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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)

DISCLOSEABLE TRANSACTION ESTABLISHMENT OF LIMITED PARTNERSHIP

On 28 December 2016, Boyaa Shenzhen and Shanghai Tailai Tianji entered into the Limited Partnership Agreement pursuant to which, Boyaa Shenzhen (as limited partner) and Shanghai Tailai Tianji (as general partner) agreed to establish the Limited Partnership for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions stipulated in the Limited Partnership Agreement.

The Limited Partnership has a total capital commitment of RMB303,030,303. It is intended that Boyaa Shenzhen will be the only limited partner of the Limited Partnership and will contribute RMB300,000,000 in cash, and Shanghai Tailai Tianji, the general partner, will contribute RMB3,030,303 in cash, representing approximately 99% and 1% of the total capital contribution of the Limited Partnership, respectively. The Group intends to fund its capital contribution under the Limited Partnership Agreement using its internal resources.

The investment in the Limited Partnership will be accounted for in the Company's accounts as available-for-sale financial assets. Accordingly, the results of the underlying investments, business or assets acquired by the Limited Partnership will not be consolidated or accounted for by way of merger accounting in the Company's accounts.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the establishment of and investment in the Limited Partnership are 5% or more but all of them are less than 25%, the establishment of and investment in the Limited Partnership constitutes a discloseable transaction of the Company and is therefore subject to the announcement requirement in Chapter 14 of the Listing Rules.

WARNING: The Limited Partnership and its investments may or may not generate economic return and hence, the entering into of the Limited Partnership Agreement and the investment in the Limited Partnership may or may not bring profit to the Group. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 28 December 2016, Boyaa Shenzhen and Shanghai Tailai Tianji entered into the Limited Partnership Agreement pursuant to which, Boyaa Shenzhen (as limited partner) and Shanghai Tailai Tianji (as general partner) agreed to establish the Limited Partnership for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions stipulated in the Limited Partnership Agreement.

LIMITED PARTNERSHIP AGREEMENT

Date

28 December 2016

Parties:

- (1) Boyaa Shenzhen, as limited partner; and
- (2) Shanghai Tailai Tianji, as general partner.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, Shanghai Tailai Tianji and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

It is intended that Boyaa Shenzhen will be the only limited partner of the Limited Partnership.

Capital Contribution

The Limited Partnership has a total capital commitment of RMB303,030,303.

Boyaa Shenzhen will contribute RMB300,000,000 in cash and Shanghai Tailai Tianji will contribute RMB3,030,303 in cash, representing approximately 99% and 1% of the total capital contribution of the Limited Partnership, respectively.

Boyaa Shenzhen shall pay its capital contribution to the Limited Partnership by instalments. The first instalment of RMB100,000,000 shall be payable within 30 days from the date on which Boyaa Shenzhen receives the written capital contribution notice from the general partner, which date shall fall after the date of the Limited Partnership Agreement. Subsequent instalments shall be payable with reference to the investment status of the Limited Partnership. The general partner shall submit to the limited partner a written application for further capital funding. Upon obtaining the written consent from the limited partner, the general partner shall provide a capital contribution notice to the limited partner. Boyaa Shenzhen shall make the relevant contribution in the amount specified in the capital contribution notice within 15 business days of receiving such notice from the general partner. After the expiry of the term of the Limited Partnership, the limited partner shall have no obligation to make any payment for any subsequent instalment of capital contribution which have not been duly consent by the limited partner during the term of the Limited Partnership. The amount of capital contribution to be made by each of Boyaa Shenzhen and Shanghai Tailai Tianji is arrived at after arm's length negotiations between the parties and with reference to, among others, the projected capital requirements of the Limited Partnership. The Group intends to fund its capital contribution under the Limited Partnership Agreement using its internal resources.

The investment in the Limited Partnership will be accounted for in the Company's accounts as available-for-sale financial assets. Accordingly, the results of the underlying investments, business or assets acquired by the Limited Partnership will not be consolidated or accounted for by way of merger accounting in the Company's accounts. Pursuant to the accounting policies of the Company, the contribution to the Limited Partnership will be initially recognized at cost and will be carried at its fair value thereafter. Any change in fair value will be recorded in the reserves of the Company.

Investment Scope of the Limited Partnership

The Limited Partnership will carry out equity investments, venture capital investments and investments in securities with respect to those companies engaging only in value-added telecommunications services (other than e-commerce), internet audio-visual program services, internet publication services, the operation of business premises for internet access

services, production and publication of broadcasting and TV programs and other businesses related or complementary to the Group's core business, provided that all investee companies fall within the categories of industries subject to foreign investment restrictions and prohibitions. Any equity investment in a particular investee company shall not exceed 20% of the total capital contribution of the Limited Partnership. In addition, the investment amount, fair value, gain and profit of a single investment or an investment product within the portfolio shall not exceed 5% of the total market capitalization of the Company and the total assets, total revenue and total profits of the Company as disclosed in the latest annual report or interim report of the Company (as the case may be) at the time of the investment. In the case where a series of investments in the same investee company or investment product are made within a 12-month period, the total investment amount, fair value, gain and profit of these investments shall be aggregated as if they were one investment for the purpose of considering the 5% investment threshold.

To the extent the funds of the Limited Partnership is not immediately applied to the above purposes, the Limited Partnership may invest in fixed income or low risks wealth management products such as wealth management products issued by banks, bank deposits or currency funds.

As of the date of this announcement, no investment targets have been identified for the Limited Partnership.

Term of the Limited Partnership

The term of the Limited Partnership will be seven years from the date of the Limited Partnership Agreement, which could be extended for a further term of three years if the parties mutually agree.

Profit Distribution

Investment return of the Limited Partnership includes but not limited to interest income on wealth management products, dividends, bonus, sale proceeds from transfer of equity interests and other income received by the Limited Partnership.

Any investment return (excluding interest income on wealth management products, dividends and bonus) received by the Limited Partnership from its equity investments shall not be used for other investments. The executive partner of the Limited Partnership shall distribute the investment return in accordance with the terms of the Limited Partnership Agreement within 30 days after receiving the investment return. For investment projects which the Limited Partnership exits within two years from its initial investment, Shanghai Tailai Tianji, as the general partner, may determine whether to postpone the investment return distribution and apply such investment return for other investments.

Any investment return (excluding interest income on wealth management products, dividends and bonus) received by the Limited Partnership from its securities investments shall be distributed every three years from the date of the initial investment (the “**Distribution Date**”). Unless Boyaa Shenzhen agrees, such investment return shall not be applied for other investments and the executive partner of the Limited Partnership shall distribute the investment return in accordance with the terms of the Limited Partnership Agreement within 30 days after the relevant Distribution Date.

Any investment return (excluding interest income on wealth management products, dividends and distributions) received by the Limited Partnership from all other types of investments shall not be used for other investment and shall be distributed in accordance with the terms of the Limited Partnership Agreement within 30 days after receiving the investment return.

Any income received by the Limited Partnership other than from its exit of investment projects (such as interest income on wealth management products, dividends and distributions) shall be distributed in accordance with the terms of the Limited Partnership Agreement within 180 days from the end of each financial year.

The Limited Partnership shall distribute its investment return (after deducting the expenses of the Limited Partnership in accordance with the Limited Partnership Agreement) in the following manner:

- (1) firstly, to Boyaa Shenzhen and Shanghai Tailai Tianji in accordance with their respective capital contribution ratio until each of them has received its aggregate capital contribution; and
- (2) in case there is any surplus distributable investment return after the distributions of the principal in paragraph (1) above, to Boyaa Shenzhen and Shanghai Tailai Tianji in accordance with their respective capital contribution. In the event that the capital contributed by Boyaa Shenzhen achieves an internal rate of return of more than 8% per annum, Shanghai Tailai Tianji shall be entitled to 20% of the distributions received by Boyaa Shenzhen under this paragraph (2).

Loss Sharing

Boyaa Shenzhen shall be responsible for all the losses and liabilities of the Limited Partnership to the extent of its committed capital contribution. Shanghai Tailai Tianji shall be jointly liable for all the liabilities of the Limited Partnership with unlimited liability.

Management Fee

During the term of the Limited Partnership, Shanghai Tailai Tianji shall be entitled to an annual management fee of 1.5% of the contributed capital of the limited partner of the Limited Partnership after deducting any investment capital for investment projects which the Limited Partnership has exited prior to the beginning of the relevant year.

The management fee shall be paid out of the capital contributed to the Limited Partnership or from the cash operating income of the Limited Partnership. The management fee for the first year shall be payable within 30 business days after the date of the Limited Partnership Agreement. The management fee with respect to outstanding investments for the second year and thereafter shall be payable before 31 March of the relevant year.

Management of the Limited Partnership

Shanghai Tailai Tianji is appointed as the executive partner of the Limited Partnership and is responsible for the day to day management and operation of the Limited Partnership. Shanghai Tailai Tianji shall also be responsible for making investment decisions for the Limited Partnership. Shanghai Tailai Tianji has appointed Hu Hongcui as its representative to perform its duties and obligations as the executive partner under the Limited Partnership Agreement. Boyaa Shenzhen will not be engaged and has no right to participate in the management or control of the investments of the Limited Partnership or make investment decisions.

The responsibilities of Shanghai Tailai Tianji as the general partner of the Limited Partnership include but not limited to the following:

- (1) decision making, execution of the investments and other business of the Limited Partnership, in particular, having regard to the investment scope of the Limited Partnership;
- (2) management, maintenance and disposal of the assets of the Limited Partnership, including without limited to investments assets, non-investments assets and intellectual property;
- (3) enter into and amend management agreements and custody agreements;
- (4) change of name and place of registration of the Limited Partnership; and
- (5) subject to the compliance of the conditions and procedures as stipulated in the Limited Partnership Agreement, increase or reduce the total capital contribution of the Limited Partnership.

In addition, Shanghai Tailai Tianji has undertaken to Boyaa Shenzhen that, in the event Boyaa Shenzhen is interested in further direct investment in any investee company which the Limited Partnership has invested, Shanghai Tailai Tianji (as the general partner of the Limited Partnership) shall use its best endeavors to procure the investee company to further cooperate with Boyaa Shenzhen and/or grant Boyaa Shenzhen a priority investment right with respect to future investment opportunities with such investee company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LIMITED PARTNERSHIP AGREEMENT

The Company believes that the participation in the Limited Partnership as a limited partner will provide a platform for the Group to access, explore and pursue new investment and cooperation opportunities in related or complementary businesses that are in line with the Group's long-term corporate strategy. It will also provide the Group with an opportunity to expand and diversify its investment portfolio whilst balancing the risks and returns of the investments. The participation in the Limited Partnership also enables the Group to leverage the expertise of Shanghai Tailai Tianji in terms of asset and investment management, thereby supporting the making of more effective and efficient investment decisions.

The Directors are of the view that the terms of the Limited Partnership Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company's shareholders as a whole.

INFORMATION OF THE PARTIES TO THE LIMITED PARTNERSHIP AGREEMENT

The Company is an investment holding company. The principal activity of the Group is the development and operation of online card and board games. The Group conduct online games business through its PRC operating entity, Boyaa Shenzhen. Boyaa Shenzhen is a company established under the laws of the PRC with limited liability and, by virtue of the Group's control through certain contractual arrangements, its financial results are consolidated into the accounts of the Group as a wholly-owned subsidiary. Details of the contractual arrangements concerning Boyaa Shenzhen, including among others, the reasons for the use of the contractual arrangements, the terms of the contractual arrangements, the particulars of the registered shareholders of Boyaa Shenzhen and the risks associated with the contractual arrangements, are set out in the Company's 2015 Annual Report under the section headed "Connected Transactions – Contractual Arrangements" in the Directors' Report and the Company's 2016 Interim Report under the section headed "Other Information – Contractual Arrangements". The Company's 2015 Annual Report and 2016 Interim Report are published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and that of the Company (www.boyaa.com.hk) and also dispatched to the Shareholders. No new contractual arrangements will be entered into by the Group in relation to the establishment of

the Limited Partnership nor as a result of any of the investments to be made by the Limited Partnership. In addition, there is and will be no change in the existing contractual arrangements as a result of the establishment of the Limited Partnership.

Shanghai Tailai Tianji is a company established under the law of the PRC in March 2014 and is currently registered as a private equity fund manager under the Asset Management Association of China. It is principally engaged in investment and management of private equity and venture capital funds. The management team of Shanghai Tailai Tianji has extensive experience in telecommunications, internet, media, technological, agricultural, and educational investment as well as fund operation experience.

EFFECT AND LEGALITY OF THE LIMITED PARTNERSHIP AGREEMENT

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited or restricted from holding equity interest in an entity engaging in value-added telecommunications services (other than e-commerce), internet audio-visual program services, internet publication services, the operation of business premises for internet access services and production and publication of broadcasting and TV programs. As the Company is incorporated in the Cayman Islands, any investment made by the Company directly or through any of its direct or indirect wholly-owned subsidiaries, including Boyaa On-line Game Development (Shenzhen) Co., Ltd. which is established in the PRC, shall be regarded as foreign investment under PRC laws and regulations. As a result of the foregoing, in the event that the Company or any of its direct or indirect wholly-owned subsidiaries becomes a limited partner of the Limited Partnership, the Limited Partnership will be deemed a foreign investor and therefore will be prohibited or restricted to invest in the targeted industries pursuant to the proposed investment scope under the Limited Partnership Agreement. Accordingly, Boyaa Shenzhen has been designated by the Company to become the limited partner for the purpose of the establishment of the Limited Partnership.

As advised by the PRC legal advisor of the Company, having regard to the proposed investments in complementary and prohibited and restricted businesses as stipulated under the Limited Partnership Agreement and in view of the restrictions under applicable foreign investment laws and regulations of the PRC, Boyaa Shenzhen is the only entity within the Group which can act as the limited partner of the Limited Partnership. The designation of any other wholly-owned subsidiaries within the Group, including Boyaa On-line Game Development (Shenzhen) Co., Ltd., will cause any future investment by the Limited Partnership to be in breach of applicable foreign investment laws and regulations in the PRC, and as a result, the Limited Partnership be unable to achieve its investment purpose.

In addition, the PRC legal advisor of the Company is of the opinion that, having regard to the investments to be carried out by the Limited Partnership and its investment scope, the entering into of the Limited Partnership Agreement, the establishment of the Limited Partnership and the capital contribution by Boyaa Shenzhen to the Limited Partnership as a limited partner:

- (i) do not require any amendment to the terms of the existing contractual arrangements between the Company and Boyaa Shenzhen as the existing contractual arrangements do not prohibit or restrict Boyaa Shenzhen from investing in related or complementary businesses;
- (ii) do not contradict or violate the terms of the existing contractual arrangements between the Company and Boyaa Shenzhen and each of the agreements underlying the contractual arrangements remains legally binding on and enforceable against each party of each of the agreements under PRC laws and regulations;
- (iii) would not render the existing contractual arrangements between the Company and Boyaa Shenzhen illegal and unenforceable;
- (iv) do not, and will not render the existing contractual arrangements to be, in breach of any laws and regulations of the PRC (including the Contract Law of the People's Republic of China), nor fall within any of the circumstances which will be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" and become void under the Contract Law of the People's Republic of China; and
- (v) are legal and valid and do not violate PRC laws, rules and regulations, including those applicable to the business of the Company and Boyaa Shenzhen and the existing contractual arrangements, and the articles of association of Boyaa Shenzhen.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the establishment of and investment in the Limited Partnership are 5% or more but all of them are less than 25%, the establishment of and investment in the Limited Partnership constitutes a discloseable transaction of the Company and is therefore subject to the announcement requirement in Chapter 14 of the Listing Rules.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Boyaa Shenzhen” or “limited partner”	Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (深圳市東方博雅科技有限公司), a company established under the laws of the PRC and is owned as to 98% by Mr. Zhang Wei and 2% by Mr. Dai Zhikang, is controlled by the Group through a series of contractual arrangements and which financial results are being consolidated in the results of the Company under International Financial Reporting Standards as if it was a wholly-owned subsidiary of the Company, being the limited partner of the Limited Partnership
“Company”	Boyaa Interactive International Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to such term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries (including Boyaa Shenzhen)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Limited Partnership”	a limited partnership to be established under the law of the PRC pursuant to the Limited Partnership Agreement under the proposed name of 嘉興博雅春雷股權投資合夥企業 (有限合夥) (Jiaxing Boyaa ChunLei Equity Investments Partnership (Limited Partnership)*)
“Limited Partnership Agreement”	the limited partnership agreement dated 28 December 2016 and entered into between Shanghai Tailai Tianji (as general partner) and Boyaa Shenzhen (as limited partner)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shanghai Tailai Tianji” or “general partner”	上海泰來天濟資產管理有限公司 (Shanghai Tailai Tianji Asset Management Co., Ltd.*), a company established under the law of the PRC, being the general partner of the Limited Partnership
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 28 December 2016

At the date of this announcement, the executive directors are Mr. ZHANG Wei and Mr. DAI Zhikang; the independent non-executive directors are Mr. CHEUNG Ngai Lam, Mr. CHOI Hon Keung Simon and Mr. YOU Caizhen.

* For identification purpose only