boyaa

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0434

2014 年報

Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Wei *(Chairman and Chief Executive Officer)*
Mr. Dai Zhikang
Mr. Gao Junfeng

Non-executive Director

Mr. Zhou Kui

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Huang Haiyan[(Note)]
Ms. Lai Siu Kuen

AUTHORIZED REPRESENTATIVES

Mr. Zhang Wei
Ms. Lai Siu Kuen

AUDITOR

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

COMPLIANCE ADVISOR

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

COMPANY'S WEBSITE

www.boyaa.com.hk

STOCK CODE

0434

HEADQUARTERS IN THE PRC

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

THE 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

Note: Ms. Huang Haiyan has resigned as a joint company secretary of the Company with effect from 27 March 2015.

Corporate Information

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL BANKS

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

Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**945,319**	681,262	517,745	317,859	156,139
Gross profit	**567,852**	416,209	313,829	182,738	87,568
Profit before income tax	**335,000**	164,730	187,481	111,487	72,560
Profit for the year	**279,587**	135,507	142,791	88,059	73,134
Total comprehensive income for the year	**336,290**	126,637	142,802	88,300	73,649
Profit attributable to owners of the Company	**280,065**	135,507	142,791	88,059	73,134
Total comprehensive income attributable to owners of the Company	**336,768**	126,637	142,802	88,300	73,649

CONSOLIDATED BALANCE SHEETS

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**187,037**	33,481	29,973	28,143	4,878
Current assets	**1,526,644**	1,374,632	444,829	225,542	81,504
Total assets	**1,713,681**	1,408,113	474,802	253,685	86,382
Equity and liabilities					
Total equity	**1,481,626**	1,214,619	302,424	153,893	64,065
Non-current liabilities	**14,234**	591	43,883	35,373	—
Current liabilities	**217,821**	192,903	128,495	64,419	22,317
Total liabilities	**232,055**	193,494	172,378	99,792	22,317
Total equity and liabilities	**1,713,681**	1,408,113	474,802	253,685	86,382
Net current assets	**1,308,823**	1,181,729	316,334	161,123	59,187
Total assets less current liabilities	**1,495,860**	1,215,210	346,307	189,266	64,065

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014.

In 2014, we adopted various measures to maintain our leading position in the increasingly competitive online card and board game market and dedicated ourselves to our goal of becoming a leading global brand for online card and board games.

For the year ended 31 December 2014, revenue of the Group amounted to approximately RMB945.3 million, representing an increase of approximately 38.8% from the revenue of approximately RMB681.3 million recorded in 2013. The unaudited adjusted net profit derived by excluding non-operational and one-off items increased 40.0% from approximately RMB218.7 million recorded in 2013 to approximately RMB306.2 million for 2014. In addition, the number of Daily Active Users for the year of 2014 reached approximately 5.8 million, representing an increase of approximately 19.1% from approximately 4.9 million in 2013. As at the end of 2014, the number of paying players of the Group was approximately 2.2 million, an increase of approximately 143.5% from approximately 0.9 million in 2013.

In 2014, the mobile business strategy of the Company was continuously implemented which helped us claimed another successful year. The Group's leading position in the mobile card and board game segment in the target markets was further enhanced. In the fast-growing mobile games market, the Group continues to expand its game player base by leveraging our rich portfolio of mobile games and pleasant game experience. As at 31 December 2014, the number of paying players for our mobile games was approximately 2.0 million, representing a significant increase of approximately 182.1% from approximately 0.7 million as at the end of 2013. Revenue of the Group derived from mobile games for the year ended 31 December 2014 amounted to approximately RMB535.8 million, representing an increase of approximately 94.8% from approximately RMB275.1 million recorded in 2013. The achievement resulting from the implementation of the mobile business strategy is also reflected in the revenue structure of the Group. Revenue derived from mobile games accounted for approximately 56.7% of the total revenue of the Group in 2014, compared to approximately 40.4% in 2013.

The Group's strong localization capabilities further deepened market penetration of our games in local markets. For the year ended 31 December 2014, revenue generated from language versions of games of simplified Chinese grew approximately 96.4% from approximately RMB217.0 million in 2013 to approximately RMB426.2 million in 2014.

Further, in 2014, the Group also strengthened its infrastructure investment and technology innovation. The Group successfully developed and launched several new card and board games and added new language versions of our existing games.

Driven by technology advancement and penetration of smartphones and other mobile devices and high-speed wireless Internet connection, the online card and board game markets are expected to continue to grow at a high speed. In the future, the Group will integrate and centralize resources, continuously deepen penetration in mobile games market, focus on localization of our games in target markets and continue to invest in research and development in advanced technologies. The Board and management of the Company are confident about the Group's future development.

Chairman's Statement

The Board recommends the payment of a final dividend of RMB0.059 per share (equivalent to HK$0.075 per share) for the year ended 31 December 2014, which is subject to the approval of the Company's shareholders at the annual general meeting to be held on 14 May 2015. This, together with the interim dividend of RMB0.062 per share (equivalent to HK$0.078) per share that was paid in 2014, amounts to an aggregate dividend payment of RMB0.121 per share (equivalent to HK$0.153 per share) for the full financial year of 2014, representing an payout ratio of 30% of our unaudited non-IFRS adjusted net profit for the year ended 31 December 2014.

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

Zhang Wei
Chairman

Hong Kong, 11 March 2015


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Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Overview

In 2014, we continued to focus on the development and operations of online card and board games, broaden card and board games portfolio by constant product innovation, expanded professional game development and operations team, continuously enhanced our response speed in customer service and improved service quality so as to maintain our leading position in the increasingly competitive online card and board game market. For the year of 2014, we recorded revenue of approximately RMB945.3 million, representing an increase of 38.8% as compared to 2013.

As at 31 December 2014, the online games product portfolio we launched increased to 25 and the newly added online games were particularly targeted at and offered to the local card and board game market in mainland China for refined operation. Meanwhile, we also actively expand language versions of our games by currently offering as many as 21 languages versions to further build and strengthen our global business.

During the year, our paying player base, in particular for our mobile games, recorded a significant growth in 2014, the number of which increased from 0.7 million in the fourth quarter of 2013 to 2.0 million in the same period of 2014. We witnessed a stable growth in our MAUs and DAUs. The ARPPU of our two most important games, Fight the Landlord and Texas Hold'em , also maintained steady growth in mobile games offering.

In 2014, we continued to increase our efforts to market our games and broaden the channels in both the domestic and overseas markets. In terms of the domestic market, we continued to maintain close cooperation relationship with the three telecom operators in China, and enhanced the cooperation with various mobile equipment manufacturers in the pre-installing channel. On the other hand, we conducted extensive pilot of the cooperation with domestic mainstream TV game publisher to seize higher market share in the TV board game market. In terms of the broad overseas market, we continued to deepen the cooperation with large-scale social platforms such as Facebook and Line to boarden our player base through online marketing channel and facilitated strategic layout in our overseas target market by accelerating the expansion into overseas mobile pre-installing market.

In terms of technology infrastructure investment and technology innovation, as at 31 December 2014, we had 595 servers hosted in 17 countries and regions all over the world. We also continued to refine our game development engine — Boyaa Building Engine and further expanded its function library, thereby further enhancing our game development capability and efficiency. We established an automatic testing framework applicable to mobile games offering to enhance the quality and response speed for product testing. The integration and optimization of the data servers also strengthened our disaster recovery and data loss prevention capabilities.

In 2014, we completed equity investments in four Internet companies, including Shenzhen Gangyun Technology Co., Ltd. (深圳港雲科技有限公司, "**Gangyun**"), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司, "**HuifuWorld**"), YaoYaoCity Limited ("**YaoYaoCity**") and Allin Interactive International Limited (傲英互動國際有限公司) and its subsidiaries (the "**Allin Group**"), in which we had a shareholding of 12%, 15%, 15% and 51%, respectively. These four companies are either online games companies or Internet technology companies, and investments in these companies will help us to further expand channels of Boyaa games business.

Management Discussion and Analysis

Outlook for 2015

In 2015, we will continue our efforts to achieve our goal of becoming a leading global brand for online card and board games. We intend to focus on the following:

- continuously strengthening and expanding our card and board games portfolio, particularly local card and board games with emphasis on mobile devices channel and pilot Internet Protocol television channel;

- exploring significant presence in target emerging overseas markets, such as Indonesia, Vietnam and the Middle East, through cooperation relationships with other market players or mergers and acquisitions to further increase our overseas market share;

- increasing premium service offerings for our paying players, including more convenient and flexible payment methods as well as more professional and considerate customer services;

- improving our influence among players as a brand and expanding the recognition and player base of our games by striving to hold influential tournaments and activities; and

- continuously strengthening our research and development efforts on emerging and cutting-edge technologies and improving game quality, allowing our players wider technological applications of our games.

We believe that, leveraging on our expertise and rich experience in online card and board games, we will achieve our goal of becoming a leading global brand for online card and board games through innovations and persevere in player-oriented concepts.

Year ended 31 December 2014 Compared to Year ended 31 December 2013

Revenue

Our revenue for the year ended 31 December 2014 amounted to approximately RMB945.3 million, representing an increase of 38.8% from approximately RMB681.3 million recorded in 2013. The increase in revenue was primarily driven by the increase in paying players, mainly as a result of our effective monetization measures, especially in our mobile games.

In terms of revenue by game forms, our continued shift in our strategic focus from web-based games to mobile games has contributed to a significant increase in revenue generated from our mobile games. For the year ended 31 December 2014, revenue generated from our mobile games amounted to approximately RMB535.8 million as compared to approximately RMB275.1 million in 2013, representing a growth of approximately 94.8% and which accounted for approximately 56.7% of our total revenue in 2014 (2013: 40.4% of our total revenue).

Management Discussion and Analysis

In terms of revenue by language versions of games, our continued efforts in enhancing our games with localized features during the year has contributed to the continued increase in revenue attributable to our games offered in language version of simplified Chinese. For the year ended 31 December 2014, revenue generated from language versions of simplified Chinese grew 96.4% from approximately RMB217.0 million in 2013 to approximately RMB426.2 million in 2014, which accounted for approximately 45.1% and 31.8% of our total revenue in 2014 and 2013, respectively.

Cost of revenue

Our cost of revenue increased by 42.4% from approximately RMB265.1 million in 2013 to approximately RMB377.5 million in 2014 primarily due to the increase in commission fees paid to our payment collection channels in line with the increase in revenue and the increase in the average commission fees charge rate. The increase in cost of revenue was also attributable to an increase in employee benefit expenses resulting from the increase in the number of our game development staff and operations support staff.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 36.4% from approximately RMB416.2 million for the year ended 31 December 2013 to approximately RMB567.9 million for the year ended 31 December 2014. Our gross profit margin in 2014 was basically flat as compared to that of 2013, fell into normal business volatility range resulting from the adjustment to our product mix.

Selling and marketing expenses

Our selling and marketing expenses increased by 21.0% from approximately RMB147.7 million in 2013 to approximately RMB178.7 million in 2014, accounting for 18.9% of our revenue in 2014 decreased from 21.7% in 2013. The increase in selling and marketing expenses was mainly attributable to the increase in advertising and promotional activities for expanding our games in existing markets and potential markets, as well as the increase in employee benefit expenses resulting from the increase in headcount of our selling and marketing department.

Administrative expenses

Our administrative expenses increased by 5.4% from approximately RMB111.4 million in 2013 to approximately RMB117.4 million in 2014, accounting for 12.4% of our revenue in 2014 decreased from 16.4% in 2013. The increase in administrative expenses was mainly due to the increase in employee benefit expenses resulting from the increase in headcount.

Other gains - net

We recorded other gains - net of approximately RMB54.9 million for the year ended 31 December 2014, which primarily consisted of return on short-term investments, government subsidies and tax rebates. For the year ended 31 December 2013, we recorded other gains - net of approximately RMB19.1 million.

Management Discussion and Analysis

Finance income/(costs) - net

Our net finance income was approximately RMB2.1 million in 2014 and we recorded net finance costs of approximately RMB11.6 million in 2013. The change was primarily due to the fair value change of liability component of Series A Preferred Shares, which was recorded for 2013 but not for 2014 as Series A Preferred Shares were converted into ordinary shares immediately prior to our listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Share of profit of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd ("**Fanhou**"), RaySns Technology Co., Ltd ("**RaySns**"), Shanghai Teqi Internet Technology Co., Ltd. ("**Teqi**"), HuifuWorld and Gangyun as at 31 December 2014 (31 December 2013: three), all of which were Internet or online game companies. We recorded a share of profit of associates of approximately RMB6.2 million and RMB0.2 million for the years ended 31 December 2014 and 2013, respectively.

Income tax expense

Our income tax expense increased by 89.6% from approximately RMB29.2 million for the year ended 31 December 2013 to approximately RMB55.4 million for the year ended 31 December 2014, primarily due to the increase in profit before income tax from approximately RMB164.7 million in 2013 to approximately RMB335.0 million in 2014. The effective income tax rate decreased from approximately 17.7% in 2013 to approximately 16.5% in 2014 is primarily due to the decrease of the share-based compensation expense and fair value change of liability component of Series A Preferred Shares which were non-tax deductible items.

Profit for the year

As a result of the foregoing, our profit attributable to owners of the Company increased by 106.7% from approximately RMB135.5 million in 2013 to approximately RMB280.1 million in 2014.

Non-IFRS Measure - Adjusted net profit

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

Management Discussion and Analysis

Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2014 was derived from our net profit for the same period excluding share-based compensation expenses of approximately RMB10.5 million, RMB4.0 million and RMB12.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2013 was derived from our net profit for the same period excluding share-based compensation expenses of approximately RMB18.7 million, RMB7.1 million and RMB21.5 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively, and fair value change of liability component of Series A Preferred Shares of approximately RMB16.9 million included in finance costs, and listing-related expenses of approximately RMB18.9 million included in administrative expenses.

All of the Series A Preferred Shares of the Company were fully converted into ordinary shares immediately prior to our listing in November 2013. In addition, all listing-related expenses had been paid in full and had been duly accounted for in the financial statements for the year ended 31 December 2013. Accordingly, the Company did not incur any further fair value change of liability component of Series A Preferred Shares or listing-related expenses for the year ended 31 December 2014.

Liquidity and capital resources

In 2014, we financed our operations primarily through cash generated from our operating activities as well as the net proceeds we received from the global offering completed in November 2013. We intend to finance our expansion and business operations by internal resources and through organic and sustainable growth.

Cash and cash equivalents

As at 31 December 2014, we had cash and cash equivalents of approximately RMB1,029.3 million (31 December 2013: approximately RMB965.6 million), which primarily consisted of cash at bank and in hand and which were mainly denominated in Renminbi (as to 92.7%), US dollars (as to 4.8%) and other currencies (as to 2.5%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received amounted to approximately HK$837.9 million. Up to 31 December 2014, a total amount of RMB112.5 million from the net proceeds from our initial public offering had been utilized for expanding our marketing and promotion activities and equity investments. The unutilized net proceeds has been deposited into short-term demand deposits in the bank account maintained by the Group as well as used in money markets instruments which are principal protected and with guaranteed return.

Management Discussion and Analysis

Short-term investments

As at 31 December 2014, we had short-term investments of approximately RMB370.0 million (31 December 2013: RMB223.0 million). The short-term investments that we have made represent investments in certain money market instruments in the form of principal and return-guaranteed products denominated in Renminbi offered by certain commercial banks in China and have a term ranging from six months to twelve months. The outstanding short-term investments will mature before end of April 2015 and no new money market instruments have been purchased by the Group since November 2014. The effective interest rate for the short-term investments that we have made in the year ended 31 December 2014 was 6.2% (for the year ended 31 December 2013: 6.0%), and the returns on such short-term investments amounted to approximately RMB44.5 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RMB4.8 million).

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

Borrowings

During the year ended 31 December 2014, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the year ended 31 December 2014, our total capital expenditure amounted to approximately RMB54.7 million (2013: approximately RMB7.4 million), mainly including payment for equity investments of RMB43.8 million (2013: nil), which was funded by using the net proceeds from our initial public offering; and purchasing of additional furniture and equipment, motor vehicles, leasehold improvements and computer software of RMB10.9 million (2013: approximately RMB7.4 million), which was funded by using our cash flow generated from our operations.

Contingent liabilities and guarantees

As at 31 December 2014, our Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

During the year ended 31 December 2014, the Group has completed four equity investments. On 16 June 2014, we entered into an agreement with HuifuWorld pursuant to which we acquired 15% equity interest in HuifuWorld at a consideration of RMB5.0 million. On 19 June 2014, we entered into an agreement with Gangyun pursuant to which we acquired 12% equity interest in Gangyun at a consideration of RMB3.2 million. On 18 September 2014, the Group entered into a share purchase agreement with YaoYaoCity pursuant to which we acquired 15% equity interest in YaoYaoCity at a consideration of RMB9.9 million. On 8 November 2014, the Group acquired 51% equity interest in Allin Interactive International Limited and, thereby acquired 51% interest in Allin Group, at a consideration of RMB10.0 million. In the coming future, the Group will continue to identify new opportunities for business development.

Proposed disposal of available-for-sale financial assets and associate

On 13 February 2015, our subsidiary, Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), Mr. Dai Zhikang and other shareholders of Blingstorm Entertainment Ltd. (晶合思動(北京)科技有限公司, "**Blingstorm**") (as vendors) entered into a share purchase agreement ("**Blingstorm SPA**") with OurPalm Co., Ltd (北京掌趣科技股份有限公司, "**OurPalm**") (as purchaser), pursuant to which Boyaa Shenzhen, Mr. Dai Zhikang and other shareholders of Blingstorm agreed to dispose of 100% equity interests in Blingstorm to OurPalm. The completion of the proposed disposal is subject to certain conditions. The preliminary consideration for the disposal of Boyaa Shenzhen's 9.36% equity interest in Blingstorm is RMB80,145,000, which is subject to adjustment. If agreement on the adjustment cannot be reached by the parties to the Blingstorm SPA, the Blingstorm SPA will be terminated and therefore the proposed disposal may or may not be completed. For details, please refer to the announcement of the Company dated 15 February 2015. The investment cost of the Group for its 9.36% equity interest in Blingstorm was RMB4,600,000 and due to the significant loss reported by Blingstorm in 2012 and 2013, full impairment had been made against the investment cost as at 31 December 2012 and 2013. In light of the proposed disposal and the possible recovery of the value of the investment, an independent valuer was appointed to estimate the fair value of the investment in Blingstorm as at 31 December 2014. The fair value of the investment was approximately RMB61,325,000.

On 23 March 2015, Boyaa Shenzhen and other shareholders of RaySns Technology Co., Ltd. (雷尚(北京)科技有限公司, "**RaySns**") (as vendors) entered into a share purchase agreement ("**RaySns SPA**") with Dalian Kemian Wood Industry Co., Ltd. (大連科冕木業股份有限公司, "**Kemian**") (as purchaser), pursuant to which Boyaa Shenzhen and other shareholders of RaySns agreed to dispose of 100% equity interests in RaySns to Kemian. The completion of the proposed disposal is subject to certain conditions. The consideration for the disposal of Boyaa Shenzhen's 16% equity interest in RaySns is RMB126,719,991.09 which shall be satisfied by the issue and allotment of 2,385,093 shares in Kemian with par value of RMB1.00 each to Boyaa Shenzhen. Upon completion of the transaction under the RaySns SPA, Boyaa Shenzhen will receive 2,385,093 shares in Kemian and the Group's investment in RaySns will need to be remeasured at fair value and be transferred to available-for-sale financial assets (representing the 2,385,093 shares in Kemian that Boyaa Shenzhen shall hold then). Assuming the fair value of the Group's investment in RaySns on the completion date of the transactions would be equal to the current consideration of RMB126,719,991.09, and with reference to carrying value of the Group's investment in RaySns as at 31 December 2014, there would be a pre-tax revaluation gain of RMB116,181,449.21. For details, please refer to the announcement of the Company dated 23 March 2015.

Pledge of assets

As at 31 December 2014, none of the Group's assets was pledged.

Employees and staff cost

As at 31 December 2014, we had a total of 832 full time employees, who are mainly based in China. In particular, 625 employees are responsible for our game development and operation functions, 48 for game support, 80 for business development and 79 for administration and senior management functions.

We organize and launch various training programs on a regular basis for our employees to enhance their knowledge of online game development and operation, improve time management and internal communications, and strengthen team building. We also provide various incentives, including share-based awards, such as share options and restricted share units ("**RSU(s)**") granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by PRC laws and regulations, we have also made contributions to various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

For the year ended 31 December 2014, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB137.2 million, representing approximately 20.4% of the total expenses of the Group. Pursuant to the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the "**Pre-IPO Share Option Scheme**") as well as the RSU scheme adopted by the Company in September 2013 (the "**RSU Scheme**"), there were a total of 8,827,506 share options and 74,215,932 shares underlying the RSUs outstanding and/or granted to a total of 263 directors, senior management members and employees of the Group as at 31 December 2014. There were also 31,207,258 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme and the RSU Scheme, together with details of the options and RSUs granted under such schemes, are set out in the section headed "Share Option Schemes and Restricted Share Unit Scheme" in the Directors' Report in this annual report.

Dividends

The Board recommends the payment of a final dividend of RMB0.059 per share (equivalent to HK$0.075 per share), amounting to approximately a total of RMB45.0 million for the year ended 31 December 2014 (the "**2014 Final Dividend**"). This, together with the interim dividend of RMB0.062 per share (equivalent to HK$0.078 per share) that was paid in 2014, amounts to an aggregate dividend payment of RMB0.121 per share (equivalent to HK$0.153 per share) for the full financial year of 2014, representing a payout ratio of 30% of our unaudited non-IFRS adjusted net profit for the year ended 31 December 2014. The 2014 Final Dividend is subject to the approval of the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**"), which will be held on 14 May 2015. All Shareholders on the register of members of the Company as of the record date for the 2014 Final Dividend, being 22 May 2015, which shall include The Core Admin Boyaa RSU Limited, the nominee which holds the shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme (the "**RSU Nominee**"), will be entitled to receive the 2014 Final Dividend. As at the date of this annual report, RSUs represented by (i) 76,936,499 issued shares held by the RSU Nominee were granted and outstanding, (ii) 21,552,625 issued shares held by the RSU Nominee have not been granted and (iii) 4,768,566 RSUs that have been granted have lapsed for the period from 1 January 2014 to the date of this report. The shares underlying the RSUs that have not been granted or lapsed have returned to the pool of RSUs (the "**RSU Pool**") held by the RSU Nominee. Accordingly, a total dividends of approximately RMB6.1 million shall be distributed to the RSU Nominee, of which (i) approximately RMB4.5 million will be distributed to the RSU Nominee for the benefit of the grantees in respect of the 76,936,499 issued shares underlying the granted and outstanding RSUs and (ii) approximately RMB1.6 million will be distributed to the RSU Nominee in respect of the 26,321,191 issued shares in the RSU Pool. The dividends with respect to the issued shares in the RSU Pool of approximatcly RMB1.6 million will first be used to settle the outstanding fees and expenses of the RSU Scheme payable by the Company to the trustee of the RSU Scheme and the remaining portion of such dividends will be transferred to the Shareholders immediately prior to the adoption of the RSU Scheme, namely Boyaa Global Limited, Emily Technology Limited, Comsenz Holdings Limited and Sequoia Capital and its affiliates, in the proportion of their then respective shareholding interests in the Company.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Wei (張偉), age 38, is the Chairman and Chief Executive Officer of the Company and was appointed as an executive Director on 14 June 2010. Mr. Zhang is the founder of our Group. Mr. Zhang received an associate's degree in computer application from Zhengzhou University of Technology (鄭州工業大學), now known as Henan University of Technology (河南工業大學) in July 1996. Prior to founding our Group, Mr. Zhang served as an engineer at two companies, including Kingsoft Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3888). In 2001, Mr. Zhang began to venture into the Internet industry by commencing research and feasibility study on the online game business, exploring the various options and opportunities available within the Internet industry and investment planning. In 2004, Mr. Zhang established our PRC operating entity, Boyaa Shenzhen. Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since the establishment of Boyaa Shenzhen.

Mr. Dai Zhikang (戴志康), age 33, joined the Board as an executive Director on 19 August 2013. Mr. Dai serves as a director of Boyaa Shenzhen since January 2008. Mr. Dai has 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) from October 2010 to March 2014 and was 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) from 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 41, has served as the Chief Financial Officer of the Company since November 2012. His appointment as an executive Director took effect on 12 November 2013. Mr. Gao is responsible for the overall financial operation and day-to-day business of our Group. Prior to joining our Group, Mr. Gao held senior positions in accounting and finance in China-based, U.S.-listed companies. From August 1996 to October 2007, Mr. Gao served as a senior manager of the Internal Control and Risk Management Department at PricewaterhouseCoopers's Beijing office. From October 2007 to March 2008, he served as a director of business risk services of Ernst & Young. From July 2008 to February 2010, he was the Director of Finance of ATA Inc., a company listed on the NASDAQ Stock Market (NASDAQ: ATAI), and from March 2010 to November 2012, the chief financial officer of Xueda Education Group, a company listed on the New York Stock Exchange (NYSE: XUE). Mr. Gao received his bachelor's degree in accounting from the Shanghai University of Finance and Economy (上海財經大學) in July 1996. Mr. Gao is a member of the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Biographies of the Directors and Senior Management

Non-executive Director

Mr. Zhou Kui (周逵), age 47, joined the Board as a non-executive Director on 7 January 2011. Mr. Zhou has years of management experience in various sectors, including investment, manufacturing and hi-tech. Mr. Zhou has been with Sequoia Capital China (紅杉資本中國基金) since October 2005 and he is currently a partner of Sequoia Capital China (紅杉資本中國基金). Mr. Zhou currently also acts as a director of Sky-Mobi Limited, a company listed on the NASDAQ Stock Market (NASDAQ: MOBI). Mr. Zhou also acted as a director of VanceInfo Technologies Inc. (文思信息技術有限公司), a company listed on the New York Stock Exchange (NYSE: VIT) from 2006 to 2012, a supervisor of Beijing Ourpalm Co., Ltd. (北京掌趣科技股份有限公司) a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange (Stock Code: 300315) from 2010 to 2013, a director of Beijing Shouhang Resources Saving Co., Ltd. (北京首航艾啟威節能技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002665) from December 2010 to November 2013 and 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) from March 2009 to December 2014. From April 2001 to October 2005, he served as a senior vice president of Legend Capital Co., Ltd. (聯想投資有限公司, now known as 北京君聯資本管理有限公司), a member of Legend Holdings group. Mr. Zhou received his bachelor's degree in electrical automation from Wuhan University of Technology (武漢理工大學) in June 1989 and graduated from Tsinghua University (清華大學) with a master of business administration degree in July 2000.

Independent Non-executive Directors

Mr. Cheung Ngai Lam (張毅林), age 45, joined the Board as an independent non-executive Director on 25 October 2013. Mr. Cheung currently is the Chief Financial Officer of China Zenix Auto International Ltd. (NYSE: ZX). From June 2008 to May 2014, Mr. Cheung acted as an independent director of Ninetowns Internet Technology Group Co., Ltd., a company previously listed on the NASDAQ Stock Market (until it was delisted on 29 May 2014). Mr. Cheung was also an independent non-executive director of China Environmental Resources Group Limited (formerly known as Benefun International Holdings Limited) (Stock Code: 1130) from July 2008 to March 2013 and Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (Stock Code: 1383) from February 2007 to June 2012, and both are companies listed on the Stock Exchange. Mr. Cheung is a member of the American Institute of Certified Public Accountants and is a Certified Practicing Accountant of Australia. Mr. Cheung obtained a bachelor's degree in social sciences from the University of Hong Kong in November 1991 and a master of science (investment management) degree in finance from the Hong Kong University of Science and Technology in November 2002.

Mr. Choi Hon Keung Simon (蔡漢強), age 54, joined the Board as an independent non-executive Director on 25 October 2013. Mr. Choi currently serves as an independent non-executive director of Kenford Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 464) and also serves as a member of each of its audit committee, remuneration committee and nomination committee. From June 2010 to December 2013, Mr. Choi served as an independent director of China BCT Pharmacy Group, Inc., a company previously listed on the OTC Electronic Bulletin Board (until it was delisted on 28 May 2013). Mr. Choi is also an active PRC legal advisor to the Hong Kong Electrical Appliances Industries Associations. Mr. Choi joined TCL Multimedia Technology Holdings Limited, a global TV manufacturer and a company listed on the Stock Exchange (Stock Code: 1070) in 2005 and served as its deputy general counsel from 2011 to 2014. Mr. Choi obtained a bachelor degree in laws from Peking University in July 1991, a master degree in laws from London University in November 1992 and a Common Profession Examination Certificate in laws from Hong Kong University in June 1994. Mr. Choi was admitted as a Solicitor of the Supreme Court of England and Wales in 1998, a Solicitor of the High Court of Hong Kong in 1997 and a member of the Institute of Linguists in 1996.

Biographies of the Directors and Senior Management

Mr. Gao Shaofei (郜韶飛), age 30, joined the Board as an independent non-executive Director on 25 October 2013. Mr. Gao founded Shanghai Niwo Information Service Co., Ltd. (上海你我信息服務有限公司) in 2007 after his graduation from university by utilizing the funds received from the Shanghai Technology Entrepreneurship Foundation for Graduates (上海市大學生創業基金). Shanghai Niwo Information Service Co., Ltd. is a Chinese social online game development which engaged in online game business and Mr. Gao served as its chief executive officer from July 2007 to December 2009. From January 2010 and December 2012, Mr. Gao served as the chief executive officer of Shanghai Five Minutes Network Technology Co., Ltd. (上海五分鐘網絡科技有限公司), also an online game development company. Mr. Gao graduated from the School of Information Science and Engineering of East China University of Science and Technology (華東理工大學資訊科學與工程學院) in July 2006.

SENIOR MANAGEMENT

Mr. Liu Weiwu (劉衛武), age 31, is a Vice President of our Group. Mr. Liu joined our Group in April 2010 and is in charge of product planning, design, development, sales and marketing of our web-based card games (other than Texas Hold'em). Prior to joining our Group, Mr. Liu held senior managerial positions in Internet/information technology companies. He served as the general manager of Shenzhen Xingheng Technology Co., Ltd. (深圳興恆科技有限公司) 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 33, is a Vice President of our Group. Mr. Suo joined our Group in March 2004 and is responsible for product development and sales and marketing of our Texas Hold'em game. Mr. Suo is also a director of Boyaa Interactive (Thailand) Limited since its incorporation in June 2012. Mr. Suo obtained an associate's degree in computer science and technology from Pingyuan University (平原大學), now known as Xinxiang University (新鄉學院), in July 2003.

Ms. Huang Haiyan (黃海燕), age 35, is a Vice President of our Group and one of our joint company secretaries. Ms. Huang joined our Group in March 2011 and is in charge of the financial matters of our Group. She served as a senior auditor at the audit department of PricewaterhouseCoopers' Shenzhen office from July 2002 to August 2004. From August 2004 to July 2005, Ms. Huang was a settlement analyst at the billing and settlement department of Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 700). From August 2005 to February 2008, she was the financial planning and analysis leader of the finance department of Maigao Fine High-tech Materials Co., Ltd. (邁高精細高新材料(深圳)有限公司) (formerly known as GE High-technology Materials (Shenzhen) Co., Ltd. (通用精細高新材料深圳有限公司). From February 2008 to March 2011, Ms. Huang served as a senior finance manager at the finance department of Shenzhen Huadong Feitian Network Development Co., Ltd, a subsidiary of A8 Digital Music Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 800). Ms. Huang obtained her bachelor's degree in public finance and taxation from Sun Yat-Sen University (中山大學) in June 2001. Ms. Huang has resigned from her positions as a Vice President and a joint company secretary of the Company with effect from 27 March 2015.

Ms. Xiao Han (肖寒), age 38, is a Vice President of our Group. Ms. Xiao joined our Group in April 2012 and was appointed as a Vice President of our Group in October 2014, and is in charge of the supervision and compliance department and corporate management department. Prior to joining our Group, Ms. Xiao served as a chief compliance officer and assistant to chief executive officer of Xunlei Ltd, a company listed on the NASDAQ Stock Market (NASDAQ: XNET) from February 2003 to March 2012. Ms. Xiao obtained a master degree in laws from Zhengzhou University in July 2005.

Biographies of the Directors and Senior Management

Mr. Yu Tong (于彤), age 32, is a Vice President of our Group. Mr. Yu joined our Group in March 2011 and was appointed as a Vice President of our Group in October 2014, and is responsible for local card and board games' matters. Prior to joining our Group, Mr. Yu served as an engineer at ZTE Corporation, a company listed both on the Shenzhen Stock Exchange and the Stock Exchange (Shenzhen: 000063, Stock Exchange: 763) from September 2005 to May 2007, and a senior engineer at Tencent Holdings Limited, a company listed on the Stock Exchange (Stock Code: 700) from July 2007 to March 2010. Mr. Yu obtained a bachelor's degree in management from Jilin University in July 2005.

Ms. Zhang Shuang (張爽), age 34, is a Vice President of our Group. Ms. Zhang jointed our Group in March 2012 and was appointed as a Vice President of our Group in Oct 2014, and is responsible for administration and public relation matters. Prior to joining our Group, Ms. Zhang served as an administrative officer of Kingdee International Software Group Company Limited, a company listed on the Stock Exchange (Stock Code: 268) from February 2003 to September 2005, and a supervisor of market department of Xunlei Ltd, a company listed on the NASDAQ Stock Market (NASDAQ: XNET) from September 2006 to March 2012. Ms. Zhang obtained a bachelor's degree in public relation from South China Normal University in June 2005 and a master degree in project management from University of Greenwich in United Kingdom in June 2012.

Directors' Report

The board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**") is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**"), for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 56 to 146.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.059 per share for the year ended 31 December 2014 (the "**2014 Final Dividend**") and is subject to the approval of the Company's shareholders ("**Shareholders**") at the forthcoming annual general meeting ("**AGM**"), which will be held on 14 May 2015. Adopting an exchange rate of HK$1=RMB0.7924, the 2014 Final Dividend is equivalent to HK$0.075 per share. The 2014 Final Dividend, if approved at the AGM, is expected to be paid on or about 2 June 2015 to those Shareholders whose names appear on the register of members of the Company on 22 May 2015.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2014 are set out in the consolidated statements of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2014 are set out in Note 19 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

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

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in Note 9 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2014 amounted to RMB13,000 (2013: RMB0.8 million).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

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

During the year ended 31 December 2014, the Company repurchased 90,000 ordinary shares of US$0.00005 each of the Company ("**Shares**") on the Stock Exchange at an aggregate consideration of HK$736,750.00 pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting held on 8 May 2014. Details of the repurchases are summarised as follows:

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

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

Except as disclosed above, the Group did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2014.

SHARE OPTION SCHEMES AND RESTRICTED SHARE UNIT SCHEME

Post-IPO Share Option Scheme

On 23 October 2013, a share option scheme (the "**Post-IPO Share Option Scheme**") of the Company was approved and adopted by the Shareholders.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on 12 November 2013 (the "**Listing Date**"), after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

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

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, as defined below, the "**Other Schemes**") of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") (being 73,755,912 Shares). Therefore, as at 31 December 2014, the total number of Shares which may be issued on the exercise of options granted and to be granted under the Post-IPO Share Option Scheme and any Other Schemes is 73,755,912, representing approximately 9.7% of the issued share capital of the Company as at the date of this annual report. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any Other Schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

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

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

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

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

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

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

(iii) the nominal value of the Shares.

As at 31 December 2014, no option has been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Pre-IPO Share Option Scheme

On 7 January 2011, the Pre-IPO Share Option Scheme of the Company was approved and adopted by the Board, which was subsequently amended on 17 September 2013.

The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant pre-IPO options to employees, officers and directors of or consultant to any member of the Group (the "**Eligible Participants**") as recognition and acknowledgement of the contributions that such Eligible Participants have made or may make to the Group or any affiliates. An Eligible Participant whom an option is granted in accordance with the terms of the Pre-IPO Share Option Scheme (the "**Grantee**") is not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

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

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

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

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

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

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

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

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

All of the options granted under the Pre-IPO Share Option Scheme were granted in four batches in 2011 and 2012. As at 31 December 2014, options to subscribe for an aggregate of 8,827,506 Shares (representing approximately 1.2% of the total issued share capital of the Company as at the date of this annual report) have been granted by the Company under the Pre-IPO Share Option Scheme. There were altogether 56 option holders including an executive Director and the Chief Financial Officer of the Company, a director of Boyaa Interactive (Thailand) Limited ("**Boyaa Thailand**") (a subsidiary of the Company), six members of senior management of the Group and 48 other employees of the Group. Details of movements in the options under the Pre-IPO Share Option Scheme are set out in Note 20 to the consolidated financial statements.

Details of the options granted under the Pre-IPO Share Option Scheme and details of the vesting period, exercise period, the exercise price and the movements in options during the year ended on 31 December 2014 are set out in the section headed "Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme" below.

No further options have been granted under the Pre-IPO Share Option Scheme after the Listing Date.

Restricted Share Unit Scheme

On 17 September 2013, the RSU Scheme of the Company was approved and adopted by the Board.

The purpose of the RSU Scheme is to incentivize Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

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

The RSU Scheme will be valid and effective for a period of eight years, commencing from the date of the first grant of the RSUs, being 4 March 2013 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**").

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

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

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

Directors' Report

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

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

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

As at 31 December 2014, an aggregate of 105,423,190 Shares were held by the RSU Trustee, representing approximately 13.91% of the Shares in issue as at the date of this annual report. As at 31 December 2014, RSUs in respect of an aggregate of 74,215,932 Shares, representing approximately 9.79% of the Shares in issue as at the date of this annual report, had been granted to 263 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 six are members of the senior management. Details of the movements in the RSUs under the RSU Scheme are set out in Note 20 to the consolidated financial statements.

Details of the RSUs granted under the RSU Scheme and details of the vesting period and the movements in RSUs during the year ended on 31 December 2014 are set out in the section headed "Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme" below.

During the year ended 31 December 2014, no RSU was granted or agreed to be granted under the RSU Scheme.

Directors' Report

Details of the options granted and outstanding under the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme as at 31 December 2014

Name of option holder/ grantees of RSU	Position(s) held with the Group	Nature	Number of Shares represented by options or RSUs at 1 January 2014	Date of grant	Exercise price (US$)	Exercised during the period	Weighted average closing price of Shares immediately before the dates on which the options were exercised	Lapsed during the period	Number of Shares represented by options or RSUs at 31 December 2014
Director of the Company									
Gao Junfeng	Executive Director and Chief Financial Officer	Options	3,380,281	1 November 2012	0.15	1,267,605	9.25	—	**2,112,676**
		RSUs	3,380,282	1 November 2012	—	—	—	—	**3,380,282**
			5,633,803	4 March 2013	—	—	—	—	**5,633,803**
		Sub-total	12,394,366			1,267,605		—	**11,126,761**
Director of our subsidiary									
Suo Hongbin	Director of Boyaa Thailand and Vice President	Options	7,500,000	1 February 2011	0.05	6,562,482	8.58	—	**937,518**
		RSUs	7,500,000	1 February 2011	—	—	—	—	**7,500,000**
		Sub-total	15,000,000			6,562,482		—	**8,437,518**
261 other employees of the Group		Options	17,695,000	1 February 2011	0.05	12,324,843	8.67	—	**5,370,157**
			362,500	2 March 2012	0.10	115,000	8.02	50,000	**197,500**
			590,000	1 July 2012	0.15	253,257	8.36	127,088	**209,655**
		RSUs	17,695,000	1 February 2011	—	1,949,198	—	—	**15,745,802**
			362,500	2 March 2012	—	74,973	—	—	**287,527**
			590,000	1 July 2012	—	35,533	—	157,816	**396,651**
			44,492,980	4 March 2013	—	1,032,296	—	3,966,817	**39,493,867**
		Sub-total	81,787,980			15,785,100		4,301,721	**61,701,159**
Total		Options	25,195,000	1 February 2011	0.05	18,887,325	8.64	—	**6,307,675**
			362,500	2 March 2012	0.10	115,000	8.07	50,000	**197,500**
			590,000	1 July 2012	0.15	253,257	8.36	127,088	**209,655**
			3,380,281	1 November 2012	0.15	1,267,605	9.25	—	**2,112,676**
		RSUs	25,195,000	1 February 2011	—	158,698	—	—	**25,036,302**
			362,500	2 March 2012	—	45,473	—	—	**317,027**
			590,000	1 July 2012	—	16,783	—	157,816	**415,401**
			3,380,282	1 November 2012	—	—	—	—	**3,380,282**
			50,126,783	4 March 2013	—	1,093,046	—	3,966,817	**45,066,920**
			109,182,346			21,837,187		4,301,721	**83,043,438**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS

The Directors during the year were:

Directors

Name	Position
Mr. Zhang Wei	Chairman of the Board, Chief Executive Officer and Executive Director
Mr. Dai Zhikang	Executive Director
Mr. Gao Junfeng	Executive Director and Chief Financial Officer
Mr. Zhou Kui	Non-executive Director
Mr. Cheung Ngai Lam	Independent Non-executive Director
Mr. Choi Hon Keung Simon	Independent Non-executive Director
Mr. Gao Shaofei	Independent Non-executive Director

In accordance with article 16.18 of the Company's articles of association, Mr. Gao Junfeng, Mr. Cheung Ngai Lam and Mr. Choi Hon Keung Simon shall retire by rotation at the AGM and they being eligible, offer themselves for re-election.

None of Mr. Gao Junfeng, Mr. Cheung Ngai Lam and Mr. Choi Hon Keung Simon has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 2014, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") were as follows:

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

Name of Director/ Chief Executive	Name of company	Capacity/ Nature of interest	Number of underlying Shares[1]	Approximate percentage of shareholding
Mr. Zhang Wei[2]	The Company	Founder of a discretionary trust	256,572,474 (L)	33.85%
Mr. Dai Zhikang[3]	The Company	Founder of a discretionary trust	40,000,000 (L)	5.28%
Mr. Gao Junfeng[4]	The Company	Beneficial owner	12,394,366 (L)	1.64%

Notes:

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

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

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

(4) Mr. Gao Junfeng is interested in 1,267,605 Shares, share options representing 2,112,676 Shares at an exercise price of US$0.15 per Share and restricted share units representing 9,014,085 Shares which can be exercised for nil consideration. Both the share options and the restricted share units are subject to a vesting schedule.

(b) Interests in other members of the Group

So far as the Directors are aware, as at 31 December 2014, the following person (excluding the Company) is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Save as disclosed above, as at 31 December 2014, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2014, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Name of company	Nature of interest	Number of Shares or securities held(1)	Approximate percentage of interest
Cantrust (Far East) Limited(2)(3)	The Company	Trustee of a trust	296,572,474 (L)	39.13%
Rustem Limited(2)(3)	The Company	Nominee for another person	296,572,474 (L)	39.13%
Chunlei Investment(2)	The Company	Interest in a controlled corporation	256,572,474 (L)	33.85%
Boyaa Global Limited(2)	The Company	Beneficial owner	176,572,474 (L)	23.29%
Emily Technology Limited(2)	The Company	Beneficial owner	80,000,000 (L)	10.55%

Name of Shareholder	Name of company	Nature of interest	Number of Shares or securities held[1]	Approximate percentage of interest
Visioncode Holdings Limited[3]	The Company	Interest in a controlled corporation	40,000,000 (L)	5.28%
Comsenz Holdings Limited[3]	The Company	Beneficial owner	40,000,000 (L)	5.28%
Ms. Li Bing[4]	The Company	Interest of spouse	40,000,000 (L)	5.28%
Mr. Shen Nanpeng[5]	The Company	Interest in a controlled corporation	122,201,460 (L)	16.12%
Sequoia Capital China II, L.P. and its affiliates[5]	The Company	Beneficial owner	122,201,460 (L)	16.12%
The Core Trust Company Limited[6] [7]	The Company	Trustee of a trust	106,737,190 (L)	14.08%
The Core Admin Boyaa RSU Limited[6] [7]	The Company	Nominee for another person	105,423,190 (L)	13.91%

Notes:

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

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

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

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

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

(6) *The Core Trust Company Limited, being the RSU Trustee, directly holds the entire issued share capital of The Core Admin Boyaa RSU Limited as the RSU nominee, which holds 105,423,190 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) *Pursuant to Section 336 of the SFO, the Shareholders are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore a Shareholder's latest shareholding in the Company may be different from the shareholding filed with the Stock Exchange.*

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The game players make payments through various payment collection channels. Therefore, the ultimate customers of the Group are individual game players. The Group collects payments from the sales of its in-game virtual items directly from the payment collection channels of the Group and not directly from individual game players. For the year ended 31 December 2014, the five largest payment collection channels contributed a total of 43.4% of the Group's total revenue. Alipay, the current largest payment collection channel, contributed 11.3% of the Group's total revenue, for the same period.

None of our Directors, any of their associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest payment collection channels during the year ended 31 December 2014.

Data centres that provide server hosting and leasing services are the major suppliers of the Group. During the year ended 31 December 2014, the purchases from the Group's five largest suppliers accounted to less than 30% of the Group's total purchases from all of the suppliers for the same period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

EMPLOYEE RETIREMENT BENEFITS

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

PUBLIC FLOAT

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

AUDITOR

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

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and retained earnings totaling approximately RMB593,053,000 (2013: RMB699,163,000).

BANK AND OTHER LOANS

The Group did not have any short-term or long-term bank borrowings or other loans as at 31 December 2014.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Zhang Wei is (i) one of the three directors of Shanghai Teqi Internet Technology Co. Ltd. (an associated company in which Boyaa Shenzhen holds 28% interest), which is mainly engaged in online game development in the Peoples' Republic of China ("**PRC**"); (ii) one of the five directors of Shenzhen Gangyun Technology Co., Ltd. (a company in which Boyaa Shenzhen holds 12% interest), which is mainly engaged in the development and operation of camera and video beautification systems with domestic and international mobile phones manufacturers as their major customers; (iii) one of the three directors of Shenzhen HuifuWorld Network Technology Co., Ltd. (a company in which Boyaa Shenzhen holds 15% interest), which is mainly engaged in the development and operation of Internet Protocol television and Android Set-Top-Box related channels and platforms and lottery; and (iv) indirectly holds Shanghai Allin Network Technology Co., Ltd. (in which Boyaa Shenzhen holds 100% interest) through Boyaa Shenzhen. Mr. Dai Zhikang holds approximately 4.32% equity interest in and is also one of the three directors of Blingstorm Entertainment Ltd. ("**Blingstorm**") (a company in which Boyaa Shenzhen holds approximately 9.36% equity interest), which is mainly engaged in provision of mobile games (other than online card and board games) in the PRC. On 13 February 2015, Boyaa Shenzhen, Mr. Dai Zhikang and other shareholders of Blingstorm (as vendors) entered into a share purchase agreement ("**Share Purchase Agreement**") with OurPalm Co., Ltd ("**OurPalm**") (as purchaser), pursuant to which Boyaa Shenzhen, Mr. Dai Zhikang and other shareholders of Blingstorm agreed to dispose of 100% equity interests in Blingstorm to OurPalm. The completion of the proposed disposal is subject to certain conditions. The preliminary consideration for the disposal of Boyaa Shenzhen's 9.36% interest in Blingstorm is RMB80,145,000, which is subject to adjustment. If agreement on the adjustment cannot be reached by parties to the Share Purchase Agreement, the Share Purchase Agreement will be terminated and therefore the proposed disposal may or may not be completed. For details, please refer to the announcement of the Company dated 15 February 2015.

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

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

The independent non-executive Directors have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2014. Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 November 2013, the Company's Shares were listed on the Main Board of the Stock Exchange. A total of 177,014,000 ordinary Shares with nominal value of US$0.00005 each of the Company were issued at HK$5.35 per share for a total of approximately HK$947.0 million. The net proceeds raised by the Company from the abovementioned global offering are approximately HK$837.9 million.

Up to 31 December 2014, a total amount of RMB112.5 million from the net proceeds from the abovementioned global offering had been utilized for expanding our marketing and promotion activities and equity investments. The unutilized net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group as well as invested in money market instruments which are principal protected and with guaranteed return.

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

CONNECTED TRANSACTIONS

Continuing Connected Transactions

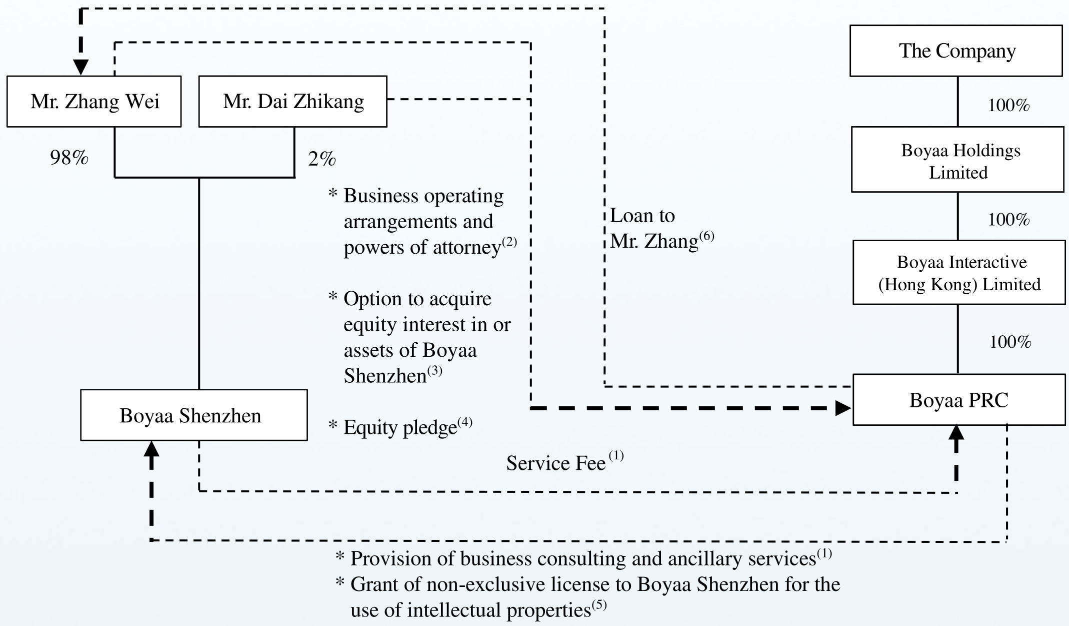
Reference is made to the prospectus of the Company dated 31 October 2013. The Company, as a foreign investor, is prohibited from holding equity interest in Boyaa Shenzhen, the PRC operating entity of the Company, which conducts the online games business and is considered to be engaged in the provision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

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

Mr. Zhang Wei is a substantial Shareholder and an executive Director. He is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Boyaa Shenzhen is owned as to 98% by Mr. Zhang Wei and hence an associate of Mr. Zhang Wei. Boyaa Shenzhen is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. In addition, Mr. Dai Zhikang is an executive Director and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

Contractual Arrangements

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



Notes:

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

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

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

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

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

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

(a) Exclusive Business Consulting and Service Agreement

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

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

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

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

(b) Business Operating Agreement

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

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

Power of attorney

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

(c) Exclusive Option Agreement

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

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

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

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

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

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

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

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

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

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

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

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

(d) Equity Pledge Agreement

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

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

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

(e) Intellectual Properties License Agreement

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

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

(f) Loan Agreement

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

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

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

Directors' Report

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

The independent non-executive Directors reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended 31 December 2014 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Boyaa Shenzhen has been substantially retained by Boyaa PRC, (ii) no dividends or other distributions have been made by Boyaa Shenzhen to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) no New Intergroup Agreements have been entered into between the Group and Boyaa Shenzhen during the year ended 31 December 2014.

Further, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2014 has been provided by the Company to the Stock Exchange.

By order of the Board

Zhang Wei
Chairman

Hong Kong, 11 March 2015

Corporate Governance Report

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

During the year ended 31 December 2014, the Company has complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

BOARD OF DIRECTORS

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

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

The biographies of the Directors are set out on pages 17 to 19 of this report.

Each of the executive Directors has entered into a service contract with the Company on 25 October 2013 and the Company has issued letters of appointment to the non-executive Director and each of the independent non-executive Directors. The principal particulars of these service contracts and letters of appointment are (a) for a term of 3 years commencing from 25 October 2013 (except for Mr. Gao Junfeng, the term shall be 3 years commencing from 12 November 2013) and (b) are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with our articles of association of the Company and the applicable Listing Rules.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the years ended 31 December 2014 was approximately RMB7.4 million.

Corporate Governance Report

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors and senior management for 2014 are set out in Note 25 to the consolidated financial statements.

During the year ended 31 December 2014, the Company has three independent non-executive Directors, which number meets the requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

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

Directors have access to the services of the company secretary(ies) to ensure that the Board procedures are followed. During the year ended 31 December 2014, the joint company secretaries of the Company were Ms. Huang Haiyan and Ms. Lai Siu Kuen. In compliance with Rule 3.29 of the Listing Rules, each of Ms. Huang Haiyan and Ms. Lai Siu Kuen has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2014. Ms. Huang Haiyan has resigned as a joint company secretary of the Company with effect from 27 March 2015 due to personal reason for pursuing other opportunities. Following the resignation of Ms. Huang Haiyan, Ms. Lai Siu Kuen remains as the company secretary of the Company and acts as the sole company secretary of the Company. Ms. Lai Siu Kuen is a senior manager of the Listing Services Department of KCS Hong Kong Limited and possesses the requisite qualification and experience as required under Rule 3.28 and Rule 8.17 of the Listing Rules and her primary corporate contact person at the Company was Ms. Huang Haiyan, and subsequent to Ms. Huang Haiyan's resignation, the primary corporate contact person at the Company is Mr. Gao Junfeng, an executive Director and the Chief Financial Officer of the Company.

Each of the Directors attended various trainings in 2014, including the trainings for the connected transactions, for the amendment of the Listing Rules, for the Directors' responsibilities and continuous obligations and for the model code for securities transactions by the Directors, etc. The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

During the year ended 31 December 2014, the Board held 4 meetings. A total of 36 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2013 annual report, 2013 annual results announcement, 2014 first quarterly results announcement 2014 interim report, 2014 interim results announcement, payment of interim dividend and 2014 third quarterly results announcement.

The table below sets out the details of Board meetings attendance of each Director during the year ended 31 December 2014.

Director	**Number of Board meetings requiring attendance**	**Number of Board meetings attended**
Mr. Zhang Wei	4	4
Mr. Dai Zhikang	4	3
Mr. Gao Junfeng	4	4
Mr. Zhou Kui	4	4
Mr. Cheung Ngai Lam	4	4
Mr. Choi Hon Keung Simon	4	4
Mr. Gao Shaofei	4	4

In 2014, the Company convened and held one general meeting, being the 2013 annual general meeting held on 8 May 2014. Our Directors, namely Mr. Zhang Wei, Mr. Gao Junfeng, Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Gao Shaofei, attended the general meeting.

Corporate Governance Report

BOARD COMMITTEES

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

Audit Committee

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

During the year ended 31 December 2014, the Audit Committee held four meetings, at which a total of 24 proposals were considered, including proposals for the consideration of the Company's 2013 annual report, 2013 annual results announcement, 2014 first quarterly results, 2014 interim report, 2014 interim results announcement, 2014 third quarterly results and the report on audit plan for the year of 2014 by PricewaterhouseCoopers, the external auditor of the Company. The Audit Committee also assessed the risk management and internal control measures of the Company.

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

Director	Number of meetings requiring attendance	Number of meetings attended
Mr. Cheung Ngai Lam	4	4
Mr. Choi Hon Keung Simon	4	4
Mr. Gao Shaofei	4	4

Nomination Committee

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

In 2014, the Nomination Committee held one meeting, at which a total of 6 proposals were considered, including proposals for the reviews of the Board's structure, the diversity policy of the Board's members, the independence of the Non-executive Directors and the recommendation of re-election of the retiring directors.

The table below sets out the details of meetings attendance of each member of the Nomination Committee during the year ended 31 December 2014.

Director	Number of meetings requiring attendance	Number of meetings attended
Mr. Zhang Wei	1	1
Mr. Choi Hon Keung Simon	1	1
Mr. Gao Shaofei	1	1

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

Remuneration Committee

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

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

In 2014, the Remuneration Committee held one meeting, at which a total of 4 proposals were considered, including proposals for the remuneration of the Directors and senior management, the policy and structure of the remuneration for the Directors and senior management, etc.

The table below sets out the details of meetings attendance of each member of the Remuneration Committee during the year ended 31 December 2014.

Director	Number of meetings requiring attendance	Number of meetings attended
Mr. Cheung Ngai Lam	1	1
Mr. Choi Hon Keung Simon	1	1
Mr. Gao Shaofei	1	1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2014.

EXTERNAL AUDITOR

PricewaterhouseCoopers is appointed as the external auditor of the Company.

For the year ended 31 December 2014, the fees paid/payable to PricewaterhouseCoopers for the audit and review of the financial statements of the Group are RMB7 million. PricewaterhouseCoopers did not provide non-audit services to the Group for the year ended 31 December 2014.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 54 to 55 of this report. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

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

SHAREHOLDERS

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

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

During the year ended 31 December 2014 and up to the date of this report, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company (www.boyaa.com.hk) and that of the Stock Exchange.

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of Boyaa Interactive International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 146, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 March 2015

Consolidated Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**15,176**	10,804
Intangible assets	7	**19,626**	1,032
Investments in associates	10	**21,839**	7,977
Available-for-sale financial assets	11	**63,975**	—
Deferred income tax assets	12	**1,685**	4,383
Financial assets at fair value through profit or loss	15	**22,085**	—
Prepayments and other receivables	14	**42,651**	9,285
		187,037	33,481
Current assets			
Trade receivables	13	**94,312**	59,376
Prepayments and other receivables	14	**33,001**	19,690
Financial assets at fair value through profit or loss	15	**—**	107,000
Short-term investments	16	**370,000**	223,000
Cash and cash equivalents	17	**1,029,331**	965,566
		1,526,644	1,374,632
Total assets		**1,713,681**	1,408,113

Consolidated Balance Sheet

	Note	As at 31 December **2014** **RMB'000**	 2013 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	18	**245**	239
Share premium	18	**632,329**	738,070
Shares held for RSU Scheme	18	**(19)**	(33)
Reserves	19	**137,045**	53,512
Retained earnings		**702,896**	422,831
		1,472,496	1,214,619
Non-controlling interests		**9,130**	—
Total equity		**1,481,626**	1,214,619
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	12	**14,234**	591
Current liabilities			
Trade and other payables	21	**115,169**	97,651
Deferred revenue	22	**24,238**	39,202
Current income tax liabilities		**78,414**	56,050
		217,821	192,903
Total liabilities		**232,055**	193,494
Total equity and liabilities		**1,713,681**	1,408,113
Net current assets		**1,308,823**	1,181,729
Total assets less current liabilities		**1,495,860**	1,215,210

The notes on pages 66 to 146 are integral parts of these consolidated financial statements.

The financial statements on pages 56 to 146 were approved for issue by the Board of Directors on 11 March 2015 and were signed on its behalf.

Zhang Wei
Director

Gao Junfeng
Director

Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**83,079**	56,489
Available-for-sale financial assets		**2,649**	—
		85,728	56,489
Current assets			
Amounts due from subsidiaries	9	**493,902**	—
Prepayments and other receivables		**2,276**	548
Cash and cash equivalents	17	**97,825**	733,785
		594,003	734,333
Total assets		**679,731**	790,822
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**245**	239
Share premium	18	**632,329**	738,070
Shares held for RSU Scheme	18	**(19)**	(33)
Reserves	19	**64,949**	35,257
Accumulated losses		**(21,465)**	(21,041)
Total equity		**676,039**	752,492

Balance Sheet

	Note	As at 31 December **2014** **RMB'000**	 2013 RMB'000
Liabilities			
Current liabilities			
Amounts due to subsidiaries	9	**3,685**	37,630
Other payables		**7**	700
		3,692	38,330
Total liabilities		**3,692**	38,330
Total equity and liabilities		**679,731**	790,822
Net current assets		**590,311**	696,003
Total assets less current liabilities		**676,039**	752,492

The notes on pages 66 to 146 are integral parts of these consolidated financial statements.

The financial statements on pages 56 to 146 were approved for issue by the Board of Directors on 11 March 2015 and were signed on its behalf.

Zhang Wei
Director

Gao Junfeng
Director

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
	Note	**2014**	2013
		RMB'000	RMB'000
Revenue	5	**945,319**	681,262
Cost of revenue	24	**(377,467)**	(265,053)
Gross profit		**567,852**	416,209
Selling and marketing expenses	24	**(178,682)**	(147,685)
Administrative expenses	24	**(117,398)**	(111,415)
Other gains - net	26	**54,877**	19,082
Operating profit		**326,649**	176,191
Finance income	27	**8,518**	2,018
Finance costs	27	**(6,389)**	(13,656)
Finance income/(costs) - net	27	**2,129**	(11,638)
Share of profit of associates	10	**6,222**	177
Profit before income tax		**335,000**	164,730
Income tax expense	28	**(55,413)**	(29,223)
Profit for the year		**279,587**	135,507
Other comprehensive income			
Items that may be reclassified to profit or loss:			
– Changes in value of available-for-sale financial assets, net of tax		**52,182**	—
– Currency translation differences		**4,521**	(8,870)
Other comprehensive income/(loss) for the year, net of tax		**56,703**	(8,870)
Total comprehensive income for the year		**336,290**	126,637

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Profit attributable to:			
– Owners of the Company		**280,065**	135,507
– Non-controlling interests		**(478)**	—
Total comprehensive income attributable to:			
– Owners of the Company		**336,768**	126,637
– Non-controlling interests		**(478)**	—
Earnings per share (expressed in RMB cents per share)			
– Basic	29	**42.07**	43.54
– Diluted	29	**38.07**	25.47
Dividends	30	**91,853**	65,640

The notes on pages 66 to 146 are integral parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2013		123	—	—	31,038	271,263	302,424
Comprehensive income							
Profit for the year		—	—	—	—	135,507	135,507
Other comprehensive loss							
Currency translation differences		—	—	—	(8,870)	—	(8,870)
Total comprehensive income for the year		—	—	—	(8,870)	135,507	126,637
Issuance of new shares	18	54	742,184	—	—	—	742,238
Issuance of shares held for RSU Scheme	18	22	—	—	—	—	22
Share issuance costs	18	—	(62,617)	—	—	—	(62,617)
Deemed contribution from shareholders for the shares held for RSU Scheme	20	—	—	(33)	33	—	—
Conversion of Series A Preferred Shares	18	40	58,503	—	—	—	58,543
Transfer	19	—	—	—	(16,061)	16,061	—
Employee share option and RSU scheme – value of employee services	19	—	—	—	47,372	—	47,372
Total contributions by and distributions to owners of the Company, recognized directly in equity		116	738,070	(33)	31,344	16,061	785,558
Balance at 31 December 2013		239	738,070	(33)	53,512	422,831	1,214,619

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		**239**	**738,070**	**(33)**	**53,512**	**422,831**	**1,214,619**	**—**	**1,214,619**
Comprehensive income									
Profit for the year		—	—	—	—	280,065	280,065	(478)	279,587
Other comprehensive income									
Change in value of available-for-sale financial assets, net of tax	11	—	—	—	52,182	—	52,182	—	52,182
Currency translation differences		—	—	—	4,521	—	4,521	—	4,521
Total comprehensive income for the year		**—**	**—**	**—**	**56,703**	**280,065**	**336,768**	**(478)**	**336,290**
Employee share option and RSU scheme									
– value of employee services	19	—	—	—	26,590	—	26,590	—	26,590
– proceeds from shares issued	18	6	7,288	—	—	—	7,294	—	7,294
– vesting of shares under RSU scheme	20	—	(14)	14	—	—	—	—	—
Share of change in reserves of an associate	10	—	—	—	240	—	240	—	240
Buy-back of shares	18	—	(587)	—	—	—	(587)	—	(587)
Dividends	30	—	(112,428)	—	—	—	(112,428)	—	(112,428)
Total contributions by and distributions to owners of the Company, recognized directly in equity		**6**	**(105,741)**	**14**	**26,830**	**—**	**(78,891)**	**—**	**(78,891)**
Non-controlling interests arising on business combination	35	—	—	—	—	—	—	9,608	9,608
Total transactions with owners, recognized directly in equity		**6**	**(105,741)**	**14**	**26,830**	**—**	**(78,891)**	**9,608**	**(69,283)**
Balance at 31 December 2014		**245**	**632,329**	**(19)**	**137,045**	**702,896**	**1,472,496**	**9,130**	**1,481,626**

The notes on pages 66 to 146 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**265,434**	227,138
Income tax paid		**(30,427)**	(16,579)
Net cash generated from operating activities		**235,007**	210,559
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	35	**(4,764)**	—
Purchase of property, plant and equipment		**(9,616)**	(7,014)
Purchase of intangible assets		**(1,277)**	(393)
Purchase of financial assets at fair value through profit or loss		**(169,883)**	(420,000)
Purchase of available-for-sale financial assets	11	**(2,608)**	—
Purchase of short-term investments		**(1,360,000)**	(223,000)
Prepayments for purchase of certain properties	14	**(30,873)**	—
Investments in associates	10	**(8,200)**	—
Proceeds from disposals of financial assets at fair value through profit or loss		**258,274**	446,618
Proceeds from disposals of short-term investments		**1,213,000**	—
Proceeds on disposals of property, plant and equipment	32	**17**	—
Dividends received from an associate	10	**800**	—
Proceeds from partial disposal of investment in an associate	10	**—**	2,000
Return on short-term investments received		**41,481**	3,286
Interest received		**8,450**	2,018
Net cash used in investing activities		**(65,199)**	(196,485)

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Buy-back of shares	18	**(587)**	—
Dividends	30	**(112,428)**	—
Proceeds from issuance of ordinary shares	18	**7,188**	—
Proceeds from issuance of new shares	18	**—**	742,238
Payment of share issuance costs	18	**—**	(62,617)
Proceeds from issuance of shares held for RSU scheme	20	**—**	22
Net cash (used in)/generated from financing activities		**(105,827)**	679,643
Net increase in cash and cash equivalents		**63,981**	693,717
Cash and cash equivalents at beginning of year		**965,566**	274,682
Exchange losses on cash and cash equivalents		**(216)**	(2,833)
Cash and cash equivalents at end of the year		**1,029,331**	965,566

The notes on pages 66 to 146 are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

The operations of the Group were initially conducted through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("Boyaa Shenzhen"), a limited liability company established in the PRC by certain shareholders of the Company on 13 February 2004. Boyaa Shenzhen is controlled by Mr. Zhang Wei (the "Founder").

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

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

– exercise effective financial and operational control over Boyaa Shenzhen;

– exercise owners' 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 owners at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa PRC may exercise such options at any time until it has acquired all equity interests and/or all assets of Boyaa Shenzhen; and

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

1. GENERAL INFORMATION *(Continued)*

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and the liability component of the Series A Preferred Shares, which were carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

2.1.1 Changes in accounting policy and disclosures

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning on 1 January 2014 and are relevant to the Group

- Amendment to HKAS 32, "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. This amendment did not have a significant effect on the Group's consolidated financial statements.

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

2.1 Basis of preparation ***(Continued)***

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning on 1 January 2014 and are relevant to the Group ***(Continued)***

- Amendment to HKAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. This amendment did not have a significant effect on the Group's consolidated financial statements.

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to "over-the-counter" derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. This amendment did not have a significant effect on the Group's consolidated financial statements.

- IFRIC 21 "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognized. This amendment did not have a significant effect on the Group's consolidated financial statements.

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

2.1 Basis of preparation ***(Continued)***

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted

- Annual improvements 2012, which include changes from the 2010-2012 cycle of the annual improvements project, that affect the following standards: IFRS 8, 'Operating segments'. IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'. IAS 24, 'Related party disclosures'. These amendments will be effective for annual periods beginning on or after 1 July 2014 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

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

- Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3, Business combinations. Specifically, an investor will need to: measure identifiable assets and liabilities at fair value; expense acquisition-related costs; recognize deferred tax; and recognize the residual as goodwill. All other principles of business combination accounting apply unless they conflict with IFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. This amendment will be effective for annual periods beginning on or after 1 January 2016 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

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

2.1 Basis of preparation ***(Continued)***

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted *(Continued)*

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

- Amendments to IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and its associate or joint venture. The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. These amendments will be effective for annual periods beginning on or after 1 January 2016 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

- Amendment to IAS 27 on the equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment will be effective for annual periods beginning on or after 1 January 2016 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

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

2.1 *Basis of preparation* ***(Continued)***

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted ***(Continued)***

- Annual improvements 2014, which include changes from the 2012-2014 cycle of the annual improvements project that affect the following standards: IFRS 5, "Non-current assets held for sale and discontinued operations", IFRS 7, "Financial instruments: Disclosures", IAS 19, "Employee benefits" and IAS 34, "Interim financial reporting". These amendments will be effective for annual periods beginning on or after 1 July 2016 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

- IFRS 15 "Revenue from contracts with customers". IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction contracts, and the related interpretations on revenue recognition: IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC-31 Revenue - barter transactions involving advertising services. This amendment will be effective for annual periods beginning on or after 1 January 2017 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

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

2.1 Basis of preparation ***(Continued)***

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted ***(Continued)***

- IFRS 9 "Financial instruments". IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortized cost a day-1 loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39. This amendment will be effective for annual periods beginning on or after 1 January 2018 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

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

2.1 Basis of preparation ***(Continued)***

2.1.1 Changes in accounting policy and disclosures (Continued)

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

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

2.2 *Subsidiaries (Continued)*

2.2.1 Consolidation (Continued)

(a) Business combinations *(Continued)*

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

The Group's share of post-acquisition profit or loss is recognized in 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 losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

2.3 *Associates (Continued)*

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

Gain or losses on dilution of equity interest in associates are recognized in profit or loss.

2.4 *Segment reporting*

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

2.5 *Foreign currency translation*

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.5 Foreign currency translation ***(Continued)***

(c) Group companies

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

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

2.6 Property, plant and equipment *(Continued)*

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

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

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

(b) Computer software

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 5 years.

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

2.7 *Intangible assets* ***(Continued)***

(c) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the year ended 31 December 2014, there were no development costs meeting these criteria and capitalized as intangible assets (2013: nil).

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

(d) Trademarks and technical know-how

Trademarks and technical know-how acquired in a business combination are initially recognized at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and technical know-how over their estimated useful lives of 10 years.

2.8 *Impairment of non-financial assets*

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

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

2.9 Financial assets

2.9.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

2.9 Financial assets ***(Continued)***

2.9.2 Recognition and measurement

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

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

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

2.10 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.

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

2.10 Impairment of financial assets (Continued)

(a) Assets carried at amortized cost (Continued)

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 a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists 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. 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.

For equity investments, 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 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.

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

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 allowance for impairment.

2.12 Cash and cash equivalents

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

2.13 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 (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

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

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

(c) Offsetting

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

2.16 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 balance sheet date.

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

(b) Pension obligations

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

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

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 restricted shares units ("RSUs") is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options and RSUs granted:

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

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

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

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

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

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

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

2.17 Share-based payments ***(Continued)***

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

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

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

The Company first measured the fair value of the liability component, and the residual was recognized as the equity component. Subsequent to the initial recognition, the liability component of the Series A Preferred Shares was stated at fair value, with changes recorded in profit or loss under "financial costs - net". The equity component was 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 consolidated financial statements is measured at the fair value of the consideration received or receivable.

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

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

2.18 Revenue recognition (Continued)

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.

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

2.18 Revenue recognition (Continued)

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 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.21 Government grants

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

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

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

2.22 Operating leases

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

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

2.23 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(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 RMB and 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 the two PRC subsidiaries, Boyaa On-line Game Development (Shenzhen) Co., Ltd. ("Boyaa PRC") and Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("Boyaa Shenzhen") whose functional currencies are RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax profit for the year ended 31 December 2014 would have been approximately RMB1,531,000 higher/lower (2013: RMB1,647,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD. For group companies outside of the PRC whose functional currencies are USD or Hong Kong dollars ("HKD"), if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, the post-tax profit for the year ended 31 December 2014 would have been approximately RMB6,074,000 higher/lower (2013: RMB40,247,000) mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in RMB.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Interest rate risk

Other than interest-bearing bank deposits and loans to employees, the Group has no other significant interest-bearing assets. Loans to employees were issued at fixed rates and expose the Group to fair value interest rate risk. The directors of the Company do not anticipate there is any significant impact to interest-bearing bank deposits resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

(iii) Price risk

The Group is exposed to price risk because of investments held by the Group, which are classified as fair value through profit or loss and available-for-sale. 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 and available-for-sale at the end of balance sheet date. If the fair values of the respective instruments held by the Group classified as fair value through profit or loss had been 5% higher/lower, the post-tax profit for the year ended 31 December 2014 would have been approximately RMB990,000 higher/lower (2013: RMB4,681,000). If the fair values of the respective instruments held by the Group classified as available-for-sale had been 5% higher/lower, the other components for equity for the year ended 31 December 2014 would have been approximately RMB3,199,000 higher/lower (2013: nil).

(b) Credit risk

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

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and deposits, short-term investments, available-for-sale financial assets 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

(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 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Group				
At 31 December 2014				
Trade and other payables (excluding advances, salary and staff welfare payables and other taxes payable)	**54,993**	**—**	**—**	**54,993**
At 31 December 2013				
Trade and other payables (excluding advances, salary and staff welfare payables and other taxes payable)	25,195	—	—	25,195

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Company				
At 31 December 2014				
Amounts due to subsidiaries and other payables	**3,692**	**—**	**—**	**3,692**
At 31 December 2013				
Amounts due to subsidiaries and other payables	38,330	—	—	38,330

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 *Capital risk management*

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

The Group monitors capital (including share capital and share premium) 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 financial assets and liabilities that are measured at fair value at 31 December 2014 and 2013:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014				
Assets				
Financial assets at fair value through profit or loss	**—**	**—**	**22,085**	**22,085**
Available-for-sale financial assets	**2,650**	**—**	**61,325**	**63,975**
Total assets	**2,650**	**—**	**83,410**	**86,060**
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	—	—	107,000	107,000

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

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

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Opening balance	107,000	—	107,000
Additions	169,883	—	169,883
Disposals	(258,274)	—	(258,274)
Gains recognized in profit or loss	3,476	—	3,476
Fair value changes	—	61,325	61,325
Closing balance	22,085	61,325	83,410
Total gains for the year recognized in profit or loss under "other gains - net"	3,476	—	3,476

3. FINANCIAL RISK MANAGEMENT *(Continued)*

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

(c) Financial instruments in level 3 (Continued)

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

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

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) Recognition of share-based compensation expenses

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

The fair value of share options and RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense. Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognized by the Group in respect of their services rendered for the year ended 31 December 2014 was approximately RMB26,590,000 (2013: RMB47,372,000).

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

4.1 *Critical accounting estimates and assumptions* *(Continued)*

(c) *Fair values of the investments in Blingstorm and YaoYaoCity*

The directors of the Company have used the discounted cash flow method to determine the fair values of the investments in Blingstorm and YaoYaoCity as at 31 December 2014. Key assumptions used to determine the fair values of the investment in Blingstorm and YaoYaoCity are disclosed in Note 11 and Note 15, respectively.

The estimated fair value of the investment in Blingstorm as at 31 December 2014 would have been approximately RMB3,100,000 lower or higher should the discount rate used in the discount cash flow analysis be higher/lower by 100 basis points from management's estimate.

The estimated fair value of the investment in YaoYaoCity as at 31 December 2014 would have been approximately RMB658,000 lower or higher should the discount rate used in the discount cash flow analysis be higher/lower by 100 basis points from management's estimate.

4.2 *Critical judgments in applying the Group's accounting policies*

(a) *Current and deferred income taxes*

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

(b) *Restrictions on ordinary shares held by the Founder*

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

5. REVENUE AND SEGMENT INFORMATION

	2014 RMB'000	2013 RMB'000
Development and operations of online games		
– Web-based games	**409,544**	406,197
– Mobile games	**535,775**	275,065
	945,319	681,262

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

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

	2014 RMB'000	2013 RMB'000
Simplified Chinese	**426,153**	216,979
Other languages	**519,166**	464,283
	945,319	681,262

The Group has a large number of game players, none of whom contributed 5% or more of the Group's revenue for the years ended 31 December 2014 and 2013.

The Group's non-current assets other than property, plant and equipment, deferred income tax assets, financial assets at fair value through profit or loss and available-for-sale financial assets were located in the PRC as at 31 December 2014 and 2013.

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2013				
Cost	5,121	1,952	3,802	10,875
Accumulated depreciation	(1,713)	(682)	(1,054)	(3,449)
Net book amount	3,408	1,270	2,748	7,426
Year ended 31 December 2013				
Opening net book amount	3,408	1,270	2,748	7,426
Additions	3,454	658	2,902	7,014
Depreciation	(1,715)	(321)	(1,588)	(3,624)
Disposals	(12)	—	—	(12)
Closing net book amount	5,135	1,607	4,062	10,804
At 31 December 2013				
Cost	8,555	2,610	6,704	17,869
Accumulated depreciation	(3,420)	(1,003)	(2,642)	(7,065)
Net book amount	5,135	1,607	4,062	10,804
Year ended 31 December 2014				
Opening net book amount	5,135	1,607	4,062	10,804
Acquisition of subsidiaries (Note 35)	14	—	—	14
Additions	5,751	1,029	2,836	9,616
Disposals	(47)	—	—	(47)
Depreciation	(2,574)	(352)	(2,285)	(5,211)
Closing net book amount	8,279	2,284	4,613	15,176
At 31 December 2014				
Cost	13,978	3,639	9,541	27,158
Accumulated depreciation	(5,699)	(1,355)	(4,928)	(11,982)
Net book amount	8,279	2,284	4,613	15,176

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

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

	2014	2013
	RMB'000	RMB'000
Cost of revenue	**1,167**	610
Administrative expenses	**3,901**	2,513
Selling and marketing expenses	**143**	501
	5,211	3,624

7. INTANGIBLE ASSETS

	Computer software RMB'000	Trademarks RMB'000	Technical know-how RMB'000	Total RMB'000
At 1 January 2013				
Cost	931	—	—	931
Accumulated amortization	(60)	—	—	(60)
Net book amount	871	—	—	871
Year ended 31 December 2013				
Opening net book amount	871	—	—	871
Additions	393	—	—	393
Amortization	(232)	—	—	(232)
Closing net book amount	1,032	—	—	1,032
At 31 December 2013				
Cost	1,324	—	—	1,324
Accumulated amortization	(292)	—	—	(292)
Net book amount	1,032	—	—	1,032
Year ended 31 December 2014				
Opening net book amount	1,032	—	—	1,032
Acquisition of subsidiaries (Note 35)	—	1,860	16,223	18,083
Additions	1,277	—	—	1,277
Amortization	(464)	(32)	(270)	(766)
Closing net book amount	1,845	1,828	15,953	19,626
At 31 December 2014				
Cost	2,601	1,860	16,223	20,684
Accumulated amortization	(756)	(32)	(270)	(1,058)
Net book amount	1,845	1,828	15,953	19,626

Amortization of RMB735,000 (2013: nil) is included in "cost of revenue" in the consolidated statement of comprehensive income; RMB15,000 (2013: RMB215,000) in "selling and marketing expenses"; and RMB16,000 (2013: RMB17,000) in "administrative expenses".

8. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Assets at fair value through profit or loss RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per balance sheet				
Group				
At 31 December 2014				
Trade and other receivables (excluding prepayments and undeducted input value-added tax ("VAT"))	**122,445**	**—**	**—**	**122,445**
Financial assets at fair value through profit or loss	**—**	**22,085**	**—**	**22,085**
Available-for-sale financial assets	**—**	**—**	**63,975**	**63,975**
Short-term investments	**370,000**	**—**	**—**	**370,000**
Cash and cash equivalents	**1,029,331**	**—**	**—**	**1,029,331**
	1,521,776	**22,085**	**63,975**	**1,607,836**
At 31 December 2013				
Trade and other receivables (excluding prepayments)	76,418	—	—	76,418
Financial assets at fair value through profit or loss	—	107,000	—	107,000
Short-term investments	223,000	—	—	223,000
Cash and cash equivalents	965,566	—	—	965,566
	1,264,984	107,000	—	1,371,984

8. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Loans and receivables RMB'000	Assets at fair value through profit or loss RMB'000	Available-for-sale RMB'000	Total RMB'000
Company				
At 31 December 2014				
Amounts due from subsidiaries and other receivables	**496,178**	**—**	**—**	**496,178**
Cash and cash equivalents	**97,825**	**—**	**—**	**97,825**
	594,003	**—**	**—**	**594,003**
At 31 December 2013				
Other receivables	548	—	—	548
Cash and cash equivalents	733,785	—	—	733,785
	734,333	—	—	734,333

8. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Liabilities at amortized cost RMB'000
Liabilities per balance sheet	
Group	
At 31 December 2014	
Trade and other payables (excluding advances, salary and staff welfare payables and other taxes payable)	54,993
At 31 December 2013	
Trade and other payables (excluding advances, salary and staff welfare payables and other taxes payable)	25,195
Company	
At 31 December 2014	
Amounts due to subsidiaries and other payables	3,692
At 31 December 2013	
Amounts due to subsidiaries and other payables	38,330

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

(a) Investments in subsidiaries

	2014 RMB'000	2013 RMB'000
Investments in subsidiaries:		
– Investment in a subsidiary (Note (i))	**8**	8
– Deemed investments arising from share-based compensation (Note (ii))	**83,071**	56,481
	83,079	56,489

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

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

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

(a) *Investments in subsidiaries (Continued)*

The following is a list of the principal subsidiaries as at 31 December 2014:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/paid-in capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Boyaa Holdings Limited	BVI, Limited liability company	Investment holding, BVI	USD 1	100%	100%	—
Boyaa Interactive (Hong Kong) Limited	Hong Kong, Limited liability company	Operation of online games, Hong Kong	HKD 10,000	—	100%	—
Boyaa PRC	PRC, Limited liability company	Operation of online games and provision of advisory services, PRC	USD10,000,000	—	100%	—
Boyaa Shenzhen	PRC, Limited liability company	Development of online games, PRC	RMB10,000,000	—	100%	—
Boyaa Interactive (Thailand) Limited ("Boyaa Thailand")*	Thailand, Limited liability company	Provision of advisory services relating to online game applications, Thailand	Thailand Baht ("THB") 8,000,000	—	97.96%	2.04%
Shanghai Chunlei Interactive Network Technology Co., Ltd. (上海春雷互動網絡科技有限公司)	PRC, Limited liability company	Operation of online games and provision of advisory services, PRC	RMB30,000,000	—	100%	—
Allin Interactive International Limited ("Allin Interactive")*	Hong Kong, Limited liability company	Investment holding, Hong Kong	HKD 10,000	—	51%	49%
Shanghai Aoge Network Techology Co., Ltd. (上海傲歌網絡科技有限公司)*	PRC, Limited liability company	Provision of advisory services, PRC	USD100,000	—	51%	49%
Shanghai Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司)*	PRC, Limited liability company	Development of online games, PRC	RMB8,000,000	—	51%	49%

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

(a) *Investments in subsidiaries (Continued)*

* The directors of the Company consider that the non-controlling interests of these subsidiaries were insignificant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

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

(b) *Amounts due from/to subsidiaries*

The amounts due from/to subsidiaries as at 31 December 2014 represented current account balances maintained by the Company with certain subsidiaries. All balances are unsecured and interest-free and the balances are repayable on demand. As at 31 December 2014, the amounts due from subsidiaries were neither past due nor impaired.

10. INVESTMENTS IN ASSOCIATES

	2014 **RMB'000**	2013 RMB'000
At 1 January	**7,977**	8,946
Additions (Note (i))	**8,200**	—
Disposal	**—**	(1,146)
Share of profit	**6,222**	177
Share of change in reserves of an associate	**240**	—
Dividends received from an associate	**(800)**	—
At 31 December	**21,839**	7,977

10. INVESTMENTS IN ASSOCIATES *(Continued)*

(i) On 16 June 2014, the Group acquired 15% equity interest in Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司, "HuifuWorld"), which is mainly engaged in development and operation of Internet Protocol television and Android Set-Top-Box related channels and platforms and lottery, at a consideration of RMB5,000,000, from an independent third party.

On 19 June 2014, the Group acquired 12% equity interest in Shenzhen Gangyun Technology Co., Ltd. (深圳港雲科技有限公司, "Gangyun"), which is mainly engaged in development and operation of camera and video beautification systems with domestic and international mobile phones manufacturers, at a consideration of RMB3,200,000, from an independent third party.

Since the Group has the contractual right to appoint a director to the board of directors of HuifuWorld and Gangyun, the directors of the Company consider that the Group has significant influence on HuifuWorld and Gangyun, and accordingly they are accounted for as associates of the Group. The above two transactions had been completed as of 30 June 2014.

The directors of the Company consider that all associates as at 31 December 2014 and 2013 were insignificant to the Group and thus the individual financial information of these associates are not disclosed.

The summarized financial information of individually immaterial associates on an aggregate basis are as follows:

	As at/Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Carrying amounts in the consolidated financial statements	**21,839**	7,977
Share of profit for the year	**6,222**	177
Share of total comprehensive income	**6,222**	177

There are no contingent liabilities relating to the Group's interests in the associates.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 RMB'000	2013 RMB'000
At 1 January	—	—
Additions (Note (i))	2,608	—
Net gains from changes in fair value	61,380	—
Currency translation differences	(13)	—
At 31 December	63,975	—

(i) The additions represented equity investments in certain listed companies in which the Group holds less than 1% of their respective equity interests. These investments are denominated in HKD and USD. The fair values of these investments are measured at quoted prices in active capital markets.

Available-for-sale financial assets include the following:

	2014 RMB'000	2013 RMB'000
Listed equity securities:	2,650	—
Unlisted equity investment	61,325	—
	63,975	—

The unlisted equity investment represented the Group's equity investment in Blingstorm Entertainment Ltd. ("Blingstorm", 晶合思動(北京)科技有限公司), which is mainly engaged in development and operation of mobile games in the PRC. The investment cost was RMB4,600,000 and the Group held 9.36% equity interest in Blingstorm as at 31 December 2014. Blingstorm reported significant loss in 2012 and 2013 due to poor performance and full impairment had been made against the investment cost as at 31 December 2012 and 2013. Such impairment was reversed through OCI as at 31 December 2014 as a result of the recovery of the value of the investment in 2014.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

The directors of the Company appointed an independent valuer, Avista Valuation Advisory Limited, to estimate the fair value of the investment in Blingstorm as at 31 December 2014. The fair value of the investment was approximately RMB61,325,000, which was determined using the discounted cash flow method and with reference to a preliminary quotation from a third-party purchaser on the Group's entire equity interest in Blingstorm. The fair value measurement of the investment in Blingstorm is categorized within level 3 of the fair value hierarchy. The significant assumptions and inputs utilized in the valuation were as follows:

Discount rate: 24.2%
Terminal growth rate: 3%
Discount for lack of marketability: 15%
Discount for lack of control: 15%

12. DEFERRED INCOME TAX

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

	2014 **RMB'000**	2013 RMB'000
Deferred tax assets:		
– to be recovered within 12 months	**1,685**	4,383
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(4,584)**	(591)
– to be recovered within 12 months	**(9,650)**	—
	(14,234)	(591)
Deferred tax (liabilities)/assets - net	**(12,549)**	3,792

12. DEFERRED INCOME TAX *(Continued)*

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

	2014 **RMB'000**	2013 RMB'000
At 1 January	**3,792**	1,941
Acquisition of subsidiaries (Note 35)	**(4,521)**	—
(Charged)/credited to profit or loss (Note 28)	**(2,622)**	1,851
Tax debited relating to components of OCI	**(9,198)**	—
At 31 December	**(12,549)**	3,792

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

The movement in deferred tax assets is as follows:

	Deferred revenue and prepaid commission charges RMB'000	**Provision for impairment of trade receivables** RMB'000	**Tax losses** RMB'000	**Accrued advertising expense** RMB'000	**Total** RMB'000
At 1 January 2013	2,129	112	603	—	2,844
Credited/(charged) to profit or loss	2,120	22	(603)	—	1,539
At 31 December 2013/1 January 2014	**4,249**	**134**	**—**	**—**	**4,383**
(Charged)/credited to profit or loss	**(2,847)**	**—**	**—**	**149**	**(2,698)**
At 31 December 2014	**1,402**	**134**	**—**	**149**	**1,685**

12. DEFERRED INCOME TAX *(Continued)*

The movement in deferred tax liabilities is as follows:

	Intangible assets acquired in business combination at fair value	Fair value changes of financial assets at fair value through profit or loss and available-for-sale financial assets	Dilution gains on investment in an associate	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	—	410	493	903
(Credited)/Charged to profit or loss	—	(410)	98	(312)
At 31 December 2013/1 January 2014	**—**	**—**	**591**	**591**
Acquisition of subsidiaries (Note 35)	**4,521**	**—**	**—**	**4,521**
Debited to OCI	**—**	**9,198**	**—**	**9,198**
Credited to profit or loss	**(76)**	**—**	**—**	**(76)**
At 31 December 2014	**4,445**	**9,198**	**591**	**14,234**

As at 31 December 2014, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB526,944,000. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

13. TRADE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**95,204**	60,268
Less: impairment provision (Note (c))	**(892)**	(892)
	94,312	59,376

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

	2014 RMB'000	2013 RMB'000
0-60 days	**67,306**	46,668
60-90 days	**14,832**	7,788
90-180 days	**10,705**	4,440
Over 180 days	**2,361**	1,372
	95,204	60,268

(b) As at 31 December 2014, trade receivables of past due but not impaired were approximately RMB29,103,000 (2013: RMB4,831,000). These related to a number of independent Platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables was as follows:

	2014 RMB'000	2013 RMB'000
Outstanding after due dates:		
0-60 days	**21,507**	3,366
60-90 days	**2,750**	1,111
Over 90 days	**4,846**	354
	29,103	4,831

As at the end of February 2015, the subsequent settlement of the above past due but not impaired trade receivables after 31 December 2014 was approximately RMB17,314,000.

13. TRADE RECEIVABLES *(Continued)*

(c) As at 31 December 2014, trade receivables of RMB892,000 were impaired (2013: RMB892,000). The ageing of these receivables was over 180 days as at 31 December 2014 and 2013.

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

	2014 **RMB'000**	2013 RMB'000
RMB	**44,996**	18,661
HKD	**4,511**	2,668
USD	**25,849**	28,471
THB	**2,121**	3,042
New Taiwan dollar	**5,740**	3,604
European dollar	**6,087**	—
Other currencies	**5,008**	2,930
	94,312	59,376

As at 31 December 2014 and 2013, the fair value of trade receivables approximated their carrying amounts.

14. PREPAYMENTS AND OTHER RECEIVABLES

	2014	2013
	RMB'000	RMB'000
Included in non-current assets		
Prepayments for purchase of certain properties (Note (i))	**30,873**	—
Loans to employees (Note (ii))	**11,778**	9,285
	42,651	9,285
Included in current assets		
Prepayment for advertising costs	**9,110**	1,058
Loans to employees (Note (ii))	**7,581**	3,817
Undeducted input VAT	**4,129**	—
Prepaid commission charges	**3,407**	10,875
Deposits	**2,982**	—
Receivable on tax rebates	**1,488**	—
Accrued investment return (Note (iii))	**197**	1,551
Amount due from a third party payment vendor (Note (iv))	**34**	919
Others	**4,073**	1,470
	33,001	19,690
	75,652	28,975

(i) It represented the prepayments made to certain third parties for the purchases of certain office units for self-use in Shenzhen and Hainan, the PRC.

(ii) Loans to employees mainly represented advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and repayable on demand except that RMB11,778,000 are required to be repaid in 3 to 10 years as at 31 December 2014 (2013: RMB9,285,000).

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

(iv) 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 31 December 2014, the carrying amounts of other receivables approximated their fair values.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
	RMB'000	RMB'000
Included in non-current assets		
– Non-quoted investments (Note(i))	**22,085**	—
Included in current assets		
– Non-quoted investments	**—**	107,000

(i) On 18 September 2014, the Group entered into a share purchase agreement to subscribe 2,373,964 Series B Preferred Shares issued by YaoYaoCity Limited ("YaoYaoCity"), which is mainly engaged in providing on-line entertainment services on long-distance buses, at a consideration of USD1,625,461 (equivalent to approximately RMB9,946,000). The above transaction had been completed as of 30 September 2014.

The directors of the Company appointed an independent valuer, Avista Valuation Advisory Limited, to estimate the fair value of the investment in YaoYaoCity as at 31 December 2014. The fair value of the investment was approximately RMB12,148,000, which was determined using the discounted cash flow method. The fair value measurement of the investment in YaoYaoCity is categorized within level 3 of the fair value hierarchy. The significant assumptions and inputs utilized in the valuation were as follows:

Discount rate: 24%
Terminal growth rate: 3%
Discount for lack of marketability: 25%
Discount for lack of control: 15%

In October and November 2014, the Group entered into partnership agreements with Tibet Source Code Equity Investment Partnership ("西藏源代碼股權投資合夥企業") ("Tibet Source Code") and Source Code Fund I L.P. ("Source Code Fund") as a limited partner, which are mainly engaged in investments in early-stage and high-growth companies in the technology, media and telecommunications industry in China. As at 31 December 2014, the Group has subscribed the shares of Tibet Source Code and Source Code Fund at a consideration of RMB1,808,000 and USD1,329,000 (equivalent to approximately RMB8,129,000, respectively. The above transactions had been completed as of 31 December 2014. As at 31 December 2014, the fair values of these two investments approximated their respective carrying amounts.

16. SHORT-TERM INVESTMENTS

	2014	2013
	RMB'000	RMB'000
Short-term investments	**370,000**	223,000

Short-term investments represented investments in certain wealth management products issued by certain commercial bank in the PRC. These wealth management products are principal protected and with guaranteed return, they are denominated in RMB and have a term ranging from 6 months to 1 year. The effective interest rate for these investments for the year ended 31 December 2014 was 6.2% (2013: 6.0%).

17. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**994,331**	265,566	**97,825**	33,785
Short-term bank deposits	**35,000**	700,000	**—**	700,000
	1,029,331	965,566	**97,825**	733,785

The short-term bank deposits are denominated in RMB and have a term ranging from 1 month to 3 months. The effective interest rate of these deposits for the year ended 31 December 2014 was 3.50% (2013: 3.31%).

Cash and cash equivalents are denominated in the following currencies:

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**954,052**	896,062	**92,142**	733,247
HKD	**19,040**	25,819	**4,525**	465
USD	**48,819**	42,273	**1,158**	73
Others	**7,420**	1,412	**—**	—
	1,029,331	965,566	**97,825**	733,785

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

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

The total authorized share capital of the Company comprises 1,000,000,000 ordinary shares (2013: 1,000,000,000 ordinary shares) with par value of USD0.00005 per share (2013: USD0.00005 per share).

As at 31 December 2014, the total number of issued ordinary shares of the Company was 757,992,000 shares (2013: 737,559,000 shares) which included 105,423,190 shares (2013: 106,737,190 shares) held under the RSU Scheme (Note 20(e)). They have beens fully paid up.

	Note	Number of ordinary shares (in thousands)	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Shares held for RSU Scheme
			USD'000	RMB'000	RMB'000	RMB'000
At 1 January 2013		360,000	18	123	—	—
Issuance of new shares	(a)	177,014	9	54	742,184	—
Issuance of shares held for RSU Scheme	20(e)	70,968	4	22	—	—
Shares transferred to RSU Scheme		—	—	—	—	(33)
Share issuance costs	(b)	—	—	—	(62,617)	—
Conversion of Series A Preferred Shares	(c)	129,577	6	40	58,503	—
At 31 December 2013/ 1 January 2014		737,559	37	239	738,070	(33)
Buy-back of shares	(d)	(90)	—	—	(587)	—
Employee share option and RSU schemes						
– proceeds from shares issued	(e)	20,523	1	6	7,288	—
– vesting of shares held for RSU Scheme	20(e)	—	—	—	(14)	14
Dividends	30	—	—	—	(112,428)	—
At 31 December 2014		757,992	38	245	632,329	(19)

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

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

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

(c) On 12 November 2013, upon its Listing on the Main Board of the Stock Exchange of Hong Kong Limited, all the 129,577,460 Series A Preferred Shares were automatically converted into ordinary shares, on a one-for-one basis. As a result, the liability component of the Series A Preferred Shares was derecognized and transferred to share capital and share premium. The equity component of the Series A Preferred Shares was transferred to retained earnings.

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

(e) Share options exercised during the year ended 31 December 2014 resulted in 20,523,187 shares being issued (2013: nil), with exercise proceeds of RMB7,294,000. As at 31 December 2014, an amount of RMB106,000 was due from The Core Admin Boyaa Option Limited, being the nominee of the Group's share option scheme.

19. RESERVES

	Capital reserve	Currency translation differences	Statutory surplus reserve fund (Note (a))	Equity component of the Series A Preferred Shares (Note 23)	Share-based compensation reserve (Note 20)	Other reserves (Note (b))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
At 1 January 2013	2,000	767	21,000	16,061	9,109	(17,899)	31,038
Transfer to retained earnings (Note 18(c))	—	—	—	(16,061)	—	—	(16,061)
Employee share option and RSU scheme							
– value of employee services	—	—	—	—	47,372	—	47,372
Deemed contribution from shareholders for							
the shares held for RSU Scheme (Note 20(e))	—	—	—	—	—	33	33
Currency translation differences	—	(8,870)	—	—	—	—	(8,870)
At 31 December 2013	2,000	(8,103)	21,000	—	56,481	(17,866)	53,512
At 1 January 2014	2,000	(8,103)	21,000	—	56,481	(17,866)	53,512
Employee share option and RSU scheme							
– value of employee services	—	—	—	—	26,590	—	26,590
Share of change in reserves of an associate	—	—	—	—	—	240	240
Change in fair value of available-for-sale							
financial assets	—	—	—	—	—	52,182	52,182
Currency translation differences	—	4,521	—	—	—	—	4,521
At 31 December 2014	2,000	(3,582)	21,000	—	83,071	34,556	137,045

19. RESERVES *(Continued)*

	Currency translation differences	Equity component of the Series A Preferred Shares (Note 23)	Share-based compensation reserve (Note 20)	Other reserves (Note (b))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
At 1 January 2013	560	16,061	9,109	(17,899)	7,831
Transfer to retained earnings (Note 18(c))	—	(16,061)	—	—	(16,061)
Employee share option and RSU scheme – value of employee services	—	—	47,372	—	47,372
Deemed contribution from shareholders for the shares held for RSU Scheme (Note 20(e))	—	—	—	33	33
Currency translation differences	(3,918)	—	—	—	(3,918)
At 31 December 2013	(3,358)	—	56,481	(17,866)	35,257
At 1 January 2014	(3,358)	—	56,481	(17,866)	35,257
Employee share option and RSU scheme – value of employee services	—	—	26,590	—	26,590
Change in fair value of available-for-sale financial assets	—	—	—	55	55
Currency translation differences	3,047	—	—	—	3,047
At 31 December 2014	(311)	—	83,071	(17,811)	64,949

19. RESERVES *(Continued)*

(a) 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 registered 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 capital, provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the registered 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.

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

20. SHARE-BASED PAYMENTS

(a) Share options

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

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

20. SHARE-BASED PAYMENTS *(Continued)*

(a) Share options (Continued)

(i) Grant of share options

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

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.

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

(ii) Replacement of certain share options with RSUs

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

20. SHARE-BASED PAYMENTS *(Continued)*

(a) Share options ***(Continued)***

(iii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options	
	2014	2013
At 1 January	**29,527,781**	59,130,563
Exercised	**(20,523,187)**	—
Lapsed	**(177,088)**	(75,000)
Transferred to the RSU Scheme	**—**	(29,527,782)
At 31 December	**8,827,506**	29,527,781

Out of the 8,827,506 outstanding options, 6,418,783 options were exercisable as at 31 December 2014. Options exercised in 2014 resulted in 20,523,187 shares being issued at a weighted average price of USD0.06 each. The related weighted average share price at the time of exercise was HKD8.54 per share.

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

		Number of share options	
Expiry Date	**price**	**2014**	2013
Tranche I	USD0.05	**6,307,675**	25,195,000
Tranche II	USD0.10	**197,500**	362,500
Tranche III	USD0.15	**209,655**	590,000
Tranche IV	USD0.15	**2,112,676**	3,380,281
		8,827,506	29,527,781

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

20. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs

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

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

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

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

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2014	2013
At 1 January	**79,654,565**	—
Transferred from the Pre IPO Share Option Scheme	**—**	29,527,782
Granted	**—**	50,516,783
Lapsed	**(4,124,633)**	(390,000)
Vested and transferred	**(1,314,000)**	—
At 31 December	**74,215,932**	79,654,565
Vested but not transferred during the year	**44,748,853**	—

The related weighted average share price at the time of vested and transferred was HKD7.68 per share.

20. SHARE-BASED PAYMENTS *(Continued)*

(c) Fair value of share options and RSUs

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

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

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

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

Discount rate (%)	26.2%
Discount for lack of control (%)	5.0%

(d) Expected retention rate of grantees

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

20. SHARE-BASED PAYMENTS *(Continued)*

(e) Shares held for RSU Scheme

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

On 23 October 2013, Boyaa Global transferred 35,769,526 of the Company's ordinary shares held by it to the RSU Nominee at nil consideration. On 23 October 2013, the Company also issued 70,967,664 ordinary shares to the RSU Nominee at a par value of US$0.00005 each, with the consideration amounting to approximately RMB22,000 being funded by the Founder. Accordingly, 106,737,190 ordinary shares of the Company underlying the RSUs as at 31 December 2013 were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme. During the year, 1,314,000 of RSUs were vested and transferred (Note (b) above), and as a result, 105,423,190 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee as at 31 December 2014.

The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity; the costs of these shares totaling approximately RMB33,000 as at 31 December 2013 were credited to "other reserves" as deemed contribution from shareholders (Note 18). As a result of the vesting of 46,062,853 of RSUs during the year ended 31 December 2014 (see Note (b) above), approximately RMB14,000 of other reserves was transferred to share premium upon vesting of these RSUs under the RSU Scheme.

21. TRADE AND OTHER PAYABLES

	2014 **RMB'000**	2013 RMB'000
Trade payables	**670**	635
Other taxes payable	**45,189**	43,671
Accrued expenses	**31,274**	19,368
Guarantee deposit from a third party (Note (i))	**19,887**	—
Salary and staff welfare payables	**9,769**	16,453
Advance received from sales of prepaid game cards	**2,718**	3,395
Returns on investments received in advance	**2,500**	8,937
Others	**3,162**	5,192
	115,169	97,651

(i) It represented a guarantee deposit received from a third party for its tort liability to the Group according to the private settlement agreed by the Group and the third party.

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

	2014 **RMB'000**	2013 RMB'000
0-30 days	**448**	468
31-60 days	**—**	22
61-90 days	**—**	11
Over 90 days	**222**	134
	670	635

22. DEFERRED REVENUE

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

23. SERIES A PREFERRED SHARES

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

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

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

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

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

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

The movement of the liability component of the Series A Preferred Shares for the year ended 31 December 2013 was set out below:

	RMB'000
Liability component as at 1 January 2013	42,980
Fair value change (Note 27)	16,922
Exchange gains	(1,359)
Conversion into ordinary shares (Note 18(c))	(58,543)
Liability component as at 31 December 2013	—

24. EXPENSES BY NATURE

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

	2014 RMB'000	2013 RMB'000
Commission charges by Platforms and third party payment vendors	**310,812**	189,450
Advertising expenses	**152,620**	122,339
Employee benefit expenses (excluding share-based compensation expenses) (Note 25)	**110,601**	83,709
Share-based compensation expenses	**26,590**	47,372
Servers rental expenses	**17,458**	12,900
Other professional service fees	**10,860**	3,406
Office rental expenses	**7,766**	5,151
Travelling and entertainment expenses	**7,173**	4,700
Auditor's remuneration	**7,099**	2,101
Business tax and related surcharges (Note (a))	**5,322**	21,381
Depreciation of property, plant and equipment (Note 6)	**5,211**	3,624
Amortization of intangible assets (Note 7)	**766**	232
Listing-related expenses	**—**	18,875
Other expenses	**11,269**	8,913
	673,547	524,153

24. EXPENSES BY NATURE *(Continued)*

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

Category	Tax rate	Basis of levies
Business tax ("BT")	3% prior to 1 June 2014	Revenue from provision of on-line game services
	5% prior to 15 May 2013	Revenue from provision of on-line game related advisory services
City construction tax	7%	Actual BT and VAT payment
Educational surcharges	3%	Actual BT and VAT payment

(b) Research and development expenses during the years ended 31 December 2014 and 2013 were analyzed as below:

	2014 **RMB'000**	2013 RMB'000
Employee benefit expenses	**44,901**	30,163
Depreciation of property, plant and equipment	**1,129**	522
Rental expenses	**2,864**	1,322
	48,894	32,007

No development expenses were capitalized for the years ended 31 December 2014 and 2013.

25. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses

	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**93,390**	69,017
Pension costs - defined contribution plans	**15,852**	13,405
Share-based compensation expenses	**26,590**	47,372
Others	**1,359**	1,287
	137,191	131,081

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

25. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' emoluments

The remuneration of each director for the year ended 31 December 2014 is set out as below:

Name of director		Fees RMB'000	Salaries, allowance and benefits RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Zhang Wei	(i)	—	1,396	468	11	—	1,875
Mr. Dai Zhikang	(ii)	—	—	—	—	—	—
Mr. Gao Junfeng	(iii)	—	1,396	234	11	3,317	4,958
Mr. Zhou Kui	(iv)	—	—	—	—	—	—
Mr. Gao Shaofei	(v)	159	—	—	—	—	159
Mr. Cheung Ngai Lam	(vi)	237	—	—	—	—	237
Mr. Choi Hon Keung Simon	(vii)	198	—	—	—	—	198

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

Name of director		Fees RMB'000	Salaries, allowance and benefits RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Zhang Wei	(i)	—	1,260	150	11	—	1,421
Mr. Dai Zhikang	(ii)	—	—	—	—	—	—
Mr. Gao Junfeng	(iii)	—	1,407	39	11	8,935	10,392
Mr. Zhou Kui	(iv)	—	—	—	—	—	—
Mr. Gao Shaofei	(v)	30	—	—	—	—	30
Mr. Cheung Ngai Lam	(vi)	45	—	—	—	—	45
Mr. Choi Hon Keung Simon	(vii)	37	—	—	—	—	37

25. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' emoluments (Continued)

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

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

(iii) Mr. Gao Junfeng was appointed on 23 October 2013.

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

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

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

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

(c) Senior management's emoluments

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

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and benefits in kind	**1,765**	1,324
Bonuses	**780**	400
Contributions to pension plans	**52**	45
Share-based compensation expenses	**1,961**	3,642
	4,558	5,411

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

	2014	2013
Emoluments bands		
Nil to HKD1,000,000	**5**	—
HKD1,000,001 to HKD1,500,000	**1**	2
HKD1,500,001 to HKD2,000,000	**1**	—
HKD2,000,001 to HKD2,500,000	**—**	2

As at 31 December 2014, 1 senior executive resigned from the Group (2013: nil).

25. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2014 include 2 directors whose emoluments are reflected in the analysis presented above (2013: 2). The aggregate amounts of emoluments for the remaining 3 individuals in 2014 (2013: 3) are set out below:

	2014 **RMB'000**	2013 RMB'000
Wages and salaries	**1,239**	1,014
Bonuses	**326**	300
Pension cost - defined contribution plans	**34**	34
Share-based compensation expenses	**1,834**	3,187
Other employee benefits	**15**	16
	3,448	4,551

The emoluments payable to 3 individuals for the years ended 31 December 2014 and 2013 fell within the following bands:

	2014	2013
Emoluments bands		
Nil to HKD1,000,000	**—**	—
HKD1,000,001 to HKD1,500,000	**2**	1
HKD1,500,001 to HKD2,000,000	**1**	—
HKD2,000,001 to HKD2,500,000	**—**	2

For the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

26. OTHER GAINS – NET

	2014 RMB'000	2013 RMB'000
Realized/unrealized fair value gains on financial assets at fair value through profit or loss	**3,476**	9,296
Government subsidies and tax rebates	**8,733**	5,339
Return on short-term investments	**44,541**	4,837
Gain arising from partial disposal of an associate	**—**	854
Foreign exchange losses, net	**(1,929)**	(303)
Losses on disposals of property, plant and equipment	**(30)**	(9)
Others	**86**	(932)
	54,877	19,082

27. FINANCE INCOME/(COSTS) – NET

	2014 RMB'000	2013 RMB'000
Finance income		
Interest income	**8,518**	2,018
Finance costs		
Fair value change of liability component of Series A Preferred Shares	**—**	(16,922)
Foreign exchange (losses)/gains, net	**(6,389)**	3,266
	(6,389)	(13,656)
Finance income/(costs) – net	**2,129**	(11,638)

28. INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2014 and 2013 is analyzed as follows:

	2014	2013
	RMB'000	RMB'000
Current tax	**52,791**	31,074
Deferred tax (Note 12)	**2,622**	(1,851)
	55,413	29,223

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2014 and 2013.

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

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2014 and 2013, based on the existing legislation, interpretations and practices in respect thereof.

According to relevant tax regulations, Boyaa Shenzhen is exempt from CIT in 2009 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. Boyaa Shenzhen qualified as a "High and New Technology Enterprise" ("HNTE") under the Corporate Income Tax Law in 2012 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2012 to 31 December 2014. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the year ended 31 December 2014 (2013: 12.5%).

28. INCOME TAX EXPENSE *(Continued)*

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

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

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Boyaa Shenzhen has claimed such Super Deduction in ascertaining its tax assessable profits for the years ended 31 December 2014 and 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 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

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

	2014	2013
	RMB'000	RMB'000
Profit before income tax	**335,000**	164,730
Less: Share of profit of associates	**(6,222)**	(177)
	328,778	164,553
Tax calculated at a tax rate of 25% (2013: 25%)	**82,195**	41,138
Tax effects of:		
– Effect of tax holiday on assessable profits of subsidiaries	**(10,145)**	(13,705)
– Effect of different tax rates available to different subsidiaries of the Group	**(19,126)**	(8,459)
– Re-measurement of deferred tax as a result of change in tax rate	**—**	(390)
– Expenses not deductible for tax purposes	**4,345**	11,699
– Effect of Super Deduction	**(1,856)**	(1,060)
Income tax expense	**55,413**	29,223

29. EARNINGS PER SHARE

(a) Basic

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

	2014	2013
	RMB'000	RMB'000
Profit attributable to owners of the Company	**280,065**	135,507
Weighted average number of ordinary shares in issue (thousand shares)	**665,739**	311,226
Basic earnings per share (expressed in RMB cents per share)	**42.07**	43.54

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

As these Restricted Shares were contingently returnable prior to the Listing, they were not treated as outstanding and were excluded from the calculation of basic earnings per share. Had these shares not been put on escrow with the Company as Restricted Shares, the weighted average number of ordinary shares in issue for the year ended 31 December 2013 for purpose of computing the basic earnings per share would be 397,714,000, and the basic earnings per share would be RMB34.07 cents per share for the year ended 31 December 2013.

(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.

29. EARNINGS PER SHARE *(Continued)*

(b) Diluted (Continued)

For the year ended 31 December 2013, the Company had four categories of dilutive potential ordinary shares, share options, RSUs, the Restricted Shares and Series A Preferred Shares. For the share options and RSUs, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs. Restricted Shares were assumed to have been fully vested from the beginning of the reporting period to the date of Listing and released from restrictions with no impact on earnings. The Series A Preferred Shares are assumed to have been converted into ordinary shares from the beginning of the reporting period to the conversion date, and the net profit is adjusted to eliminate the fair value change in the liability component.

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

	2014 **RMB'000**	2013 RMB'000
Profit attributable to owners of the Company	**280,065**	135,507
Fair value change in the liability component of the Series A Preferred Shares	—	16,922
Profit used to determine diluted earnings per share	**280,065**	152,429
Weighted average number of ordinary shares in issue (thousand shares)	**665,739**	311,226
Adjustment for RSUs (thousand shares)	**50,501**	64,065
Adjustment for share options (thousand shares)	**19,362**	27,420
Adjustment for the Restricted Shares (thousand shares)	—	83,913
Adjustment for conversion of Series A Preferred Shares (thousand shares)	—	111,827
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	**735,602**	598,451
Diluted earnings per share (expressed in RMB cents per share)	**38.07**	25.47

30. DIVIDENDS

A final dividend in respect of the year ended 31 December 2014 of RMB0.059 per share (equivalent to HKD0.075 per share), amounting to a total dividend of approximately RMB45,015,000, was proposed pursuant to a resolution passed by the Board on 11 March 2015 and subject to the approval of the shareholders at the forthcoming annual general meeting. The consolidated financial statements do not reflect this dividend payable.

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

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

31. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with the financial statements of the Company to the extent of RMB424,000 (2013: RMB18,141,000).

32. CASH GENERATED FROM OPERATIONS

	2014 RMB'000	2013 RMB'000
Profit before income tax	**335,000**	164,730
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	**5,211**	3,624
– Amortization of intangible assets (Note 7)	**766**	232
– Losses on disposals of property, plant and equipment (Note 26)	**30**	9
– Share-based payments (Note 25)	**26,590**	47,372
– Realized and unrealized fair value gains on financial assets at fair value through profit or loss (Note 26)	**(3,476)**	(9,296)
– Return on short-term investments (Note 26)	**(44,541)**	(4,837)
– Gains arising from disposal of an associate (Note 10)	**—**	(854)
– Fair value change of the liability component of Series A Preferred Shares	**—**	16,922
– Share of profit of associates (Note 10)	**(6,222)**	(177)
– Interest income (Note 27)	**(8,518)**	(2,018)
– Foreign exchange losses, net	**216**	2,833
	305,056	218,540
Changes in working capital:		
– Trade receivables	**(34,936)**	(21,344)
– Prepayments and other receivables	**(15,856)**	(9,745)
– Trade and other payables	**26,134**	24,454
– Deferred revenue	**(14,964)**	15,233
Cash generated from operations	**265,434**	227,138

32. CASH GENERATED FROM OPERATIONS *(Continued)*

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

	2014 **RMB'000**	2013 RMB'000
Net book amount (Note 6)	**47**	12
Losses on disposals (Note 26)	**(30)**	(9)
Other receivables	**—**	(3)
Proceeds from disposals	**17**	—

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had no material transactions with related parties for the years ended 31 December 2014 and 2013, and no material balances with related parties as at 31 December 2014 and 2013.

34. OPERATING LEASE COMMITMENTS

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 2 months to 5 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2014 **RMB'000**	2013 RMB'000
Not later than 1 year	**9,508**	7,392
Later than 1 year and not later than 5 years	**14,698**	10,385
	24,206	17,777

35. BUSINESS COMBINATION

On 8 November 2014, the Group acquired 51% equity interest in Allin Interactive and its subsidiaries (together, "Allin Group") at a consideration of RMB10,000,000 and obtained the control of Allin Group which is mainly engaged in the business of Internet Protocol television ("IPTV") platform and porker games. As a result of the acquisition, the Group is expected to increase its presence in those markets.

The following table summarizes the consideration paid for Allin Group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration paid	**8 November 2014 RMB'000**
Cash consideration	**10,000**
Less: cash and cash equivalents acquired	**(5,236)**
Net cash paid	**4,764**

Recognized amounts of identifiable assets acquired and liabilities assumed	**8 November 2014 RMB'000**
Cash and cash equivalents	**5,236**
Prepayments and other receivables	**1,127**
Property, plant and equipment	**14**
Trademarks and technical know-how (included in intangible assets)	**18,083**
Trade and other payables	**(331)**
Deferred tax liabilities	**(4,521)**
Total identifiable net assets	**19,608**
Non-controlling interest	**(9,608)**
	10,000

Acquisition-related costs of RMB75,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2014.

The revenue included in the consolidated statement of comprehensive income since 8 November 2014 contributed by Allin Group was RMB60,000. Allin Group also incurred loss of RMB750,000 over the same period.

Had Allin Group been consolidated from 1 January 2014, the consolidated statement of comprehensive income would show pro-forma revenue of RMB945,319,000 and profit of RMB276,315,000.

36. CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 31 December 2014.

37. SUBSEQUENT EVENTS

On 13 February 2015, the Group entered into a share purchase agreement ("SPA") with OurPalm Co., Ltd. ("北京掌趣科技股份有限公司", the "Purchaser") to dispose of the entire 9.36% equity interest in Blingstorm held by the Group. The preliminary cash consideration for the disposal payable by the Purchaser to the Group is RMB80,145,000, subject to adjustment.

The completion of the transactions contemplated under the SPA is conditional upon: (i) the execution of the SPA; (ii) the transactions contemplated under the SPA being approved by the shareholders of the Purchaser at a shareholders' general meeting of the Purchaser; and (iii) the transactions contemplated under the Share Purchase Agreement being approved by the China Securities Regulatory Commission.

The transaction has not been completed as of the date of the approval of these consolidated financial statements by the Board.