2010, 2011 and 2012 and June 30, 2013, trade receivables of nil, RMB4,860,000, RMB892,000 and RMB892,000 were impaired. The ageing of these receivables was over 180 days as at December 31, 2010, 2011 and 2012 and June 30, 2013. Movements on the Group's provision for impairment of trade receivables are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	—	—	4,860	892
Provision/(reversal of provision) for impairment	—	4,860	(3,968)	—
At end of the year/period	<u>—</u>	<u>4,860</u>	<u>892</u>	<u>892</u>

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

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	6,832	6,810	7,495	16,550
HKD	—	1,928	1,265	1,231
USD	4,897	8,368	20,861	21,131
Thai Bahts	—	4,296	3,392	10,201
New Taiwan Dollars	10,000	6,785	4,128	2,712
Other currencies	—	111	891	2,783
	<u>21,729</u>	<u>28,298</u>	<u>38,032</u>	<u>54,608</u>

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

14. Prepayments and other receivables

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Included in non-current assets				
Loans to employees (Note (i))	—	1,000	2,649	5,225
Prepayment for leasehold improvement expenditure	—	—	—	1,348
Prepayment for purchase of motor vehicles ...	—	—	—	680
	<u>—</u>	<u>1,000</u>	<u>2,649</u>	<u>7,253</u>
Included in current assets				
Prepaid commission charges	3,740	4,046	6,934	10,304
Loans to employees (Note (i))	260	689	4,504	3,664
Prepayment for advertising costs	—	2,126	1,766	3,658
Amount due from a related party (Note 31) ...	7,803	9,317	—	—
Amount due from a third party payment vendor (Note (ii))	7,397	151	852	847
Prepayment for listing-related expenses	—	—	—	3,535
Others	1,379	868	974	4,390
	<u>20,579</u>	<u>17,197</u>	<u>15,030</u>	<u>26,398</u>
	<u>20,579</u>	<u>18,197</u>	<u>17,679</u>	<u>33,651</u>

Notes:

- (i) Loans to employees mainly represent advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and repayable on demand except that RMB1,000,000, RMB2,649,000 and RMB5,225,000 are required to be repaid in 2 to 10 years as at December 31, 2011 and 2012 and June 30, 2013, respectively.
- (ii) This represented the balance of the Group's account maintained with a third party payment agent, which was interest-free and can be withdrawn at any time at the Group's discretion.

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

15. Financial assets at fair value through profit or loss

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Group				
Included in non-current assets				
- Quoted investments	—	5,050	5,170	—
- Non-quoted investments	—	—	2,067	7,000
	—	5,050	7,237	7,000
Included in current assets				
- Quoted investments	—	44,286	32,228	—
- Non-quoted investments	—	24,151	84,857	210,116
	—	68,437	117,085	210,116
	—	73,487	124,322	217,116
Company				
Included in current assets				
- Quoted investments	—	16,998	—	—

The above investments mainly represent investments in certain financial investment products issued by certain state-owned financial institutions and commercial banks in the PRC and Hong Kong. They were classified as fair value through profit or loss upon initial recognition. Changes in fair values (realized and unrealized) of these financial assets had been recognized in “other (losses)/gains — net” in the consolidated statements of comprehensive income (Note 25).

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

As at December 31, 2012 and June 30, 2013, all financial investment products of the Company described above had been settled.

16. Cash and cash equivalents

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Group				
Cash at bank and in hand	<u>39,196</u>	<u>111,610</u>	<u>274,682</u>	<u>273,034</u>
Company				
Cash at bank and in hand	<u>3,965</u>	<u>8,143</u>	<u>38,488</u>	<u>38,102</u>

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Group				
RMB	14,447	45,421	160,231	234,321
HKD	20,513	10,346	35,968	3,433
USD	3,992	55,583	76,790	33,761
Others	<u>244</u>	<u>260</u>	<u>1,693</u>	<u>1,519</u>
	<u>39,196</u>	<u>111,610</u>	<u>274,682</u>	<u>273,034</u>
Company				
RMB	—	—	5,215	34,398
HKD	6	2,505	11,072	417
USD	<u>3,959</u>	<u>5,638</u>	<u>22,201</u>	<u>3,287</u>
	<u>3,965</u>	<u>8,143</u>	<u>38,488</u>	<u>38,102</u>

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

17. Share capital

	Note	Number of ordinary shares (in thousands)	Nominal value of ordinary shares USD'000	Number of preferred shares (in thousands)	Nominal value of preferred shares USD'000
Authorized:					
Ordinary shares upon incorporation	(a)	50,000	50	—	—
As at December 31, 2010		50,000	50	—	—
Issuance of preferred shares	(b)	—	—	6,479	6,000
First Share Split	(c)	50,000	—	6,479	—
Second Share Split	(c)	400,000	—	51,831	—
As at December 31, 2011		500,000	50	64,789	6,000
Third Share Split	(c)	500,000	—	64,789	—
As at December 31, 2012 and June 30, 2013		1,000,000	50	129,578	6,000
	Note	Number of shares (in thousands)	Nominal value of shares USD'000	Equivalent nominal value of share RMB'000	
Issued and paid:					
Issue of ordinary shares	(a)	20,000	20	137	
As at December 31, 2010		20,000	20	137	
Repurchase of ordinary shares	(b)	(2,000)	(2)	(14)	
First Share Split	(c)	18,000	—	—	
Second Share Split	(c)	144,000	—	—	
As at December 31, 2011		180,000	18	123	
Third Share Split	(c)	180,000	—	—	
As at December 31, 2012 and June 30, 2013		360,000	18	123	

- (a) The Company was incorporated on June 14, 2010 with an authorized share capital of USD50,000 divided into 50,000,000 ordinary shares of USD0.001 each. On the same date, 20,000,000 ordinary shares of USD0.001 each were issued, totalling USD20,000 (equivalent to approximately RMB137,000), to the Shareholders' Companies.
- (b) On September 30, 2010, the Company and Sequoia Capital entered into a share purchase agreement ("SPA") under which the Company issued 6,478,873 Series A Preferred Shares (Note 22) at a price of USD0.9261 per share with a total consideration of USD6,000,084 (equivalent to approximately RMB39,805,000) to Sequoia Capital on January 7, 2011.

As a closing condition to the SPA and on January 7, 2011, the Company repurchased 2,000,000 of its ordinary shares which were previously held by Cagico Technology at a price of USD1.35 per share (the "Repurchase"). Cagico Technology was wholly owned by Ms. Hu Huan, an angel investor of the Company. The repurchased ordinary shares were cancelled immediately and the share capital of the Company was reduced by USD2,000 (equivalent to approximately RMB14,000). 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 its then shareholder. The difference of USD2,698,000 (equivalent to approximately RMB17,899,000) between the repurchase amount and the carrying value of related share capital was debited to "other reserves".

Also as a closing condition to the SPA and on January 7, 2011, the Founder, Sequoia Capital and the Company, entered into a share restriction agreement ("Share Restriction Agreement"). Pursuant to the Share Restriction Agreement, certain ordinary shares ("Restricted Shares") of the Company held by the Founder shall be subject to vesting conditions and repurchase right of

the Company until the Restricted Shares become vested. The Restricted Shares shall automatically vest on the Founder and be released from the restrictions over a period of 48 months after the closing of the SPA in 48 monthly equal lots provided that the Founder remains as an employee of the Group at the time of vesting. Vesting of all Restricted Shares will be accelerated upon the completion of a qualified IPO or trade sale. The Qualified IPO is defined as the closing of a firm commitment underwritten public offering of ordinary shares of the Company and the listing of such ordinary shares on a reputable international stock exchange (including without limitation stock exchanges in the United States, Hong Kong and Singapore, or any other stock exchange that is approved by the Board) at a public offering price per share (prior to underwriting commissions and related expenses) that values the Company at not less than US\$300 million, based upon the terms of the agreement signed among the Company and its members (as adjusted for splits, combinations, and so forth) and with aggregate gross cash proceeds to the Company (before deduction of underwriting discounts and registration expenses) in respect of all such ordinary shares so offered of no less than US\$50 million.

The restrictions and vesting of these shares do not give rise to any additional value and benefits to the Founder and therefore the arrangement has not been accounted for as share-based payments in accordance IFRS 2. As of June 30, 2013, 82,605,638 Restricted Shares (adjusted as a result of the three share splits described below) were yet to be vested and still subject to repurchase right of the Company.

- (c) On April 4, 2011, November 23, 2011 and March 2, 2012, the board of directors of the Company approved three share splits of the Company's share capital at a ratio of 1 to 2 (the "First Share Split"), 1 to 5 (the "Second Share Split") and 1 to 2 (the "Third Share Split"), respectively. As a result, the authorized share capital, after the three Share Splits, became USD50,000 which was divided into 1,000,000,000 ordinary shares of par value of USD0.00005 each and 129,577,460 preferred shares of par value of USD0.00005 each, while the issued share capital became USD18,000 which was divided into 360,000,000 ordinary shares of par value of USD0.00005 each and 129,577,460 preferred shares of par value of USD0.00005 each.

All the per share information in "Share-based payments" (Note 19) and "Earnings per share" (Note 28) has been adjusted retrospectively as if the aggregate effects of the three Share Splits had taken place at the beginning of the Relevant Periods.

18. Reserves

	Capital reserve	Currency translation differences	Statutory surplus reserve fund	Equity component of the	Share-based compensation reserve	Other reserves	Total
				Series A Preferred Shares			
	RMB'000	RMB'000	(Note (i)) RMB'000	(Note 22) RMB'000	(Note 19) RMB'000	(Note 17(b)) RMB'000	RMB'000
Group							
Balance at January 1, 2010 .	2,000	—	511	—	—	—	2,511
Appropriation to statutory reserves	—	—	489	—	—	—	489
Currency translation differences	—	515	—	—	—	—	515
Balance at December 31, 2010	2,000	515	1,000	—	—	—	3,515
Repurchase of ordinary shares	—	—	—	—	—	(17,899)	(17,899)
Issuance of Series A Preferred Shares	—	—	—	16,061	—	—	16,061
Appropriation to statutory reserves	—	—	5,494	—	—	—	5,494
Employee share option scheme - value of employee services	—	—	—	—	3,380	—	3,380
Currency translation differences	—	241	—	—	—	—	241
Balance at December 31, 2011	2,000	756	6,494	16,061	3,380	(17,899)	10,792
Appropriation to statutory reserves	—	—	14,506	—	—	—	14,506
Employee share option scheme - value of employee services	—	—	—	—	5,729	—	5,729
Currency translation differences	—	11	—	—	—	—	11
Balance at December 31, 2012	2,000	767	21,000	16,061	9,109	(17,899)	31,038
Balance at January 1, 2013 .	2,000	767	21,000	16,061	9,109	(17,899)	31,038
Employee share option scheme - value of employee services	—	—	—	—	19,754	—	19,754
Currency translation differences	—	(2,211)	—	—	—	—	(2,211)
Balance at June 30, 2013 . .	2,000	(1,444)	21,000	16,061	28,863	(17,899)	48,581

	Currency translation differences	Equity component of the Series A Preferred Shares	Share-based compensation reserve	Other reserves	Total
	RMB'000	(Note 22) RMB'000	(Note 19) RMB'000	(Note 17(b)) RMB'000	RMB'000
Company					
Balance at January 1, 2010	—	—	—	—	—
Currency translation differences	(3)	—	—	—	(3)
Balance at December 31, 2010	(3)	—	—	—	(3)
Repurchase of ordinary shares	—	—	—	(17,899)	(17,899)
Issuance of Series A Preferred Shares	—	16,061	—	—	16,061
Employee share option scheme - value of employee services	—	—	3,380	—	3,380
Currency translation differences	560	—	—	—	560
Balance at December 31, 2011	557	16,061	3,380	(17,899)	2,099
Employee share option scheme - value of employee services	—	—	5,729	—	5,729
Currency translation differences	3	—	—	—	3
Balance at December 31, 2012	560	16,061	9,109	(17,899)	7,831
Balance at January 1, 2013	560	16,061	9,109	(17,899)	7,831
Employee share option scheme - value of employee services	—	—	19,754	—	19,754
Currency translation differences	196	—	—	—	196
Balance at June 30, 2013	756	16,061	28,863	(17,899)	27,781

Notes:

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

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

19. Share-based payments**(a) Share options**

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

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

(i) Grant of share options

On February 1, 2011, March 2, 2012, July 1, 2012 and November 1, 2012, the Group granted 2,520,750 (“Tranche I”), 775,000 (“Tranche II”), 1,180,000 (“Tranche III”) and 6,760,563 (“Tranche IV”) share options to its employees and directors, respectively.

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

The options may be exercised provided that the grantees continue to be employed by the Group and the occurrence of an exit event which includes: (i) a listing of the Company’s shares on a recognized stock exchange, or (ii) a sale of all or substantially all of the issued share capital of the Company, or (iii) a sale by the Company of all or substantially all of its assets (but excluding any internal reorganization); or (iv) a liquidation event as defined in the Pre-IPO Share Option Scheme.

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

(ii) Replacement of certain share options with RSUs

On March 4, 2013, the Group modified the then existing share option scheme such that 25,195,000, 362,500, 590,000 and 3,380,282 of share options granted under Tranche I, Tranche II, Tranche III and Tranche IV of the scheme, respectively, were replaced by the same number of RSUs under the RSU Scheme (see Note (b) below). The major changes as a result of the above modification represented the revision of the exercise price to zero. The modification resulted in an aggregate incremental fair value of approximately RMB9,700,000.

(iii) *Outstanding share options*

Movements in the number of share options outstanding:

	Number of share options		
	Year ended December 31,		Six months ended June 30,
	2011	2012	2013
At beginning of year/period	—	50,415,000	59,130,563
Granted	50,415,000	8,715,563	—
Lapsed	—	—	(75,000)
Transferred to RSUs	—	—	(29,527,782)
At end of year/period	<u>50,415,000</u>	<u>59,130,563</u>	<u>29,527,781</u>

None of the above awarded share options were exercised during the Relevant Periods.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at December 31, 2011 and 2012 and June 30, 2013, after taking into consideration of the effects of the three Share Splits as described in Note 17(c), are as follows:

Expiry Date	Exercise price	Number of share options		
		As at December 31,		As at June 30,
		2011	2012	2013
Tranche I	USD0.05	50,415,000	50,415,000	25,195,000
Tranche II	USD0.10	—	775,000	362,500
Tranche III	USD0.15	—	1,180,000	590,000
Tranche IV	USD0.15	—	6,760,563	3,380,281
		<u>50,415,000</u>	<u>59,130,563</u>	<u>29,527,781</u>

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

(b) **RSUs**

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

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

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

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

If the Listing does not happen by the first anniversary of the date of grant of the RSUs (that is, 4 March 2014), the vesting schedule shall be extended so that the first vesting shall take effect on the date of Listing and the remaining vestings shall be extended correspondingly. If an effective resolution is passed during the RSU Scheme period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately.

The total number of RSUs granted to employees and directors as replacement of previously granted share options and the new awards made to employees and directors was 80,044,565. None of the RSUs were lapsed or exercised during the six months ended June 30, 2013.

(c) Fair value of share options and RSUs

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

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

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

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

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

(d) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the statements of comprehensive income. As at December 31, 2011 and 2012 and June 30, 2013, the Expected Retention Rate was assessed to be 100%, 100% and 90%, respectively.

(e) Issue of Series A Preferred Shares accounted for as share-based payment transactions

Refer to Note 22 on share-based payments accounting applied to the issuance of Series A Preferred Shares.

20. Trade and other payables

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Trade payables	—	644	484	1,145
Other taxes payable	9,066	18,628	31,780	36,872
Salary and staff welfare payables	1,496	6,161	11,526	3,767
Accrued expenses	—	1,935	14,557	20,436
Advance received from sales of prepaid game cards	—	936	3,075	2,881
Dividends payable	994	—	—	—
Others	36	381	1,549	5,799
	<u>11,592</u>	<u>28,685</u>	<u>62,971</u>	<u>70,900</u>

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

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
0-180 days	—	630	467	1,103
Over 180 days	—	14	17	42
	<u>—</u>	<u>644</u>	<u>484</u>	<u>1,145</u>

21. Deferred revenue

Deferred revenue represented service fees prepaid by the game players for the Group's online games in the forms of prepaid game cards, Game Tokens and virtual items, for which the related services had not been rendered as at December 31, 2010, 2011 and 2012 and June 30, 2013.

22. Series A Preferred Shares

On September 30, 2010, the Company entered into a share purchase agreement with Sequoia Capital and pursuant to which, the Company issued 6,478,873 shares of Series A Preferred Shares at a price of USD0.9261 per share with total amount of USD6,000,084 (equivalent to approximately RMB39,805,000). The issuance of the Series A Preferred Shares closed on January 7, 2011. The key terms of the Series A Preferred Shares are summarized as follows:

(a) Dividends rights

Each holder of the Series A Preferred Shares and of the ordinary share shall have the following rights to dividends. Dividends shall be ratably declared and paid to holders of Series A Preferred Shares and holders of ordinary shares based on the number of ordinary shares held by each such holder as if all the Series A Preferred Shares were converted into ordinary shares, or on an as-if converted basis. No dividends or other distributions in any calendar year, whether in cash, property or securities (other than in ordinary shares) shall be paid to the holders of ordinary shares unless all declared but unpaid dividends on shares of the Series A Preferred Shares shall have been paid or set aside for payment.

(b) Voting rights

Each holder of the Series A Preferred Shares shall have a right to that number of votes equal to the number of ordinary shares issuable as if the Series A Preferred Shares have been converted into ordinary shares.

(c) Conversion feature

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

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

(d) Redemption feature

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

(e) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or any Deemed Liquidation Event (defined below):

- (i) The holders of the Series A Preferred Shares then outstanding shall be entitled to receive, prior and in preference to any distribution to the holders of the ordinary shares, out of any funds and assets of the Company legally available for distribution, (i) an amount equals to 100% of the original purchase price applicable to Series A Preferred Shares plus (ii) all accrued or declared but unpaid dividends thereon (the "Liquidation Preference"). If the Company has insufficient assets to permit payment of the Liquidation Preference in full to all holders of Series A Preferred Shares then outstanding, then the assets of the Company shall be distributed ratably to the holders of the Series A Preferred Shares then outstanding.
- (ii) After the full liquidation preference on all outstanding Series A Preferred Shares has been paid, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed pro rata among all the holders of the shares of the Company on an as-if converted basis.

A liquidation, dissolution or winding up of the Company (a "Deemed Liquidation Event") shall be deemed to be occasioned by, or to include:

- (i) The acquisition of the Company or any of its subsidiaries by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation) that results in the transfer of fifty percent (50%) or more of the outstanding voting power of the Company or the relevant Subsidiary or Subsidiaries; or
- (ii) a sale, lease or other disposition of all or substantially all of the assets of the Company or any of its Subsidiaries.

Upon such a Deemed Liquidation Event, the holders of Series A Preferred Shares shall be paid in cash or in securities received from the acquiring company or companies, or in a combination thereof, at the closing of any such transaction as if all consideration received by the Company and/or its shareholders in connection with such event were being distributed in a liquidation of the Company. With a resolution passed by the shareholders on June 21, 2013, the above Deemed Liquidation Event clause was waived by the shareholders of the Company.

In conjunction with the issuance of the Series A Preferred Shares, Sequoia Capital also undertook to offer various consulting and advisory services to the Company in preparing it for the IPO. As a result, the Series A Preferred Shares were issued to Sequoia Capital at certain discount from the then assessed fair value, and these shares issued have been accounted for as share-based payments in accordance with IFRS 2. The difference between the cash consideration received by the Company and the then assessed fair value of the Series A Preferred Shares, amounting to approximately RMB4,909,000, was recognized as an expense of the Company immediately upon the issuance of the Series A Preferred Shares due to the fact that there were no vesting conditions imposed on these shares to Sequoia Capital.

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

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

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

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

	<u>RMB'000</u>
For the year ended December 31, 2011	
Nominal value of Series A Preferred Shares issued as at January 7, 2011	39,805
Add: discount offered in exchange for services.	<u>4,909</u>
Fair value of the Series A Preferred Shares issued as at January 7, 2011.	44,714
Less: equity component	<u>(16,061)</u>
Liability component as at January 7, 2011	28,653
Fair value change	7,830
Exchange gains	<u>(1,614)</u>
Liability component as at December 31, 2011	<u>34,869</u>
For the year ended December 31, 2012	
Liability component as at January 1, 2012	34,869
Fair value change	8,229
Exchange gains	<u>(118)</u>
Liability component as at December 31, 2012	<u>42,980</u>
For the period ended June 30, 2013	
Liability component as at January 1, 2013	42,980
Fair value change	5,748
Exchange gains	<u>(597)</u>
Liability component as at June 30, 2013	<u><u>48,131</u></u>

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

Key valuation assumptions used to determine the fair value of the Series A Preferred Shares and the fair value of the liability component of the Series A Preferred Shares are as follows:

	<u>January 7, 2011</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>June 30, 2013</u>
Discount rate used to determine the fair value of the liability component under the redemption feature ("Discount rate 1") . . .	18.0%	17.7%	13.0%	13.3%
Discount rate used to determine the underlying share value of the Company ("Discount rate 2")	36.3%	34.1%	28.3%	25.8%
Risk-free interest rate.	1.5%	0.3%	0.36%	0.30%
Volatility.	53.9%	48.1%	46.7%	42.1%

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

23. Expenses by nature

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Commission charges by Platforms and third party payment vendors . . .	56,260	107,368	159,615	74,965	87,879
Advertising expenses	4,572	26,408	68,330	30,795	53,928
Employee benefit expenses (excluding share-based compensation expenses) (Note 24)	6,542	23,951	54,252	22,667	27,093
Share-based compensation expenses	—	3,380	5,729	2,156	19,754
Business tax, value-added tax and related surcharges (Note (a))	6,723	14,706	21,624	11,871	8,718
Service fees relating to issuance of Series A Preferred Shares (Note 22)	—	4,909	—	—	—
Servers rental expenses	2,398	5,521	8,961	3,893	6,282
Impairment charges/(reversal of impairment charges) on trade receivables.	—	4,860	(3,968)	(3,557)	—
Auditor's remuneration.	30	172	133	28	123
Listing-related expenses	—	—	3,000	1,200	8,271
Other professional service fees	800	2,958	3,021	2,841	1,869
Depreciation of property, plant and equipments (Note 6)	274	1,009	1,961	734	1,676
Office rental expenses	355	1,255	2,498	612	1,777
Travelling and entertainment expenses	205	559	1,791	467	2,262
Other expenses	3,779	3,531	5,601	1,984	4,782
	<u>81,938</u>	<u>200,587</u>	<u>332,548</u>	<u>150,656</u>	<u>224,414</u>

Note:

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

Category	Tax rate	Basis of levies
Business tax ("BT")	5% prior to July 1, 2011 and 3% afterwards 5% prior to May 15, 2013	Revenue from provision of on-line game services Revenue from provision of on-line game related advisory services
Value-added tax ("VAT")	3% since May 15, 2013	Revenue from provision of on-line game related advisory services
City construction tax	1% prior to December 1, 2010 and 7% afterwards	Actual BT and VAT payment
Educational surcharges	3%	Actual BT and VAT payment

- (b) Research and development expenses during the Relevant Periods were analyzed as below:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Employee benefit expenses	1,993	7,164	20,435	7,656	11,203
Depreciation of property, plant and equipment	30	140	245	92	209
Rental expenses	125	163	474	165	556
	<u>2,148</u>	<u>7,467</u>	<u>21,154</u>	<u>7,913</u>	<u>11,968</u>

No research and development expenses were capitalized during the Relevant Periods.

24. Employee benefit expenses, including directors' emoluments

(a) Employee benefit expenses

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	5,616	20,083	46,366	19,617	20,526
Pension costs — defined contribution plans	830	3,327	7,031	2,880	6,073
Share-based compensation expenses	—	3,380	5,729	2,156	19,754
Others	96	541	855	170	494
	<u>6,542</u>	<u>27,331</u>	<u>59,981</u>	<u>24,823</u>	<u>46,847</u>

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

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2010 is set out as below:

Name of director	Fees	Salaries, bonus, allowance and benefits	Employer's contribution to pension scheme	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Wei (i)	—	228	6	—	234
Mr. Dai Zhikang (ii)	—	—	—	—	—
Mr. Gao Junfeng (iii)	—	—	—	—	—
Mr. Zhou Kui (iv)	—	—	—	—	—
Mr. Gao Shaofei (v)	—	—	—	—	—
Mr. Cheung Ngai Lam (vi)	—	—	—	—	—
Mr. Choi Hon Keung Simon (vii)	—	—	—	—	—

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

Name of director	Fees	Salaries, bonus, allowance and benefits	Employer's contribution to pension scheme	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Wei	—	356	6	—	362
Mr. Dai Zhikang	—	—	—	—	—
Mr. Gao Junfeng	—	—	—	—	—
Mr. Zhou Kui	—	—	—	—	—
Mr. Gao Shaofei	—	—	—	—	—
Mr. Cheung Ngai Lam	—	—	—	—	—
Mr. Choi Hon Keung Simon	—	—	—	—	—

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

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

The remuneration of each director for the six months ended June 30, 2012 is set out as below:

Name of director	Fees	Salaries, bonus, allowance and benefits	Employer's contribution to pension scheme	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Wei	—	239	6	—	245
Mr. Dai Zhikang	—	—	—	—	—
Mr. Gao Junfeng	—	—	—	—	—
Mr. Zhou Kui	—	—	—	—	—
Mr. Gao Shaofei	—	—	—	—	—
Mr. Cheung Ngai Lam	—	—	—	—	—
Mr. Choi Hon Keung Simon	—	—	—	—	—

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

Name of director	Fees	Salaries, bonus, allowance and benefits	Employer's contribution to pension scheme	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Wei	—	678	10	—	688
Mr. Dai Zhikang	—	—	—	—	—
Mr. Gao Junfeng	—	741	7	3,934	4,682
Mr. Zhou Kui	—	—	—	—	—
Mr. Gao Shaofei	—	—	—	—	—
Mr. Cheung Ngai Lam	—	—	—	—	—
Mr. Choi Hon Keung Simon	—	—	—	—	—

- (i) Mr. Zhang Wei was appointed on June 14, 2010. He is also the chief executive officer (“CEO”) of the Group.
- (ii) Mr. Dai Zhikang was appointed on August 19, 2013.
- (iii) Mr. Gao Junfeng was appointed on October 23, 2013 with effect upon the Listing.
- (iv) Mr. Zhou Kui was appointed on January 7, 2013.
- (v) Mr. Gao Shaofei was appointed on October 25, 2013.

- (vi) Mr. Cheung Ngai Lam was appointed on October 25, 2013.
- (vii) Mr. Choi Hon Keung Simon was appointed on October 25, 2013.

(c) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 include 1, 1, 1, 1 and 2 directors whose emoluments are reflected in the analysis presented above, respectively. The aggregate amounts of emoluments for the remaining four, four, four, four and three individuals for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 are set out below:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	721	839	1,847	1,161	1,744
Pension cost — defined contribution plans	11	9	12	7	28
Share-based compensation expenses	—	3,366	3,759	1,796	7,558
Other employee benefits	1	13	16	9	11
	<u>733</u>	<u>4,227</u>	<u>5,634</u>	<u>2,973</u>	<u>9,341</u>

The emoluments payable to these individuals for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Emoluments band					
Nil to HKD1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

25. Other (losses)/gains — net

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Realized/unrealized fair value gains/(losses) on financial assets at fair value through profit or loss . . .	121	(123)	10,362	3,629	4,737
Government subsidies (a)	—	1,400	8,073	1,300	413
Impairment charges on investments in associates and available-for-sale financial assets	—	—	(6,415)	(574)	—
Dilution gains arising from deemed disposal of investment in certain associates (Note 10)	—	3,942	941	—	—
Gain arising from partial disposal of an associate (Note 10)	—	—	—	—	854
Foreign exchange (losses)/gains, net	(1,640)	(3,084)	(702)	231	178
Loss on disposals of property, plant and equipments	—	—	(41)	—	(1)
Others	—	18	(871)	(13)	(124)
	<u>(1,519)</u>	<u>2,153</u>	<u>11,347</u>	<u>4,573</u>	<u>6,057</u>

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

26. Finance income/(costs) — net

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance income					
Interest income	18	184	510	185	1,405
Finance costs					
Fair value change of liability component of Series A Preferred Shares	—	(7,830)	(8,229)	(6,312)	(5,748)
Foreign exchange losses, net	—	(651)	(3)	(523)	(1,594)
	—	(8,481)	(8,232)	(6,835)	(7,342)
Finance income/(costs) — net	<u>18</u>	<u>(8,297)</u>	<u>(7,722)</u>	<u>(6,650)</u>	<u>(5,937)</u>

27. Income tax (credit)/expense

The income tax expense of the Group for each of the years ended December 31, 2010, 2011 and 2012 is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	236	24,440	44,809	21,876	14,921
Deferred tax (Note 12)	(810)	(1,012)	(119)	488	(677)
	<u>(574)</u>	<u>23,428</u>	<u>44,690</u>	<u>22,364</u>	<u>14,244</u>

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax during the Relevant Periods. It has been provided for at the rate of 16.5% on the estimated assessable profits for each of the years ended December 31, 2010, 2011 and 2012.

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

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa Shenzhen qualified as a "High and New Technology Enterprise" ("HNTE") under the Corporate Income Tax Law in 2010. In addition, according to relevant tax regulations, Boyaa Shenzhen is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generated in prior years. Therefore, the actual income tax rate for Boyaa Shenzhen was nil, 12%, 12.5% and 12.5% for the years ended December 31, 2010, 2011, 2012 and 2013 respectively.

In April 2013, Boyaa PRC filed its application for HNTE qualification with the related government authorities and such application had not been approved up to June 30, 2013. Subsequently in July 2013, the application was approved by the related government authorities and such approval was announced to the public for comments. According to the CIT law, Boyaa PRC will be entitled to a preferential income tax rate at 15% for three years starting from the year when it obtains the HNTE qualification. For the six months ended June 30, 2013, the Group still applied the tax rate of 25% to accrue for the CIT of Boyaa PRC.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Boyaa Shenzhen has claimed such Super Deduction in ascertaining its tax assessable profits for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013.

(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%.

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax	72,560	111,487	187,481	90,423	84,404
Add: Share of loss/(profit) of associates	140	(359)	1,341	157	229
	<u>72,700</u>	<u>111,128</u>	<u>188,822</u>	<u>90,580</u>	<u>84,633</u>
Tax calculated at a tax rate of 25% (2013: 25%, 2012: 25%, 2011: 24%, 2010: 22%)	15,994	26,671	47,206	22,645	21,158
Effect of tax holiday on assessable profits of subsidiaries	(16,495)	(5,907)	(4,045)	(2,748)	(12,598)
Effect of different tax rates available to different subsidiaries of the Group	(78)	695	70	568	(548)
Expenses not deductible for tax purposes	5	2,341	2,098	2,218	6,686
Effect of Super Deduction	—	(372)	(639)	(319)	(454)
Income tax (credit)/expense	<u>(574)</u>	<u>23,428</u>	<u>44,690</u>	<u>22,364</u>	<u>14,244</u>

28. Earnings per share

For the purpose of computing basic and diluted 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 changes in the number of ordinary shares outstanding as a result of the First, Second and Third Share Splits described in Note 17 above in the computation of both basic and diluted earnings per share for the Relevant Periods.

(a) Basic

Basic earnings per share for each of the years ended December 31, 2010, 2011 and 2012 are calculated by dividing the profit of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each respective year.

	Year ended December 31			Six months ended June 30	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit attributable to equity holders of the Company	73,134	88,059	142,791	68,059	70,160
Weighted average number of ordinary shares in issue (thousand shares) (Note (i))	<u>400,000</u>	<u>169,960</u>	<u>215,560</u>	<u>206,300</u>	<u>261,370</u>
Basic earnings per share (expressed in RMB cents per share)	<u>18.28</u>	<u>51.81</u>	<u>66.24</u>	<u>32.99</u>	<u>26.84</u>

- (i) As described in Note 17(b), in connection with the issuance of Series A Preferred Shares on January 7, 2011, the Founder's ordinary shares were put on escrow with the Company as Restricted Shares (as defined in Note 17(b)). 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 each of the years ended December 31, 2011 and 2012 until the date the shares are no longer subject to recall. Had these shares not been put on escrow with the Company as Restricted Shares, the weighted average number of ordinary shares in issue for each of the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013 for purpose of computing the basic earnings per share would be 360,657,534, 360,000,000 and 360,000,000, respectively, and the basic earnings per share would be RMB23.03 cents per share, RMB36.89 cents per share and RMB19.49 cents per share for each of the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, respectively.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares for the year ended December 31, 2010. For each of the years ended December 31, 2011 and 2012, the Company has two categories of dilutive potential ordinary shares, the Restricted Shares and Series A Preferred Shares. Share options and RSUs are not considered as dilutive potential ordinary shares as they

are issuable contingently upon the occurrence of an exit event and upon the occurrence of the Listing or voluntary winding up of the Company, respectively, as described in Note 19 above. 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 change in the liability component.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit attributable to equity holders of the Company	73,134	88,059	142,791	68,059	70,160
Fair value change in the liability component of the Series A Preferred Shares	—	7,830	8,229	6,312	5,748
Profit used to determine diluted earnings per share	<u>73,134</u>	<u>95,889</u>	<u>151,020</u>	<u>74,371</u>	<u>75,908</u>
Weighted average number of ordinary shares in issue (thousand shares)	400,000	169,960	215,560	206,300	261,370
Adjustment for restricted shares (thousand shares)	—	190,697	144,440	153,700	98,630
Adjustments for conversion of Series A Preferred Shares (thousand shares)	—	<u>127,447</u>	<u>129,577</u>	<u>129,577</u>	<u>129,577</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	<u>400,000</u>	<u>488,104</u>	<u>489,577</u>	<u>489,577</u>	<u>489,577</u>
Diluted earnings per share (expressed in RMB cents per share)	<u>18.28</u>	<u>19.65</u>	<u>30.85</u>	<u>15.19</u>	<u>15.50</u>

Note:

All per share information has been adjusted retroactively as if the aggregate effect of the three share splits as described in Note 17(c) above had taken place at the beginning of the Relevant Periods.

29. Dividends

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividend	<u>16,832</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The above dividends were declared and paid by a subsidiary of the Group. No dividends have been paid or declared by the Company since its incorporation.

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.

30. Cash generated from operations

	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
Profit before income tax	72,560	111,487	187,481	90,423	84,404
Adjustments for:					
- Impairment charges/(reversal of impairment charges) on trade receivables (Note 23)	—	4,860	(3,968)	(3,557)	—
- Impairment charges on investment in associates and available-for-sale financial assets (Note 25)	—	—	6,415	574	—
- Depreciation of property, plant and equipment (Note 6)	274	1,009	1,961	734	1,676
- Amortization of intangible assets (Note 7)	—	2	58	9	110
- Service fees relating to issuance of Series A Preferred Shares (Note 22)	—	4,909	—	—	—
- Loss on disposals of property, plant and equipment (Note 25)	—	—	41	—	1
- Share-based payments (Note 24)	—	3,380	5,729	2,156	19,754
- Realized and unrealized fair value (gains)/losses on financial assets at fair value through profit or loss (Note 25)	(121)	123	(10,362)	(3,629)	(4,737)
- Gains on partial disposal of an associate (Note 10)	—	—	—	—	(854)
- Fair value charge of the liability component of Series A Preferred Shares (Note 26)	—	7,830	8,229	6,312	5,748
- Share of loss/(profit) of associates	140	(359)	1,407	157	229
- Dilution gain (Note 10)	—	(3,942)	(941)	—	—
- Interest income (Note 26)	(18)	(184)	(510)	(185)	(1,405)
- Foreign exchange losses, net	—	651	3	523	1,594
	<u>72,835</u>	<u>129,766</u>	<u>195,543</u>	<u>93,517</u>	<u>106,520</u>
Changes in working capital:					
- Trade receivables	(20,119)	(11,429)	(5,766)	(4,270)	(16,576)
- Prepayments and other receivables	(18,333)	1,960	(7,482)	(5,299)	(12,266)
- Trade and other payables	10,226	16,715	34,113	19,040	4,950
- Deferred revenue	9,156	1,526	11,949	5,585	12,421
Cash generated from operations	<u>53,765</u>	<u>138,538</u>	<u>228,357</u>	<u>108,573</u>	<u>95,049</u>

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

	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
Net book amount (Note 6)	—	—	41	—	1
Loss on disposals (Note 25)	—	—	(41)	—	(1)
Proceeds from disposals	—	—	—	—	—

31. Significant related party transactions

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the Relevant Periods. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Discontinued related party transactions

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

	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
Beijing Qihu Technology Company Limited (“Beijing Qihu”)	2,482	1,863	209	209	—
Beijing Star World Technology Co., Ltd. (“Beijing Star World”)	—	—	776	259	—
	<u>2,482</u>	<u>1,863</u>	<u>985</u>	<u>468</u>	<u>—</u>

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

(b) Balances with related parties

Amount due from a related party:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
The Founder	<u>7,803</u>	<u>9,317</u>	<u>—</u>	<u>—</u>

The amount due from the Founder as at December 31, 2010 and 2011 was unsecured, interest-free and repayable on demand.

During 2012, the Founder made an additional capital contribution of RMB8 million (the “Additional Capital Contribution”) into Boyaa Shenzhen on behalf of the Group, which was offset against the amount due from the Founder as at December 31, 2012.

In May 2013, a loan agreement was entered into between the Group and the Founder (the “Loan Agreement”). Pursuant to the provisions of the Loan Agreement, the Group shall extend a loan of RMB8 million to the Founder for the purpose of repaying the RMB8 million of funding which the Founder borrowed for the Additional Capital Contribution. The loan is of an initial term of 10 years, automatically renewable for another 10 years upon maturity and it is interest-free.

The maximum amounts due from related parties during the Relevant Periods were as follows:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
The Founder	<u>7,803</u>	<u>9,647</u>	<u>9,327</u>	<u>—</u>

(c) **Key management personnel compensations**

The compensations paid or payable to key management personnel (including directors, CEO and other senior executives) 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
Salaries, bonuses, allowances and benefits in kind	617	1,041	2,167	1,140	2,422
Contributions to pension plans	14	30	37	17	49
Share-based compensation expenses	<u>—</u>	<u>2,992</u>	<u>3,759</u>	<u>1,597</u>	<u>7,558</u>
	<u>631</u>	<u>4,063</u>	<u>5,963</u>	<u>2,754</u>	<u>10,029</u>

32. Commitments

Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 4 months to 3 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than 1 year	575	3,083	3,487	7,719
Later than 1 year and not later than 5 years	—	744	969	11,914
	<u>575</u>	<u>3,827</u>	<u>4,456</u>	<u>19,633</u>

33. Events after the balance sheet date

- (a) Boyaa BVI was incorporated in the BVI with limited liability on August 13, 2013 to act as an intermediate holding company of the Group. Details are set out in Note 1.2 of Section II headed "History and reorganization of the Group".
- (b) On October 11, 2013, the Company entered into a trust deed with the RSU Trustee and the RSU Nominee. Details of the RSU Trustee and the RSU Nominee and the shares issued and transferred to the RSU Nominee are set out in Note 1.2 of Section II headed "History and reorganization of the Group".
- (c) Pursuant to a resolution passed by the shareholders of the Company on October 23, 2013, the Company set up a post-IPO share option scheme (the "Post-IPO Share Option Scheme"). The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.
- (d) Pursuant to a resolution passed by the Board of Directors of the Company on October 25, 2013, all of the 129,577,460 Series A Preferred Shares will be converted into 129,577,460 ordinary shares on a one-for-one basis immediately prior to the Listing.

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. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong

The following information does not form part of the Accountant's Report from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at June 30, 2013 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013	Estimated net proceeds from the Global Offering	Estimated impact to consolidated net tangible assets of the Group upon the conversion of the Series A Preferred Shares	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000	RMB (Note 4)	HK\$
Based on an Offer Price of HK\$4.55 per Share	<u>389,132</u>	<u>589,994</u>	<u>48,131</u>	<u>1,027,257</u>	<u>1.39</u>	<u>1.75</u>
Based on an Offer Price of HK\$5.60 per Share	<u>389,132</u>	<u>732,131</u>	<u>48,131</u>	<u>1,169,394</u>	<u>1.59</u>	<u>1.99</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at June 30, 2013 of RMB390,127,000 with an adjustment for the intangible assets as at June 30, 2013 of RMB995,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$4.55 and HK\$5.60 per Share after deduction of the underwriting fees and commissions and other estimated listing-related expenses (excluding listing-related expenses of approximately RMB11,271,000 which have been accounted for prior to June 30, 2013) payable by the Company and takes no account of any Shares which may be issued and allotted upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue Shares or to repurchase Shares as described in the section headed "Share Capital" or any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued pursuant to the RSU Scheme.
- (3) Upon the Global Offering, 129,577,460 shares of Series A Preferred Shares will be automatically converted to the Shares on a one-to-one basis under which the carrying amounts of the Series A Preferred Shares recorded as a liability of the Company will be transferred to the Company's equity.

- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 737,559,124 Shares were in issue assuming that the Global Offering had been completed on June 30, 2013 but takes no account of any Shares which may be issued and allotted upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue Shares or to repurchase Shares as described in the section headed “Share Capital” or any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued pursuant to RSU Scheme.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2013.
- (6) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.0000 to RMB0.7966.

B. LETTER FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A
PROSPECTUS****TO THE DIRECTORS OF BOYAA INTERACTIVE INTERNATIONAL LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Boyaa Interactive International Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at June 30, 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated October 31, 2013, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at June 30, 2013 as if the proposed initial public offering had taken place at June 30, 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information as at June 30, 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, October 31, 2013

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on October 23, 2013 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection” in Appendix V to this prospectus.

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on October 23, 2013 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company shall be US\$100,000 divided into 2,000,000,000 shares of US\$0.00005 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

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(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

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- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but

so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution — majority required*

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of

the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

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2.8 *Annual general meetings*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 *Notice of meetings and business to be conducted thereat*

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

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Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on at least 10 business days' notice being given by announcement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney authorized in writing or if the appointer is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 *Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on at least 10 business days' notice being given by announcement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period

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of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated under the laws of the BVI on June 14, 2010 and redomiciled to the Cayman Islands as an exempted company with limited liability on June 7, 2013 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

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Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

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12. Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (*i.e.*, the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may apply for and expect to obtain an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

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21. General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

Our Company was incorporated in the BVI as a BVI business company under the BVI Business Companies Act, 2004 on June 14, 2010. In anticipation of the Listing, we redomiciled our Company to the Cayman Islands on June 7, 2013 and our Company is now existing as an exempted company with limited liability under Cayman Companies Law. Our Company has established a place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on September 19, 2013. Lai Siu Kuen has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was redomiciled to and now registered in the Cayman Islands, its operations is subject to the Cayman Companies Law and to the Memorandum and Articles of Association. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Associations are set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company was authorized to issue a maximum of 50,000,000 shares of US\$0.001 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On June 22, 2010, we allotted and issued to Boyaa Global Limited, Emily Technology Limited, Cagico Technology Limited and Valuecode Investments Limited, 12,000,000 Shares, 4,000,000 Shares, 2,000,000 Shares and 2,000,000 Shares, respectively, at par value.
- On December 30, 2010, 6,478,873 authorized but unissued ordinary shares with a par value of US\$0.001 each were re-designated as 6,478,873 authorized but unissued series A preferred shares.
- On January 7, 2011, we allotted and issued a total of 6,478,873 Series A Preferred Shares to the Pre-IPO Investors at a consideration of US\$6,000,000. On the same day, we repurchased and cancelled 2,000,000 ordinary shares then held by Cagico Technology Limited at a consideration of US\$2,700,000.
- On July 22, 2011, Valuecode Investments Limited transferred 2,000,000 Shares to Comsenz Holdings Limited at a nominal consideration of US\$1.00.
- On November 23, 2011, we implemented a 10-for-1 share split and the par value per share had been adjusted from US\$0.001 per share to US\$0.0001 per share. The maximum number of Shares we are authorized to issue increased from 50,000,000 shares to 500,000,000 shares which comprised of 435,211,270 ordinary shares of par value of US\$0.0001 each and 64,788,730 series A preferred shares of par value of US\$0.0001 each. The total number of issued shares in our Company increased from 24,478,873 shares to 244,788,730 shares.
- On March 2, 2012, we implemented a 2-for-1 share split and the par value per share had been adjusted from US\$0.0001 per share to US\$0.00005 per share. The maximum number of Shares we are authorized to issue was increased from 500,000,000 shares to 1,000,000,000 shares which comprised of 870,422,540 ordinary shares of par value of US\$0.00005 each and 129,577,460 Series A Preferred Shares of par value of US\$0.00005 each. The total number of issued shares in our Company increased from 244,788,730 shares to 489,577,460 shares.

- On October 23, 2013, we issued and allotted 70,967,664 Shares to the RSU Nominee at par value of US\$0.00005 each, with the consideration funded by Mr. Zhang.

Immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme, our issued share capital will be US\$36,878, divided into 737,559,124 Shares of US\$0.00005 each, all fully paid or credited as fully paid and 262,440,876 Shares of US\$0.00005 each will remain unissued.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since our establishment.

3. Resolutions in Writing of the Shareholders of Our Company Passed on October 23, 2013

Pursuant to the written resolutions passed by the Shareholders on October 23, 2013, among other things:

- (a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon Listing;
- (b) the authorized share capital of our Company was increased from US\$50,000 to US\$100,000 by the creation of an additional 1,000,000,000 Shares with a nominal value of US\$0.00005 each upon Listing;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (ii) the Offer Price being fixed on the Price Determination Date and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the New Shares pursuant to the Global Offering;
 - (ii) the proposed Listing was approved and our Directors were authorized to implement the Listing;
- (d) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles or (c) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme) and (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (f) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “Applicable Period”);

- (e) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), such mandate to remain in effect during the Applicable Period; and
- (f) the general unconditional mandate mentioned in paragraph (e) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company's share capital in issue immediately following completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme); and
- (g) the rules of the Post-IPO Share Option Scheme, the principal terms of which are set forth in "D. Share Incentive Schemes — Post-IPO Share Option Scheme in this Appendix, were approved and adopted conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Post-IPO Share Option Scheme and (ii) the commencement of trading of the Shares on the Main Board of the Stock Exchange, and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the Post-IPO Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Post-IPO Share Option Scheme.

4. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant's Report, we do not have any other subsidiaries.

The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) ***Boyaa BVI***

On August 1, 2013, Boyaa BVI was incorporated in the BVI with limited liability. Boyaa BVI is authorized to issue a maximum of 10,000 shares of US\$1.00 each, of which one share was allotted, issued and credited as fully paid to our Company on August 13, 2013.

(b) *Boyaa HK*

On August 19, 2013, Boyaa HK allotted and issued 9,999 shares at par value of HK\$1.00 each to Boyaa BVI.

(c) *Boyaa Thailand*

On June 25, 2012, Boyaa Thailand was incorporated in Thailand with a registered capital of four million Baht. The share capital of Boyaa Thailand consists of ordinary and preference shares, namely (i) Class A shares, being ordinary shares of par value of 100 Baht each, representing 49% of the entire issued share capital of Boyaa Thailand; and (ii) Class B shares, being preference shares of par value of 100 Baht each, representing 51% of the entire issued share capital of Boyaa Thailand. The preference shares shall accrue preferential right to a non-accumulated fixed dividend at the rate of 3% of its paid-up value payable each and every time that a dividend in respect of the ordinary shares is declared and payable and shall rank both as regards such dividend, in priority to all ordinary shares but shall not be entitled to any further right to participate in the profits of Boyaa Thailand. Each holder of preference shares shall have one vote for 10 shares held by him, and each holder of ordinary shares shall have one vote for each share held by him.

On June 18, 2012, a total of 19,600 ordinary shares and 20,400 preference shares were issued and allotted, and credited as fully paid.

(d) *Boyaa Shenzhen*

On May 31, 2012, the registered capital of Boyaa Shenzhen was increased from RMB2,000,000 to RMB10,000,000, which was attributable to the capital injection by Mr. Zhang in cash of RMB8,000,000.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on October 23, 2013, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the exercise of the options which were granted under the pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), such

mandate to expire at the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

(ii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iii) *Status of Repurchased Shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(iv) *Suspension of Repurchase*

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(v) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vi) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the listed company.

(b) *Reasons for Repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of Repurchases*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the repurchase mandate, on the basis of 737,559,124 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), could accordingly result in up to approximately 73,755,912 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands. Our Company has not repurchased any Shares since its incorporation.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant prescribed minimum percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the shareholders agreement dated January 7, 2011 entered into among Boyaa Interactive Limited (the "**Company**") and now renamed as Boyaa Interactive International Limited), Boyaa Interactive International Limited ("**HK Co.**" and now renamed Boyaa Interactive (Hong Kong) Limited), PRC WOFE (as defined therein), Shenzhen Dong Fang Boyaa Technology Co., Ltd., the Founder (as defined therein), the Angel Investors (as defined therein), Sequoia Capital China II L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. (collectively, the "**Investors**"), as amended pursuant to the amendment No. 1 to shareholders agreement dated August 19, 2013 entered into among the Company, HK Co., PRC WOFE (as defined therein), Shenzhen Dong Fang Boyaa Technology Co., Ltd., the Founder (as defined therein), Emily Technology Limited, Comsenz Holdings Limited and the Investors, governing certain rights and obligations of the shareholders, and the management and operation of the Company;
- (b) the investors' rights agreement dated January 7, 2011, and as amended pursuant to the amendment No. 1 to investors' rights agreement dated August 19, 2013, entered into among Boyaa Interactive Limited (the "**Company**") and now renamed as Boyaa Interactive International Limited), Sequoia Capital China II L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. (collectively, the "**Investors**") governing certain rights of the Investors and certain other matters in relation to the Company;

- (c) the share option agreement dated April 1, 2013 entered into between Boyaa Interactive International Limited (now renamed Boyaa Interactive (Hong Kong) Limited) and Mr. Ohm Ammaramorn (as the promiser) pursuant to which Mr. Ohm Ammaramorn agreed to grant to Boyaa Interactive International Limited an option to purchase the shares nos. 19601 to 40000 in Boyaa Interactive (Thailand) Limited at the par value of the Shares of 100 Baht each;
- (d) the loan agreement dated April 1, 2013 entered into between Boyaa Interactive International Limited (now renamed Boyaa Interactive (Hong Kong) Limited) (as the lender) and Mr. Ohm Ammaramorn (as the borrower) pursuant to which Boyaa Interactive International Limited agreed to lend to Mr. Ohm Ammaramorn the sum of 2,040,000 Baht;
- (e) the shares pledge agreement dated April 1, 2013 entered into between Mr. Ohm Ammaramorn (as the pledgor), Boyaa Interactive International Limited (now renamed Boyaa Interactive (Hong Kong) Limited) (as the pledgee) and Boyaa Interactive (Thailand) Limited regarding the pledge of shares in Boyaa Interactive (Thailand) Limited by Mr. Ohm Ammaramorn as collateral of the loan in the aggregate principal amount of 2,040,000 Baht lent by Boyaa Interactive International Limited to Mr. Ohm Ammaramorn;
- (f) the restated and amended exclusive business consulting and service agreement dated May 15, 2013 entered into between Boyaa On-line Game Development (Shenzhen) Co., Ltd. (博雅網絡遊戲開發(深圳)有限公司 (“**Boyaa PRC**”)) and Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (深圳市東方博雅科技有限公司) (“**Boyaa Shenzhen**”) pursuant to which Boyaa Shenzhen agreed to engage Boyaa PRC as its exclusive consultant and service provider and Boyaa Shenzhen shall pay a service fee to Boyaa PRC that equals to the profit before taxation of Boyaa Shenzhen, after offsetting the prior-year loss (if any), deducting working capital requirements, expenses and tax of Boyaa Shenzhen in any given year;
- (g) the restated and amended business operating agreement dated May 15, 2013, and as amended and supplemented by the supplemental agreement dated October 22, 2013 entered into among Boyaa PRC, Zhang Wei, Dai Zhikang and Boyaa Shenzhen pursuant to which Zhang Wei and Dai Zhikang agreed to enter into powers of attorney to unconditionally and irrevocably authorize the PRC citizen(s) among the directors and the successors of the directors of Boyaa PRC’s direct and indirect shareholders (including liquidators replacing such directors or successors), other than Mr. Zhang, Mr. Dai and their “associates” as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to the extent permissible under applicable PRC laws, to exercise all of their respective rights as a shareholder to Boyaa Shenzhen;
- (h) the exclusive option agreement dated May 15, 2013, and as amended and supplemented by the supplemental agreement dated October 22, 2013 entered into among Boyaa PRC, Zhang Wei, Dai Zhikang and Boyaa Shenzhen pursuant to which Zhang Wei and Dai Zhikang granted to Boyaa PRC or any person or entity designated by it (being Boyaa PRC’s direct and indirect shareholders or a direct or indirect subsidiary of such shareholder or an authorized director (being a PRC citizen) of any of Boyaa PRC, Boyaa PRC’s direct and indirect shareholders or a direct or indirect subsidiary of such shareholder) irrevocable options to purchase all or part of their equity interests in, and all or part of the assets of, Boyaa Shenzhen;
- (i) the restated and amended equity pledge agreement dated May 15, 2013 entered into among Boyaa PRC, Zhang Wei and Dai Zhikang pursuant to which each of Zhang Wei and Dai Zhikang agreed to pledge all of their respective equity interests in Boyaa Shenzhen to Boyaa PRC to secure performance of all their obligations and the obligations of Boyaa Shenzhen under the restated and amended exclusive business consulting and service agreement (as described in sub-paragraph (f) above), the restated and amended business operating agreement (as described in sub-paragraph (g) above), the exclusive option agreement (as described in sub-paragraph (h) above), the intellectual

properties license agreement (as described in sub-paragraph (j) below) and the loan agreement (as described in sub-paragraph (k) below) (collectively, the “**Transaction Agreements**”), and under which Boyaa PRC is entitled to exercise its rights to sell the pledged equity interests in Boyaa Shenzhen upon the breach of any of the terms of the Transaction Agreements;

- (j) the intellectual properties license agreement dated May 15, 2013 entered into between Boyaa PRC and Boyaa Shenzhen pursuant to which Boyaa PRC agrees to grant a non-exclusive license to Boyaa Shenzhen for the use of all its existing and future intellectual properties for use by Boyaa Shenzhen in its operation of the telecommunication value-added services and Internet cultural services;
- (k) the loan agreement dated May 15, 2013, and as amended and supplemented by the supplemental agreement dated October 22, 2013, entered into between Boyaa PRC and Zhang Wei pursuant to which Boyaa PRC agrees to lend an interest-free loan of RMB8,000,000 to Zhang Wei to allow him to repay the RMB8,000,000 loan which he had borrowed for the purpose of his additional capital contributions in Boyaa Shenzhen in May 2012;
- (l) the trust deed dated October 11, 2013 entered into among the Company, The Core Trust Company Limited (匯聚信託有限公司) (the “**Trustee**”) and The Core Admin Boyaa Option Limited pursuant to which The Core Admin Boyaa Option Limited agreed to hold the Shares to be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme as nominee and the Trustee agreed to act as the trustee in relation to the Pre-IPO Share Option Scheme;
- (m) the trust deed dated October 11, 2013 entered into among the Company, the Trustee and The Core Admin Boyaa RSU Limited pursuant to which The Core Admin Boyaa RSU Limited agreed to hold the underlying Shares for the RSUs granted and to be granted under the RSU Scheme as nominee and the Trustee agreed to act as the trustee in relation to the RSU Scheme;
- (n) the Deed of Non-Competition; and
- (o) the Hong Kong Underwriting Agreement.

2. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, our Company has registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Period
1.		38, 41, 42	Boyaa PRC	European Union	011078301	July 27, 2012 to July 27, 2022
2.		41	Boyaa PRC	Taiwan	01577926	May 1, 2013 to April 30, 2023
3.		42	Boyaa PRC	Taiwan	01577985	May 1, 2013 to April 30, 2023
4.		41, 42	Boyaa PRC	Turkey	201269942	August 8, 2012 to August 7, 2022
5.		41	Boyaa PRC	Taiwan	01577925	May 1, 2013 to April 30, 2023
6.		42	Boyaa PRC	Taiwan	01577984	May 1, 2013 to April 30, 2023
7.		42	Boyaa Shenzhen	PRC	5351485	September 14, 2009 to September 13, 2019
8.		38	Boyaa Shenzhen	PRC	5351484	October 21, 2009 to October 20, 2019
9.		42	Boyaa Shenzhen	PRC	5351483	March 14, 2010 to March 13, 2020
10.		41	Boyaa Shenzhen*	PRC	9768617	October 14, 2012 to October 13, 2022

* In the process of being transferred from Boyaa Shenzhen to Boyaa PRC.

As of the Latest Practicable Date, our Company has applied for the registration of the following trademarks and/or service marks:










No.	Trademark/ service mark	Class	Name of Applicant	Place of Application	Application Number	Application Date
1.		38	Boyaa Shenzhen*	PRC	11271570	July 30, 2012
2.		41	Boyaa Shenzhen*	PRC	11271569	July 30, 2012
3.		42	Boyaa Shenzhen*	PRC	11271568	July 30, 2012
4.		41, 42	Boyaa Shenzhen*	Hong Kong	302329317	July 28, 2012
5.		41	Boyaa PRC	Macau	N/68056	July 31, 2012
6.		42	Boyaa PRC	Macau	N/68057	July 31, 2012
7.		41	Boyaa Shenzhen*	Thailand	857856	August 10, 2012
8.		42	Boyaa Shenzhen*	Thailand	857855	August 10, 2012
9.		41, 42	Boyaa PRC	United States	85689708	July 30, 2012
10.		41	Boyaa Shenzhen	Indonesia	J00.2012.039239	August 10, 2012
11.		42	Boyaa Shenzhen	Indonesia	J00.2012.039238	August 10, 2012

No.	Trademark/ service mark	Class	Name of Applicant	Place of Application	Application Number	Application Date
12.		38	Boyaa Shenzhen*	PRC	11271567	July 30, 2012
13.		41	Boyaa Shenzhen*	PRC	11260920	July 26, 2012
14.		42	Boyaa Shenzhen*	PRC	11271566	July 30, 2012
15.	博雅	41, 42	Boyaa Shenzhen*	Hong Kong	302329308	July 28, 2012
16.	博雅	41	Boyaa PRC	Macau	N/68058	July 31, 2012
17.	博雅	42	Boyaa PRC	Macau	N/68059	July 31, 2012
18.	东方博雅互动	41	Boyaa Shenzhen	PRC	11260950	July 26, 2012
19.	东方博雅互动	38	Boyaa Shenzhen	PRC	11271565	July 30, 2012
20.	东方博雅互动	42	Boyaa Shenzhen	PRC	11271564	July 30, 2012
21.		38	Boyaa Shenzhen*	PRC	11401771	August 27, 2012
22.		41	Boyaa Shenzhen*	PRC	11401770	August 27, 2012

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark/ service mark	Class	Name of Applicant	Place of Application	Application Number	Application Date
23.		42	Boyaa Shenzhen*	PRC	11401769	August 27, 2012
24.		28	Boyaa PRC	PRC	11767255	November 20, 2012
25.		41	Boyaa PRC	PRC	11767254	November 20, 2012
26.		42	Boyaa PRC	PRC	11767253	November 20, 2012
27.		41	Boyaa Shenzhen*	PRC	11503488	September 17, 2012
28.		41	Boyaa Shenzhen*	PRC	11548111	September 26, 2012
29.	德扑女郎	28	Boyaa PRC	PRC	12467628	April 22, 2013
30.	德扑女郎	38	Boyaa PRC	PRC	12468251	April 22, 2013
31.	德扑女郎	41	Boyaa PRC	PRC	12467899	April 22, 2013
32.	德扑女郎	42	Boyaa PRC	PRC	12467941	April 22, 2013
33.		28	Boyaa PRC	PRC	12719685	June 06, 2013

No.	Trademark/ service mark	Class	Name of Applicant	Place of Application	Application Number	Application Date
34.		38	Boyaa PRC	PRC	12719786	June 06, 2013
35.		41	Boyaa PRC	PRC	12719824	June 06, 2013
36.		42	Boyaa PRC	PRC	12719863	June 06, 2013
37.		9	Boyaa PRC	PRC	12911773	July 12, 2013
38.		28	Boyaa PRC	PRC	12911798	July 12, 2013
39.		35	Boyaa PRC	PRC	12911825	July 12, 2013
40.		38	Boyaa PRC	PRC	12911853	July 12, 2013
41.		41	Boyaa PRC	PRC	12911882	July 12, 2013
42.		42	Boyaa PRC	PRC	12911913	July 12, 2013

Notes:

- (1) Class 28: Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
- (2) Class 38: Telecommunications.
- (3) Class 41: Education, providing of training, entertainment, sporting and cultural activities.
- (4) Class 42: Scientific and technological services and research and design relating thereto, industrial analysis and research services, design and development of computer hardware and software.
- (5) Class 9: Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.

* In the process of transferring the registration of the trademarks from Boyaa Shenzhen to Boyaa PRC.

(b) **Domain Names**

As of the Latest Practicable Date, our Company has registered the following domain names:

No.	Domain Name	Registrant	Filing No.	Date of Registration	Expiry Date
1.	17c.cn	Boyaa Shenzhen	Yue ICP Bei No. 05062536-1	April 18, 2004	April 18, 2014
2.	boyaa.com	Boyaa Shenzhen	Yue ICP Bei No. 05062536-2	October 31, 2001	October 31, 2017
3.	vqq.com	Boyaa Shenzhen	Yue ICP Bei No. 05062536-3	December 26, 2002	December 25, 2017
4.	ichat.net.cn	Boyaa Shenzhen	Yue ICP Bei No. 05062536-4	May 29, 2000	May 29, 2014
5.	ifere.com	Boyaa Shenzhen	Yue ICP Bei No. 05062536-5	April 13, 2006	April 13, 2019
6.	blogchat.cn	Boyaa Shenzhen	Yue ICP Bei No. 05062536-6	April 13, 2006	April 13, 2014
7.	boyaapoker.com	Boyaa Shenzhen	Yue ICP Bei No. 05062536-7	July 3, 2010	July 3, 2014
8.	266.com	Boyaa Shenzhen	Yue ICP Bei No. 05062536-8	July 11, 2001	July 11, 2020

(c) *Patents*

As of the Latest Practicable Date, we have registered the following patents:

No.	Registrant	Title of Invention	Registration Number	Place of Registration	Registration Date
1.	Boyaa PRC	Voice control system in mobile online games* (移動終端遊戲中異步語音系統)	ZL201220500794.4	PRC	September 4, 2013

As of the Latest Practicable Date, we have applied for the registration of the following patents:

No.	Applicant	Title of Invention	Application Number	Place of Application	Application Date
1.	Boyaa PRC	Interactive methods and interactive systems* (交互方法和交互系統)	201210516284.0	PRC	December 5, 2012
2.	Boyaa PRC	Replay method and system for Internet application users* (網絡應用客戶端的回放方法和系統)	201210572224.0	PRC	December 25, 2012
3.	Boyaa PRC	Login method and system* (登錄實現方法和系統)	201310021558.3	PRC	January 21, 2013
4.	Boyaa PRC	Method and system for the collection of logs* (日誌採集方法和系統)	201310021720.1	PRC	January 21, 2013
5.	Boyaa PRC	Method for the connection of applications and applications installation and system* (連接服務應用對象的方法和服務應用裝置、系統)	201310033879.5	PRC	January 29, 2013
6.	Boyaa PRC	Browser installation and system* (流覽裝置和流覽系統)	201320047313.3	PRC	January 28, 2013

No.	Applicant	Title of Invention	Application Number	Place of Application	Application Date
7.	Boyaa PRC	Data storage system and method* (數據存儲系統及方法)	201310153124.9	PRC	April 27, 2013
8.	Boyaa PRC	Network applications and system implementations* (網絡應用的實現方法和系統)	201310153125.3	PRC	April 27, 2013
9.	Boyaa PRC	Method and system for the collection of data of platform users* (獲取平台用戶資料的方法和系統)	201310153128.7	PRC	April 27, 2013
10.	Boyaa PRC	Anti-cheating method and system in relation to online game virtual items* (網絡遊戲中防刷虛擬物品的方法和系統)	201310216099.4	PRC	June 3, 2013
11.	Boyaa PRC	Method and application for data analysis* (數據分析方法 and 裝置)	201310256819.X	PRC	June 25, 2013
12.	Boyaa PRC	Server Assistance Components* (服務器輔助組件)	201320368871.X	PRC	June 25, 2013
13.	Boyaa PRC	Method and system for scroll lists and components* (滑動列表組件的實現方法和系統)	201310272512.9	PRC	July 1, 2013
14.	Boyaa PRC	Server engine implementation method and system* (服務器引擎的實現方法和系統)	201310284753.5	PRC	July 8, 2013

No.	Applicant	Title of Invention	Application Number	Place of Application	Application Date
15.	Boyaa PRC	Method for web-based access based on web content distribution* (基於內容分發網絡的訪問網頁的方法和裝置)	20130367745.7	PRC	August 21, 2013
16.	Boyaa PRC	Server connection method and installation* (服務器連接方法和裝置)	201310367745.7	PRC	September 2, 2013
17.	Boyaa PRC	Online flash debugging method and system* (線上flash的調試方法和系統)	201310395327.9	PRC	September 3, 2013
18.	Boyaa PRC	Server upgrade method and system* (一種服務器升級方法及系統)	201310413201.X	PRC	September 11, 2013
19.	Boyaa PRC	Scroll assembly control method and installation* (滾動組件控制方法和裝置)	201310436994.7	PRC	September 23, 2013
20.	Boyaa PRC	Animation loop processing method and installation* (幀循環中的動畫處理方法和裝置)	201310467716.8	PRC	October 8, 2013
21.	Boyaa PRC	Generation and packaged method and installation* (安裝包生成方法和裝置)	201310465843.4	PRC	October 8, 2013
22.	Boyaa PRC	Method and installation to display messages from server (展示服務器信息的方法及裝置)	201310486295.3	PRC	October 16, 2013

Note:

* For identification purpose.

(d) *Copyrights*

As of the Latest Practicable Date, we have registered the following computer software copyrights:

No.	Registrant	Title of Computer Software	Computer Software Copyright Registration Certificate Number	Place of Registration	Registration Date
1.	Boyaa Shenzhen	Texas Hold'em Game Software V1.0* (德克薩斯撲克軟件V1.0)	0558862	PRC	May 31, 2013
2.	Boyaa Shenzhen	Happy Babies Game Software V1.0* (開心寶貝遊戲軟件V1.0)	0558876	PRC	May 31, 2013
3.	Boyaa Shenzhen	Ant Wars Game Software V1.0* (蟲蟲特攻隊遊戲軟件V1.0)	0558887	PRC	May 31, 2013
4.	Boyaa Shenzhen	Fight the Landlord Game Software V1.0* (鬥地主遊戲軟件V1.0)	0558889	PRC	May 31, 2013
5.	Boyaa PRC	Texas Hold'em Game Software for iPhone V1.0* (德州撲克iPhone遊戲軟件V1.0)	0543410	PRC	April 15, 2013
6.	Boyaa PRC	Texas Hold'em HD Game Software for iPad V1.0* (德州撲克HD iPad遊戲軟件V1.0)	0543417	PRC	April 25, 2013
7.	Boyaa Shenzhen	Happy Babies Game Software V5.00* (開心寶貝遊戲軟件V5.00)	0558858	PRC	May 31, 2013
8.	Boyaa PRC	Property Developer Game Software V5.00* (地產大亨遊戲軟件V5.00)	0543429	PRC	April 15, 2013

<u>No.</u>	<u>Registrant</u>	<u>Title of Computer Software</u>	<u>Computer Software Copyright Registration Certificate Number</u>	<u>Place of Registration</u>	<u>Registration Date</u>
9.	Boyaa PRC	Boyaa Drawing Game Software V1.0* (博雅你畫我猜遊戲軟件V1.0)	0543435	PRC	April 15, 2013
10.	Boyaa PRC	Boyaa Mahjong Game Software V1.0* (博雅麻將遊戲軟件V1.0)	0543432	PRC	April 15, 2013
11.	Boyaa Shenzhen	Boyaa American 8 Ball Pool Game Software V1.0* (美式八球遊戲軟件V1.0)	0558855	PRC	May 31, 2013
12.	Boyaa Shenzhen	Boyaa Big Two Poker Game Software V1.0* (博雅鋤大地(大老二)遊戲軟件V1.0)	0558864	PRC	May 31, 2013
13.	Boyaa Shenzhen	Boyaa International Style Mahjong Game Software V1.0* (博雅國標麻將遊戲軟件V1.0)	0558865	PRC	May 31, 2013
14.	Boyaa Shenzhen	Boyaa Texas Hold'em Game Software V2.0* (博雅德克薩斯撲克遊戲軟件V2.0)	0558888	PRC	May 31, 2013
15.	Boyaa PRC	Boyaa Chinese Poker Game Software V1.0* (博雅雙扣遊戲軟件V1.0)	0548500	PRC	May 9, 2013
16.	Boyaa Shenzhen	Boyaa Fight the Landlord (4 players) Game Software V1.0* (博雅四人鬥地主遊戲軟件V1.0)	0558879	PRC	May 31, 2013

No.	Registrant	Title of Computer Software	Computer Software Copyright Registration Certificate Number	Place of Registration	Registration Date
17.	Boyaa Shenzhen	Boyaa Guangdong Style Mahjong Game Software V1.0* (博雅廣東麻將遊戲軟件V1.0)	0558881	PRC	May 31, 2013
18.	Boyaa Shenzhen	Boyaa Shanghai Style Mahjong Game Software V1.0* (博雅上海麻將遊戲軟件V1.0)	0559951	PRC	June 3, 2013
19.	Boyaa PRC	Boyaa Upgrade Game Software V1.0* (博雅升級遊戲軟件V1.0)	0551422	PRC	May 16, 2013
20.	Boyaa PRC	Boyaa 2D Web Game Engine Software V1.2* (博雅移動互聯網2D遊戲引擎軟件V1.2)	0543454	PRC	April 25, 2013
21.	Boyaa PRC	Duo Luo Ke Hammer Game Software V1.0.1* (多羅科技錘錘世界遊戲軟件V1.0.1)	0543396	PRC	April 15, 2013
22.	Boyaa Shenzhen	Boyaa Liar's Dice Game Software V1.0* (博雅大話骰遊戲軟件V1.0)	0558883	PRC	May 31, 2013
23.	Boyaa PRC	Boyaa Fight the Landlord Game Software for iPhone V2.3.0* (博雅鬥地主iPhone版遊戲軟件V2.3.0)	0511468	PRC	January 17, 2013

No.	Registrant	Title of Computer Software	Computer Software Copyright Registration Certificate Number	Place of Registration	Registration Date
24.	Boyaa PRC	Boyaa Hebei Style Mahjong Game Software V1.0* (博雅河北麻將遊戲軟件V1.0)	0490439	PRC	December 11, 2012
25.	Boyaa Shenzhen	Boyaa Sichuan Style Mahjong Game Software V1.3.0* (博雅四川麻將遊戲軟件V1.3.0)	0558885	PRC	May 31, 2013
26.	Boyaa PRC	Boyaa Wuhan Style Mahjong Game Software V1.0* (博雅武漢麻將遊戲軟件V1.0)	0515031	PRC	January 29, 2013
27.	Boyaa PRC	Boyaa Hangzhou Style Mahjong Game Software V1.0* (博雅杭州麻將遊戲軟件V1.0)	0530513	PRC	March 18, 2013
28.	Boyaa PRC	Boyaa King & Slave Game Software V1.0* (博雅King&Slave遊戲軟件V1.0)	0529830	PRC	March 15, 2013
29.	Boyaa Shenzhen	Boyaa 4-countries Chess Game Software V1.0* (博雅四國軍棋遊戲軟件V1.0)	0558886	PRC	May 31, 2013
30.	Boyaa PRC	Boyaa 13-Tile Mahjong Game Software V1.0* (博雅十三張麻雀遊戲軟件V1.0)	0535553	PRC	March 29, 2013
31.	Boyaa PRC	Boyaa 16-Tile Mahjong Game Software V1.0* (博雅十六張麻將遊戲軟件V1.0)	0535141	PRC	March 29, 2013

No.	Registrant	Title of Computer Software	Computer Software Copyright Registration Certificate Number	Place of Registration	Registration Date
32.	Boyaa PRC	Boyaa Texas Hold'em Game Software for iPhoneV2.0* (博雅德州撲克iPhone版遊戲軟件V2.0)	0543130	PRC	April 25, 2013
33.	Boyaa PRC	Boyaa Texas Hold'em Game Software for iPad V2.0* (博雅德州撲克iPad版遊戲軟件V2.0)	0543374	PRC	April 25, 2013
34.	Boyaa PRC	Boyaa Texas Hold'em Game Software for Android V2.0* (博雅德州撲克Android版遊戲軟件V2.0)	0543443	PRC	April 25, 2013
35.	Boyaa Shenzhen	Boyaa Chinese Chess Game Software V1.0* (博雅中國象棋遊戲軟件V1.0)	0587894	PRC	August 7, 2013
36.	Boyaa PRC	Boyaa Ball Pool Game Software (博雅枱球遊戲軟件V2.0.3)	0564219	PRC	June 17, 2013
37.	Boyaa PRC	Ant Wars Mobile Game Software V1.0 (蟲蟲特攻隊移動版遊戲軟件V1.0)	0584091	PRC	July 31, 2013
38.	Boyaa PRC	Boyaa Card and Board Game General Software V1.0* (博雅棋牌大廳通用軟件V1.0)	0579358	PRC	July 25, 2013
39.	Boyaa PRC	Boyaa Two Player Mahjong Game Software V1.0 (博雅二人麻將遊戲軟件V1.0)	0615678	PRC	October 17, 2013

In addition, as of the Latest Practicable Date, we have registered the following copyrights in respect of its online game products:

No.	Registrant	Title of Product	Registration Number	Place of Registration	Registration Date
1.	Boyaa PRC	Boyaa Fight the Landlord Game GUI Interface* (博雅鬥地主GUI界面)	Yue Zuo Registration No.: 2012-L-00000324	PRC	November 15, 2012
2.	Boyaa PRC	Original sketch of Boyaa Fight the Landlord's main character* (博雅鬥地主人物原畫)	Yue Zuo Registration No.: 2012-F-00004446	PRC	November 19, 2012
3.	Boyaa PRC	Boyaa Texas Hold'em GUI Interface (Vertical version)* (博雅豎版德州撲克GUI界面)	Yue Zuo Registration No.: 2013-L-00000072	PRC	April 12, 2013

Note:

* For identification purpose.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

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

Immediately following the completion of the Global Offering and without taking into account any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme, so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares	Approximate percentage of shareholding immediately following the completion of the Global Offering ⁽¹⁾
Mr. Zhang ⁽³⁾	Founder of a discretionary trust	284,230,474	38.54%
Mr. Dai ⁽⁴⁾	Founder of a discretionary trust	40,000,000	5.42%
Gao Junfeng ⁽⁵⁾	Beneficial owner	12,394,366	1.68%

Notes:

- (1) The calculation is based on the total number of 737,559,124 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which were granted under the Pre-IPO Share Option Scheme or may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).
- (2) All interests stated are long positions.
- (3) Chunlei Investment, a company wholly owned by the Zhang Family Trust, directly holds the entire issued share capital of each of Boyaa Global and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang and his children. Accordingly, Mr. Zhang is deemed to be interested in the 204,230,474 Shares and 80,000,000 Shares held by each of Boyaa Global and Emily Technology Limited, respectively.
- (4) Visioncode Holdings Limited, a company wholly owned by the Dai Family Trust, directly holds the entire issued share capital of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai (as the settlor) and the discretionary beneficiaries of which include Mr. Dai and his children. Accordingly, Mr. Dai is deemed to be interested in the 40,000,000 Shares held by Comsenz Holdings Limited.
- (5) Mr. Gao Junfeng is interested in 9,014,085 RSUs granted to him under the RSU Scheme entitling him to receive 9,014,085 Shares subject to vesting. Mr. Gao is also interested in 3,380,281 options granted to him under the Pre-IPO Share Option Scheme, representing 3,380,281 underlying Shares.

(b) *Interests of the Substantial Shareholders*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) *Interests in Other Members of our Group*

So far as our Directors are aware, as at the date of this prospectus, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Subsidiary</u>	<u>Name of Shareholder</u>	<u>Registered Capital</u>	<u>Approximate % of Interest</u>
Boyaa Shenzhen	Mr. Zhang	RMB9,800,000	98%

2. Directors’ Service Contracts

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

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for our Directors for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was approximately RMB234,000, RMB362,000, RMB1,200,000 and RMB5,370,000, respectively.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2013 is estimated to be approximately RMB10.0 million in aggregate.

4. Directors' Competing Interests

Save as the directorship held by Mr. Zhang in Shanghai Teqi Internet Technology Co. Ltd. (an associated company in which Boyaa Shenzhen holds a 28% interest) and the interest of and directorship held by Mr. Dai in Blingstorm Entertainment Ltd. (a company in which Boyaa Shenzhen holds approximately 11.7% equity interest) as further disclosed in the section headed "History, Reorganization and Corporate Structure — Corporate and Shareholding Changes of the Members of our Group — Investments of Boyaa Shenzhen" in this prospectus, none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Agency fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed "Qualification of experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the;
- (c) none of our Directors nor any of the parties listed in the section headed "E. Other Information — 5. Qualification of experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;
- (d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in section headed "E. Other Information — 5. Qualification of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "E. Other Information — 5. Qualification of experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. SHARE INCENTIVE SCHEMES**1. Pre-IPO Share Option Scheme**

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme approved and adopted by our Board on January 7, 2011 and amended on September 17, 2013.

(a) Who may participate

The Board (including a remuneration committee established under the Board as from time to time constituted (the “**Committee**”)) may, at its absolute discretion, grant an option to subscribe for such number of Shares as the Board shall determine to an employee, officer and director of or consultant to any member of our Group (“**Eligible Participants**”) pursuant to the terms of the Pre-IPO Share Option Scheme.

(b) Grant of options

An option shall be granted to an Eligible Participant by delivery of a notice (the “**Notice of Grant**”) in writing in such form as our Board may from time to time determine specifying the number of Shares and any other terms and conditions (including, without limitation, any performance target(s) or condition(s) (the “**Performance Criteria**”) upon which the exercise of the option shall be conditional) on which it is granted. The Notice of Grant shall serve as evidence of the grant of the option and accordingly no further certificate shall be issued to the Eligible Participant whom an option is granted in accordance with the terms of the Pre-IPO Share Option Scheme (the “**Grantee**”). All options shall be granted and vested in accordance with the terms of the rules of the Pre-IPO Share Option Scheme.

Any Grantee to whom a Notice of Grant is delivered may, by giving a notice in writing to our Company within 30 days from the relevant date of grant, renounce his rights to the options granted thereto, in which event such option shall be deemed for all purposes not to have been granted.

(c) Payment on grant

Grantee are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

(d) Maximum number of options available

The maximum number of Shares in respect of which options may be granted at any time under the Pre-IPO Share Option Scheme will be such number of shares as the Committee may approve from time to time. Such maximum number shall include the number of Shares which would be issued upon the exercise of all outstanding options by the Grantees (to the extent not already exercised) together with the number of Shares which have already been issued pursuant to the earlier exercise of any option.

Such maximum number of Shares will be adjusted, in such manner as the Committee may determine, at its sole and absolute discretion, to be in its opinion fair and reasonable in the event of any alteration in the capital structure of our Company whilst any option remains exercisable, arising from capitalization of profits or reserves, consolidation, subdivision or reduction of the share capital of our Company (“**Share Capital Alteration Event**”).

(e) Exercise price

The exercise price in respect of any option granted under the Pre-IPO Share Option Scheme shall be fixed with reference to the fair market value of the underlying Share on the date upon which the option is granted, and subject to any adjustments made as described in sub-paragraph (m) below and at the election of the Committee, shall be:

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

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

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

Payment of the exercise price for the number of Shares being purchased pursuant to any option shall be made (i) in cash, by cheque or cash equivalent, (ii) by such other consideration as may be approved by our Company from time to time to the extent permitted by applicable law, or (iii) by any combination of (i) and (ii).

(f) *Exercise of options*

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

An option shall not be exercisable on any date unless such Performance Criteria, if any, as specified in the Notice of Grant are satisfied and to the extent that the option has vested, provided that in the event of any circumstance which cause our Company reasonably to consider that any Performance Criteria (if any) no longer represents a fair measure of performance or any vesting conditions are no longer appropriate, the Committee may vary the conditions or criteria to the extent that it considers appropriate.

No Option may be exercised prior to the occurrence of the following events:

- (i) the admission of all or any of the share capital of our Company or any holding company incorporated for such purpose to trading on a recognized stock exchange (for the avoidance of doubt, include the Listing); or
- (ii) a sale of all or substantially all of the issued share capital of our Company; or
- (iii) a sale by our Company of all or substantially all of our assets (but excluding any event, scheme or arrangement under which (a) another company obtains control of our Company; and (b) immediately afterwards the issued share capital of such company is owned substantially by the same persons who were equity shareholders of our Company immediately prior to such event, scheme or arrangement (“**Internal Restructuring**”); or
- (iv) any liquidation, dissolution or winding up of our Company, either voluntary or involuntary (the “**Liquidation Event**”),

(each an “**Exit Event**”), unless our Company shall otherwise agree and so notify the Grantee separately in writing.

Subject to the occurrence of the events as set out in the preceding paragraph, an option which has vested shall be exercisable in whole or in part by the Grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised.

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

(g) *Vesting of options*

Each option granted under the Pre-IPO Share Option Scheme shall (unless our Company shall otherwise determine and so notify the Grantee in writing) vest as follows:

- (i) as to 25% of the aggregate number of Shares underlying the option on the date ending 12 months after the date of grant of such option;
- (ii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 18 months after the date of grant of such option;
- (iii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 24 months after the date of grant of such option; and
- (iv) as to the remaining 50% of the aggregate number of Shares underlying the option, on a monthly basis starting from the 25th month after the date of grant of such option in 24 monthly equal lots.

(h) *Transfer of options*

An option shall be personal to the Grantee and shall not be assignable, unless our Company shall otherwise agree in writing. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option other than in accordance with the prior written approval of our Company. No person other than the named Grantee thereof may exercise any option, unless our Company shall otherwise agree in writing. Any breach of this rule by a Grantee shall render the option void and the option shall automatically lapse.

(i) *Ranking of the Shares*

Shares to be allotted upon the exercise of an option will be subject to the provisions of the Articles and will rank pari passu in all respects with the existing fully paid Shares in issue on the relevant date of allotment, and will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the date of allotment.

(j) *Lock-up*

The Grantee shall not sell, make short sale of, loan, grant any options for the purchase of, or otherwise dispose of any Shares held by the Grantee without the prior written consent of our Company for a period of 180 days following the Listing.

(k) *Rights on cessation of employment*

(i) *Cessation prior to an Exit Event*

In the event that any Grantee ceases to be an Eligible Participant for any reason prior to an Exit Event, then unless our Company shall otherwise agree and so notify the Grantee in writing separately or otherwise in accordance with sub-paragraph (k)(iii) below, the option, vested or unvested, shall automatically lapse and expire and such Grantee shall have no claim whatsoever in respect of the options.

(ii) *Cessation after an Exit Event*

If after an Exit Event, the Grantee:

- (a) voluntarily resigns and ceases to be an employee of any member of our Group prior to the second anniversary of the date on which he is first granted an option pursuant to the Pre-IPO Share Option Scheme;

- (b) ceases to be an employee as a result of a termination of his employment with our Group as a result of the Grantee's breach of his contract of employment with, or any other obligation to, our Group;
- (c) fails, during the course of his employment, to devote the whole of his time and attention to the business of our Group or to use his best endeavours to develop the business and interests of our Group;
- (d) is concerned during the course of his employment with our Group (without the prior written consent of our Company) with any business competing with the business of our Group or business other than that of our Group; and/or
- (e) is in breach of his contract of employment with, or any other obligation to, our Group,

then all option, vested or unvested, shall automatically lapse and expire.

(iii) *Cessation by reason of death or disability*

If a Grantee ceases to be an employee of any member of our Group due to death, ill health, injury or disability, redundancy, retirement on or after reaching the age at which he is bound to retire in accordance with the terms of his contract of employment, then upon such termination (i) the portion of the option which has not been vested (the "**Unvested Portion**") on the date of termination of his employment with our Group (the "**Cessation Date**") shall automatically expire and (ii) the portion of the option which has been vested and has not yet been exercised prior to the Cessation Date (the "**Vested Portion**") shall, at the sole discretion of our Company, be and continue to be exercisable until the earlier of: (aa) the hundred and eightieth (180th) day after the Cessation Date; or (bb) the Option Lapse Date (as defined in sub-paragraph (l) below), whereupon the Vested Portion shall automatically expire to the extent not then exercised.

(iv) *Other*

If any Grantee ceases to be an Eligible Participant for any reason other than those referred to in sub-paragraphs (k)(ii) and (k)(iii) above after an Exit Event, then (i) any Unvested Portion shall automatically lapse and expire; and (ii) any Vested Portion shall be and continue to be exercisable within thirty (30) days after the Cessation Date, whereupon the Vested Portion shall automatically lapse and expire to the extent not then exercised.

(l) *Lapse of options*

An option, whether vested or unvested, shall automatically lapse and expire with no rights and benefits on:

- (i) the day falling on the eighth anniversary of the date of vesting of the relevant option or such earlier date as our Board may have determined prior to the grant of the relevant option (the "**Option Lapse Date**");
- (ii) the date upon which the Grantee ceases to be an employee of our Group other than in circumstances where exercise of the option is permitted as set out in sub-paragraph (k) above;
- (iii) where exercise is permitted in any circumstances set out sub-paragraphs (k)(ii) and (k)(iii) above, the date upon which the period for exercise of the option stated therein expires; and
- (iv) the date on which the Grantee is adjudicated bankrupt or is otherwise deprived of the legal and beneficial ownership of the option by operation of law or otherwise,

whichever is the earliest.

(m) *Effect of alteration to share capital*

In the event of a Share Capital Alteration Event, corresponding adjustments (if any) shall be made on a pro rata basis in (i) the number or nominal amount of Shares underlying the option (insofar as it is unexercised); and/or (ii) the exercise price, as the auditors of our Company shall, at the request of our Company or any Grantee, certify in writing to be in their opinion fair and reasonable, provided that (aa) any such adjustments shall be made on the basis that the aggregate amount payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, (bb) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (cc) no such adjustments shall be made the effect of which would be to increase the proportion of the share capital on a fully diluted basis to be subscribed on exercise of an option to be above the proportion that any Grantee would have been entitled to subscribe had he exercised all the vested options immediately prior to such adjustments; and (dd) any issue of Shares or other securities of our Company for cash or other valuable consideration shall not be regarded as a circumstance requiring any such adjustments.

(n) *Administration of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme shall be subject to the administration of the Committee whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect shall be final and binding on all parties.

(o) *Alteration of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme may be amended by a resolution of the Committee provided that no such alteration shall operate so as to adversely affect the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of a majority in number of the holders of unexercised options.

(p) *Termination of the Pre-IPO Share Option Scheme*

Our Company may at any time by a resolution of the Committee terminate the operation of the Pre-IPO Share Option Scheme and in such event no further options will be granted but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in force.

(q) *Outstanding options granted under the Pre-IPO Share Option Scheme*

All of the options granted under the Pre-IPO Share Option Scheme were granted in four batches in 2011 and 2012. Options representing a total of 59,130,563 Shares were granted. As a result of two option holders leaving employment, their options representing 75,000 Shares have lapsed and the remaining options representing 59,055,563 were outstanding. As part of the Reorganization, our Company adopted a RSU Scheme to partially replace the Pre-IPO Share Option Scheme such that 50% of the options granted and outstanding under the Pre-IPO Share Option Scheme were replaced by RSUs. As a result, as at the date of this prospectus, options to subscribe for an aggregate of 29,527,781 Shares, representing approximately 4.00% of the issued share capital of our Company immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme) are outstanding.

As at the date of this prospectus, none of the options granted under the Pre-IPO Share Option Scheme has been exercised. No further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

The options have been granted based on the performance of the option holders who have made important contributions to and are important to the long term growth and profitability of our Group. There are altogether 64 option holders including an executive Director and the Chief Financial Officer of our Company, a director of Boyaa Thailand (a subsidiary of our Company), three members of senior management

of our Group and 59 other employees of our Group. Details of the options granted under the Pre-IPO Share Option Scheme and details of the vesting period, exercise period and the exercise price are set out in the paragraph headed “3. Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme” below.

We have applied for, and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the information of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme. For further details, please refer to the section headed “Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies Ordinance — Waiver in relation to the Pre-IPO Share Option Scheme and the RSU Scheme” in this prospectus.

On the basis that the 70,967,664 Shares which were issued to the RSU Nominee on October 23, 2013 and the total of 177,014,000 New Shares which shall be issued under the Global Offering were deemed to have been in issue throughout the year ending December 31, 2013 and taking into account a total of 489,577,460 Shares and Series A Preferred Shares were in issue as at December 31, 2012, there will be a dilution effect of approximately 33.6% on the audited diluted earnings per Share for the year ended December 31, 2012 from RMB30.85 cents to RMB20.48 cents. Based on the foregoing, assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending December 31, 2013 and that 767,086,905 Shares, comprising 737,559,124 Shares to be in issue immediately after completion of the Global Offering and 29,527,781 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending December 31, 2013, there will be a further dilution effect of approximately 3.9% on the audited earnings per Share for the year ended December 31, 2012 from RMB20.48 cents to RMB19.69 cents.

The options granted under the Pre-IPO Share Option Scheme represent approximately 4.00% of the enlarged issued share capital of our Company immediately after completion of the Global Offering. If all the options are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 0.15%. However, as the options are exercisable over an eight-year period, any such dilutive effect on earnings per Share will be staggered over several years.

2. RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Board on September 17, 2013. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) *Purposes of the RSU Scheme*

The purpose of the RSU Scheme is to incentivize Directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

(b) *RSUs*

A RSU gives a participant in the RSU Scheme (the “**RSU Participant**”) a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share. A RSU may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

(c) *Participants in the RSU Scheme*

Persons eligible to receive RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any of our subsidiaries (“**RSU Eligible Persons**”). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

(d) *Term of the RSU Scheme*

The RSU Scheme will be valid and effective for a period of eight (8) years, commencing from the date of the first grant of the RSUs, being March 4, 2013 (unless it is terminated earlier in accordance with its terms) (the “**RSU Scheme Period**”).

(e) *Grant and acceptance*

(i) *Making an offer*

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (“**RSU Selected Person**”) by a letter, in such form as our Board may determine (“**RSU Grant Letter**”). The RSU Grant Letter will specify the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary, and will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme.

(ii) *Acceptance of an offer*

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (“**RSU Grant Date**”).

(iii) *Restrictions on grants*

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- (a) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- (b) where granting the RSUs would result in a breach by our Company, our subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or
- (c) where such grant of any RSUs would result in a breach of the limits of the RSU Scheme (as set out in paragraph (f) below).

(f) *Maximum number of Shares pursuant to RSUs*

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

(g) *Rights attached to RSUs*

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by our Board in its entire discretion in the RSU Grant Letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

(h) *Rights attached to Shares*

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

(i) *Assignment of RSUs*

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favour of any other person over or in relation to any property held by the RSU Trustee (as defined in paragraph (k) below) on trust for the RSU Participants, the RSUs, or any interest or benefits therein.

(j) *Vesting of RSUs*

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice (“**Vesting Notice**”) to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(k) *Appointment of the RSU Trustee*

Our Company has appointed The Core Trust Company Limited (the “**RSU Trustee**”) as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme were transferred, allotted and issued to The Core Admin Boyaa RSU Limited, a company wholly-owned by the RSU Trustee, which, as at the date of this prospectus, holds (as the nominee) 106,737,190 Shares underlying the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme.

(l) *Exercise of RSUs*

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to our Company. Any exercise of RSUs must be in respect of a board lot of 1,000 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, our Board may decide at its absolute discretion to:

- (a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or
- (b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

(m) *Rights on a takeover*

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of our Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(n) *Rights on a compromise or arrangement*

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(o) *Rights on voluntary winding-up*

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

(p) *Lapse of RSUs*

(i) *Full lapse of RSU*

Any unvested RSU will automatically lapse immediately where:

- (a) such RSU Participant's employment or service terminates for any reason, except (i) the employment or service is terminated by reason of death, retirement or disability, (ii) where the employment is terminated involuntarily without cause, (iii) where the company employing the RSU Participant ceases to be one of our subsidiaries or (iv) any other incident occurs as the Board may at its discretion specify; or
- (b) the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

(ii) *Partial Lapse of RSU*

A RSU Participant's unvested RSU will lapse on a proportional basis based on the proportion that:

- (a) the time between the RSU Grant Date and the occurrence of the following relevant event bears to
- (b) the entire vesting period set out in the RSU Participant's RSU Grant Letter if:
 - (i) the RSU Participant's employment or service is terminated because of the RSU Participant's death, retirement or disability;
 - (ii) the RSU Participant's employment or service is terminated involuntarily without cause;
 - (iii) the company with which the RSU Participant is employed ceases to be one of our subsidiaries (including Boyaa Shenzhen); or
 - (iv) any other incident occurs as our Board may at its discretion specify,

provided that the performance criteria set out in the RSU Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

(iii) If at any time, a RSU Participant:

- (a) ceases to be an employee as a result of termination of his employment with our Group for Cause. For the purpose of this paragraph, "Cause" means the RSU Participant is in breach of his contract of employment with or any other obligation to the Group;
- (b) fails, during the course of his employment, to devote the whole of his time and attention to the business of our Group or to use his best endeavours to develop the business and interests of our Group;
- (c) is concerned during the course of his employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group; and/or
- (d) is in breach of his contract of employment with or any other obligation to our Group,

then all vested and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

(q) ***Cancellation of RSUs***

Our Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

- (i) our Company or our subsidiaries (including Boyaa Shenzhen) pay to the RSU Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with our auditors or an independent financial adviser appointed by our Board;
- (ii) our Company or our relevant subsidiary provides to the RSU Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or
- (iii) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancellation of the RSUs.

(r) ***Reorganization of capital structure***

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company, our Board may make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(s) ***Amendment of the RSU Scheme***

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants.

Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. Our Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(t) ***Termination of the RSU Scheme***

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the RSU Trustee and all RSU Participants of such termination and of how any property held by the RSU Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

(u) ***Administration of the RSU Scheme***

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee of our Board. Our Board may also appoint one or more independent third party contractors (including the RSU Trustee) to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a Director is a RSU Participant he may, notwithstanding his own interest and subject to our Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his own participation in it), and may retain RSUs under it.

Each RSU Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the RSU Scheme.

(v) **General**

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying the RSUs that have been granted pursuant to the RSU Scheme.

(w) **Outstanding RSUs granted**

As part of the Reorganization, RSUs were granted to replace 29,527,782 share options granted to certain directors, senior management and employees of our Group under the Pre-IPO Share Option Scheme to provide a diversification of long-term incentives to our skilled and experienced personnel to recognize their past contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

As of the date of this prospectus, RSUs in respect of an aggregate of 80,044,565 Shares (including the 29,527,782 Shares pursuant to the partial replacement of the Pre-IPO Share Option Scheme), representing approximately 10.85% of the Shares in issue on the Listing Date without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme, had been granted to 337 RSU Participants pursuant to the RSU Scheme, of which one of the RSU Participants is a Director, one is a director of our subsidiary and four of the RSU Participants are members of our senior management.

The grant and vesting of the RSUs granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules.

Details of the RSUs granted under the RSU Scheme as at the date of this prospectus and details of the vesting period are set out in the paragraph headed "3. Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme" below.

We have applied for, and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under paragraph 27 of Appendix 1A to the Listing Rules in connection with the information of the RSUs granted under the RSU Scheme. For further details, please refer to the section headed "Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies Ordinance — Waiver in relation to the Pre-IPO Share Option Scheme and the RSU Scheme" in this prospectus.

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

Name of option holder/ grantees of RSU	Position held with our Group	Address	Nature	Number of Shares represented by options or RSUs	Date of Grant	Exercise Price (US\$)	Approximate percentage of shareholding immediately following the completion of the Global Offering (%)
<i>Director of our Company</i>							
Gao Junfeng (高峻峰)	Executive Director and Chief Financial Officer	10K Building 5, Xian Dai Cheng Hua Ting, No. 28 Chuang Ye Lu, Nanshan District, Shenzhen, PRC	Options	3,380,281	November 1, 2012	0.15	
			RSUs	3,380,282	November 1, 2012	—	
				5,633,803	March 4, 2013	—	
			Total	12,394,366			1.68%
<i>Director of our subsidiary</i>							
Suo Hongbin (索红彬)	Director of Boyaa Thailand and Vice President	Room 11e, Building B5, TCL International E City, 1001 Zhongshan Yuan Road, Nanshan District, Shenzhen	Options	7,500,000	February 1, 2011	0.05	
			RSUs	7,500,000	February 1, 2011	—	
			Total	15,000,000			2.03%
<i>Senior management members of our Group</i>							
Liu Weiwu (刘卫武)	Vice President	Unit 2B14A, Xingfu Hai'an, Xinhu Road, Bao'an District, Shenzhen	Options	2,500,000	February 1, 2011	0.05	
			RSUs	2,500,000	February 1, 2011	—	
			Total	5,000,000			0.68%
Xie Huiming (谢慧明)	Vice President	Unit B58A, TCL International E City, 1001 Zhongshan Yuan Road, Nanshan District, Shenzhen	Options	7,500,000	February 1, 2011	0.05	
			RSUs	7,500,000	February 1, 2011	—	
			Total	15,000,000			2.03%
Huang Haiyan (黄海燕)	Vice President and Joint Company Secretary	Room 20I, Building A, Qinglian Apartments, Hongwei Road, Futian District, Shenzhen	Options	2,500,000	February 1, 2011	0.05	
			RSUs	2,500,000	February 1, 2011	—	
			Total	5,000,000			0.68%
5 directors and senior management members			Options	20,000,000	February 1, 2011		
				3,380,281	November 1, 2012		
			RSUs	20,000,000	February 1, 2011		
				3,380,282	November 1, 2012		
				5,633,803	March 4, 2013		
			Sub-total	52,394,366			7.10%

Rank/position held with our Group	Nature	Number of Shares represented by options or RSUs	Date of Grant	Exercise Price (US\$)	Approximate percentage of shareholding immediately following the completion of the Global Offering (%)
12 associate directors or above	Options	4,450,000	February 1, 2011	0.15	
		50,000	March 2, 2012	0.10	
		425,000	July 1, 2012	0.15	
	RSUs	4,450,000	February 1, 2011		
		50,000	March 2, 2012		
		425,000	July 1, 2012		
		8,615,480	March 4, 2013		
Total	18,465,480		2.50%		
40 managers	Options	570,000	February 1, 2011	0.15	
		187,500	March 2, 2012	0.10	
		115,000	July 1, 2012	0.15	
	RSUs	570,000	February 1, 2011		
		187,500	March 2, 2012		
		115,000	July 1, 2012		
		12,875,000	March 4, 2013		
Total	14,620,000		1.99%		
31 team leaders	Options	150,000	February 1, 2011	0.15	
		75,000	March 2, 2012	0.10	
		12,500	July 1, 2012	0.15	
	RSUs	150,000	February 1, 2011		
		75,000	March 2, 2012		
		12,500	July 1, 2012		
		6,897,000	March 4, 2013		
Total	7,372,000		1.00%		
249 employees	Options	25,000	February 1, 2011	0.15	
		50,000	March 2, 2012	0.10	
		37,500	July 1, 2012	0.15	
	RSUs	25,000	February 1, 2011		
		50,000	March 2, 2012		
		37,500	July 1, 2012		
		16,495,500	March 4, 2013		
Total	16,720,500		2.27%		
332 other employees	Options	5,195,000	February 1, 2011		
		362,500	March 2, 2012		
		590,000	July 1, 2012		
	RSUs	5,195,000	February 1, 2011		
		362,500	March 2, 2012		
		590,000	July 1, 2012		
		44,882,980	March 4, 2013		
Sub-total	57,177,980		7.76%		

Rank/position held with our Group	Nature	Number of Shares represented by options or RSUs	Date of Grant	Exercise Price (US\$)	Approximate percentage of shareholding immediately following the completion of the Global Offering (%)
GRAND TOTAL OF ALL GRANTEES	Options	25,195,000	February 1, 2011	0.05	14.86%
		362,500	March 2, 2012	0.10	
		590,000	July 1, 2012	0.15	
		3,380,281	November 1, 2012	0.15	
	RSUs	25,195,000	February 1, 2011	—	
		362,500	March 2, 2012	—	
		590,000	July 1, 2012	—	
		3,380,282	November 1, 2012	—	
		50,516,783	March 4, 2013	—	
	Total		109,572,346		

As at the date of this prospectus, no single grantee among the 332 other employees who have been granted options under the Pre-IPO Share Option Scheme and/or RSUs under the RSU Scheme is entitled to a total number of options and RSUs exceeding the total entitlement of any single director or senior management members of our Group whom has been disclosed on a named individual basis in the preceding table.

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

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

For the options granted on February 1, 2011, the exercise price per Share is US\$0.05, representing a discount of approximately 93.1% to the high end and a discount of approximately 91.5% to the low end of the Offer Price, respectively. For the options granted on March 2, 2012, the exercise price per Share is US\$0.10, representing a discount of approximately 86.2% to the high end and a discount of approximately 83.0% to the low end of the Offer Price, respectively. For the options granted on July 1, 2012 and on November 1, 2012, the exercise price per Share is US\$0.15, representing a discount of approximately 79.2% to the high end and a discount of approximately 74.4% to the low end of the Offer Price, respectively.

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

- (i) as to 25% of the aggregate number of Shares underlying the option on the date ending 12 months after the date of grant of such option;
- (ii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 18 months after the date of grant of such option;
- (iii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 24 months after the date of grant of such option; and
- (iv) as to the remaining 50% of the aggregate number of Shares underlying the option, on a monthly basis starting from the 25th month after the date of grant of such option in 24 monthly equal lots.

Each option granted under the Pre-IPO Share Option Scheme has an eight-year exercise period provided that none of the options (whether they are vested or not) shall be exercisable prior to the Listing.

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

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

The 29,527,782 RSUs that were granted to replace the Pre-IPO Share Option Scheme have the same vesting period as the Pre-IPO Share Options. See the preceding sub-paragraph (a) “Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme” above.

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

- (i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs;
- (ii) as to 12.5% of the RSUs on the date ending 18 months after the date of grant of the RSUs;
- (iii) as to 12.5% of the RSUs ending 24 months after the date of grant of the RSUs; and
- (iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after the date of grant in 24 monthly equal lots,

provided that if Listing does not happen by the first anniversary of the date of grant of the RSUs, the vesting schedule shall be extended so that the first vesting shall take effect on the date of Listing and the remaining vestings shall be extended correspondingly.

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

- (i) 25% of the RSUs on the date ending 12 months after September 30, 2013;
- (ii) 12.5% of the RSUs on the date ending 18 months after September 30, 2013;
- (iii) 12.5% of the RSUs ending 24 months after September 30, 2013; and
- (iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after September 30, 2013 in 24 monthly equal lots,

provided that (i) if Listing does not happen by the first anniversary of September 30, 2013 (that is, September 30, 2014), the vesting schedule shall be extended so that the first vesting shall take effect on the date of Listing and the remaining vestings shall be extended correspondingly; and (ii) each vesting of RSUs set out in (i) to (v) above shall be subject to our Company and the relevant RSU Participant meeting or satisfying the half-yearly performance target/review immediately preceding such vesting.

4. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted by our Shareholders on October 23, 2013 and its implementation is conditional on the Listing.

(a) *Purpose*

The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) *Who may participate*

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company (“**Eligible Persons**”).

(c) *Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, the “**Other Schemes**”) of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any Other Scheme of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting refresh, the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any Other Schemes of our Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any Other Schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”. The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any Other Schemes of our Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) *Maximum entitlement of each individual*

No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) *Grant of options to connected persons*

Each grant of options to a Director (including an independent non-executive Director) of any member of our Group or associated company of our Company, chief executive or substantial shareholder of our Company, or any of their respective associates, under the Post-IPO Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Post-IPO Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Any Shareholder who is a connected person of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person may vote against such resolution subject to the requirements of the Listing Rules. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(f) *Acceptance of an offer of options*

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

(g) *Exercise price*

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

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

(h) *Duration of Post-IPO Share Option Scheme*

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

(i) *Time of vesting and exercise of options*

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the “**Option Period**”).

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Post-IPO Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders. If an option-holder is transferred to work in the PRC or another country and still continues to hold a salaried office or employment under a contract with a member of our Group or associated companies of our Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his Options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(j) *Restriction on the time of grant of options*

A grant of options may not be made after inside information has come to our knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) ***Ranking of the Shares***

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) ***Restrictions on transfer***

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) ***Rights on voluntary resignation***

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(n) ***Rights on termination of employment***

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

(o) ***Rights on death, disability, retirement and transfer***

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death; or
- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment; or
- (iv) his early retirement by agreement with the option-holder's employer; or
- (v) his employer terminating his contract of employment by reason of redundancy; or
- (vi) his employer ceasing to be a member of our Group or an associated company of our Company or under the control of our Company; or
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of our Company nor a member of our Group or associated companies of our Company; or

- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Post-IPO Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Post-IPO Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (viii) above:

- (a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of our Group or associated companies; or
- (b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies; or
- (c) has disclosed trade secrets or confidential information of any member of our Group or associated companies; or
- (d) has entered into competition with any member of our Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

(p) ***Rights on cessation to be a director***

In the event that any director ceases to be a director of any member of our Group or associated companies, our Company shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(q) ***Rights on a general offer***

In as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror (a “**Change of Control**”), the Board will notify every option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board’s notification to the option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(r) ***Rights on company reconstructions***

In the event of a compromise or arrangement, our Company shall give notice to all option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(s) ***Rights on winding up***

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all option-holders and each option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(t) ***Lapse of option***

An option will lapse on the earlier of:

- (i) the expiry of the option period as determined by the Board; or
- (ii) the date on which an option-holder is in breach of sub-paragraph (l);;
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above apply.

(u) ***Effect of alteration to share capital***

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing

Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes), except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by our Company.

(v) *Cancellation of option*

Unless the option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

- (i) our Company pays to the option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board; or
- (ii) the Board offers to grant to the option-holder replacement options (or options under any other share option scheme of any member of our Group) or makes such arrangements as the option-holder may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the option-holder may agree to compensate him for the cancellation of the option.

(w) *Termination of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Post-IPO Share Option Scheme at any time without Shareholders’ approval by resolving that no further options shall be granted under the Post-IPO Share Option Scheme and in such case, no new offers to grant options under the Post-IPO Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Post-IPO Share Option Scheme, or (ii) be cancelled in accordance with sub-paragraph (v).

(x) *Amendments to the Post-IPO Share Option Scheme*

The Board may amend any of the provisions of the Post-IPO Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of our Company or an independent non-Executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Post-IPO Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(y) ***Conditions of the Post-IPO Share Option Scheme***

The adoption of the Post-IPO Share Option Scheme is conditional on:

- (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme; and
- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

If the conditions above are not satisfied on or before the date following six months after the date the Post-IPO Share Option Scheme was conditionally adopted:

- (a) the Post-IPO Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the Post-IPO Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Post-IPO Share Option Scheme or any option.

(z) ***General***

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Post-IPO Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Post-IPO Share Option Scheme.

Details of the Post-IPO Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and our Shares to be issued pursuant to the Global Offering (including any Shares to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme or any Shares). All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

4. Preliminary Expenses

Our estimated preliminary expenses are approximately HK\$10,000 and are payable by our Company.

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Credit Suisse (Hong Kong) Limited	A licensed corporation registered for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Commerce & Finance Law Offices.	PRC legal advisors
Maples and Calder	Cayman legal advisor
Thanathip & Partners	Thai legal advisor
Shanghai iResearch Co., Ltd.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in the section headed “E. Other Information — 5. Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoters

Our Company has no promoter.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2013 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to the Underwriters and sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (v) our Company has no outstanding convertible debt securities or debentures; and
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.
- (c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

12. Particulars of the Selling Shareholders and the Over-allotment Option Grantor**I. Particulars of the Selling Shareholders as at the Latest Practicable Date are set out as follows:**

- (a) Name: Sequoia Capital China II, L.P.
 - Description: A limited liability partnership incorporated in the Cayman Islands
 - Registered office: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands
 - Beneficial Owner(s) Sequoia Capital China II, L.P. is managed by Sequoia Capital China Advisors Limited and its general partner is Sequoia Capital China Management II, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, a company wholly owned by Neil Nanpeng Shen
 - Number of Sale Shares: 6,181,826
- (b) Name: Sequoia Capital China Partners Fund II, L.P.
 - Description: A limited liability partnership incorporated in the Cayman Islands

Registered office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands
Beneficial Owner(s)	Sequoia Capital China Partners Fund II, L.P. is managed by Sequoia Capital China Advisors Limited and its general partner is Sequoia Capital China Management II, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, a company wholly owned by Neil Nanpeng Shen
Number of Sale Shares:	155,634
(c) Name:	Sequoia Capital China Principals Fund II, L.P.
Description:	A limited liability partnership incorporated in the Cayman Islands
Registered office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands
Beneficial Owner(s)	Sequoia Capital China Principals Fund II, L.P. is managed by Sequoia Capital China Advisors Limited and its general partner is Sequoia Capital China Management II, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, a company wholly owned by Neil Nanpeng Shen
Number of Sale Shares:	1,038,540

II. Particulars of the Over-allotment Option Grantor as at the Latest Practicable Date are set out as follows:

(a) Name:	Boyaa Global Limited
Description:	A company incorporated under the laws of the British Virgin Islands with limited liability
Registered office:	Quastisky Building, P.O. Box 4389, Road Town Tortola, British Virgin Islands
Beneficial Owner (s)	Mr. Zhang, an executive Director of our Company, is the settlor and one of the discretionary beneficiaries of the Zhang Family Trust and Boyaa Global is wholly owned by the Zhang Family Trust
Maximum number of Shares to sell:	27,658,000

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed “E. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus, copies of the material contracts referred to in the section headed “B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus and the statement of particulars of the Selling Shareholders and the Over-allotment Option Grantor.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Simpson Thacher & Bartlett, at ICBC Tower, 35/F, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of the Group for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013;
- (d) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the letter prepared by Maples and Calder summarizing certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (f) the material contracts referred to in the section headed “B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (g) the written consents referred to in the section headed “E. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus;
- (h) the rules of the Pre-IPO Share Option Scheme, the RSU Scheme and the Post-IPO Share Option Scheme;
- (i) the full list of all the grantees who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme and the full list of all the grantees who have been granted RSUs under the RSU Scheme, containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule of the Companies Ordinance;
- (j) the service contracts and letters of appointment referred to in the section headed “C. Further Information About our Directors and Substantial Shareholders — 2. Directors’ Service Contracts” in Appendix IV to this prospectus;
- (k) the PRC legal opinions dated October 31, 2013 issued by Commerce & Finance Law Offices, our PRC Legal Advisor, in respect of certain aspects of our Group and our property interests;
- (l) the Thai legal opinions dated June 17, 2013 and August 9, 2013 issued by Thanathip & Partners, our Thai legal advisor, in respect of certain aspects of Thai law and our Group; and
- (m) the statement of particulars of the Selling Shareholders and the Over-allotment Option Grantor, details of which are set out in the section headed “Other Information — Particulars of the Selling Shareholders and the Over-allotment Option Grantor” in Appendix IV to this prospectus.



Boyaa Interactive International Limited
博雅互動國際有限公司