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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

Highlights:

- Our revenue for the year ended 31 December 2013 amounted to approximately RMB681.3 million, representing an increase of 31.6% from approximately RMB517.7 million recorded in 2012.
- Our gross profit for the year ended 31 December 2013 amounted to approximately RMB416.2 million, representing an increase of 32.6% from approximately RMB313.8 million recorded in 2012.
- Profit attributable to equity holders of the Company for the year ended 31 December 2013 amounted to approximately RMB135.5 million, representing a decrease of 5.1% from approximately RMB142.8 million recorded in 2012.
- Our unaudited adjusted net profit for the year ended 31 December 2013 derived by excluding non-operational and one-off items amounted to approximately RMB218.7 million, representing an increase of 36.9% from approximately RMB159.7 million recorded in 2012.
- Proposed final dividend of RMB0.089 per share (equivalent to HK\$0.112 per share), amounting to approximately a total of RMB65.6 million for the year ended 31 December 2013, representing a payout ratio of 30.0% of our unaudited adjusted net profit for the year ended 31 December 2013.

The board of directors (the “**Board**”) of Boyaa Interactive International Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2013. The annual results have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and audited by PricewaterhouseCoopers, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS REVIEW AND OUTLOOK

Overview

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

Industry review

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

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

Overall Business and Financial Performance

Our games

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

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

During the year, we launched a total of three new online games, namely Shanghai Mahjong, Boyaa Two-Player Mahjong and Crazy Cowboy, which are offered as mobile card and board games, all with a broad existing player base in China, thereby further enhancing and broadening our game portfolio. Our Crazy Cowboy is currently offered in simplified Chinese only and operates on the Android platform. Our Shanghai Mahjong is currently offered in simplified Chinese only and operates on the iOS platform. Our Boyaa Two-Player Mahjong is currently offered in simplified Chinese only and operates on the iOS and Android platforms. In these three new mobile games, players compete with each other to win the virtual tokens contributed

by the other playing parties and players can purchase virtual tokens in the game. In further establishing and strengthening our global presence, we have also developed and offered six more language versions of our existing games, including Greek, Swedish and Hungarian versions of our Texas Hold'em, Portuguese and Vietnamese versions of our Ant Wars, and Indonesian version of our American 8-Ball Pool and enhanced the simplified Chinese version of our existing Mahjong game series with localized features.

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

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

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

amounts and as percentages of our total revenue for the years indicated, together with the change (expressed in percentages) from 2012 to 2013:

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

Our game distribution platforms and payment collection channels

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

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

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

Our players

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

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

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

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

rooms and loyalty programs, and in enhancing the payment convenience and streamlining the payment processes for players of our mobile games in support of our mobile games business strategy and with an aim to enhancing the growth in the ARPPU of our mobile games in the future.

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

Our game development and operation teams and technology infrastructure

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

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

Outlook for 2014

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Revenue

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

In terms of revenue by game forms, our continued shift in our strategic focus from web-based games to mobile games has contributed to a significant increase in revenue generated from our mobile games. For the year ended 31 December 2013, revenue generated from our mobile games amounted to approximately RMB275.1 million as compared to approximately RMB87.4 million in 2012, representing a growth of approximately 214.7% and which accounted for approximately 40.4% of our total revenue in 2013 (2012: 16.9% of our total revenue).

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

Cost of revenue

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

Gross profit and gross profit margin

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

Selling and marketing expenses

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

Administrative expenses

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

Other gains, net

We recorded other gains, net of approximately RMB19.1 million for the year ended 31 December 2013, which primarily consisted of approximately (i) RMB14.1 million of realized and unrealized fair value gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and return on short-term investments, (ii) RMB0.9 million of gains arising from partial disposal of

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

Finance costs, net

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

Share of (loss)/profit of associates

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

Income tax expense

Our income tax expense decreased by 34.7% from approximately RMB44.7 million for the year ended 31 December 2012 to approximately RMB29.2 million for the year

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

Profit for the year

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

Non-IFRS Measure - Adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted net profit was derived from our net profit for the year excluding share-based compensation expenses, fair value change of liability component of Series A Preferred Shares and service fees relating to the issuance of the Series A Preferred Shares and listing-related expenses. The adjusted net profit is an unaudited figure.

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

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

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

Liquidity and capital resources

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

Cash and cash equivalents

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

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received amounted to approximately HK\$837.9 million. As at the date of this announcement, the net proceeds from our initial public offering had not yet been utilized and all of the net proceeds has been deposited into short-term demand

deposits in a bank account maintained by the Group. In 2014, we will start utilizing the net proceeds from our initial public offering and for purposes consistent with those set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 31 October 2013.

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

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

Borrowings

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

Capital expenditures

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

Contingent liabilities and guarantees

As at 31 December 2013, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

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

Employees and staff cost

As at 31 December 2013, we had a total of 684 full time employees, mainly worked and located in China. In particular, 579 employees are responsible for our game development and operation functions, 31 for game support, 20 for business development and 54 for administration and senior management functions.

We organize and launch various training programs on a regular basis for our employees to enhance their knowledge of online game development and operation, improve time management and internal communications, and strengthen team building. We also provide various incentives, including share-based awards, such as options and RSUs granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by PRC laws and regulations, we have also made contributions to various mandatory

social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

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

Dividends

The Board recommends the payment of a final dividend of RMB0.089 per share, amounting to approximately a total of RMB65.6 million for the year ended 31 December 2013 (the “**2013 Final Dividend**”), representing a payout ratio of 30.0% of our unaudited adjusted net profit for the year ended 31 December 2013. The 2013 Final Dividend is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting (the “**AGM**”). All shareholders on the register of members of the Company as of the record date for the 2013 Final Dividend to be determined and announced, which shall include The Core Admin Boyaa RSU Limited, the nominee which holds the shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme (the “**RSU Nominee**”), will be entitled to receive the 2013 Final Dividend. As at the date of this announcement, RSUs represented by (i) 79,654,565 issued shares held by the RSU Nominee were granted and outstanding, (ii) 26,692,625 issued shares held by the RSU Nominee have not been granted and (iii) 390,000 RSUs that have been granted have lapsed for the year ended 31 December 2013. The shares underlying the RSUs that have not been granted or lapsed have returned to the pool of RSUs (the “**RSU Pool**”) held by the RSU Nominee. Accordingly, a total dividends of approximately RMB9.5 million

shall be distributed to the RSU Nominee, of which (i) approximately RMB7.1 million will be distributed to the RSU Nominee for the benefit of the grantees in respect of the 79,654,565 issued shares underlying the granted and outstanding RSUs and (ii) approximately RMB2.4 million will be distributed to the RSU Nominee in respect of the 27,082,625 issued shares in the RSU Pool. The dividends with respect to the issued shares in the RSU Pool of approximately RMB2.4 million will first be used to settle the outstanding fees and expenses of the RSU Scheme payable by the Company to the trustee of the RSU Scheme and the remaining portion of such dividends will be transferred to the shareholders of the Company immediately prior to the adoption of the RSU Scheme, namely Boyaa Global Limited, Emily Technology Limited, Comsenz Holdings Limited and Sequoia Capital and its affiliates, in the proportion of their then respective shareholding interests in the Company.

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

		As at 31 December	
	Note	2013	2012
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		10,804	7,426
Intangible assets		1,032	871
Investments in associates		7,977	8,946
Available-for-sale financial assets		—	—
Deferred income tax assets		4,383	2,844
Financial assets at fair value through profit or loss	3	—	7,237
Prepayments and other receivables		<u>9,285</u>	<u>2,649</u>
		<u>33,481</u>	<u>29,973</u>
Current assets			
Trade receivables	4	59,376	38,032
Prepayments and other receivables		19,690	15,030
Financial assets at fair value through profit or loss	3	107,000	117,085
Short-term investments	5	223,000	—
Cash and cash equivalents		<u>965,566</u>	<u>274,682</u>
		<u>1,374,632</u>	<u>444,829</u>
Total assets		<u><u>1,408,113</u></u>	<u><u>474,802</u></u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

		As at 31 December	
	<i>Note</i>	2013	2012
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity			
Share capital	6	239	123
Share premium	6	738,070	—
Shares held for RSU Scheme	6	(33)	—
Reserves		53,512	31,038
Retained earnings		<u>422,831</u>	<u>271,263</u>
Total equity		<u>1,214,619</u>	<u>302,424</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		591	903
Series A Preferred Shares	9	<u>—</u>	<u>42,980</u>
		<u>591</u>	<u>43,883</u>
Current liabilities			
Trade and other payables	8	97,651	62,971
Deferred revenue		39,202	23,969
Current income tax liabilities		<u>56,050</u>	<u>41,555</u>
		<u>192,903</u>	<u>128,495</u>
Total liabilities		<u>193,494</u>	<u>172,378</u>
Total equity and liabilities		<u>1,408,113</u>	<u>474,802</u>
Net current assets		<u>1,181,729</u>	<u>316,334</u>
Total assets less current liabilities		<u>1,215,210</u>	<u>346,307</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

		Year ended 31 December	
	<i>Note</i>	2013	2012
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10	681,262	517,745
Cost of revenue	11	<u>(265,053)</u>	<u>(203,916)</u>
Gross profit		416,209	313,829
Selling and marketing expenses	11	(147,685)	(81,714)
Administrative expenses	11	(111,415)	(46,918)
Other gains - net	12	<u>19,082</u>	<u>11,347</u>
Operating profit		176,191	196,544
Finance income		2,018	510
Finance costs		<u>(13,656)</u>	<u>(8,232)</u>
Finance costs - net		(11,638)	(7,722)
Share of profit/(loss) of associates		<u>177</u>	<u>(1,341)</u>
Profit before income tax		164,730	187,481
Income tax expense	13	<u>(29,223)</u>	<u>(44,690)</u>
Profit for the year		<u>135,507</u>	<u>142,791</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
- Currency translation differences		<u>(8,870)</u>	<u>11</u>
Total comprehensive income for the year		<u>126,637</u>	<u>142,802</u>
Profit attributable to:			
Equity holders of the Company		<u>135,507</u>	<u>142,791</u>
Total comprehensive income attributable to:			
Equity holders of the Company		<u>126,637</u>	<u>142,802</u>
Earnings per share (expressed in RMB cents per share)			
- Basic	14	<u>43.54</u>	<u>66.24</u>
- Diluted	14	<u>25.47</u>	<u>30.85</u>
Dividends	15	<u>65,640</u>	<u>—</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Note</i>	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Shares held for RSU Scheme <i>RMB'000</i>	Reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total Equity <i>RMB'000</i>
Balance at 1 January 2012		123	—	—	10,792	142,978	153,893
Comprehensive income							
Profit for the year		—	—	—	—	142,791	142,791
Other comprehensive income							
- currency translation differences		—	—	—	11	—	11
Total comprehensive income for the year		—	—	—	11	142,791	142,802
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Appropriation to statutory reserves		—	—	—	14,506	(14,506)	—
Employee share option scheme							
- value of employee services		—	—	—	5,729	—	5,729
Total contributions by and distributions to owners of the Company		—	—	—	20,235	(14,506)	5,729
Balance at 31 December 2012		<u>123</u>	<u>—</u>	<u>—</u>	<u>31,038</u>	<u>271,263</u>	<u>302,424</u>
Balance at 1 January 2013		123	—	—	31,038	271,263	302,424
Comprehensive income							
Profit for the year		—	—	—	—	135,507	135,507
Other comprehensive loss							
- currency translation differences		—	—	—	(8,870)	—	(8,870)
Total comprehensive income for the year		—	—	—	(8,870)	135,507	126,637
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Issuance of new shares	6	54	742,184	—	—	—	742,238
Issuance of shares held for RSU Scheme	6	22	—	—	—	—	22
Share issuance costs	6	—	(62,617)	—	—	—	(62,617)
Deemed contribution from shareholders for the shares held for RSU Scheme	7	—	—	(33)	33	—	—
Conversion of Series A Preferred Shares	6	40	58,503	—	—	—	58,543
Transfer	6	—	—	—	(16,061)	16,061	—
Employee share option scheme							
- value of employee services		—	—	—	47,372	—	47,372
Total contributions by and distributions to owners of the Company		<u>116</u>	<u>738,070</u>	<u>(33)</u>	<u>31,344</u>	<u>16,061</u>	<u>785,558</u>
Balance at 31 December 2013		<u>239</u>	<u>738,070</u>	<u>(33)</u>	<u>53,512</u>	<u>422,831</u>	<u>1,214,619</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Year ended 31 December	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	<u>210,559</u>	<u>201,389</u>
Net cash used in investing activities	<u>(196,485)</u>	<u>(46,314)</u>
Net cash generated from financing activities	<u>679,643</u>	<u>8,000</u>
Net increase in cash and cash equivalents	693,717	163,075
Cash and cash equivalents at beginning of year	274,682	111,610
Exchange losses on cash and cash equivalents	<u>(2,833)</u>	<u>(3)</u>
Cash and cash equivalents at end of the year	<u><u>965,566</u></u>	<u><u>274,682</u></u>

Note:

1. General information

Boyaa Interactive Limited (the “Company”) was incorporated in the British Virgin Islands (“BVI”) on 14 June 2010 as an exempted company with limited liability under the Business Companies Act, 2004 of the BVI. With a board resolution passed on 28 May 2013, the Company re-domiciled to the Cayman Islands. The registration procedures with the relevant authority were completed on 7 June 2013. Accordingly, the Company became an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Upon completion of the redomicile of the Company to the Cayman Islands, the Company changed its name to Boyaa Interactive International Limited on 28 June 2013. The current address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 November 2013 (the “Listing”).

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

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

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

Boyaa PRC, Boyaa Shenzhen and its then equity holders entered into a series of contractual arrangements (the “Contractual Arrangements”). 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. These consolidated financial statements have been approved for issue by the Board on 27 February 2014.

2. Basis of preparation

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

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group’s accounting policies.

The new or revised standards and amendments to the existing standards, which are mandatory for the financial year of the Company beginning 1 January 2013, are either not currently relevant or have no material impact on the Group’s consolidated financial statements.

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

Amendment to IAS 32	Financial instruments: Presentation
Amendments to IFRS 10, IFRS12 and IAS 27	Consolidation for investment entities
Amendments to IAS 36	Impairment of assets
Annual improvements 2012 and 2013	Annual improvements projects
IFRS 9	Financial instruments

3. Financial assets at fair value through profit or loss

	2013 RMB’000	2012 RMB’000
Included in non-current assets		
- Quoted investments	—	5,170
- Non-quoted investments	—	2,067
	<u>—</u>	<u>7,237</u>
Included in current assets		
- Quoted investments	—	32,228
- Non-quoted investments	107,000	84,857
	<u>107,000</u>	<u>117,085</u>

The above investments mainly represent investments in certain wealth management products issued by several state-owned financial institutions and commercial banks in the PRC and Hong Kong. These wealth management products are principal protected and with non-guaranteed return. They have an initial term ranging from six months to three years, and were classified as fair value through profit or loss upon initial recognition.

4. Trade receivables

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables	60,268	38,924
Less: impairment provision	<u>(892)</u>	<u>(892)</u>
	<u><u>59,376</u></u>	<u><u>38,032</u></u>

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

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

5. Short-term investments

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Short-term investments	<u><u>223,000</u></u>	<u><u>—</u></u>

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

6. Share capital, share premium and shares held for RSU Scheme

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

As at 31 December 2013, the total number of issued ordinary shares of the Company was 737,559,000 shares (2012: 360,000,000 shares) which included 106,737,190 shares (2012: nil) held under the RSU Scheme (Note 7(c)). They were fully paid up.

		Number of ordinary shares (in thousands)	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000
	Note					
At 1 January 2012		180,000	18	123	—	—
Effect of share split	(a)	<u>180,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2012/ 1 January 2013		360,000	18	123	—	—
Issuance of new shares	(b)	177,014	9	54	742,184	—
Issuance of shares held for RSU Scheme	7(c)	70,968	4	22	—	—
Shares transferred to RSU Scheme		—	—	—	—	(33)
Share issuance costs	(c)	—	—	—	(62,617)	—
Conversion of Series A Preferred Shares	(d)	<u>129,577</u>	<u>6</u>	<u>40</u>	<u>58,503</u>	<u>—</u>
At 31 December 2013		<u>737,559</u>	<u>37</u>	<u>239</u>	<u>738,070</u>	<u>(33)</u>

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

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

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

7. 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.

(i) *Grant of share options*

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

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

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

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

(ii) *Replacement of certain share options with RSUs*

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

(iii) *Outstanding share options*

Movements in the number of share options outstanding:

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

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

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

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

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

(b) *RSUs*

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

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

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

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

Movements in the number of RSUs outstanding:

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

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

(c) ***Shares held for RSU Scheme***

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU Scheme. On 11 October 2013, the Company entered into a trust deed with The Core Trust Company Limited (the “RSU Trustee”) and The Core Admin Boyaa RSU Limited (the “RSU Nominee”), pursuant to which the RSU Trustee shall act as the administrator of the RSU Scheme and the RSU Nominee shall hold the shares underlying the RSU Scheme. On 23 October 2013, Boyaa Global transferred 35,769,526 of the Company’s ordinary shares held by it to the RSU Nominee at nil consideration. On 23 October 2013, the Company also issued 70,967,664 ordinary shares to the RSU Nominee at a par value of US\$0.00005 each, with the consideration amounting to approximately RMB22,000 being funded by the Founder. Accordingly, 106,737,190 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme.

The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders’ equity; the costs of these shares totaling approximately RMB33,000 were credited to “other reserves” as deemed contribution from shareholders.

8. Trade and other payables

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

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

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
0-180 days	536	467
Over 180 days	<u>99</u>	<u>17</u>
	<u><u>635</u></u>	<u><u>484</u></u>

9. Series A Preferred Shares

On 30 September 2010, the Company entered into a share purchase agreement with Sequoia Capital and pursuant to which, the Company issued 6,478,873 shares (equal to 129,577,460 shares after the three share splits as described in Note 7(a) above) of Series A Preferred Shares at a price of USD0.9261 per share with total amount of USD6,000,084 (equivalent to approximately RMB39,805,000). The issuance of the Series A Preferred Shares closed on 7 January 2011.

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

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 "financial 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 is set out below:

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

10. Revenue and segment information

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

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

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Simplified Chinese	216,979	154,036
Other languages	<u>464,283</u>	<u>363,709</u>
	<u><u>681,262</u></u>	<u><u>517,745</u></u>

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

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

11. Expenses by nature

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

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

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

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

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

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

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

12. Other gains - net

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

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

13. Income tax expense

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Current tax	31,074	44,809
Deferred tax	<u>(1,851)</u>	<u>(119)</u>
	<u><u>29,223</u></u>	<u><u>44,690</u></u>

(a) *Cayman Islands income tax*

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

(b) *Hong Kong profits tax*

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

(c) ***PRC Corporate Income Tax (“CIT”)***

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

Boyaa Shenzhen qualified as a “High and New Technology Enterprise” (“HNTE”) under the Corporate Income Tax Law in 2010. In addition, according to relevant tax regulations, Boyaa Shenzhen is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generated in prior years. Therefore, the actual income tax rate for Boyaa Shenzhen was 12.5% for the year ended 31 December 2013 (2012: 12.5%).

Boyaa PRC qualified as a HNTE under the Corporate Income Tax Law in 2013 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. Therefore, the actual income tax rate for Boyaa PRC was 15% for the year ended 31 December 2013 (2012: 25%).

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

(d) ***PRC withholding tax (“WHT”)***

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

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

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

14. Earnings per share

(a) *Basic*

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

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

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

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

As these Restricted Shares were contingently returnable prior to the Listing, they were not treated as outstanding and were excluded from the calculation of basic earnings per share. Had these shares not been put on escrow with the Company as Restricted Shares, the weighted average number of ordinary shares in issue for the year ended 31 December 2013 for purpose of computing the basic earnings per share would be 397,714,000 (2012: 360,000,000), and the basic earnings per share would be RMB34.07 cents per share for the year ended 31 December 2012 (2012: RMB39.66 cents).

(b) ***Diluted***

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

For the year ended 31 December 2012, the Company had two categories of dilutive potential ordinary shares, the Restricted Shares and Series A Preferred Shares. Share options and RSUs were not considered as dilutive potential ordinary shares as they were issuable contingently upon the occurrence of the Listing. Restricted Shares were assumed to have been fully vested and released from restrictions with no impact on earnings. The Series A Preferred Shares were assumed to have been converted into ordinary shares since the beginning of the reporting period, and the net profit is adjusted to eliminate the fair value change in the liability component.

For the year ended 31 December 2013, the Company had four categories of dilutive potential ordinary shares, share options, RSUs, the Restricted Shares and Series A Preferred Shares. For the share options and RSUs, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs. Restricted Shares were assumed to have been fully vested from the beginning of the reporting period to the date of Listing and released from

restrictions with no impact on earnings. The Series A Preferred Shares are assumed to have been converted into ordinary shares from the beginning of the reporting period to the conversion date, and the net profit is adjusted to eliminate the fair value change in the liability component.

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

15. Dividends

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

16. Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 2 months to 3 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

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

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

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

FINAL DIVIDEND

The Board recommends the payment of the 2013 Final Dividend of RMB0.089 per share for the year ended 31 December 2013 and is subject to the approval of the Company's shareholders at the forthcoming AGM. Adopting an exchange rate of HK\$1=RMB0.79791, the 2013 Final Dividend is equivalent to HK\$0.112 per share. Further announcement containing the information in relation to the book closure period for receiving the 2013 Final Dividend and the expected payment date of the 2013 Final Dividend will be published by the Company in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period commencing from the Listing Date to 31 December 2013, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period commencing from the Listing Date to 31 December 2013.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises the 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 Audit Committee.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2013.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.boyaa.com.hk>). The annual report will be despatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board of
Boyaa Interactive International Limited
ZHANG Wei
Chairman and Executive Director

Hong Kong, 27 February 2014

As the date of this announcement, the executive directors are Mr. ZHANG Wei, Mr. DAI Zhikang and Mr. GAO Junfeng; the non-executive director is Mr. ZHOU Kui; the independent non-executive directors are Mr. CHEUNG Ngai Lam, Mr. CHOI Hon Keung Simon and Mr. GAO Shaofei.