NetDragon Websoft Inc.
網龍網絡有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 777)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board (the "Board") of directors (the "Director(s)") of NetDragon Websoft Inc. (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

RESULTS

The Group's audited operating profit for the year ended 31 December 2012 was approximately RMB408.0 million, representing an increase of approximately 102.6% compared with that of the year ended 31 December 2011. Profit attributable to the owners of the Company for the year ended 31 December 2012 was approximately RMB39.2 million, representing a decrease of approximately 71.0% compared with that of the year ended 31 December 2011. Basic and diluted earnings per share for the year ended 31 December 2012 were approximately RMB7.71 cents and RMB7.60 cents, respectively.

DIVIDENDS

The Board has recommended the payment of a final dividend of HKD0.20 per share for the year ended 31 December 2012 (year ended 31 December 2011: HKD0.12 per share), subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM") of the Company to be held on Friday, 24 May 2013. Such proposed dividends if approved by the shareholders at the AGM, will be paid on or before Monday, 10 June 2013 to shareholders whose names appear on the register of members of the Company on Friday, 31 May 2013.

RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2012 together with the comparative figures in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2012

	NOTES	**2012** *RMB'000*	2011 *RMB'000*
Revenue	4	**1,108,349**	760,974
Cost of revenue		**(116,359)**	(75,032)
Gross profit		**991,990**	685,942
Other income and gains	4	**50,025**	38,156
Selling and marketing expenses		**(152,173)**	(140,340)
Administrative expenses		**(247,628)**	(210,941)
Development costs		**(204,173)**	(159,269)
Other expenses		**(27,214)**	(11,594)
Share of losses of associates		**(1,456)**	(581)
Share of loss of a jointly controlled entity		**(1,391)**	—
Operating profit		**407,980**	201,373
Interest income on pledged bank deposit		**4,849**	—
Exchange gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares		**11,909**	—
Net loss on derivative financial instruments		**(282,424)**	(17,792)
Finance costs	5	**(28,417)**	(3,806)
Profit before taxation		**113,897**	179,775
Taxation	7	**(74,936)**	(44,532)
Profit for the year	8	**38,961**	135,243
Other comprehensive expenses:			
Exchange differences arising on translation of foreign operations		**(64)**	(1,452)
Total comprehensive income for the year		**38,897**	133,791

	NOTES	**2012** *RMB'000*	2011 *RMB'000*
Profit for the year attributable to:			
- Owners of the Company		**39,176**	135,161
- Non-controlling interests		**(215)**	82
		38,961	135,243
Total comprehensive income attributable to:			
- Owners of the Company		**39,112**	133,709
- Non-controlling interests		**(215)**	82
		38,897	133,791
		RMB cents	*RMB cents*
Earnings per share	10		
- Basic		**7.71**	25.85
- Diluted		**7.60**	25.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**345,415**	192,119
Prepaid lease payments		**139,678**	86,298
Investment property		**16,217**	15,809
Deposit paid for acquisition of land use rights		**—**	19,050
Intangible assets		**2,626**	4,520
Interests in associates		**11,793**	12,669
Interest in a jointly controlled entity		**18,015**	—
Available-for-sale investments	11	**5,000**	4,000
Loan receivables		**9,969**	6,314
Goodwill	12	**12,534**	—
Deferred tax assets	13	**1,586**	54
		562,833	340,833
Current assets			
Prepaid lease payments		**2,902**	1,784
Loan receivables		**3,143**	1,091
Trade receivables	14	**61,427**	41,555
Other receivables, prepayments and deposits		**72,101**	41,429
Held for trading investments		**4,939**	—
Amounts due from related companies		**3,637**	1,200
Amount due from a jointly controlled entity		**3,060**	—
Pledged bank deposit		**194,405**	—
Bank deposits		**394,081**	40,000
Bank balances and cash		**1,142,825**	1,428,928
		1,882,520	1,555,987

	NOTES	2012 RMB'000	2011 RMB'000
Current liabilities			
Trade and other payables	15	**222,137**	126,354
Deferred income		**24,778**	25,528
Amounts due to related companies		**121**	965
Amount due to an associate		**5,600**	—
Secured bank loan	16	**183,595**	—
Other financial liability		**10,679**	—
Promissory notes	18	**—**	30,623
Income tax payable		**66,355**	42,849
		513,265	226,319
Net current assets		**1,369,255**	1,329,668
Total assets less current liabilities		**1,932,088**	1,670,501
Non-current liabilities			
Redeemable convertible preferred shares	17	**195,115**	131,675
Conversion option derivative liability	17	**314,829**	39,932
Deferred tax liabilities	13	**6,141**	—
		516,085	171,607
Net assets		**1,416,003**	1,498,894
Capital and reserves			
Share capital		**37,532**	38,226
Share premium and reserves		**1,356,317**	1,461,126
Equity attributable to owners of the Company		**1,393,849**	1,499,352
Non-controlling interests		**22,154**	(458)
		1,416,003	1,498,894

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company														
	Share capital	Share premium	Capital redemption reserve	Other reserve	Capital reserve	Statutory reserves	Dividend reserve	Revaluation reserve	Treasury share reserve	Employee share-based compensation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	39,264	1,157,364	1,963	—	9,946	121,339	8,994	673	(8,494)	9,539	(56,663)	167,772	1,451,697	(540)	1,451,157
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	135,161	135,161	82	135,243
Other comprehensive expenses for the year	—	—	—	—	—	—	—	—	—	—	(1,452)	—	(1,452)	—	(1,452)
Total comprehensive (expenses) income for the year	—	—	—	—	—	—	—	—	—	—	(1,452)	135,161	133,709	82	133,791
Deemed contribution from a substantial shareholder	—	—	—	2,209	—	—	—	—	—	—	—	—	2,209	—	2,209
Repurchase and cancellation of shares	(1,038)	(44,359)	1,038	—	—	—	—	—	—	—	—	(1,038)	(45,397)	—	(45,397)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	10,085	—	—	10,085	—	10,085
Final dividend for 2010 paid	—	—	—	—	—	—	(8,994)	—	—	—	—	—	(8,994)	—	(8,994)
Interim dividend for 2011 declared and paid	—	—	—	—	—	—	—	—	—	—	—	(43,957)	(43,957)	—	(43,957)
Final dividend for 2011 proposed	—	—	—	—	—	—	50,062	—	—	—	—	(50,062)	—	—	—
Awarded shares vested to employees	—	—	—	—	—	—	—	—	942	(570)	—	(372)	—	—	—
Transfers	—	—	—	—	—	19,544	—	—	—	—	—	(19,544)	—	—	—
	(1,038)	(44,359)	1,038	2,209	—	19,544	41,068	—	942	9,515	—	(114,973)	(86,054)	—	(86,054)
At 31 December 2011	38,226	1,113,005	3,001	2,209	9,946	140,883	50,062	673	(7,552)	19,054	(58,115)	187,960	1,499,352	(458)	1,498,894
Profit (loss) for the year	—	—	—	—	—	—	—	—	—	—	—	39,176	39,176	(215)	38,961
Other comprehensive expenses for the year	—	—	—	—	—	—	—	—	—	—	(64)	—	(64)	—	(64)
Total comprehensive (expenses) income for the year	—	—	—	—	—	—	—	—	—	—	(64)	39,176	39,112	(215)	38,897
Issue of shares by subsidiaries and contribution from non-controlling shareholders	—	—	—	—	99	—	—	—	—	—	—	—	99	671	770
Repurchase and cancellation of shares	(716)	(45,057)	716	—	—	—	—	—	—	—	—	(716)	(45,773)	—	(45,773)
Share issued upon exercise of share options	22	1,896	—	—	—	—	—	—	—	(579)	—	—	1,339	—	1,339
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	12,709	—	—	12,709	—	12,709
Recognition of equity-settled share-based payments granted by a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	22,024	22,024
Final dividend for 2011 paid	—	—	—	—	—	—	(50,062)	—	—	—	—	—	(50,062)	—	(50,062)
Interim dividend for 2012 declared and paid	—	—	—	—	—	—	—	—	—	—	—	(62,927)	(62,927)	—	(62,927)
Final dividend for 2012 proposed	—	—	—	—	—	—	81,947	—	—	—	—	(81,947)	—	—	—
Partial disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	132	132
Awarded shares vested to employees	—	—	—	—	—	—	—	—	327	(198)	—	(129)	—	—	—
Transfers	—	—	—	—	—	32,012	—	—	—	—	—	(32,012)	—	—	—
	(694)	(43,161)	716	—	99	32,012	31,885	—	327	11,932	—	(177,731)	(144,615)	22,827	(121,788)
At 31 December 2012	37,532	1,069,844	3,717	2,209	10,045	172,895	81,947	673	(7,225)	30,986	(58,179)	49,405	1,393,849	22,154	1,416,003

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	RMB'000	*RMB'000*
NET CASH FROM OPERATING ACTIVITIES	**388,574**	276,476
INVESTING ACTIVITIES		
Acquisition of a subsidiary	**2,556**	—
Acquisitions of associates	**(500)**	(13,250)
Investment in a jointly controlled entity	**(19,406)**	—
Placement of bank deposits	**(404,081)**	(10,000)
Placement of pledged bank deposit	**(194,405)**	—
Withdrawal of bank deposits	**50,000**	310,828
Acquisitions of available-for-sale investments	**(1,000)**	—
Advanced to a jointly controlled entity	**(3,060)**	—
Purchase of property, plant and equipment	**(137,358)**	(100,904)
Other investing cash flows	**(11,899)**	8,264
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(719,153)**	194,938
FINANCING ACTIVITIES		
Advanced from an associate	**5,600**	—
Contribution from non-controlling shareholders	**671**	—
Proceeds from issue of promissory notes	**—**	31,774
Proceeds from issue of redeemable convertible preferred shares	**13,395**	151,857
Proceeds from exercise of share options	**1,339**	—
Dividends paid	**(112,989)**	(52,951)
Repayment of a shareholder	**—**	(5,328)
New bank loan raised	**183,595**	—
Payment for repurchase of shares	**(45,773)**	(45,397)
NET CASH FROM FINANCING ACTIVITIES	**45,838**	79,955
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(284,741)**	551,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,428,928**	877,823
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,362)**	(264)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**1,142,825**	1,428,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 June 2008. Its ultimate controlling shareholders are Messrs. Liu Dejian, Liu Luyuan and Zheng Hui (the "Ultimate Controlling Shareholders"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 2209, 22nd Floor, Shun Tak Centre, West Tower, 200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are engaged in online game development, including game design, programming and graphics and online game operation as well as mobile Internet business.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The application of the amendments to HKAS 12 have had no material effect on the Group's result and financial position for the current and prior year.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 — 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC) - INT 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.

[2] Effective for annual periods beginning on or after 1 January 2014.

[3] Effective for annual periods beginning on or after 1 January 2015.

[4] Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. Based on the Group's financial assets and financial liabilities as at 31 December 2012, the directors anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group's available-for-sale investments and have no significant impact on the amounts of the Group's other financial assets and financial liabilities. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) - INT 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — INT 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time. The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. The application of these five standards may not impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new or revised standards may not have material impact on the results and the financial position of the Group.

4. REVENUE, OTHER INCOME AND GAINS

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Online game revenue	**825,744**	701,565
Mobile Internet business revenue	**282,605**	59,409
	1,108,349	760,974
Other income and gains		
Gain on fair value changes of investment property	**407**	1,990
Government grants (Note)	**10,631**	18,659
Interest income	**34,900**	11,755
Net gain on held for trading investments	**—**	1,348
Rental income, net of nil outgoings	**448**	303
Others	**3,639**	4,101
	50,025	38,156

Note:

Government grants were received from the government of the PRC mainly for subsidising the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to software or technology development. There are no unfulfilled conditions or contingencies relating to the grants.

5. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on:		
- Bank loan wholly repayable within five years	**4,276**	—
- Redeemable convertible preferred shares (Note 17)	**23,518**	2,497
- Promissory notes	**623**	1,309
	28,417	3,806

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group's revenue and results by operating segment:

2012

	Online game	**Mobile Internet business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**825,744**	**282,605**	**1,108,349**
Segment profit (loss)	**396,494**	**(221,650)**	**174,844**
Unallocated income and gains			**48,605**
Unallocated expenses			**(106,705)**
Share of losses of associates			**(1,456)**
Share of loss of a jointly controlled entity			**(1,391)**
Profit before taxation			**113,897**

2011

	Online game	Mobile Internet business	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	701,565	59,409	760,974
Segment profit (loss)	279,359	(9,374)	269,985
Unallocated income and gains			19,538
Unallocated expenses			(109,167)
Share of losses of associates			(581)
Profit before taxation			179,775

The segment loss of mobile Internet business during the year ended 31 December 2012 included net loss on derivative financial instruments relating to redeemable convertible preferred shares of RMB271,745,000 (2011: RMB17,792,000) and finance costs relating to redeemable convertible preferred shares and promissory notes of RMB23,518,000 and RMB623,000, respectively (2011: RMB2,497,000 and RMB1,309,000).

The accounting policies of the operating segment are the same as the Group's accounting policies. The CODM assesses segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment result of the operating segment (including share-based payments expense, share of losses of associates, share of loss of a jointly controlled entity, net loss on other derivative financial instruments, income tax expenses, and unallocated income, gains and expenses). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers. There is no inter-segment revenue.

The following is an analysis of the Group's assets by operating segment:

	2012	2011
	RMB'000	*RMB'000*
Online game	**1,750,584**	1,513,587
Mobile Internet business	**420,259**	216,745
Total segment assets	**2,170,843**	1,730,332
Unallocated	**274,510**	166,488
	2,445,353	1,896,820

For the purposes of monitoring segment performance and allocating resources, all assets are allocated to operating segment other than those assets managed on group basis, such as interests in associates, interest in a jointly controlled entity, available-for-sale investments, loan receivables, bank deposits and bank balances and cash. No analysis of the Group's liabilities by operating segments is disclosed as they are not regularly provided to the CODM for review.

Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by geographical locations of servers are detailed below:

	2012 *RMB'000*	2011 *RMB'000*
PRC	**994,371**	630,948
United States of America ("USA")	**110,274**	125,365
Others	**3,704**	4,661
	1,108,349	760,974

The Group's non-current assets, excluding available-for-sale investments, loan receivables and deferred tax assets, by geographical location of assets are detailed below:

	2012 *RMB'000*	2011 *RMB'000*
PRC	**509,361**	291,536
Hong Kong	**36,810**	38,835
USA	**107**	94
	546,278	330,465

No single customers of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2012 and 2011.

7. TAXATION

	2012 *RMB'000*	2011 *RMB'000*
The charge comprises:		
Hong Kong Profits Tax	**2,814**	6,531
The PRC Enterprise Income Tax		
- Current year	**51,152**	27,681
- Withholding tax	**16,110**	10,100
	67,262	37,781
Taxation in other jurisdiction	**251**	220
Deferred tax	**4,609**	—
	74,936	44,532

8. PROFIT FOR THE YEAR

	2012	2011
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**9,003**	5,437
Other staff costs		
Salaries and other benefits	**286,427**	234,451
Contributions to retirement benefits schemes	**29,657**	19,575
Share-based payments expense	**28,486**	7,338
	353,573	266,801
Auditor's remuneration		
- audit services	**1,123**	1,288
- non-audit services	**5,758**	1,550
	6,881	2,838
Allowances on trade receivables	**2,639**	179
Amortisation of intangible assets (included in cost of revenue)	**3,171**	7,427
Amortisation of intangible assets (included in other expenses)	**1,307**	3,936
Advertising and promotion expenses (included in selling and marketing expenses)	**76,031**	88,678
Release of prepaid lease payments (included in administrative expenses)	**1,460**	1,455
Depreciation of property, plant and equipment	**26,292**	35,923
Gain on deemed disposal of an associate	**(80)**	—
Loss on partial disposal of a subsidiary	**132**	—
Operating lease rentals in respect of		
- rented premises	**18,768**	15,346
- computer equipment	**60,832**	38,782
Net foreign exchange (gain) loss	**(9,303)**	15,202
Net loss (gain) on held for trading investments	**61**	(1,348)
Written off of intangible assets (included in other expenses)	**2,156**	—
Loss on disposal of property, plant and equipment	**76**	42

9. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2012 Interim - HKD0.12 (2011: 2011 Interim dividend of HKD0.10) per share	**62,927**	43,957
2011 Final - HKD0.12 (2011: 2010 Final dividend of HKD0.02) per share	**50,062**	8,994
	112,989	52,951

The final dividend of HKD0.20 (2011: HKD0.12) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting, amounting to approximately RMB81,497,000 (2011: RMB50,062,000).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2012	2011
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share - profit for the year attributable to the owners of the Company	**39,176**	135,161

	Number of shares	
	2012	2011
	'000	*'000*
Weighted average number of shares in issue during the year for the purpose of basic earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	**508,196**	522,948
Effect of dilutive potential shares from the Company's share option scheme	**7,044**	—
Weighted average number of shares for the purpose of diluted earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	**515,240**	522,948

The computation of diluted earnings per share for the year ended 31 December 2012 has not taken into account the effect of share awards and redeemable convertible preferred shares issued by a subsidiary of the Company since these are anti-dilutive as the subsidiary incurred loss during the year.

The computation of diluted earnings per share for the year ended 31 December 2011 has not taken into account the effect of redeemable convertible preferred shares issued by a subsidiary of the Company since these are anti-dilutive, and the effect of potential shares granted under share option scheme of the Company because the exercise price of the share option was higher than the average market price of the Company's shares for the year ended 31 December 2011.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	RMB'000	*RMB'000*
Unlisted equity securities in the PRC		
- 福建楊振華851生物科技股份有限公司 (Fujian Yangzhenhua 851 Bio-Engineering Inc.) (Note a)	**4,000**	4,000
- 青島信通物聯網路有限公司 (Note b)	**1,000**	—
	5,000	4,000

Notes:

a. Being unlisted equity investments representing 9.5% interest in 福建楊振華851生物科技股份有限公司 (Fujian Yangzhenhua 851 Bio-Engineering Inc.) which was established in the PRC. Mr. Liu Dejian and Mr. Zheng Hui, directors of the Company, are directors of the entity.

b. The entity is a private entity established in the PRC. During the year, the Group has invested RMB1,000,000 in this entity which represents 10% of equity interests in this entity.

The available-for-sale investments are stated at cost less impairment at the end of the reporting period because the directors are of the opinion that its fair value cannot be measured reliably.

12. GOODWILL

The carrying amounts of goodwill as at 31 December 2012 arising from the acquisition of a subsidiary.

For the purpose of impairment testing, goodwill has been allocated to the individual cash generating unit ("CGU"), which comprises the subsidiary acquired during the year, 福州軟件職業技術學院. During the year ended 31 December 2012, management of the Group determines that there are no impairments of its CGU containing goodwill. The recoverable amount of the goodwill has been determined based on a value in use calculation. That calculation uses cashflow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 10.16%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed the aggregate recoverable amount of the CGU.

13. DEFERRED TAX ASSETS

The deferred tax assets and liabilities are presented in the consolidated statement of financial position as below:

	2012	2011
	RMB'000	*RMB'000*
Deferred tax assets	**1,586**	54
Deferred tax liabilities	**(6,141)**	—
	(4,555)	54

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Undistributable profits of subsidiaries	**Development costs and accrued expenses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At 1 January 2011, 31 December 2011 and 1 January 2012	—	54	54
(Charged) credited to profit or loss	**(6,141)**	**1,532**	**(4,609)**
At 31 December 2012	**(6,141)**	**1,586**	**(4,555)**

At the end of the reporting period, the Group has temporary differences associated with undistributed earnings of PRC subsidiaries of RMB206,394,000 (2011: RMB78,858,000). Deferred tax liabilities has been recognised in respect of undistributed earnings of RMB68,238,000 (2011: Nil). No deferred tax liability has been recognised for the remaining undistributed earnings of RMB138,156,000 (2011: RMB78,858,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Group also has not recognised deferred tax assets arising from tax losses amounting to approximately RMB94,059,000 (2011: RMB192,615,000) due to the unpredictability of the future profit streams and tax losses to be agreed with the PRC tax authority. Included in unrecognised tax losses, approximately RMB93,297,000 (2011: RMB191,853,000) will expire in 2015. Other tax losses may be carried forward indefinitely.

14. TRADE RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its agents/trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods/date of rendering of services which approximated the respective dates on which revenue was recognised.

	2012	2011
	RMB'000	*RMB'000*
0 - 30 days	**38,519**	22,261
31 - 60 days	**12,753**	5,364
61 - 90 days	**4,252**	6,737
Over 90 days	**5,903**	7,193
Total	**61,427**	41,555

Before accepting any new agent/customer, the Group uses an internal credit assessment policy to assess the potential agent/customer's credit quality and define credit limits by agent/customer. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB9,088,000 (2011: RMB15,839,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been significant changes in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2012	2011
	RMB'000	*RMB'000*
31 - 60 days	**2,506**	3,577
61 - 90 days	**679**	5,069
Over 90 days	**5,903**	7,193
Total	**9,088**	15,839

Movement in the allowance for doubtful debts

	2012	2011
	RMB'000	*RMB'000*
At beginning of year	**490**	311
Allowances recognised on receivables	**2,639**	179
Exchange differences	**(9)**	—
At end of year	**3,120**	490

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,120,000 (2011: RMB490,000) of which the debtors have been in dispute with the Group.

15. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**13,679**	5,001
Accrual staff costs	**69,213**	45,324
Cooperation fee payable	**48,791**	—
Receipt in advance	**20,717**	—
Other payables and accruals	**69,737**	76,029
	222,137	126,354

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2012	2011
	RMB'000	*RMB'000*
0 - 90 days	**11,484**	4,641
91 - 180 days	**1,330**	323
181 - 365 days	**44**	26
Over 365 days	**821**	11
Total	**13,679**	5,001

16. SECURED BANK LOAN

In the current year, the Group obtained new bank loan amounting to RMB183,595,000. The secured bank loan is denominated in HKD, carries interest rate of 4.14% per annum and repayable on 13 June 2013. The loan is secured by the pledged bank deposit of RMB194,405,000 which is denominated in EURO.

17. REDEEMABLE CONVERTIBLE PREFERRED SHARES

91 Limited, a subsidiary of the Company issued 15,384,000 Series A redeemable convertible preferred shares of par value of USD0.0001 each at an aggregate issue price of USD3,999,840 (equivalent to approximately RMB25,839,000) to IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investor L.P. and IDG-Accel China Growth Fund L.P. (collectively referred to as "IDG Companies"), subsidiaries of a substantial shareholder of the Company with significant influence over the Company, on 13 August 2011. The subsidiary also issued 16,025,000 Series B redeemable convertible preferred shares of par value of USD0.0001 each at an aggregate issue price of USD20,000,000 (equivalent to approximately RMB126,018,000) to Vertex Asia Growth Ltd., IP Cathay II, L.P. and DT Capital China Growth Fund, L.P. on 15 December 2011 and 30 December 2011. On 12 October 2012, the subsidiary also issued 1,602,500 Series B redeemable convertible preferred shares of par value of USD0.0001 each at an aggregate issue price of USD2,000,000 (equivalent to approximately RMB13,395,000) to Sino Coast Developments Limited. Both Series A and Series B redeemable convertible preferred shares are denominated in United States dollars.

Conversion

Both Series A and Series B redeemable convertible preferred shares shall be converted, at the option of the holder thereof, at any time after the issue date of the redeemable convertible preferred shares and the 5th anniversary of the issue date of Series A redeemable convertible preferred shares and 4th anniversary of the issue date of Series B redeemable convertible preferred shares, into ordinary shares of the subsidiary of the Company at the applicable conversion ratio which was initially one ordinary share for each redeemable convertible preferred share. The initial conversion ratio of 1:1 is subject to adjustments, in the event of share splits, share combinations, share dividends or distribution, other dividends, recapitalisation and similar events.

Series A redeemable convertible preferred shares shall be automatically converted into ordinary shares upon the occurrence of a public offering of the shares of the subsidiary of the Company wherein the pre-offering market capitalisation of the subsidiary of the Company is no less than USD150,000,000 and the aggregate net proceeds to the subsidiary of the Company are in excess of USD50,000,000. Series B redeemable convertible preferred shares shall be automatically converted into ordinary shares upon the occurrence of a public offering of the shares of the subsidiary of the Company wherein the pre-offering market capitalisation of the subsidiary of the Company is no less than USD500,000,000 and the aggregate net proceeds to the subsidiary of the Company are in excess of USD150,000,000.

Dividends

The holders of outstanding Series A redeemable convertible preferred shares shall be entitled to receive dividends, when, as and if declared by the board of the subsidiary of the Company, out of any assets at the time legally available therefor, in preference and priority to any declaration or payment of any distribution on ordinary shares in such calendar year. The right to receive dividends on Series A redeemable convertible preferred shares shall not be cumulative, and no right to such dividends shall accrue to holders of redeemable convertible preferred shares by reason of the fact that dividends on said shares are not declared or paid in any calendar year.

The holders of outstanding Series B redeemable convertible preferred shares shall be entitled to receive dividends, when, as and if declared by the board of the subsidiary of the Company, out of any assets at the time legally available therefor, in preference and priority to any declaration or payment of any distribution on Series A redeemable convertible preferred shares and ordinary shares in such calendar year. The right to receive dividends on Series B redeemable convertible preferred shares shall not be cumulative, and no right to such dividends shall accrue to holders of Series B redeemable convertible preferred shares by reason of the fact that dividends on said shares are not declared or paid in any calendar year.

Redemption

At any time after the 5th but not later than the 10th anniversary of the date on which the Series A redeemable convertible preferred shares was issued, by a written request signed by holders of at least two-thirds of the Series A redeemable convertible preferred shares, all outstanding Series A redeemable convertible preferred shares shall be redeemed at original issue price per redeemable convertible preferred share of USD0.26 plus cumulative rate of return of 5% per annum, and any declared but unpaid dividends on such Series A redeemable convertible preferred shares.

At any time after the 4th anniversary of the original issue date of the Series B redeemable convertible preferred shares of a written request signed by holders of more than two-thirds of the Series B redeemable convertible preferred shares, all outstanding Series B redeemable convertible preferred shares shall be redeemed at original issue price per redeemable convertible preferred shares of approximately USD1.248 plus cumulative rate of return of 12% per annum, and any declared but unpaid dividends on such Series B redeemable convertible preferred shares.

Liquidation

The holders of the Series A redeemable convertible preferred shares have preference over holders of ordinary shares with respect to payment of dividends and distribution of assets or surplus funds upon voluntary or involuntary liquidation of the subsidiary of the Company. The holders of the Series A redeemable convertible preferred shares shall be entitled to receive the original issue price of USD0.26 per Series A redeemable convertible preferred shares plus 5% per annum cumulative rate of return upon liquidation.

The holders of the Series B redeemable convertible preferred shares have preference over holders of Series A redeemable convertible preferred shares and ordinary shares with respect to payment of dividends and distribution of assets or surplus funds upon voluntary or involuntary liquidation of the subsidiary of the Company. The holders of the Series B redeemable convertible preferred shares shall be entitled to receive the original issue price of approximately USD1.248 per Series B redeemable convertible preferred share plus 12% per annum cumulative rate of return upon liquidation.

Both Series A and Series B redeemable convertible preferred shares contain two components, liability component and conversion option and other derivatives. The effective interest rate of the liability component of the Series A and Series B redeemable convertible preferred shares is 16.834% per annum. The conversion option and other derivatives component is measured at fair value with changes in fair value recognised in profit or loss.

The movements of the liability component and conversion option and other embedded derivatives of the series A and series B redeemable convertible preferred shares for the year are set out as below:

	Liability component *RMB'000*	**Conversion option and other derivatives** *RMB'000*
At initial recognition	129,435	22,422
Exchange realignment	(257)	(282)
Interest charges	2,497	—
Loss arising on changes of fair value	—	17,792
As at 31 December 2011 and 1 January 2012	131,675	39,932
Exchange realignment	**(563)**	**(1,254)**
Issue of redeemable convertible preferred shares	**11,223**	**2,172**
Converted from promissory notes	**29,262**	**2,234**
Interest charge	**23,518**	**—**
Loss arising on changes of fair value	**—**	**271,745**
As at 31 December 2012	**195,115**	**314,829**

The fair value of each underlying share of 91 Limited is estimated using a discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates. In determining the fair value, a weighted average cost of capital ("WACC") of 18.45%, 17.78%, 16.95%, and 15.55% were used as at 31 December 2011, 17 February 2012, 12 October 2012 and 31 December 2012, respectively.

The assumptions adopted for the valuation of the conversion option derivative component of the redeemable convertible preferred shares using Binomial option pricing model as of 31 December 2011, 17 February 2012, 12 October 2012 and 31 December 2012 were as follows:

Series A redeemable convertible preferred shares

	31 December 2012	31 December 2011
Risk-free interest rate (i)	**0.37%**	0.81%
Expected volatility (ii)	**38.82%**	71.83%

Series B redeemable convertible preferred shares

	31 December 2012	12 October 2012	17 February 2012	31 December 2011
Risk-free interest rate (i)	**0.37%**	0.37%	0.62%	0.62%
Expected volatility (ii)	**38.82%**	40.16%	63.85%	72.17%

Notes:

(i) risk-free interest rate was used by reference to the United States Treasury Bond Rate at the valuation date;

(ii) expected volatility was calculated by reference to annualised standard deviation of the continuously compounded rates of return on the weekly average adjusted share price of the comparable companies.

Movement of number of issued redeemable convertible preferred shares at USD0.0001 each

	Series A preferred share	**Series B preferred share**
At 1 January 2011	—	—
Issue of redeemable convertible preferred shares	15,384,000	16,025,000
As at 31 December 2011 and 1 January 2012	15,384,000	16,025,000
Converted from promissory notes	**—**	**4,006,250**
Issue of redeemable convertible preferred shares	**—**	**1,602,500**
At 31 December 2012	**15,384,000**	**21,633,750**

The fair values were determined by the directors with reference to valuation report carried out by an independent qualified professional valuer, Asset Appraisal Limited, an independent firm of professional valuer not connected with the Group.

18. PROMISSORY NOTES

On 21 September 2011, 91 Limited, a subsidiary of the Company, issued promissory notes with a total principal amount of USD5,000,000 (equivalent to approximately RMB31,774,000) to IDG Companies, to enhance the working capital and strengthen the capital base and financial position of 91 Limited's subsidiaries, which are engaged in mobile Internet business and for further investments by 91 Limited. The promissory notes bear no interest and become due and payable at the option of the note holders at any time on and after 20 March 2012 (the "Maturity Date"). The promissory notes bear interest of 8% per annum for the period from the date immediately after the Maturity Date and until the time the promissory notes are fully repaid.

The holders of promissory notes have the option to convert the entire principal amount of the promissory notes into such number of redeemable convertible preferred shares of the subsidiary of the Company by dividing the entire principal amount of the promissory notes by the applicable conversion price as determined at the time of conversion. The terms and conditions of the redeemable convertible preferred shares are to be determined at the time of conversion upon mutually agreed by the subsidiary of the Company and note holders.

As at 31 December 2011, the fair value of the conversion option of the promissory note is insignificant. On 17 February 2012, all the promissory notes were converted into 4,006,250 shares of series B redeemable convertible preferred shares at a conversion price of approximately USD1.248 per share.

19. EVENT AFTER THE REPORTING PERIOD

On 8 February 2013, the Company announced that 91 Wireless Websoft Limited (formerly known as "91 Limited"), a subsidiary of the Group incorporated on 4 January 2011 in the Cayman Islands, had submitted a listing application to the Stock Exchange for the listing of the ordinary shares of 91 Limited on the Growth Enterprises Market of the Stock Exchange.

Further details of the spin-off of 91 Wireless Websoft Limited are set out in the announcements of the Company dated 6 and 8 February 2013.

OPERATION INFORMATION

The following table sets out the breakdown of peak concurrent users (the "PCU") and average concurrent users (the "ACU") for our online games for periods indicated below *(Note)*:

	Three months ended				
	31 December 2012	30 September 2012	30 June 2012	31 March 2012	31 December 2011
PCU	**521,000**	525,000	582,000	600,000	612,000
ACU	**287,000**	281,000	307,000	297,000	310,000

Note: As at 31 December 2012, our online games include Conquer Online, Eudemons Online, Zero Online, Tou Ming Zhuang Online, Heroes of Might and Magic Online, Way of the Five, Tian Yuan, Disney Fantasy Online, Dungeon Keeper™ Online and other games.

The PCU for online game was approximately 521,000 for the three months ended 31 December 2012, representing a decrease of approximately 0.8% from the three months ended 30 September 2012 and representing a decrease of approximately 14.9% from the three months ended 31 December 2011.

We also recorded the ACU for online game of approximately 287,000 for the three months ended 31 December 2012, which represented an increase of approximately 2.1% from the three months ended 30 September 2012 and represented a decrease of approximately 7.4% from the three months ended 31 December 2011.

FINANCIAL PERFORMANCE HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2012

The following table sets forth the comparative figures for the years ended 31 December 2012 and 2011:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Revenue	**1,108,349**	760,974
Cost of revenue	**(116,359)**	(75,032)
Gross profit	**991,990**	685,942
Other income and gains	**50,025**	38,156
Selling and marketing expenses	**(152,173)**	(140,340)
Administrative expenses	**(247,628)**	(210,941)
Development costs	**(204,173)**	(159,269)
Other expenses	**(27,214)**	(11,594)
Share of losses of associates	**(1,456)**	(581)
Share of loss of a jointly controlled entity	**(1,391)**	—
Operating profit	**407,980**	201,373
Interest income on pledged bank deposit	**4,849**	—
Exchange gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares	**11,909**	—
Net loss on derivative financial instruments	**(282,424)**	(17,792)
Finance costs	**(28,417)**	(3,806)
Profit before taxation	**113,897**	179,775
Taxation	**(74,936)**	(44,532)
Profit for the year	**38,961**	135,243
Profit for the year attributable to:		
- Owners of the Company	**39,176**	135,161
- Non-controlling interests	**(215)**	82
	38,961	135,243

Revenue

In the third quarter of 2012, we have revisited the terms of certain contracts entered into by the Group with cooperation partners in respect of game and application revenue generated in 2012 from mobile Internet business. These agreements were entered into with cooperation partners, pursuant to which the games/applications designed, developed and hosted by cooperation partners are available to the users on the Group's Internet platforms. We believe that the Group is acting as an agent and such revenue should be recognised on a net basis, instead of gross basis, as reported in previous quarters. We believe that such change will result in presentation of revenue results in more reliable and relevant information about the effects of transactions and financial performance of the Group. Hence, net basis for revenue from the games/applications designed, developed and hosted by cooperation partners was used to present the mobile Internet business revenue for the year ended 31 December 2012. The comparative figure had not been restated because it is insignificant.

Revenue for the year ended 31 December 2012 was approximately RMB1,108.3 million, representing an increase of approximately 45.6% as compared to approximately RMB761.0 million for the year ended 31 December 2011.

Online game

Our online game revenue for the year ended 31 December 2012 was approximately RMB825.7 million, representing an increase of approximately 17.7% as compared to approximately RMB701.6 million for the year ended 31 December 2011.

The following table sets out the breakdown of geographical online game revenue of the Group for periods indicated below:

	Year ended 31 December			
	2012		2011	
	RMB'000	***% of online game revenue***	*RMB'000*	% of online game revenue
PRC	**717,048**	**86.8**	572,470	81.6
Overseas	**108,696**	**13.2**	129,095	18.4
	825,744	**100.0**	701,565	100.0

The Group's online game revenue analysed by geographical segments is based on the location where services are provided. The online game revenue derived from the PRC for the year ended 31 December 2012 was approximately RMB717.0 million, representing an increase of approximately 25.3% over the year ended 31 December 2011.

The online game revenue derived from overseas markets for the year ended 31 December 2012 was approximately RMB108.7 million, representing a decrease of approximately 15.8% over the year ended 31 December 2011.

Mobile Internet business

The mobile Internet business revenue for the year ended 31 December 2012 was approximately RMB282.6 million, representing an increase of approximately 375.7% as compared to approximately RMB59.4 million for the year ended 31 December 2011.

The following table sets out the breakdown of geographical mobile Internet business revenue of the Group for the periods indicated below:

	Year ended 31 December			
	2012		2011	
	RMB'000	***% of mobile Internet business revenue***	*RMB'000*	*% of mobile Internet business revenue*
PRC	**277,323**	**98.1**	59,409	100.0
Overseas	**5,282**	**1.9**	—	—
	282,605	**100.0**	59,409	100.0

The mobile Internet business revenue derived from the PRC for the year ended 31 December 2012 was approximately RMB277.3 million, representing an increase of approximately 366.8% over the year ended 31 December 2011.

The mobile Internet business revenue derived from overseas markets for the year ended 31 December 2012 was approximately RMB5.3 million.

Fourth Quarter of 2012

Revenue

Revenue for the fourth quarter of 2012 was approximately RMB331.0 million representing an increase of approximately 14.1% from the third quarter of 2012 and an increase of approximately 52.4% over the same period in 2011.

The online game revenue for the fourth quarter of 2012 was approximately RMB229.1 million, representing an increase of approximately 12.3% from the third quarter of 2012 and an increase of approximately 19.0% over the same period in 2011.

The mobile Internet business revenue for the fourth quarter of 2012 was approximately RMB101.9 million, representing an increase of approximately 18.4% from the third quarter of 2012 and an increase of approximately 313.3% over the same period in 2011.

Cost of revenue

Cost of revenue for the fourth quarter of 2012 was approximately RMB34.2 million, representing a decrease of approximately 8.4% from the third quarter of 2012 and an increase of approximately 20.8% over the same period in 2011.

Other income and gains

Other income and gains of approximately RMB17.5 million were recorded for the fourth quarter of 2012, compared to other income and gains that of approximately RMB17.3 million and approximately RMB17.4 million for the third quarter of 2012 and the same period in 2011, respectively.

Selling and marketing expenses

Selling and marketing expenses for the fourth quarter of 2012 were approximately RMB44.2 million, representing an increase of approximately 18.3% from the third quarter of 2012 and a decrease of approximately 4.4% over the same period in 2011.

Administrative expenses

Administrative expenses for the fourth quarter of 2012 were approximately RMB82.9 million, representing an increase of approximately 60.7% from the third quarter of 2012 and representing an increase of approximately 39.2% over the same period in 2011.

Development costs

Development costs for the fourth quarter of 2012 were approximately RMB62.0 million, representing an increase of approximately 34.1% from the third quarter of 2012 and an increase of approximately 30.8% over the same period in 2011.

Other expenses

Other expenses for the fourth quarter of 2012 were approximately RMB2.9 million, representing a decrease of approximately 61.8% from the third quarter of 2012 and a decrease of approximately 42.5% over the same period in 2011.

Net loss on derivative financial instruments

Net loss on derivative financial instruments for the fourth quarter of 2012 was approximately RMB243.6 million, representing an increase of approximately 1,474.3% from the third quarter of 2012 and an increase of approximately 1,285.6% over the same period in 2011.

Finance costs

Finance costs for the fourth quarter of 2012 were approximately RMB12.5 million, representing an increase of approximately 84.0% from the third quarter of 2012 and an increase of approximately 259.5% over the same period in 2011.

(Loss) profit for the period

Loss for the period for the fourth quarter of 2012 was approximately RMB157.2 million, however, profit for the third quarter of 2012 and fourth quarter of 2011 was RMB95.3 million and RMB7.7 million.

(Loss) profit for the period attributable to the owners of the Company

Loss for the period attributable to the owners of the Company for the fourth quarter of 2012 was approximately RMB157.0 million, however, profit for the third quarter of 2012 and fourth quarter of 2011 attributable to the owners of the Company was RMB95.4 million and RMB7.9 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Fourth Quarter of 2012 Compared to Third Quarter of 2012

The following table sets forth the comparative figures for the fourth quarter of 2012 and the third quarter of 2012:

	Three months ended	
	31 December 2012	30 September 2012
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue	**331,046**	290,144
Cost of revenue	**(34,217)**	(37,358)
Gross profit	**296,829**	252,786
Other income and gains	**17,536**	17,322
Selling and marketing expenses	**(44,220)**	(37,388)
Administrative expenses	**(82,883)**	(51,564)
Development costs	**(61,992)**	(46,231)
Other expenses	**(2,902)**	(7,604)
Share of losses of associates	**(435)**	(363)
Share of loss of a jointly controlled entity	**(1,391)**	—
Operating profit	**120,542**	126,958
Interest income on pledged bank deposit	**2,249**	2,600
Exchange gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares	**7,098**	6,234
Net loss on derivative financial instruments	**(243,611)**	(15,474)
Finance costs	**(12,548)**	(6,821)
(Loss) profit before taxation	**(126,270)**	113,497
Taxation	**(30,912)**	(18,212)
(Loss) profit for the period	**(157,182)**	95,285
(Loss) profit for the period attributable to:		
- Owners of the Company	**(157,025)**	95,399
- Non-controlling interests	**(157)**	(114)
	(157,182)	95,285

FINANCIAL REVIEW

Revenue

Our revenue for the three months ended 31 December 2012 was approximately RMB331.0 million, representing an increase of approximately 14.1% as compared to approximately RMB290.1 million for the three months ended 30 September 2012.

Online game

Our online game revenue for the three months ended 31 December 2012 was approximately RMB229.1 million, representing an increase of approximately 12.3% as compared to approximately RMB204.0 million for the three months ended 30 September 2012.

The following table sets out the breakdown of geographical online game revenue of the Group for periods indicated below:

	Three months ended			
	31 December 2012		30 September 2012	
	RMB'000	***% of online game revenue***	*RMB'000*	*% of online game revenue*
PRC	**202,520**	**88.4**	175,420	86.0
Overseas	**26,584**	**11.6**	28,647	14.0
	229,104	**100.0**	204,067	100.0

The online game revenue derived from the PRC for the three months ended 31 December 2012 was approximately RMB202.5 million, representing an increase of approximately 15.4% as compared to approximately RMB175.4 million for the three months ended 30 September 2012. The increase in online game revenue derived from the PRC was mainly due to the increase in revenue from Endemons Online in the fourth quarter of 2012.

The online game revenue derived from overseas markets for the three months ended 31 December 2012 was approximately RMB26.6 million, representing a decrease of approximately 7.2% as compared to approximately RMB28.6 million for the three months ended 30 September 2012. The decrease in online game revenue derived from overseas markets was mainly due to decrease in revenue from Conquer Online for the three months ended 31 December 2012.

Mobile Internet business

The mobile Internet business revenue for the three months ended 31 December 2012 was approximately RMB101.9 million, representing an increase of approximately 18.4% as compared to approximately RMB86.1 million for the three months ended 30 September 2012. The increase was mainly contributed by the increase of mobile advertising revenue due to its increase in the overall popularity.

Cost of revenue

Cost of revenue for the three months ended 31 December 2012 was approximately RMB34.2 million, representing a decrease of approximately 8.4% as compared to approximately RMB37.4 million for the three months ended 30 September 2012. The decrease was mainly due to offset of (i) the increase in transaction handling fees and server leasing costs of mobile Internet business; and (ii) the decrease in message service fees.

The total cost of revenue of mobile Internet business for the three months ended 31 December 2012 and 30 September 2012 was approximately RMB16.5 million and approximately RMB24.9 million, respectively.

Gross profit

Our gross profit for the three months ended 31 December 2012 was approximately RMB296.8 million, representing an increase of approximately 17.4% as compared to approximately RMB252.8 million for the three months ended 30 September 2012.

The gross profit margin for the three months ended 31 December 2012 was approximately 89.7%, which represented an increase of approximately 2.6% as compared with the three months ended 30 September 2012.

Other income and gains

Other income and gains for the three months ended 31 December 2012 was approximately RMB17.5 million, keeping a steady level as compared with the three months ended 30 September 2012. The steady level in other income was mainly due to offset of (i) the increase in government grant received from Ministry of Finance of Ma Wei Qu* (馬尾區財政局), Ministry of Finance of the People's Republic of China (中華人民共和國財政部), Ministry of Finance of Fu Zhou Shi* (福州市財政局) and Fujian Provincial Department of Finance (福建省財政廳); and (ii) the decrease in interest income.

* *For identification purpose only*

Selling and marketing expenses

Selling and marketing expenses for the three months ended 31 December 2012 were approximately RMB44.2 million, representing an increase of approximately 18.3% as compared with the three months ended 30 September 2012. The increase in the amount of selling and marketing expenses was mainly due to offset of (i) the increase of staff costs; (ii) the increase in promotion activities for mobile Internet business; (iii) the decrease of advertising expenses for Dungeon Keeper™ Online, Conquer Online and Eudemons Online; and (iv) the decrease in consulting fee.

As at 31 December 2012, the number of selling and marketing staff in the mobile Internet business was 303, which has increased by approximately 1.7%, as compared with the number of staff as at 30 September 2012. The selling and marketing expenses of mobile Internet business for the three months ended 31 December 2012 were approximately RMB18.0 million.

Administrative expenses

Administrative expenses increased by approximately 60.7% to approximately RMB82.9 million for the three months ended 31 December 2012 as compared with the three months ended 30 September 2012, which was mainly due to (i) the increase in share-based payments for the grant of share options to certain eligible participants as incentives and staff benefits in order to retain them for the contribution of the Group; and (ii) the increase in legal and professional fee for proposed spin-off of 91 Wireless Websoft Limited (formerly known as “91 Limited”).

As at 31 December 2012, the total number of accounting, finance and general administration staff in the mobile Internet business was 60, which was increased by approximately 3.4%, as compared with the number of staff as at 30 September 2012. The total administrative expenses of mobile Internet business for the three months ended 31 December 2012 were approximately RMB23.4 million.

Development costs

Development costs increased by approximately 34.1% to approximately RMB62.0 million for the three months ended 31 December 2012 as compared with the three months ended 30 September 2012. The increase in the amount of development costs was mainly caused by the performance rewards being given to staff with outstanding performance increased.

As at 31 December 2012, the total number of research and development staff in the mobile Internet business was 557, which was increased by approximately 0.5%, as compared with the number of staff as at 30 September 2012. The total development costs of mobile Internet business for the three months ended 31 December 2012 were approximately RMB22.5 million.

Other expenses

Other expenses for the three months ended 31 December 2012 were approximately RMB2.9 million, representing a decrease of approximately 61.8% as compared with three months ended 30 September 2012. The decrease in other expenses was mainly due to (i) the decrease in allowances on trade receivables; (ii) the decrease in donation; and (iii) the decrease in business tax for inter-group transactions.

Net loss on derivative financial instruments

Net loss on derivative financial instruments increased by approximately 1,474.3% to approximately RMB243.6 million for the three months ended 31 December 2012 as compared with the three months ended 30 September 2012, which was mainly due to (i) the increase in fair value loss of conversion option and other derivatives of the redeemable convertible preferred shares; and (ii) the increase in fair value loss of foreign currency forward contract.

Finance costs

Finance costs increased by approximately 84.0% to approximately RMB12.5 million for the three months ended 31 December 2012 as compared with the three months ended 30 September 2012, which was due to the increase in interest expenses on the liability component of the redeemable convertible preferred shares.

Taxation

Taxation for the three months ended 31 December 2012 was approximately RMB30.9 million, which raised by approximately 69.7% as compared with the three months ended 30 September 2012. The increase as compared with the three months ended 30 September 2012 was mainly due to (i) the increase in recognition of withholding tax for dividend declared by a subsidiary; and (ii) the increase in deferred tax.

(Loss) profit for the period attributable to the owners of the Company

Loss for the period attributable to the owners of the Company for the three months ended 31 December 2012 was approximately RMB157.0 million as compared with profit approximately RMB95.4 million for the three months ended 30 September 2012.

Fourth Quarter of 2012 Compared to Fourth Quarter of 2011

The following table sets forth the comparative figures for the fourth quarter of 2012 and the fourth quarter of 2011:

	Three months ended	
	31 December 2012	31 December 2011
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue	**331,046**	217,176
Cost of revenue	**(34,217)**	(28,337)
Gross profit	**296,829**	188,839
Other income and gains	**17,536**	17,369
Selling and marketing expenses	**(44,220)**	(46,277)
Administrative expenses	**(82,883)**	(59,529)
Development costs	**(61,992)**	(47,387)
Other expenses	**(2,902)**	(5,047)
Share of losses of associates	**(435)**	(439)
Share of loss of a jointly controlled entity	**(1,391)**	—
Operating profit	**120,542**	47,529
Interest income on pledged bank deposit	**2,249**	—
Exchange gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares	**7,098**	—
Net loss on derivative financial instruments	**(243,611)**	(17,582)
Finance costs	**(12,548)**	(3,490)
(Loss) profit before taxation	**(126,270)**	26,457
Taxation	**(30,912)**	(18,710)
(Loss) profit for the period	**(157,182)**	7,747
(Loss) profit for the period attributable to:		
- Owners of the Company	**(157,025)**	7,861
- Non-controlling interests	**(157)**	(114)
	(157,182)	7,747

FINANCIAL REVIEW

Revenue

Our revenue for the three months ended 31 December 2012 was approximately RMB331.0 million, representing an increase of approximately 52.4% as compared to approximately RMB217.2 million for the three months ended 31 December 2011.

Online game

Our online game revenue for the three months ended 31 December 2012 was approximately RMB229.1 million, representing an increase of approximately 19.0% as compared to approximately RMB192.5 million for the three months ended 31 December 2011.

The following table sets out the breakdown of geographical online game revenue of the Group for periods indicated below:

	Three months ended			
	31 December 2012		31 December 2011	
	RMB'000	***% of online game revenue***	*RMB'000*	*% of online game revenue*
PRC	**202,520**	**88.4**	164,209	85.3
Overseas	**26,584**	**11.6**	28,304	14.7
	229,104	**100.0**	192,513	100.0

The online game revenue derived from the PRC for the three months ended 31 December 2012 was approximately RMB202.5 million, representing an increase of approximately 23.3% as compared to approximately RMB164.2 million for the three months ended 31 December 2011. The increase in online game revenue derived from the PRC was mainly due to the increase in revenue from Endemons Online.

The online game revenue derived from overseas markets for the three months ended 31 December 2012 amounted to approximately RMB26.6 million, representing a decrease of approximately 6.1% as compared with that of approximately RMB28.3 million for the three months ended 31 December 2011.

Mobile Internet business

The mobile Internet business revenue for the three months ended 31 December 2012 was approximately RMB101.9 million, representing an increase of approximately 313.3% as compared to approximately RMB24.7 million for the three months ended 31 December 2011. The increase was mainly contributed by (i) the increase of mobile advertising revenue due to the expansion of business networks; and (ii) the increase of mobile game revenue due to its increase in its overall popularity.

Cost of revenue

Cost of revenue for the three months ended 31 December 2012 increased by approximately 20.8% to approximately RMB34.2 million as compared with that of approximately RMB28.3 million for the three months ended 31 December 2011. The increase was mainly due to offset of (i) the decrease in cooperation fees of mobile Internet business; and (ii) the increase in transaction handling fee and message service fee due to the expansion of mobile Internet business.

Gross profit

Our gross profit for the three months ended 31 December 2012 was approximately RMB296.8 million, representing an increase of approximately 57.2% as compared to approximately RMB188.8 million for the three months ended 31 December 2011.

However, the gross profit margin for the three months ended 31 December 2012 was approximately 89.7%, which represented an increase of approximately 2.7% as compared with the three months ended 31 December 2011.

Other income and gains

Other income and gains for the three months ended 31 December 2012 was approximately RMB17.5 million, keeping a steady level as compared with the three months ended 31 December 2011. The steady level in other income was mainly due to offset of (i) the increase in interest income; and (ii) the decrease in government grant income.

Selling and marketing expenses

Selling and marketing expenses for the three months ended 31 December 2012 decreased by approximately 4.4% to approximately RMB44.2 million as compared with the three months ended 31 December 2011. The decrease in selling and marketing expenses was mainly due to offset of (i) decrease in advertising and promotion activities for Eudemons Online, Conquer Online, Dungeon Keeper™ Online and mobile Internet business; (ii) increase in staff costs related to recruiting experienced staff to strengthen the mobile Internet business operations and development; (iii) increase in expenditures of share-based payments for the grant of share options as incentives in order to retain certain eligible participants for the contribution of the continuing operation and development of the Group; and (iv) decrease in consulting fee.

As at 31 December 2012, the number of selling and marketing staff in the mobile Internet business was 303, which was increased by approximately 146.3%, as compared with the number of staff as at 31 December 2011. The selling and marketing expenses of mobile Internet business for the three months ended 31 December 2012 were approximately RMB18.0 million.

Administrative expenses

Administrative expenses increased by approximately 39.2% to approximately RMB82.9 million for the three months ended 31 December 2012 as compared with the three months ended 31 December 2011. The increase in administrative expenses was mainly due to (i) the rise in legal and professional fee for proposed spin-off of 91 Wireless Websoft Limited; and (ii) the increase in expenditures of share-based payments for the grant of share options and share awards to certain eligible participants as incentives in order to retain them for the contribution of the continuing operation and development of the Group.

As at 31 December 2012, the total number of accounting, finance and general administration staff in the mobile Internet business was 60, which was increased by approximately 42.9%, as compared with the number of staff as at 31 December 2011. The administrative expenses of mobile Internet business for the three months ended 31 December 2012 were approximately RMB23.4 million.

Development costs

Development costs increased by approximately 30.8% to approximately RMB62.0 million for the three months ended 31 December 2012 as compared with the three months ended 31 December 2011. The increase in the amount of development costs was mainly caused by (i) the increase of staff costs in order to retain employees for the contribution of the continuing operation and development of the Group; and (ii) the increase in outsource service fees.

As at 31 December 2012, the total number of research and development staff in the mobile Internet business was 557, which was increased by approximately 141.1%, as compared with the number of staff as at 31 December 2011. The total development costs of mobile Internet business for the three months ended 31 December 2012 were approximately RMB22.5 million.

Other expenses

Other expenses for the three months ended 31 December 2012 were approximately RMB2.9 million, which represented a decrease of approximately 42.5% as compared with the three months ended 31 December 2011. The decrease in the amount of other expenses was mainly caused by the decline in donation and the decrease in business tax for inter-group transactions.

Net loss on derivative financial instruments

Net loss on derivative financial instruments increased by approximately 1,285.6% to approximately RMB243.6 million for the three months ended 31 December 2012 as compared with the three months ended 31 December 2011, which was mainly due to (i) the increase in fair value loss of conversion option and other derivatives of the redeemable convertible preferred shares; and (ii) the increase in fair value loss of foreign currency forward contract.

Finance costs

Finance costs increased by approximately 259.5% to approximately RMB12.5 million for the three months ended 31 December 2012 as compared with the three months ended 31 December 2011, which was due to (i) the increase in interest expenses on the liability component of the redeemable convertible preferred shares; and (ii) the increase in interest expenses on bank loan.

Taxation

Taxation for the three months ended 31 December 2012 rised by approximately 65.2% as compared with the three months ended 31 December 2011. The increase was due to the increase in taxable profit, withholding tax on dividend and deferred tax.

(Loss) profit attributable to the owners of the Company

Loss for the period attributable to the owners of the Company for the three months ended 31 December 2012 was approximately RMB157.0 million, however, profit attributable to the owners of the Company for the three months ended 31 December 2011 was RMB7.9 million.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with HKFRSs, the use of certain non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. These non-GAAP measures are not expressly permitted measures under HKFRSs and may not be comparable to similarly titled measures for other companies. The non-GAAP financial measures of the Group exclude equity-settled share-based compensation, interest income on pledged bank deposit, exchange gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares, net loss on derivative financial instruments and finance costs.

The non-GAAP measures of the Group are presented as follows:

	Year ended		**Three months ended**		
	31 December 2012	31 December 2011	**31 December 2012**	30 September 2012	31 December 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	RMB'000
Non-GAAP operating profit	**442,713**	211,458	**138,555**	132,231	57,290
Non-GAAP profit	**367,777**	166,926	**107,643**	114,019	21,437
Non-GAAP profit attributable to owners of the Company	**367,992**	166,844	**107,800**	114,133	21,551

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2012, we had bank deposits, bank balances and cash and pledged bank deposit of approximately RMB1,731.3 million (31 December 2011: RMB1,468.9 million), out of which about RMB194.4 million (31 December 2011: Nil) has been pledged to bank to secure loan. The gearing ratio (consolidated bank loan/consolidated total equity) was 0.13 (31 December 2011: Nil). As at 31 December 2012, total bank loan of the Group amounted to approximately RMB183.6 million was fixed rate loan.

As at 31 December 2012, the Group had net current assets of approximately RMB1,369.3 million as compared with approximately RMB1,329.7 million as at 31 December 2011.

STAFF INFORMATION

For the year under review, the breakdown of the number of employees of the Group is set out below:

	At 31 December 2012	At 30 September 2012	At 31 December 2011
Research and development	**1,876**	1,890	1,493
Selling and marketing	**884**	862	537
Accounting, finance and general administration	**564**	457	379
Total	**3,324**	3,209	2,409

As at 31 December 2012, we had a total of 3,324 employees (30 September 2012 and 31 December 2011: 3,209 and 2,409, respectively), 711 of which were online game developers of the research and development department, represented approximately 21.4% of the total number of staff.

The following table sets out the breakdown of the number of employees for the mobile Internet business of the Group for periods indicated below:

	At 31 December 2012	At 30 September 2012	At 31 December 2011
Research and development	**557**	554	231
Selling and marketing	**303**	298	123
Accounting, finance and general administration	**60**	58	42
Total	**920**	910	396

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

During the year under review, the Group continued its effort on maintaining its leading position in the PRC online game industry, persistently followed the strategy of strengthening the game development and operation capability of its core business, with the aim to grasping timely upcoming market opportunities of online game industry in the PRC and overseas.

The Group followed the growing trend of PRC mobile Internet industry, continued to concentrate on developing mobile Internet business, and put in effort to make it become another new business growth point in addition to online games.

Launching of new games

During the year under review, the Group, based on its strong game research and development capabilities and spirit of continuous innovation, keep on developing new online games.

Dungeon Keeper™ Online (地下城守護者OL)

Starting from 2010, the Group has carried out four closed beta testings for its first 3D MMORPG, Dungeon Keeper™ Online (previously named as World of Dungeon Keeper™ (地下城守護者世界)), and has carried out open beta testing in April 2012.

Development and licensing of existing games

The Group as in the past puts emphasis on lengthening the lifespan of its existing games. Through providing a variety of virtual items and game tasks to players, continuously launching timely upgrades to the content of various games, higher interest in the games among the players can be kept, and the popularity of the online games can be bolstered.

During the year under review, the Group has continued to introduce new expansion packs to enrich its existing games. Two new Chinese expansion packs of Zero Online (機戰) called "Version of Pet Function" (騎寵功能版本) and "Version of the Worms Mission Function Needs"* (蟲族任務功能需求版本) were released in April and May 2012, respectively. New expansion packs of Eudemons Online (魔域) called "Legacy of Asgard"* (神域爭霸) and "Dead Souls of the Termination Day"* (末日亡靈) were released in April and September 2012, respectively, enhancing the strong attractions of this game to players. The new expansion pack for the Disney Fantasy Online (夢幻迪士尼) was released under two separate phases in August and September 2012. Tou Ming Zhuang Online (投名狀OL) released its new expansion pack "Supreme Lady"* (至尊紅顏) in November 2012. Heroes of Might and Magic Online (英雄無敵在綫) also released its new expansion pack "Mystery of the Wanderer"* (流浪者之謎) in December 2012.

For the expansion of overseas markets, the Group has continued to maintain its leading advantages among the PRC's online game operators and has launched several online game products in various countries and regions with market potential during the year under review. In respect of the self-operated games, the Group has launched the expansion pack "Invasion of Pirates"* (海盜來襲) for Conquer Online (征服) in English, French, Spanish, Arabian and Traditional Chinese versions. The Group has also launched various expansion packs in English consecutively in 2012, for example, "Catastrophe of Worms"* (蟲族浩劫) of Zero Online (機戰) was launched in August and "Undead Mage" (亡靈巫師) of Eudemons Online (魔域) was launched in December. The Group expected the provision of additional in-game items and premium features will bolster the popularity of its online games.

* *For identification purpose only*

The Group has entered into other overseas markets through close cooperation with local major operators. The Group has licensed the operation of its own in-house developed online games in various countries and regions, including Hong Kong, Malaysia, Macau, Taiwan, Brazil and Vietnam, so as to attract more users. The Group has launched the expansion pack "World Destruction by Demons"* (滅世魔劫) of Eudemons Online (魔域) in Malay in March 2012.

In November 2012, the Group launched its strategically invested tablet application item, 91 Homes PC version, on the smallest size customer terminal via cloud downloading, and its mobile equipment version was also launched subsequently in December for trial operation, which were well received in Fujian and Guangxi markets. This project aims to integrate IT thinking and technology and leisure experience of online games with the traditional home decoration industry chain, so that home purchasers, designers, furniture and construction materials suppliers, as well as developers, may provide faster and better value added services to users on this platform.

Games in the pipeline

To cope with the more vigorous competition in the online game industry, in addition to upgrading its existing online games and keeping its vitality, the Group has also focused on enriching its product reserve to ensure its leading competitive advantages in the future.

"The War of Dragon Hunting"* (獵龍戰記) (previously named as "A Tale of Coat of Arms"* (紋章物語))

It is the first imaginative style ARPG researched and developed by the Group, which is mainly about the adventure story of a courageous dragon-hunter who challenges fierce dragons. The game highlights fierce and brisk fighting in dragon hunting with a refreshing style. Closed beta testing of this game was carried out in December 2012.

* *For identification purpose only*

Mobile Internet Business

During the year under review, the mobile Internet business has become an important business of the Group. Besides, along with the research and development and promotion of own-developed and third party famous software products as well as the increasing revenue from advertisements and smartphone platforms, the strategic importance of the Group's mobile Internet business has further revealed and becomes another core business portfolio of the Group.

In 2012, the Group continues to launch own-developed software products for smart-phones, which cover a wide range of smartphone platforms. As of December 2012, the increase in the total number of users of the 91 Series smartphone applications (including 91 Assistant* (91助手) (previously named as "91 PC Suite") and HiMarket* (安卓市場) etc.), 91 Panda Reader* (91熊貓看書), 91 Launcher* (91桌面) (previously named as "91 Panda Desktop" 91熊貓桌面), the advanced smartphone applications offered in the PRC, reached historical new high record.

Among these applications, 91 Assistant* (91助手) (previously named as "91 PC Suite") it is a mobile device management tool and a mobile apps store for enhancing product competitiveness and user experience at the same time.

During the year under review, 91 Launcher* (91桌面) (previously named as "91 Panda Desktop" 91熊貓桌面) introduced the iOS version with multiple functions and launched Android V3.0 which is a totally new creation, this version supports desktop item applications and customized enhancement DIY. In future, 91 Launcher* (91桌面) (previously named as "91 Panda Desktop" 91熊貓桌面) will continue to improve on performance, message delivery system and external cooperation.

During the year under review, 91 Panda Reader * (91熊貓看書) has launched own-developed products and completed the establishment of backing platform for authors and editors of own-developed contents, as well as started cooperation with many large companies, with a view to provide more good quality publications for readers.

HiMarket* (安卓市場), being a mandatory market for third party applications in the preloaded menu of customized handsets of telecommunication groups, has launched the smart TV application, and has established cooperative relationship with major domestic telecommunication players and large-scale IT chain shops to share quality channels to facilitate smooth delivery of HiMarket* (安卓市場) to end users.

* *For identification purpose only*

The Group's smartphone platform experienced fast growth during the year under review, and diversified versions of SDK based on joint communication channels, Window 8 platform, Unity3D and FlashAIR, etc. were launched consecutively. Endeavours were also made to create a PC version of the "18183 mobile games forum" of the 17173 mobile games zone, which was launched online officially at the end of August, and the mobile version was also launched at the end of December.

During the year under review, the Group has further introduced the updated versions of own-developed cross-platform mobile games, such as 91 Farm* (91農場) and 91 Pasture* (91牧場) as well as Hengha Warring States* (哼哈三國) and Warring States* (戰國天下). The players can via these games have series of interactions with their friends, and the loyalty of the game players to mobile games can be increased significantly.

In line with the development of business model in the mobile Internet industry, the Group has strived for establishing a platform-based operation model by integrating its research and development, operations and payment channels. The Group will focus on developing the mobile Internet market in the PRC by providing full support to the business development, innovation and promotion of mobile Internet applications, contents and services for the domestic and foreign small and medium enterprises and individual developers through our smartphone platform. The Group has also through cooperation with other mobile Internet enterprises developed and strengthened the content of smartphone platform.

As of 31 December 2012, 920 employees of the Group were engaged in mobile Internet business, representing approximately 27.7% of the overall staff headcount, which will ensure the Group's leading position in the mobile Internet business sector in the future.

* *For identification purpose only*

During the year under review, 91 Wireless Websoft Limited ("91 Wireless") (formerly known as 91 Limited) issued the redeemable convertible preferred shares to certain investors. Details are as follows:

Name of other entities of the group or counterparties	Nature and consideration of the transaction	Conversion rights	Redemption rights	Completion date of the transaction	Dates of announcement of the transaction
(i) IDG-Accel China Growth Fund L.P.; (ii) IDG-Accel China Growth Fund-A L.P.; and (iii) IDG-Accel China Investors L.P. (collectively, "IDG Investors")	Pursuant to the terms and conditions of the convertible promissory notes issued to IDG Investors on 21 September 2011, 91 Wireless issued in aggregate 4,006,250 Series B Preferred Shares at a conversion price of USD1.2480499 per Series B Preferred Share to IDG Investors on 17 February 2012. The aggregate principal amount (being USD5,000,000) owed by 91 Wireless to the IDG Investors under the convertible promissory notes had been deemed settled accordingly and the Notes thereafter be cancelled and ceased to have any effect whatsoever.	The holders of the Series B Preferred Shares have the right to convert the Series B Preferred Shares to ordinary shares of 91 Wireless at the applicable conversion price, subject to, among other things, the adjustment as a result of (i) issue of additional ordinary shares without a consideration or with consideration per share less than the applicable conversion price after such issue; (ii) combination or sub-division of preferred shares; (iii) combination or sub-division of ordinary shares; and (iv) reclassification, exchange and substitution ("Series B Conversion Rights").	91 Wireless will redeem all Series B Preferred Shares at the applicable redemption price (being USD1.2480499) per Series B Preferred Share plus cumulative rate of return of 12% per annum and any declared but unpaid dividends on the Series B Preferred Shares ("Redemption Price") after receipt of written request signed by the holders of more than two-thirds of the Series B Preferred Shares at any time after the fourth anniversary of the issuance date of Series B Preferred Shares ("Series B Redemption Right"). (Such terms were superseded by the Third Amended and Restated Articles of 91 Wireless adopted by special resolution passed on 10 January 2013).	17 February 2012	10 & 20 February 2012

Name of other entities of the group or counterparties	Nature and consideration of the transaction	Conversion rights	Redemption rights	Completion date of the transaction	Dates of announcement of the transaction
NetDragon (BVI)	91 Wireless issued to NetDragon (BVI) 2,403,750 Series B Preferred Shares at a total consideration of USD3,000,000 pursuant to a subscription agreement dated 10 February 2012.	Series B Conversion Rights	Series B Redemption Right	17 February 2012	10 & 20 February 2012
Sino Coast Developments Limited (“Sino Coast”)	91 Wireless issued to Sino Coast 1,602,500 Series B Preferred Shares at a total consideration of USD2,000,000 pursuant to a subscription agreement dated 5 October 2012.	Series B Conversion Rights	Series B Redemption Right	12 October 2012	8 and 19 October 2012

Enhancement of R&D capabilities

The intense competition in the online game and mobile Internet industries has driven the Group to concentrate on maintaining its core competitiveness, and upgrading its R&D capabilities. As of 31 December 2012, the Group’s overall staff headcount was 3,324, of which 1,876 were members of the development team. After more than a decade of talent cultivation, the development team of the Group has gathered elites of the industry in programming, design and graphics, which will provide support to its frequent R&D, Internet and mobile games upgrades and software and application upgrades, thereby accommodating the latest player preferences and emerging market trends.

Project in the Haixi Animation Creativity City (the “Project”)

In 2010, the Group had actively participated in the Project, which is a major development project of creativity industry in the Haixi District implemented by the PRC government and planned and supported by the government of the Changle City of Fuzhou in Fujian Province.

The Group acquired a parcel of land (“owned land”) and related land parcels (the “Property”) located at Dahe Village of Hunan Town and Shibi Village of Wenling Town, Changle City, Fujian Province, the PRC in 2012.

Project in the Haixi Animation Creativity City is a key project under construction in Fujian Province in 2013, it is also a key leading project in the cultural creativity industry in the Linkonggang Economic Zone of Fuzhou City. Its landmark building, TQ Building* (天晴樓), located in its Phase 1 and 2 zones and related core zone ancillary facilities will commence operation in 2013. The land for Phase 3 project (AI project) has been acquired smoothly through listing and is currently completing the land supply procedure. In 2013, the Group will also select a site adjacent to the project zone for the implementation of the Animation Education College project to form an integrated industry complex for production, education and research activities. Under the support of preferential policies from the provincial and municipal governments, Haixi Animation Creativity City is set to become a key zone for creativity industries in the southeast coastal region.

As at 31 December 2012, the Group had capital commitments in relation to the development of the Project of approximately RMB339.4 million, of which the Group had paid in approximately RMB215.0 million.

PROSPECTS AND OUTLOOK

Looking ahead, the Group plans to further enhance our research and development capabilities for games and foster high quality research and development talents. While developing new online games continuously to expand product lines, we will continue to renew the contents and offer differentiated versions of online games to extend the life cycle of existing products in order to maximize the growth in revenue base of the Group.

For overseas market development, the Group will maintain its current market share in overseas markets with extra attention to emerging markets of substantial potential to solidify our leading position in the global online game industry.

In respect of its mobile Internet business, as smartphones and 3G network are becoming more and more popular in the PRC, the competitive edges of the Group's mobile Internet products including smartphone apps marketplaces, smartphone platform and applications are becoming stronger, the substantial customer base and the comprehensive sales channels, it is believed that all these will facilitate the Group's breakthrough in business.

* *For identification purpose only*

Online Games

MMORPGs

The Group will continue to invest in the development of new MMORPGs, which are creative with market potential, so as to extend its product lines for retaining current players and attracting attention from more players of various levels.

Crazy Tribe*(瘋狂部落)

Crazy Tribe*(瘋狂部落) is a 2.5D MMORPG, it is a large-scale Internet game for multiple online players using the primitive society as background with fresh, lovely and artistic style. The lost mysterious ancient civilization, a rich system of pre-historical monsters, a thrilling and exciting pre-historical adventure map, fresh and interesting primitive tribal activities, are the highlights of this game. This game has carried out closed beta testing in September 2012, first open testing in November 2012 and unlimited open testing in December 2012. It is expected that unlimited paid testing will be carried out in early 2013.

Other Games

In addition to the above-mentioned MMORPGs, the Group has also researched and developed various types of games to satisfy players with different demands in the market.

Absolute Force* (絕對火力)

An own-developed first-person role-playing shooting game of the Group which makes use of modern anti-terrorism war as background, carries features of realistic graphic designs and a wide range of virtual guns, applies the 3D character animation, so as to enrich the game scenes and operation systems nearer to perfection. The players will in the game experience unprecedented contesting excitement, obtain the most true-to-life virtual game feeling.

Evil Spirits*(妖界)

Evil Spirits*(妖界) is a fostering strategic type of game integrating leisure strategy, instantaneous fighting and social group mutual interactions with Chinese myths as background. This game has been launched an open HiMarket paid version in December 2012 and it is expected to launch the open iOS paid version in early 2013.

* *For identification purpose only*

Mobile Internet Business

The Group will further develop mobile Internet products, including smartphone apps marketplaces, smartphone platform and applications, and launch updated versions for existing products on an ongoing basis, offer users with more user-friendly product experience to meet the various needs of the mobile Internet users, so as to strengthen their loyalty. In addition, the Group will promote a platform building strategy which provides leading platform resources of the industry for small and medium-sized developers at home and abroad to create a win-win situation for all parties.

During the year under review, the Group's mobile advertising business continued to maintain a rapid growth trend. As of 31 December 2012, mobile advertising revenue reached historical new high level again. We believe the continuous rapid growth of the mobile advertising business was attributable to the benefits arising from the growth in scale of the mobile Internet market in the PRC, the growing number of users of the Group's 91 Assistant and HiMarket. Looking ahead, the Group will continue the investment in advertising sales team, sales system and oriented advertising platform research and development, and at the same time expanding third party mobile delivery channels, to provide protection and growth momentum for continuous growth in the mobile advertising business.

The Group is optimistic about the expansion of the mobile Internet business in the PRC. To cope with future expansion of the mobile Internet business, subsidiaries of the Company have commenced operations independently since April 2011.

On 9 January 2013, NetDragon Websoft Inc. ("NetDragon (BVI)") awarded 6,114,500 ordinary shares of 91Wireless to certain employees of the Group by transferring the awarded shares to Euro Victory Limited, a company wholly-owned by SMP Trustees (NZ) Limited which is the trustee of The Greenford Trust. The beneficiaries of The Greenford Trust are the employees of the Group (excluding Directors).

On 9 and 10 January 2013, 91 Wireless issued the ordinary shares to NetDragon (BVI) and redeemable convertible preferred shares to certain investors, details of which are as follows:

Name of other entities of the group or counterparties	Nature and consideration of the transaction	Conversion rights	Redemption rights	Completion date of the transaction	Dates of announcement of the transaction
NetDragon (BVI)	91 Wireless issued to NetDragon (BVI) 13,131,278 ordinary shares at a total consideration of USD25,131,201 pursuant to a subscription agreement dated 9 January 2013.	—	—	9 January 2013	10 January 2013
(i) Pacific Century Diversified Limited (ii) Grandwin Enterprises Limited (iii) An individual investor (collectively, "New Series B Investors")	91 Wireless issued to the New Series B Investors 7,016,778 Series B Preferred Shares at a total consideration of USD17,500,000 pursuant to a Series B Preferred Shares purchase agreement dated 10 January 2013	Series B Conversion Rights	91 Wireless will redeem all Series B Preferred Shares at the applicable redemption price (being (i) USD1.2480499 for Series B Preferred Shares issued on or before 31 December 2012; and (ii) USD2.494022185 for Series B Preferred Shares issued on or after 1 January 2013 plus cumulative rate of return of twelve 12%) per annum, and any declared but unpaid dividends) after receipt of written request signed by the holders of more than three-fourths of the Series B Preferred Shares at any time after the third anniversary of 9 December 2011	10 January 2013	11 January 2013

Conclusion

In the face of the intensifying competition in the online game industry and the overall slowing down in the development of the industry, the Group believes that its future success will rely more on its core competitiveness. The Group will continue to via launching internal training programs and hiring experienced elite game developers, graphic designers and market operators, invest in and strengthen its own game development and operation capabilities, for the continuous enhancement of its product attraction to players.

There has been a surge in the number of online game products which resulted in higher market expectations on quality games. During the year under review, the Group has endeavoured to regulate the development process of various game projects, carried out initiatives to optimise the perspectives and planning of market forecast at the early development stage, identified stage targets for each version of game projects and improved operating standards for projects which are subject to regular auditing so as to ensure that the storyline setting, graphic style and playing methods of new games satisfy the demands of players. The above measures would help to optimize the cost structure of the Group and generate more profits from the revenue growth in future.

The Group's advanced lay-out for mobile Internet business is expected to boost its rapid growth in 2013. Meanwhile the Group will establish development process for mobile products including smartphone apps marketplaces, smartphone platform and applications to regulate the applications for developing mobile products. It is believed that riding on the favourable mobile Internet development trend in the PRC as well as the persistent endeavours of the Group, mobile Internet business will become another major source of future growth for the Group after online games.

OTHER EVENTS

The Group started the talent optimization project since 2009 and its objectives are to streamline and improve team work efficiency, reduce labour costs, enhance coherence and strengthen competitiveness of our staff. We had successfully enhanced the mobility of staff and maintained the growth momentum of the Group. This project has also lowered the total labour costs as shown in the results and further lifted up staff morale and sense of responsibility.

In order to strengthen the game development process, the Group will continue to enhance its integrated operational model, including the business process management system, time management system, bug management system, production schedule system and version management system, which will help to improve operational efficiency, project management and office administration processes.

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

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chp 571 of the Laws of Hong Kong) ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
Liu Dejian *(Note 2)*	The Company	Beneficial owner and through controlled corporations	254,686,752(L)	50.40%
Liu Dejian *(Note 3)*	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%
Liu Dejian *(Note 3)*	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000(L)	100.00%
Liu Luyuan *(Note 2)*	The Company	Beneficial owner and through controlled corporations	254,486,752 (L)	50.36%
Liu Luyuan *(Note 3)*	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%
Liu Luyuan *(Note 3)*	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000(L)	100.00%
Zheng Hui *(Note 2)*	The Company	Benificial owner and through controlled corporations	253,086,752 (L)	50.09%

Name of Director	Name of company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
Zheng Hui *(Note 3)*	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%
Zheng Hui *(Note 3)*	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000(L)	100.00%
Chen Hongzhan *(Note 4)*	The Company	Beneficial owner and through a controlled corporation	13,300,019(L)	2.63%
Chao Guowei, Charles *(Note 5)*	The Company	Beneficial owner	997,019(L)	0.20%
Lee Kwan Hung *(Note 5)*	The Company	Beneficial owner	997,019(L)	0.20%
Liu Sai Keung, Thomas *(Note 5)*	The Company	Beneficial owner	997,019(L)	0.20%

Notes:

1. The letter "L" denotes the shareholder's long position in the shares, underlying shares and share capital of the relevant member of the Group.

2. Liu Dejian is interested in 95.40% of the issued share capital of DJM Holding Ltd., which in turn is interested in 36.82% of the issued share capital of the Company.

   Liu Luyuan is interested in 100.00% of the issued share capital of Richmedia Holdings Limited, which in turn is interested in 5.21% of the issued share capital of the Company.

   Zheng Hui is interested in 4.60% and 100.00%, respectively, of the issued share capital of DJM Holding Ltd. and Fitter Property Inc., which in turn is interested in 36.82% and 3.76%, respectively, of the issued share capital of the Company. Zheng Hui owns the voting rights in respect of all the issued shares of Flowson Company Limited. Flowson Company Limited is interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn is interested in 3.91% of the issued share capital of the Company.

   Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who have agreed to act in concert to acquire interests in the shares in the Company. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 49.71% of the issued share capital of the Company through their direct and deemed shareholding in all of DJM Holding Ltd., Richmedia Holdings Limited, Fitter Property Inc. and Eagle World International Inc.. On 7 December 2009, the Company awarded 1,600,000 shares and 1,400,000 shares of the Company to Liu Dejian and Liu Luyuan, respectively. On 22 July 2011, the Company granted 284,000 share options to each of Liu Dejian, Liu Luyuan and Zheng Hui.

3. Liu Dejian, Liu Luyuan and Zheng Hui are interested in 96.05%, 2.11% and 0.70%, respectively, of the registered capital of NetDragon (Fujian), which in turn is interested in 99.00% of the registered capital of NetDragon (Shanghai). Zheng Hui is directly beneficially interested in 1.00% of the registered capital of NetDragon (Shanghai). Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who has agreed to act in concert to acquire interests in the registered capital of NetDragon (Fujian). All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 98.86% of the registered capital of NetDragon (Fujian) and the entire registered capital of NetDragon (Shanghai) through their deemed shareholding in NetDragon (Fujian) and deemed and direct shareholding in NetDragon (Shanghai).

4. Chen Hongzhan is interested in 99.00% of the issued share capital of Cristionna Holdings Limited, which in turn is interested in 2.22% of the issued share capital of the Company. Chen Hongzhan had been awarded 1,600,000 shares of the Company on 7 December 2009 and granted 284,000 share options of the Company on 22 July, 2011, which in total represent 0.37% of the issued share capital of the Company. Accordingly, Chen Hongzhan is deemed to be interested in 2.63% of the issued share capital of the Company through his shareholding in Cristionna Holdings Limited and his direct beneficial interest in the issued share capital of the Company.

5. On 22 July 2011, the Company granted 400,000 share options to each of Chao Guowei, Charles, Lee Kwan Hung and Liu Sui Keung, Thomas. On 23 April 2012, the Company again granted 400,000 share optioins to each of Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2012, none of the Directors and chief executive of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 31 December 2012, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or, who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	**Name of Group member**	**Capacity and nature of interests**	**Number of ordinary shares held or amount of registered capital contributed** *(Note 1)*	**Approximate percentage of shareholding**
DJM Holding Ltd.	The Company	Beneficial owner	186,078,100(L)	36.82%
NetDragon (Fujian)	NetDragon (Shanghai)	Beneficial owner	RMB990,000(L)	99.00%
IDG Group *(Note 2)*	The Company	Beneficial owner	78,333,320(L)	15.50%
Ho Chi Shing *(Note 2)*	The Company	Through a controlled corporation	78,333,320(L)	15.50%
Zhou Quan *(Note 2)*	The Company	Through a controlled corporation	73,490,095(L)	14.54%
Richmedia Holdings International Inc. *(Note 3)*	The Company	Beneficial owner	26,344,800(L)	5.21%
IDG Investors *(Note 4)*	91 Wireless	Beneficial owner	14,582,750(L)	12.13%
NetDragon (BVI)*(Note 5)*	91 Wireless	Beneficial owner	73,554,750(L)	61.20%

Notes:

1. The letter "L" denotes the shareholder's long position in the share capital of the relevant member of the Group.

2. The IDG Group is comprised of four limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 2.15%, 10.29%, 2.10% and 0.96% respectively, in the Company who are deemed to be acting in concert to acquire interests in the Company, and their respective controlling entities. The controlling structure of each of the above partnerships is as follows:

   a) IDG Technology Venture Investments, L.P. is controlled by its sole general partner, IDG Technology Venture Investments, LLC, which in turn is controlled by its managing members, Zhou Quan and Ho Chi Sing.

   b) IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Zhou Quan and Ho Chi Sing.

   c) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100.00% by Ho Chi Sing.

3. Liu Luyuan is interested in 100.00% of the issued share capital of Richmedia Holdings Limited, which in turn is interested in 5.21% of the issued share capital of the Company.

4. The IDG Investors is comprised of three limited partnerships, namely IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 9.35%, 1.91% and 0.87%, respectively, in 91 Wireless who are deemed to be acting in concert to acquire interests in 91 Wireless, and its respective controlling entities. The controlling structure of each of the above partnerships is stated in Note 2.

5. The 73,554,750 shares of 91 Wireless held by NetDragon(BVI) were preferred shares comprising of 71,151,000 series A preferred shares and 2,403,750 series B preferred shares.

Save as disclosed above, the Directors are not aware of any persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group as at 31 December 2012.

SHARE OPTION SCHEME

Pursuant to the resolution of the shareholders of the Company dated 12 June 2008, the Company adopted a new share option scheme (the "Main Board Share Option Scheme") to replace the then existing share option scheme. Details of the share options outstanding and movement during the year ended 31 December 2012 are as follows:

Grantee	Date of grant	Exercise Price *HKD*	As at 1 January 2012	Number of share options Granted	Exercised	Lapsed	As at 31 December 2012
Executive Directors							
Liu Dejian	07.12.2009	4.33	1,600,000	—	—	—	1,600,000
	22.07.2011	4.60	284,000	—	—	—	284,000
Liu Luyuan	07.12.2009	4.33	1,400,000	—	—	—	1,400,000
	22.07.2011	4.60	284,000	—	—	—	284,000
Zheng Hui	22.07.2011	4.60	284,000	—	—	—	284,000
Chen Hongzhan	07.12.2009	4.33	1,600,000	—	—	—	1,600,000
	22.07.2011	4.60	284,000	—	—	—	284,000
Independent non-executive Directors							
Chao Guowei, Charles	22.07.2011	4.60	400,000	—	—	—	400,000
	23.04.2012	5.74	—	400,000	—	—	400,000
Lee Kwan Hung	22.07.2011	4.60	400,000	—	100,000	—	300,000
	23.04.2012	5.74	—	400,000	—	—	400,000
Liu Sai Keung, Thomas	22.07.2011	4.60	400,000	—	—	—	400,000
	23.04.2012	5.74	—	400,000	—	—	400,000
Others							
Employees	07.12.2009	4.33	2,200,000	—	—	—	2,200,000
	28.04.2011	4.80	13,201,400	—	209,193	1,124,520	11,867,687
	22.07.2011	4.60	1,314,500	—	39,970	186,750	1,087,780
	23.04.2012	5.74	—	2,034,000	—	56,000	1,978,000
	06.07.2012	6.53	—	735,250	—	—	735,250
	12.09.2012	7.20	—	117,500	—	—	117,500
Total			23,651,900	4,086,750	349,163	1,367,270	26,022,217

Notes:

1. On 23 April 2012, 3,234,000 share options were granted to the Directors and employees of the Company under the Main Board Share Option Scheme. The closing price of the Company's shares on 23 April 2012 (the trading day on the grant of the share options) was HKD5.61.

2. 735,250 share options and 117,500 share options were granted to the employees of the Company under the Main Board Share Option Scheme on 6 July 2012 and 12 September 2012 respectively. The closing price of the Company's shares on 6 July 2012 and 12 September 2012 (the trading day on the respectively grant of the share options) were HKD6.27 and HKD7.20 respectively.

3. During the year under review, 100,000 share options were exercised by a Director of the Company.

SHARE AWARD SCHEME

The Company

On 2 September 2008 (the "NetDragon Adoption Date"), the Board approved and adopted the share award scheme (the "NetDragon Share Award Scheme") in which selected employees of the Group are entitled to participate. Unless early terminated by the Board, the NetDragon Share Award Scheme shall be valid and effective for a term of ten years commencing on the NetDragon Adoption Date. The Board shall not grant any award of shares which would result in the nominal value of shares which are the subject of awards granted by the Board under the NetDragon Share Award Scheme representing in aggregate over 10% of the issued capital of the Company from time to time.

Pursuant to the rules of the NetDragon Share Award Scheme, the Group has signed an agreement with Bank of Communications Trustee Limited (the "Trustee"), for the purpose of administering the NetDragon Share Award Scheme and holding the awarded shares before they are vested.

On 31 December 2012, 1,587,000 awarded shares were granted to a number of selected participants. The awarded shares, which were purchased at the awarded amount of HKD16,094,000, will be transferred to the selected employees at nil consideration, subject to receipt by the Trustee of (i) transfer documents prescribed by the Trustee and duly signed by the selected employee within the period stipulated in the vesting notice issued by the Trustee to the selected employee and (ii) a confirmation from the Company that all vesting conditions having been fulfilled.

Among the 1,587,000 awarded shares granted, a total of 591,057 awarded shares were granted to the Directors.

Subject to the acceptance by the relevant selected employees, such awarded shares may be held by the selected employees in their own names or such nominees, including any trustees, as designated by the selected employees.

91 Wireless

On 28 December 2011, 91 Wireless adopted a share award scheme (the "91 Share Award Scheme") in which selected participants of 91 Wireless and/or its subsidiaries are entitled to participate. Subject to early termination by the board of directors of 91 Wireless, the 91 Share Award Scheme shall be valid and effective for a term of ten years commencing on 28 December 2011. The maximum number of shares which may be granted to the participants under the 91 Share Award Scheme is 9,615,000 shares or such number of shares as determined by the board of directors of 91 Wireless from time to time.

Pursuant to the rules of the 91 Share Award Scheme, 91 Wireless has signed an agreement with the Trustee, for the purpose of administering the 91 Share Award Scheme and holding the awarded shares before they are vested.

As at 31 December 2012, 9,615,000 awarded shares (among the 2,981,300 shares awarded on 8 February 2012, 117,550 shares were returned shares pursuant to the rules of the 91 Share Award Scheme and re-granted on 31 December 2012) were granted to a number of selected participants. The awarded shares, which were purchased at par value of USD0.0001 per share by the Trustee from Treasure New Limited, an indirect wholly owned subsidiary of the Company, will be transferred to the selected participants at nil consideration. Subject to, inter alia, the receipt by the Trustee of (i) the prescribed transfer documents duly signed by the selected participants within the period stipulated in the vesting notices; and (ii) a confirmation from 91 Wireless that all vesting conditions having been fulfilled, the award shares will be transferred to the selected participants at nil consideration upon vesting.

Among the 9,615,000 awarded shares granted, a total of 1,570,000 awarded shares were vested to the directors of 91 Wireless and the Directors of the Company.

Subject to the acceptance by the selected participants, such awarded shares may be held by the selected participants in their own names or such nominees, including any trustees, as designated by the selected participants.

Best Assistant Education Online Limited ("Best Assistant")

On 7 August 2012, Best Assistant adopted a share award scheme (the "Best Assistant Share Award Scheme") in which selected participants of Best Assistant and/or its subsidiaries are entitled to participate. Subject to early termination by the board of directors of Best Assistant, the Best Assistant Share Award Scheme shall be valid and effective for a term of ten years commencing on 7 August 2012. The maximum number of shares which may be granted to the participants under the Best Assistant Share Award Scheme shall not exceed ten percent (10%) of the total issued share capital of Best Assistant from time to time or such number of shares as determined by the board of directors of Best Assistant.

Pursuant to the rules of the Best Assistant Share Award Scheme, Best Assistant has signed an agreement with the Trustee, for the purpose of administering the Best Assistant Share Award Scheme and holding the awarded shares before they are vested.

Subject to, inter alia, the receipt by the Trustee of (i) the prescribed transfer documents duly signed by the selected participants within the period stipulated in the vesting notices; and (ii) confirmation from Best Assistant that all vesting conditions having been fulfilled, the awarded shares will be transferred to the selected participants at nil consideration upon vesting.

As at 31 December 2012, no awarded shares were granted under the Best Assistant Share Award Scheme.

PROPOSED SPIN-OFF AND THE SEPARATE LISTING OF 91 WIRELESS

The Company submitted a spin-off proposal (the "Spin-off Proposal" or "Proposed Spin-off") to the Stock Exchange pursuant to PN15. On 6 February 2013, the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off, subject to the condition that the Group's audited financial information for the year ended 31 December 2012 will not significantly differ from the Group's unaudited financial information to the extent that the remaining Group (i.e. the Group excluding the group of companies engaging in the mobile Internet business) cannot meet the minimum profit requirement under Rule 8.05 of the Listing Rules. The Proposed Spin-off is subject to the requirements under PN15 and other relevant provisions of the Listing Rules.

On 8 February 2013, 91 Wireless submitted a listing application form (Form 5A) to the Stock Exchange for an application for the listing of, and permission to deal in, the ordinary shares in the share capital of 91 Wireless (the "91 Wireless Shares") on the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited (the "GEM"). It is currently expected that the listing of the 91 Wireless Shares will be by way of introduction pursuant to the GEM Listing Rules.

91 Wireless and its subsidiaries, which is the subject of the Proposed Spin-off, will comprise certain existing subsidiaries of the Company which are principally engaged in mobile Internet business, while the Company and its subsidiaries (excluding 91 Wireless and its subsidiaries) will engage in online game development and operation.

Following completion of the Proposed Spin-off, the Company's percentage holding in the issued share capital of 91 Wireless will be reduced, and 91 Wireless will remain a subsidiary of the Company. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off if and when appropriate.

Further details of the Spin-Off Proposal are set out in the announcement of the Company dated 8 February 2013.

FINAL DIVIDEND

At the Board meeting held on Wednesday, 24 March 2013, it was proposed that a final dividend of HKD0.2 per share for the year ended 31 December 2012, amounting to approximately RMB81,497,000 be paid on or before Monday, 10 June 2013 to the shareholders of the Company whose names appear on the Company's register of members at the close of business on Friday, 31 May 2013. The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on Friday, 24 May 2012.

CLOSURE OF REGISTER OF MEMBERS

(a) **For determining the entitlement to attend and vote at the 2013 AGM**

The Company's register of members will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013, both days inclusive, during which time no transfer of shares will be registered. In order to ensure that the shareholders are entitled to attend and vote at the AGM, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 21 May 2013 for registration of the relevant transfer.

(b) **For determining the entitlement to the proposed final dividend**

The Board has recommended the payment of a final dividend of HKD0.2 per share for the year ended 31 December 2012 to shareholders whose names appear on the register of members of the Company on Friday, 31 May 2013 subject to the approval of the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 29 May 2013 to Friday, 31 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 May 2013.

PUBLICATION OF FINAL RESULTS AND 2012 ANNUAL REPORT

The final results announcement of the Company is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://ir.nd.com.cn). The annual report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://ir.nd.com.cn) in due course.

ANNUAL GENERAL MEETING

The 2013 AGM will be held on Friday, 24 May 2013. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates (as defined under the Listing Rules) has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at the date of this announcement.

COMPLIANCE WITH THE CG CODE PROVISIONS

Throughout the year under review, the Company has complied with the principles set out in the Corporate Governance Code (the "CG Code Provisions") in Appendix 14 to the Listing Rules.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2012 as set out in the results announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the results announcement.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 15 October 2007 which has adopted written terms of reference in compliance with the CG Code Provision and has held four meetings during 2012. The primary duties of our audit committee are to review and supervise our financial reporting process and internal control systems.

The Audit Committee reviews the quarterly, interim and annual consolidated financial results of the Group. In addition, the Audit Committee also reviews and approves the pricing policy and the performance for the continued connected transactions and connected transactions relating to structure contracts, other contracts and control documents of the Group.

Our Audit Committee comprises three independent non-executive Directors, namely Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas. Chao Guowei, Charles is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company. The Group's audited consolidated financial statements for the year ended 31 December 2012 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2012, the Company repurchased a total of 9,635,500 shares on the Stock Exchange at an aggregate consideration of HKD56,147,000 before expenses.

Details of the share repurchase are as follows:

Month of purchase	Number of ordinary shares repurchased	Price per share Highest	Lowest	Aggregate consideration paid
		HKD	*HKD*	*HKD*
June 2012	9,635,500	5.45	5.07	56,147,000

By Order of the Board
NetDragon Websoft Inc.
Liu Dejian
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the Board comprises four executive Directors, namely Liu Dejian, Liu Luyuan, Zheng Hui and Chen Hongzhan; one non-executive Director, namely Lin Dongliang; and three independent non-executive Directors, namely Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas.