

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



**NetDragon Websoft Inc.**

**網龍網絡有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 777)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

The board (the “Board”) of directors (the “Director(s)”) of NetDragon Websoft Inc. (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2013. The first quarterly results of the Group have been reviewed by Messrs. Deloitte Touche Tohmatsu, the auditor (the “Auditor”) of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and reviewed by the audit committee (the “Audit Committee”) of the Company, comprising of three independent non-executive Directors.

## RESULTS

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2013 together with the comparative figures in 2012 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2013

		Three months ended	
		31 March	
		2013	2012
		(Unaudited)	(Unaudited)
	NOTES	RMB'000	RMB'000
<b>Revenue</b>	4	<b>356,725</b>	236,975
Cost of revenue		<u>(46,659)</u>	<u>(28,275)</u>
Gross profit		<b>310,066</b>	208,700
Other income and gains	4	<b>15,217</b>	3,770
Selling and marketing expenses		<b>(35,510)</b>	(33,487)
Administrative expenses		<b>(102,822)</b>	(58,911)
Development costs		<b>(54,660)</b>	(45,786)
Other expenses		<b>(4,820)</b>	(1,721)
Share of losses of associates		<b>(393)</b>	(373)
Share of profit of a jointly controlled entity		<u><b>1,013</b></u>	<u>—</u>
<b>Operating profit</b>		<b>128,091</b>	72,192
Interest income on pledged bank deposit		<b>1,925</b>	—
Exchange (loss) gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares		<b>(4,653)</b>	219
Net gain (loss) on derivative financial instruments		<b>38,360</b>	(3,961)
Finance costs		<u><b>(12,725)</b></u>	<u>(4,729)</u>
<b>Profit before taxation</b>		<b>150,998</b>	63,721
Taxation	6	<u><b>(34,616)</b></u>	<u>(7,848)</u>
<b>Profit for the period</b>	7	<b>116,382</b>	55,873
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u><b>(112)</b></u>	<u>(17)</u>
Total comprehensive income for the period		<u><b>116,270</b></u>	<u>55,856</u>

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2013</b>	2012
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
Profit for the period attributable to:			
- Owners of the Company		<b>111,787</b>	55,771
- Non-controlling interests		<u><b>4,595</b></u>	<u>102</u>
		<u><b>116,382</b></u>	<u>55,873</u>
Total comprehensive income attributable to:			
- Owners of the Company		<b>111,675</b>	55,754
- Non-controlling interests		<u><b>4,595</b></u>	<u>102</u>
		<u><b>116,270</b></u>	<u>55,856</u>
		<i>RMB cents</i>	<i>RMB cents</i>
<b>Earnings per share</b>	9		
- Basic		<b>22.19</b>	10.88
- Diluted		<u><b>16.91</b></u>	<u>10.87</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2013**

		<b>31 March</b>	31 December
		<b>2013</b>	2012
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>380,602</b>	345,415
Prepaid lease payments	10	<b>198,114</b>	139,678
Investment property	10	<b>16,151</b>	16,217
Intangible assets		<b>2,205</b>	2,626
Interests in associates		<b>5,800</b>	11,793
Interest in a jointly controlled entity		<b>19,028</b>	18,015
Available-for-sale investments		<b>5,000</b>	5,000
Loan receivables		<b>9,812</b>	9,969
Goodwill		<b>12,534</b>	12,534
Deferred tax assets		<b>3,986</b>	1,586
		<u><b>653,232</b></u>	<u>562,833</u>
<b>Current assets</b>			
Prepaid lease payments		<b>2,902</b>	2,902
Loan receivables		<b>2,720</b>	3,143
Trade receivables	11	<b>77,568</b>	61,427
Other receivables, prepayments and deposits		<b>73,007</b>	72,101
Held for trading investments		<b>—</b>	4,939
Amounts due from related companies		<b>3,452</b>	3,637
Amount due from a jointly controlled entity		<b>4,700</b>	3,060
Pledged bank deposit	13	<b>187,877</b>	194,405
Bank deposits		<b>428,233</b>	394,081
Bank balances and cash		<b>1,292,782</b>	1,142,825
		<u><b>2,073,241</b></u>	<u>1,882,520</u>

		<b>31 March</b>	31 December
		<b>2013</b>	2012
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables	12	<b>252,914</b>	222,137
Deferred income		<b>25,612</b>	24,778
Amounts due to related companies		<b>291</b>	121
Amount due to an associate		—	5,600
Secured bank loan	13	<b>182,853</b>	183,595
Other financial liability		<b>5,022</b>	10,679
Income tax payable		<b>71,613</b>	66,355
		<u><b>538,305</b></u>	<u>513,265</u>
<b>Net current assets</b>		<u><b>1,534,936</b></u>	<u>1,369,255</u>
<b>Total assets less current liabilities</b>		<u><b>2,188,168</b></u>	<u>1,932,088</u>
<b>Non-current liabilities</b>			
Redeemable convertible preferred shares	14	—	195,115
Conversion option derivative liability	14	—	314,829
Deferred tax liabilities		<u><b>11,001</b></u>	<u>6,141</u>
		<u><b>11,001</b></u>	<u>516,085</u>
<b>Net assets</b>		<u><b>2,177,167</b></u>	<u>1,416,003</u>
<b>Capital and reserves</b>			
Share capital		<b>37,542</b>	37,532
Share premium and reserves		<u><b>1,678,235</b></u>	<u>1,356,317</u>
Equity attributable to owners of the Company		<b>1,715,777</b>	1,393,849
Non-controlling interests		<u><b>461,390</b></u>	<u>22,154</u>
		<u><b>2,177,167</b></u>	<u>1,416,003</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2013

	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 2012	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 for the period	—	—	—	—	—	—	—	—	—	—	—	55,771	55,771	102	55,873
Other comprehensive expense for the period	—	—	—	—	—	—	—	—	—	—	(17)	—	(17)	—	(17)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	—	—	—	—	(17)	55,771	55,754	102	55,856
Contribution by shareholders	—	—	—	—	99	—	—	—	—	—	—	—	99	1	100
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	5,495	—	—	5,495	—	5,495
At 31 March 2012 (unaudited)	38,226	1,113,005	3,001	2,209	10,045	140,883	50,062	673	(7,552)	24,549	(58,132)	243,731	1,560,700	(355)	1,560,345
At 1 January 2013	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
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	111,787	111,787	4,595	116,382
Other comprehensive expense for the period	—	—	—	—	—	—	—	—	—	—	(112)	—	(112)	—	(112)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	—	—	—	—	(112)	111,787	111,675	4,595	116,270
Shares issued upon exercise of share options	10	918	—	—	—	—	—	—	—	(283)	—	—	645	—	645
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	6,611	—	—	6,611	—	6,611
Recognition of equity-settled share-based payments granted by subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	40,763	40,763
Conversion of redeemable convertible preferred shares	—	—	—	202,997	—	—	—	—	—	—	—	—	202,997	393,878	596,875
Awarded shares vested to employees	—	—	—	—	—	—	—	—	1,445	(2,846)	—	1,401	—	—	—
At 31 March 2013 (unaudited)	37,542	1,070,762	3,717	205,206	10,045	172,895	81,947	673	(5,780)	34,468	(58,291)	162,593	1,715,777	461,390	2,177,167

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	<b>2012</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><b>176,873</b></u>	<u>50,076</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(49,050)</b>	(10,965)
Purchase of prepaid lease payments	<b>(58,800)</b>	(9,472)
Placement of bank deposits	<b>(226,050)</b>	(70,000)
Withdrawal of bank deposits	<b>191,628</b>	—
Other investing cash flows	<u><b>5,384</b></u>	<u>(926)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u><b>(136,888)</b></u>	<u>(91,363)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable convertible preferred shares	<b>109,888</b>	—
Other financing activities	<u><b>(4,955)</b></u>	<u>—</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u><b>104,933</b></u>	<u>—</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>144,918</b>	(41,287)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>1,142,825</b>	1,428,928
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<u><b>5,039</b></u>	<u>(223)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<u><b>1,292,782</b></u>	<u>1,387,418</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

**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 Company and its subsidiaries (collectively referred to as 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 condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

**2. BASIS OF PREPARATION**

The amounts included in the condensed consolidated financial statements have been computed in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) applicable to interim periods. However, it does not contain sufficient information to constitute a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the HKICPA.

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and the methods of computation used in the condensed consolidated financial statements for the three months ended 31 March 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The Group has applied for the first time the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* in current period. 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'. The amendments to HKAS 1 require items of other comprehensive income to be 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

#### 4. REVENUE, OTHER INCOME AND GAINS

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	<b>2012</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
Online game revenue	<b>211,994</b>	191,581
Mobile Internet business revenue	<b>144,731</b>	45,394
	<b><u>356,725</u></b>	<u>236,975</u>
<b>Other income and gains</b>		
Government grants ( <i>Note</i> )	<b>10,006</b>	300
Interest income	<b>4,621</b>	2,409
Net gain on held for trading investments	<b>229</b>	—
Rental income, net of negligible outgoing expenses	<b>127</b>	101
Others	<b>234</b>	960
	<b><u>15,217</u></b>	<u>3,770</u>

*Note:*

Government grants were received from the government of the People's Republic of China (the "PRC") 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. 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:

**Three months ended 31 March 2013**

	<u>Online game</u>	<u>Mobile Internet business</u>	<u>Total</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>211,994</u>	<u>144,731</u>	<u>356,725</u>
Segment profit	<u>117,762</u>	<u>107,134</u>	224,896
Unallocated income and gains			4,859
Unallocated expenses			(79,377)
Share of profit of a jointly controlled entity			1,013
Share of losses of associates			<u>(393)</u>
Profit before taxation			<u>150,998</u>

Three months ended 31 March 2012

	<u>Online game</u>	<u>Mobile Internet business</u>	<u>Total</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>191,581</u>	<u>45,394</u>	<u>236,975</u>
Segment profit (loss)	<u>89,864</u>	<u>(9,235)</u>	80,629
Unallocated income and gains			3,989
Unallocated expenses			(20,524)
Share of losses of associates			<u>(373)</u>
Profit before taxation			<u>63,721</u>

The segment profit of mobile Internet business during the period ended 31 March 2013 included net gain on derivative financial instruments relating to redeemable convertible preferred shares of RMB32,704,000 (three months period ended 31 March 2012: Net loss on derivative financial instruments of RMB3,961,000) and finance costs relating to redeemable convertible preferred shares and promissory notes of RMB10,875,000 and Nil, respectively (three months period ended 31 March 2012: RMB4,106,000 and RMB623,000).

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 profit of a jointly controlled entity, net gain (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:

	<b>31 March 2013 (Unaudited) RMB'000</b>	31 December 2012 (Audited) RMB'000
Online game	<b>1,745,156</b>	1,750,584
Mobile Internet business	<b><u>814,475</u></b>	<u>420,259</u>
Total segment assets	<b>2,559,631</b>	2,170,843
Unallocated	<b><u>166,842</u></b>	<u>274,510</u>
	<b><u><u>2,726,473</u></u></b>	<u><u>2,445,353</u></u>

## 6. TAXATION

	<b>Three months ended 31 March</b>	
	<b>2013 (Unaudited) RMB'000</b>	2012 (Unaudited) RMB'000
The charge comprises:		
Hong Kong Profits Tax	<b>1,836</b>	924
The PRC Enterprise Income Tax ("EIT")	<b>30,276</b>	6,879
Taxation in other jurisdictions	<b>44</b>	45
Deferred tax	<b><u>2,460</u></b>	<u>—</u>
	<b><u><u>34,616</u></u></b>	<u><u>7,848</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the three months ended 31 March 2013 and 2012.

The PRC EIT is calculated at the applicable prevailing tax rates in the PRC.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 7. PROFIT FOR THE PERIOD

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	<b>4,128</b>	1,267
Other staff costs		
Salaries and other benefits	<b>76,254</b>	65,553
Contributions to retirement benefits schemes	<b>12,905</b>	5,163
Share-based payments expense	<b>43,945</b>	4,887
	<u><b>137,232</b></u>	<u>76,870</u>
Amortisation of intangible assets (included in cost of revenue)	<b>411</b>	765
Amortisation of intangible assets (included in other expenses)	—	817
Release of prepaid lease payments (included in administrative expenses)	<b>364</b>	364
Depreciation of property, plant and equipment	<b>13,728</b>	7,231
Operating lease rentals in respect of:		
- rented premises	<b>3,825</b>	3,618
- computer equipment	<b>19,102</b>	13,909
Net foreign exchange loss (gain)	<b>7,044</b>	(175)
Loss on disposal of property, plant and equipment	<u><b>32</b></u>	<u>—</u>

## 8. DIVIDENDS

The Directors of the Company do not recommend the payment of an interim dividend during the three months ended 31 March 2013 (three months ended 31 March 2012: Nil).

## 9. 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:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Earnings for the purpose of basic earnings per share		
- profit for the period attributable to the owners of the Company	<b>111,787</b>	55,771
Effect of dilutive potential ordinary shares		
- adjustment to the share of profit of subsidiaries based on dilution of their earnings per share ( <i>Note</i> )	<u><b>(26,009)</b></u>	<u>—</u>
Earnings for the purpose of dilutive earnings per share	<u><b>85,778</b></u>	<u>55,771</u>
	<b>Number of shares</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>'000</b>	<b>'000</b>
Weighted average number of shares in issue during the period, for the purpose of basic earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	<b>503,774</b>	512,933
Effect of dilutive potential shares from the Company's share option scheme	<u><b>3,481</b></u>	<u>138</u>
Number of shares for the purpose of calculating diluted earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	<u><b>507,255</b></u>	<u>513,071</u>

*Note:* The computation of diluted earnings per share for the period ended 31 March 2012 has not taken into account the effect of share awards and redeemable convertible preferred shares issued by a subsidiary of the Company since it is anti-dilutive.

## 10. PREPAID LEASE PAYMENTS/INVESTMENT PROPERTY

During the three-month period ended 31 March 2013, the Group spent approximately RMB58,800,000 (three-month period ended 31 March 2012: RMB55,865,000) for the acquisition of prepaid lease payments to expand its office buildings located in Fuzhou. Among RMB55,865,000 acquisition of prepaid lease payment during the three-month period ended 31 March 2012, RMB19,014,000 was paid in 2011 and recorded as deposit paid for acquisition of property, plant and equipment as at 31 December 2011, RMB9,472,000 was paid during the period ended 31 March 2012 and RMB27,379,000 was included in other payables and accruals as at 31 March 2012. The Group is in the process of obtaining the land use right certificate.

The Group's investment property as at 31 March 2013 were fair valued by Asset Appraisal Limited, an independent firm of professional valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions. No significant changes in fair value between 31 March 2013 and 31 December 2012 (three-month period ended 31 March 2012: Nil).

## 11. 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.

	<b>31 March 2013 (Unaudited) RMB'000</b>	31 December 2012 (Audited) RMB'000
0 - 30 days	<b>38,858</b>	38,519
31 - 60 days	<b>13,493</b>	12,753
61 - 90 days	<b>10,526</b>	4,252
Over 90 days	<b><u>14,691</u></b>	<u>5,903</u>
Total	<b><u><u>77,568</u></u></b>	<u><u>61,427</u></u>

## 12. TRADE AND OTHER PAYABLES

	<b>31 March 2013 (Unaudited) RMB'000</b>	31 December 2012 (Audited) RMB'000
Trade payables	<b>15,492</b>	13,679
Accrued staff costs	<b>95,829</b>	69,213
Cooperation fee payable	<b>83,977</b>	48,791
Receipt in advance	<b>13,276</b>	20,717
Other payables and accruals	<b>44,340</b>	69,737
	<b><u>252,914</u></b>	<u>222,137</u>

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

	<b>31 March 2013 (Unaudited) RMB'000</b>	31 December 2012 (Audited) RMB'000
0 - 90 days	<b>12,782</b>	11,484
91 - 180 days	<b>1,836</b>	1,330
181 - 365 days	<b>592</b>	44
Over 365 days	<b>282</b>	821
Total	<b><u>15,492</u></b>	<u>13,679</u>

## 13. PLEDGED BANK DEPOSIT/SECURED BANK LOAN

The secured bank loan is denominated in Hong Kong dollars, carries interest rate of 4.14% per annum and repayable on 13 June 2013. The loan is secured by the pledged bank deposit of RMB187,877,000 which is denominated in Euros.

## 14. REDEEMABLE CONVERTIBLE PREFERRED SHARES

91 Wireless Websoft Limited (formerly known as “91 Limited”), a subsidiary of the Company issued 15,384,000 series A redeemable convertible preferred shares of par value of US\$0.0001 each at an aggregate issue price of US\$3,999,840 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”), group entities of a substantial shareholder of the Company, on 13 August 2011. The subsidiary also issued 16,025,000 series B redeemable convertible preferred shares of par value of US\$0.0001 each at an aggregate issue price of US\$20,000,000 (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 21 February 2012, the promissory notes issued by the subsidiary of the Company have been converted into 4,006,250 series B redeemable convertible preferred shares. On 12 October 2012, the subsidiary also issued 1,602,500 series B redeemable convertible preferred shares of par value of US\$0.0001 each at an aggregate issue price of US\$2,000,000 (equivalent to approximately RMB13,395,000) to Sino Coast Developments Limited. On 10 January 2013, the subsidiary has further issued 5,813,902 series B redeemable convertible preferred shares, 601,438 series B redeemable convertible preferred shares and 601,438 series B redeemable convertible preferred shares of par value of US\$0.0001 each to independent third parties, Pacific Century Diversified Limited, Grandwin Enterprises Limited and an individual investor at an aggregate issue price of US\$17,500,000 (equivalent to approximately RMB109,888,000). Both series A and series B redeemable convertible preferred shares are denominated in United States dollars.

On 10 January 2013, the Company has agreed with all the holders of the series A and series B redeemable convertible preferred shares to amend the conversion and redemption terms of series B redeemable convertible preferred shares. Under the amendments, the first day of the redemption option right was changed from 4th anniversary to 3rd anniversary of 9 December 2011. Before the amendments, the 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 4th anniversary of 9 December 2011, into ordinary shares of the subsidiary of the Company. Under the amendments, the assumption adopted for the valuation of the last date of conversion has been changed from 4th anniversary of 9 December 2011 to 3rd anniversary of 9 December 2011.

Both series A and series B redeemable convertible preferred shares contain two components, liability component and conversion option and other derivative components. The effective interest rate of the liability component of the series B redeemable convertible preferred shares issued on 10 January 2013 is 16.82% per annum. The conversion option and other derivative components are measured at fair value with changes in fair value recognised in profit or loss.

On 27 March 2013, all the holders of the series A redeemable convertible preferred shares give notice to convert the series A and series B redeemable convertible preferred shares into the 91 Wireless Websoft Limited's ordinary shares. Immediately before the conversion, the fair value of the conversion option and other derivatives component of the redeemable convertible preferred shares was approximately RMB291,407,000.



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 period are set out as below:

	<b>Liability component RMB'000</b>	<b>Conversion option and other derivatives RMB'000</b>
At 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	<u>—</u>	<u>271,745</u>
At 31 December 2012 and 1 January 2013	195,115	314,829
Exchange realignment	(512)	(616)
Issue of redeemable convertible preferred shares	99,990	9,898
Interest charge	10,875	—
Gain arising on changes of fair value	—	(32,704)
Converted to ordinary shares	<u>(305,468)</u>	<u>(291,407)</u>
At 31 March 2013	<u>—</u>	<u>—</u>

The fair value of each underlying share of 91 Wireless Websoft 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 of 15.25%, 15.36% and 15.55% were used as at 27 March 2013, 10 January 2013 and 31 December 2012, respectively.

The assumptions adopted for the valuation of the conversion option and other derivatives component of the redeemable convertible preferred shares using Binomial option pricing model as of 27 March 2013, 10 January 2013 and 31 December 2012 were as follows:

#### **Series A redeemable convertible preferred shares**

	<b>27 March 2013</b>	31 December 2012
Risk-free interest rate (i)	<b>0.22%</b>	0.37%
Expected volatility (ii)	<b>38.16%</b>	38.82%

### Series B redeemable convertible preferred shares

	<b>27 March 2013</b>	10 January 2013	31 December 2012
Risk-free interest rate (i)	<b>0.22%</b>	0.26%	0.37%
Expected volatility (ii)	<b>38.16%</b>	38.09%	38.82%

*Notes:*

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

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

## 15. SHARE-BASED PAYMENT TRANSACTIONS

### (i) Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 12 June 2008. The purpose of the Scheme is to provide the eligible participant ("Eligible Participant") as defined in the Scheme with the opportunity to acquire interests in the Company and to encourage the Eligible Participant to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

In current interim period, options were granted on 16 January 2013. Details of such share options are as follows:

<b>Date of grant</b>	<b>Vesting period</b>	<b>Exercisable period</b>	<b>Outstanding at 31 March 2013</b>
16 January 2013	16 January 2013 - 15 January 2014	16 January 2014 - 15 January 2023	78,950
16 January 2013	16 January 2013 - 15 January 2015	16 January 2015 - 15 January 2023	118,425
16 January 2013	16 January 2013 - 15 January 2016	16 January 2016 - 15 January 2023	157,900
16 January 2013	16 January 2013 - 15 January 2017	16 January 2017 - 15 January 2023	197,375
16 January 2013	16 January 2013 - 15 January 2018	16 January 2018 - 15 January 2023	236,850
			789,500

The fair value of the options granted on that date was approximately RMB2,562,000. The fair value was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Closing price of the Company's shares on grant date	HKD10.98
Exercise price	HKD11.16
Risk-free interest rate	0.627-0.704%
Expected option life	7.7-8.7 years
Expected volatility	45.64%
Expected dividend yield	2.46%

Expected volatility was determined by reference to the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The table below discloses movement of the Company's share options

	<b>Number of Share options</b>
Outstanding as at 1 January 2013	26,022,217
Granted during the period	789,500
Forfeited during the period	(279,550)
Exercised during the period	<u>(166,880)</u>
Outstanding as at 31 March 2013	<u>26,365,287</u>

The Group recognised the total expenses of approximately RMB2,475,000 for the three months ended 31 March 2013 (three month ended 31 March 2012: RMB2,653,000) in relation to share options granted by the Company.

**(ii) Share award scheme by the Company**

The Company has a share award scheme (the "Share Award Scheme"), whereby eligible participants are conferred rights by the Company to be issued or transferred fully-paid ordinary shares in the capital of the Company (hereinafter referred to as the "Award").

The Group recognised the total expenses of approximately RMB4,136,000 for the three months ended 31 March 2013 (three months ended 31 March 2012: RMB10,000) in relation to share award.

317,397 share awards were vested and released during the three months ended 31 March 2013 (31 March 2012: Nil). The number of share awards outstanding at 31 March 2013 was 1,269,603.

**(iii) Share award scheme by a subsidiary of the Company**

Pursuant to the announcement of the Company dated 28 December 2011, the subsidiary of the Company, 91 Wireless Websoft Limited, introduced a share award scheme (the "91 Share Award Scheme"), whereby eligible participants are conferred rights by 91 Wireless Websoft Limited to be issued or transferred fully-paid ordinary shares in the capital of 91 Wireless Websoft Limited (hereinafter referred to as the "91 Award").

Among the shares granted, relevant vesting date and number of awarded shares to be vested are listed below:

<b>Grant Date</b>	<b>Relevant vesting date</b>	<b>No. of awarded shares to be vested</b>
8 February 2012	7 June 2013	761,509
8 February 2012	7 June 2014	464,275
31 December 2012	31 December 2013	1,269,462
31 December 2012	31 January 2014	416,150
31 December 2012	31 December 2014	1,269,462
31 December 2012	31 January 2015	416,150
31 December 2012	31 December 2015	1,269,464
31 December 2012	31 January 2016	<u>416,150</u>
		<u>6,282,622</u>

The Group recognised the total expenses of approximately RMB14,692,000 for the three months ended 31 March 2013 in relation to share award issued by a subsidiary of the Company under the 91 Share Award Scheme.

416,150 91 Awards were vested and released during the period ended 31 March 2013 (31 March 2012: 820,783 shares).

(iv) **Shares granted by a subsidiary of the Company**

Pursuant to the announcement of the Company dated 9 January 2013, a direct wholly owned subsidiary of the Company, NetDragon Websoft Inc. has granted 6,114,500 shares of 91 Wireless Websoft Limited to certain selected employees of the Group. Among the shares granted, 1,528,625 shares were entitled by the selected employees on 9 January 2013, 1,528,625 shares will be entitled by the selected employees on 1 January 2014, 1,528,625 shares will be entitled by the selected employees on 1 January 2015 and the remaining 1,528,625 shares will be entitled by the selected employees on 1 January 2016.

Fair value of the shares granted at the grant date is estimated using a discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates upon the grant date. The fair value of the shares granted on 9 January 2013 was approximately RMB70,165,000.

The Group recognised the total expenses of approximately RMB26,071,000 for the three months ended 31 March 2013 in relation to the shares granted on 9 January 2013.

1,528,625 shares granted on 9 January 2013 were entitled by the selected employees and released during the period ended 31 March 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*):

	<b>Three months ended</b>				
	<b>31 March 2013</b>	31 December 2012	30 September 2012	30 June 2012	31 March 2012
<b>PCU</b>	<b>445,000</b>	521,000	525,000	582,000	600,000
<b>ACU</b>	<b>237,000</b>	287,000	281,000	307,000	297,000

*Note:* As at 31 March 2013, 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 games was approximately 445,000 for the three months ended 31 March 2013, representing a decrease of approximately 14.6% from the three months ended 31 December 2012 and representing a decrease of approximately 25.8% from the three months ended 31 March 2012.

We also recorded the ACU for online games of approximately 237,000 for the three months ended 31 March 2013, which represented a decrease of approximately 17.4% from the three months ended 31 December 2012 and represented a decrease of approximately 20.2% from the three months ended 31 March 2012.

**FINANCIAL PERFORMANCE HIGHLIGHTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

The following table sets forth the comparative figures for the three months ended 31 March 2013 and 2012:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	<b>356,725</b>	236,975
Cost of revenue	<u>(46,659)</u>	<u>(28,275)</u>
Gross profit	<b>310,066</b>	208,700
Other income and gains	<b>15,217</b>	3,770
Selling and marketing expenses	<b>(35,510)</b>	(33,487)
Administrative expenses	<b>(102,822)</b>	(58,911)
Development costs	<b>(54,660)</b>	(45,786)
Other expenses	<b>(4,820)</b>	(1,721)
Share of losses of associates	<b>(393)</b>	(373)
Share of profit of a jointly controlled entity	<u><b>1,013</b></u>	<u>—</u>
<b>Operating profit</b>	<b>128,091</b>	72,192
Interest income on pledged bank deposit	<b>1,925</b>	—
Exchange (loss) gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares	<b>(4,653)</b>	219
Net gain (loss) on derivative financial instruments	<b>38,360</b>	(3,961)
Finance costs	<u><b>(12,725)</b></u>	<u>(4,729)</u>
<b>Profit before taxation</b>	<b>150,998</b>	63,721
Taxation	<u><b>(34,616)</b></u>	<u>(7,848)</u>
<b>Profit for the period</b>	<u><b>116,382</b></u>	<u>55,873</u>
Profit for the period attributable to:		
- Owners of the Company	<b>111,787</b>	55,771
- Non-controlling interests	<u><b>4,595</b></u>	<u>102</u>
	<u><b>116,382</b></u>	<u>55,873</u>

## 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 three months ended 31 March 2013. The comparative figure had not been restated because it is insignificant.

Revenue for the three months ended 31 March 2013 was approximately RMB356.7 million, representing an increase of approximately 50.5% as compared to approximately RMB237.0 million for the three months ended 31 March 2012.

### *Online game*

Our online game revenue for the three months ended 31 March 2013 was approximately RMB212.0 million, representing an increase of approximately 10.7% as compared to approximately RMB191.6 million for the three months ended 31 March 2012.

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

	Three months ended 31 March			
	2013		2012	
	<i>RMB'000</i>	<i>% of online game revenue</i>	<i>RMB'000</i>	<i>% of online game revenue</i>
<b>PRC</b>	<b>182,914</b>	<b>86.3</b>	164,025	85.6
<b>Overseas</b>	<b>29,080</b>	<b>13.7</b>	27,556	14.4
	<b><u>211,994</u></b>	<b><u>100.0</u></b>	<b><u>191,581</u></b>	<b><u>100.0</u></b>



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 three months ended 31 March 2013 was approximately RMB182.9 million, representing an increase of approximately 11.5% over the three months ended 31 March 2012.

The online game revenue derived from overseas markets for the three months ended 31 March 2013 was approximately RMB29.1 million, representing an increase of approximately 5.5% over the three months ended 31 March 2012.

#### *Mobile Internet business*

The mobile Internet business revenue for the three months ended 31 March 2013 was approximately RMB144.7 million, representing an increase of approximately 218.8% as compared to approximately RMB45.4 million for the three months ended 31 March 2012.

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

	<b>Three months ended 31 March</b>			
	<b>2013</b>		2012	
	<i>RMB'000</i>	<i>% of mobile Internet business revenue</i>	<i>RMB'000</i>	<i>% of mobile Internet business revenue</i>
<b>PRC</b>	<b>143,380</b>	<b>99.1</b>	45,051	99.2
<b>Overseas</b>	<b><u>1,351</u></b>	<b><u>0.9</u></b>	<u>343</u>	<u>0.8</u>
	<b><u>144,731</u></b>	<b><u>100.0</u></b>	<u>45,394</u>	<u>100.0</u>

The mobile Internet business revenue derived from the PRC for the three months ended 31 March 2013 was approximately RMB143.4 million, representing an increase of approximately 218.3% for the three months ended 31 March 2012.

The mobile Internet business revenue derived from overseas markets for the three months ended 31 March 2013 was approximately RMB1.3 million, representing an increase of approximately 293.9% for the three months ended 31 March 2012.

## **First Quarter of 2013**

### **Revenue**

Revenue for the first quarter of 2013 was approximately RMB356.7 million representing an increase of approximately 7.8% from the fourth quarter of 2012 and an increase of approximately 50.5% over the same period in 2012.

The online game revenue for the first quarter of 2013 was approximately RMB212.0 million, representing a decrease of approximately 7.5% from the fourth quarter of 2012 and an increase of approximately 10.7% over the same period in 2012.

The mobile Internet business revenue for the first quarter of 2013 was approximately RMB144.7 million, representing an increase of approximately 42.0% from the fourth quarter of 2012 and an increase of approximately 218.8% over the same period in 2012.

### **Cost of revenue**

Cost of revenue for the first quarter of 2013 was approximately RMB46.6 million, representing an increase of approximately 36.4% from the fourth quarter of 2012 and an increase of approximately 65.0% over the same period in 2012.

### **Other income and gains**

Other income and gains of approximately RMB15.2 million were recorded for the first quarter of 2013, representing a decrease of approximately 13.2% from the fourth quarter of 2012 and an increase of approximately 303.6% over the same period in 2012.

### **Selling and marketing expenses**

Selling and marketing expenses for the first quarter of 2013 were approximately RMB35.5 million, representing a decrease of approximately 19.7% from the fourth quarter of 2012 and an increase of approximately 6.0% over the same period in 2012.

### **Administrative expenses**

Administrative expenses for the first quarter of 2013 were approximately RMB102.8 million, representing an increase of approximately 24.1% from the fourth quarter of 2012 and representing an increase of approximately 74.5% over the same period in 2012.

### **Development costs**

Development costs for the first quarter of 2013 were approximately RMB54.7 million, representing a decrease of approximately 11.8% from the fourth quarter of 2012 and an increase of approximately 19.4% over the same period in 2012.

### **Other expenses**

Other expenses for the first quarter of 2013 were approximately RMB4.8 million, representing an increase of approximately 66.1% from the fourth quarter of 2012 and an increase of approximately 180.1% over the same period in 2012.

### **Operating profit**

Operating profit for the first quarter of 2013 were approximately RMB128.1 million, representing an increase of approximately 6.3% from the fourth quarter of 2012 and an increase of approximately 77.4% over the same period in 2012.

### **Net gain (loss) on derivative financial instruments**

Net gain on derivative financial instruments for the first quarter of 2013 was approximately RMB38.4 million, however, net loss on derivative financial instruments for the fourth quarter of 2012 and the same quarter of 2012 was approximately RMB243.6 million and approximately RMB4.0 million, respectively.

### **Finance costs**

Finance costs for the first quarter of 2013 were approximately RMB12.7 million, representing an increase of approximately 1.4% from the fourth quarter of 2012 and an increase of approximately 169.1% over the same period in 2012.

### **Profit (loss) for the period**

Profit for the first quarter of 2013 was approximately RMB116.4 million, representing an increase of approximately 108.3% from the first quarter of 2012. However, loss of approximately RMB157.2 million for the fourth quarter of 2012 was recorded.

### **Profit (loss) for the period attributable to the owners of the Company**

Profit for the period attributable to the owners of the Company for the first quarter of 2013 was approximately RMB111.8 million, representing an increase of approximately 100.4% over the same period of 2012. However, loss for the period attributable to the owners of the Company for the fourth quarter of 2012 was approximately RMB157.0 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### First Quarter of 2013 Compared to Fourth Quarter of 2012

The following table sets forth the comparative figures for the first quarter of 2013 and the fourth quarter of 2012:

	<b>Three months ended</b>	
	<b>31 March</b>	31 December
	<b>2013</b>	2012
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	<b>356,725</b>	331,046
Cost of revenue	<u>(46,659)</u>	<u>(34,217)</u>
Gross profit	<b>310,066</b>	296,829
Other income and gains	<b>15,217</b>	17,536
Selling and marketing expenses	<b>(35,510)</b>	(44,220)
Administrative expenses	<b>(102,822)</b>	(82,883)
Development costs	<b>(54,660)</b>	(61,992)
Other expenses	<b>(4,820)</b>	(2,902)
Share of losses of associates	<b>(393)</b>	(435)
Share of profit (loss) of a jointly controlled entity	<u><b>1,013</b></u>	<u>(1,391)</u>
<b>Operating profit</b>	<b>128,091</b>	120,542
Interest income on pledged bank deposit	<b>1,925</b>	2,249
Exchange (loss) gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares	<b>(4,653)</b>	7,098
Net gain (loss) on derivative financial instruments	<b>38,360</b>	(243,611)
Finance costs	<u><b>(12,725)</b></u>	<u>(12,548)</u>
<b>Profit (loss) before taxation</b>	<b>150,998</b>	(126,270)
Taxation	<u><b>(34,616)</b></u>	<u>(30,912)</u>
<b>Profit (loss) for the period</b>	<u><b>116,382</b></u>	<u>(157,182)</u>
Profit (loss) for the period attributable to:		
- Owners of the Company	<b>111,787</b>	(157,025)
- Non-controlling interests	<u><b>4,595</b></u>	<u>(157)</u>
	<u><b>116,382</b></u>	<u>(157,182)</u>

## FINANCIAL REVIEW

### Revenue

Our revenue for the three months ended 31 March 2013 was approximately RMB356.7 million, representing an increase of approximately 7.8% as compared to approximately RMB331.0 million for the three months ended 31 December 2012.

#### *Online game*

Our online game revenue for the three months ended 31 March 2013 was approximately RMB212.0 million, representing a decrease of approximately 7.5% as compared to approximately RMB229.1 million for the three months ended 31 December 2012.

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

	<b>Three months ended</b>			
	<b>31 March 2013</b>		<b>31 December 2012</b>	
	<i>RMB'000</i>	<i>% of online game revenue</i>	<i>RMB'000</i>	<i>% of online game revenue</i>
<b>PRC</b>	<b>182,914</b>	<b>86.3</b>	202,520	88.4
<b>Overseas</b>	<b><u>29,080</u></b>	<b><u>13.7</u></b>	<u>26,584</u>	<u>11.6</u>
	<b><u>211,994</u></b>	<b><u>100.0</u></b>	<u>229,104</u>	<u>100.0</u>

The online game revenue derived from the PRC for the three months ended 31 March 2013 was approximately RMB182.9 million, representing a decrease of approximately 9.7% as compared to approximately RMB202.5 million for the three months ended 31 December 2012. The decrease in online game revenue derived from the PRC was mainly due to the decrease in revenue from Eudemons Online in the first quarter of 2013.

The online game revenue derived from overseas markets for the three months ended 31 March 2013 was approximately RMB29.1 million, representing an increase of approximately 9.4% as compared to approximately RMB26.6 million for the three months ended 31 December 2012. The increase in online game revenue derived from overseas markets was mainly due to increase in revenue from Conquer Online for the three months ended 31 March 2013.

### *Mobile Internet business*

The mobile Internet business revenue for the three months ended 31 March 2013 was approximately RMB144.7 million, representing an increase of approximately 42.0% as compared to approximately RMB101.9 million for the three months ended 31 December 2012. The increase was mainly contributed by the increase of mobile value-added services revenue and mobile advertising and promotional service revenue due to its increase in its overall popularity.

#### **Cost of revenue**

Cost of revenue for the three months ended 31 March 2013 was approximately RMB46.6 million, representing an increase of approximately 36.4% as compared to approximately RMB34.2 million for the three months ended 31 December 2012. The increase was mainly due to the increase in message service fee of mobile Internet business and server leasing fee.

The total cost of revenue of mobile Internet business for the three months ended 31 March 2013 and 31 December 2012 was approximately RMB27.0 million and approximately RMB16.5 million, respectively.

#### **Gross profit**

Our gross profit for the three months ended 31 March 2013 was approximately RMB310.1 million, representing an increase of approximately 4.5% as compared to approximately RMB296.8 million for the three months ended 31 December 2012.

The gross profit margin for the three months ended 31 March 2013 was approximately 86.9%, which represented a decrease of approximately 2.8% as compared with the three months ended 31 December 2012.

#### **Other income and gains**

Other income and gains for the three months ended 31 March 2013 was approximately RMB15.2 million, representing a decrease of approximately 13.2% as compared to approximately RMB17.5 million for the three months ended 31 December 2012. The decrease was mainly due to the decrease in interest income.

## **Selling and marketing expenses**

Selling and marketing expenses for the three months ended 31 March 2013 were approximately RMB35.5 million, representing a decrease of approximately 19.7% as compared with the three months ended 31 December 2012. The decrease in the amount of selling and marketing expenses was mainly due to offset of (i) the decrease of staff costs; (ii) the decrease in promotion activities for mobile Internet business; (iii) the decrease of advertising expenses for Eudemons Online; and (iv) the increase in consulting fee.

As at 31 March 2013, the number of selling and marketing staff in the mobile Internet business was 266, which has decreased by approximately 12.2%, as compared with the number of staff as at 31 December 2012. The selling and marketing expenses of mobile Internet business for the three months ended 31 March 2013 were approximately RMB12.0 million.

## **Administrative expenses**

Administrative expenses increased by approximately 24.1% to approximately RMB102.8 million for the three months ended 31 March 2013 as compared with the three months ended 31 December 2012, which was mainly due to offset of (i) the increase in share-based payments expense for the grant of share options and share awards to certain eligible participants as incentives and staff benefits in order to retain them for the contribution of the Group; (ii) the increase in depreciation; and (iii) the decrease in repairs and maintenance fees, technical service fee and professional fees.

As at 31 March 2013, the total number of accounting, finance and general administration staff in the mobile Internet business was 53, which was decreased by approximately 11.7%, as compared with the number of staff as at 31 December 2012. The total administrative expenses of mobile Internet business for the three months ended 31 March 2013 were approximately RMB21.4 million.

## **Development costs**

Development costs decreased by approximately 11.8% to approximately RMB54.7 million for the three months ended 31 March 2013 as compared with the three months ended 31 December 2012. The decrease in the amount of development costs was mainly caused by the decrease of staff costs.

As at 31 March 2013, the total number of research and development staff in the mobile Internet business was 612, which was increased by approximately 9.9%, as compared with the number of staff as at 31 December 2012. The total development costs of mobile Internet business for the three months ended 31 March 2013 were approximately RMB19.8 million.

**Other expenses**

Other expenses for the three months ended 31 March 2013 were approximately RMB4.8 million, representing an increase of approximately 66.1% as compared with three months ended 31 December 2012. The increase in other expenses was mainly caused by business tax for inter-group transactions increased.

**Operating profit**

Operating profit for the three months ended 31 March 2013 was approximately RMB128.1 million, representing an increase of approximately 6.3% as compared to approximately RMB120.5 million for the three months ended 31 December 2012.

**Net gain (loss) on derivative financial instruments**

Net gain on derivative financial instruments for the three months ended 31 March 2013 was approximately RMB38.4 million, however, net loss on derivative financial instruments for the three months ended 31 December 2012 was approximately RMB243.6 million, which was mainly attributable by (i) fair value gain of conversion option and other derivatives of the redeemable convertible preferred shares; and (ii) fair value gain of foreign currency forward contract.

**Finance costs**

Finance costs for the three months ended 31 March 2013 was approximately RMB12.7 million, representing an increase of approximately 1.4% as compared with the three months ended 31 December 2012.

**Taxation**

Taxation for the three months ended 31 March 2013 was approximately RMB34.6 million, which raised by approximately 12.0% as compared with the three months ended 31 December 2012. The increase was mainly due to the increase in assessable profit.

**Profit (loss) for the period attributable to the owners of the Company**

Profit for the period attributable to the owners of the Company for the three months ended 31 March 2013 was approximately RMB111.8 million as compared with loss approximately RMB157.0 million for the three months ended 31 December 2012.



## First Quarter of 2013 Compared to First Quarter of 2012

The following table sets forth the comparative figures for the first quarter of 2013 and 2012:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	<b>356,725</b>	236,975
Cost of revenue	<u>(46,659)</u>	<u>(28,275)</u>
Gross profit	<b>310,066</b>	208,700
Other income and gains	<b>15,217</b>	3,770
Selling and marketing expenses	<b>(35,510)</b>	(33,487)
Administrative expenses	<b>(102,822)</b>	(58,911)
Development costs	<b>(54,660)</b>	(45,786)
Other expenses	<b>(4,820)</b>	(1,721)
Share of losses of associates	<b>(393)</b>	(373)
Share of profit of a jointly controlled entity	<u><b>1,013</b></u>	<u>—</u>
<b>Operating profit</b>	<b>128,091</b>	72,192
Interest income on pledged bank deposit	<b>1,925</b>	—
Exchange (loss) gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares	<b>(4,653)</b>	219
Net gain (loss) on derivative financial instruments	<b>38,360</b>	(3,961)
Finance costs	<u><b>(12,725)</b></u>	<u>(4,729)</u>
<b>Profit before taxation</b>	<b>150,998</b>	63,721
Taxation	<u><b>(34,616)</b></u>	<u>(7,848)</u>
<b>Profit for the period</b>	<u><b>116,382</b></u>	<u>55,873</u>
Profit for the period attributable to:		
- Owners of the Company	<b>111,787</b>	55,771
- Non-controlling interests	<u><b>4,595</b></u>	<u>102</u>
	<u><b>116,382</b></u>	<u>55,873</u>

## FINANCIAL REVIEW

### Revenue

Our revenue for the three months ended 31 March 2013 was approximately RMB356.7 million, representing an increase of approximately 50.5% as compared to approximately RMB237.0 million for the three months ended 31 March 2012.

#### *Online game*

Our online game revenue for the three months ended 31 March 2013 was approximately RMB212.0 million, representing an increase of approximately 10.7% as compared to approximately RMB191.6 million for the three months ended 31 March 2012.

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

	<b>Three months ended</b>			
	<b>31 March 2013</b>		<b>31 March 2012</b>	
	<i>RMB'000</i>	<i>% of online game revenue</i>	<i>RMB'000</i>	<i>% of online game revenue</i>
<b>PRC</b>	<b>182,914</b>	<b>86.3</b>	164,025	85.6
<b>Overseas</b>	<b><u>29,080</u></b>	<b><u>13.7</u></b>	<u>27,556</u>	<u>14.4</u>
	<b><u>211,994</u></b>	<b><u>100.0</u></b>	<u>191,581</u>	<u>100.0</u>

The online game revenue derived from the PRC for the three months ended 31 March 2013 was approximately RMB182.9 million, representing an increase of approximately 11.5% as compared to approximately RMB164.0 million for the three months ended 31 March 2012. The increase in online game revenue derived from the PRC was mainly due to the increase in revenue from Eudemons Online.

The online game revenue derived from overseas markets for the three months ended 31 March 2013 amounted to approximately RMB29.1 million, representing an increase of approximately 5.5% as compared with that of approximately RMB27.6 million for the three months ended 31 March 2012.

### *Mobile Internet business*

The mobile Internet business revenue for the three months ended 31 March 2013 was approximately RMB144.7 million, representing an increase of approximately 218.8% as compared to approximately RMB45.4 million for the three months ended 31 March 2012. The increase was mainly contributed by (i) the increase of mobile advertising and promotional service revenue due to the expansion of business networks; and (ii) the increase of mobile value-added services revenue due to its increase in its overall popularity.

#### **Cost of revenue**

Cost of revenue for the three months ended 31 March 2013 increased by approximately 65.0% to approximately RMB46.6 million as compared with that of approximately RMB28.3 million for the three months ended 31 March 2012. The increase was mainly due to (i) the increase in server leasing fee; 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 March 2013 was approximately RMB310.1 million, representing an increase of approximately 48.6% as compared to approximately RMB208.7 million for the three months ended 31 March 2012.

However, the gross profit margin for the three months ended 31 March 2013 was approximately 86.9%, which represented a decrease of approximately 1.2% as compared with the three months ended 31 March 2012.

#### **Other income and gains**

Other income and gains for the three months ended 31 March 2013 was approximately RMB15.2 million, representing an increase of approximately 303.6% as compared with the three months ended 31 March 2012. The increase in other income and gains was mainly due to (i) the increase in interest income; and (ii) the increase in government grant income.

## **Selling and marketing expenses**

Selling and marketing expenses for the three months ended 31 March 2013 increase by approximately 6.0% to approximately RMB35.5 million as compared with the three months ended 31 March 2012. The increase in selling and marketing expenses was mainly due to offset of (i) the decrease in advertising and promotion activities for Eudemons Online and Conquer Online; (ii) the increase in staff costs related to recruiting experienced staff to strengthen the mobile Internet business operations and development; and (iii) the increase in share-based payments expense for the grant of share awards and share options as incentives in order to retain certain eligible participants for the contribution of the continuing operation and development of the Group.

As at 31 March 2013, the number of selling and marketing staff in the mobile Internet business was 266, which was increased by approximately 28.5%, as compared with the number of staff as at 31 March 2012. The selling and marketing expenses of mobile Internet business for the three months ended 31 March 2013 were approximately RMB12.0 million.

## **Administrative expenses**

Administrative expenses increased by approximately 74.5% to approximately RMB102.8 million for the three months ended 31 March 2013 as compared with the three months ended 31 March 2012. The increase in administrative expenses was mainly due to (i) the increase in legal and professional fee for proposed spin-off of 91 Wireless Websoft Limited; and (ii) the increase in share-based payments expense for the grant of share awards and share options 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 March 2013, the total number of accounting, finance and general administration staff in the mobile Internet business was 53, which was decreased by approximately 22.1%, as compared with the number of staff as at 31 March 2012. The administrative expenses of mobile Internet business for the three months ended 31 March 2013 were approximately RMB21.4 million.

## **Development costs**

Development costs increased by approximately 19.4% to approximately RMB54.7 million for the three months ended 31 March 2013 as compared with the three months ended 31 March 2012. The increase in the amount of development costs was mainly caused by (i) the increase in share-based payments expense for the grant of share awards and share options in order to retain employees for the contribution of the continuing operation and development of the Group; and (ii) the increase in staff welfare expenses.

As at 31 March 2013, the total number of research and development staff in the mobile Internet business was 612, which was increased by approximately 87.7%, as compared with the number of staff as at 31 March 2012. The total development costs of mobile Internet business for the three months ended 31 March 2013 were approximately RMB19.8 million.

## **Other expenses**

Other expenses for the three months ended 31 March 2013 were approximately RMB4.8 million, which represented an increase of approximately 180.1% as compared with the three months ended 31 March 2012. The increase in the amount of other expenses was mainly caused by the increase in business tax for inter-group transactions.

## **Operating profit**

Operating profit for the three months ended 31 March 2013 was approximately RMB128.1 million, representing an increase of approximately 77.4% as compared to approximately RMB72.2 million for the three months ended 31 March 2012.

## **Net gain (loss) on derivative financial instruments**

Net gain on derivative financial instruments for the three months ended 31 March 2013 was approximately RMB38.4 million, however, net loss on derivative financial instruments for the three months ended 31 March 2012 was approximately RMB4.0 million, which was mainly due to the fair value gain of conversion option and other derivatives of the redeemable convertible preferred shares.

## **Finance costs**

Finance costs increased by approximately 169.1% to approximately RMB12.7 million for the three months ended 31 March 2013 as compared with the three months ended 31 March 2012, which was due to the increase in interest expenses on the liability component of the redeemable convertible preferred shares and secured bank loan.

## Taxation

Taxation for the three months ended 31 March 2013 raised by approximately 341.1% as compared with the three months ended 31 March 2012. The increase was due to the increase in assessable profit.

## Profit for the period attributable to the owners of the Company

Profit for the period attributable to the owners of the Company for the three months ended 31 March 2013 was approximately RMB111.8 million, representing an increase of approximately RMB56.0 million as compared with approximately RMB55.8 million for the three months ended 31 March 2012.

## 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 share-based payments expense, interest income on pledged bank deposit, exchange (loss) gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares, net (gain) loss on derivative financial instruments and finance costs.

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

	<b>Three months ended</b>		
	<b>31 March 2013</b>	31 December 2012	31 March 2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<i>RMB'000</i>
Non-GAAP operating profit	<b>175,456</b>	138,555	81,953
Non-GAAP profit	<b>140,840</b>	107,643	74,105
Non-GAAP profit attributable to owners of the Company	<b>136,245</b>	107,800	74,003

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2013, the Group had bank deposits, bank balances and cash and pledged bank deposit of approximately RMB1,908.9 million (31 December 2012: RMB1,731.3 million), out of which about RMB187.9 million (31 December 2012: RMB194.4 million) has been pledged to bank to secure loan. The gearing ratio (consolidated bank loan/consolidated total equity) was 0.08 (31 December 2012: 0.13). As at 31 March 2013, total bank loan of the Group amounted to approximately RMB182.9 million (31 December 2012: RMB183.6 million) was fixed rate loan.

As at 31 March 2013, the Group had net current assets of approximately RMB1,534.9 million as compared with approximately RMB1,369.3 million as at 31 December 2012.

## STAFF INFORMATION

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

	<b>At 31 March 2013</b>	At 31 December 2012	At 31 March 2012
Research and development	<b>1,795</b>	1,876	1,574
Selling and marketing	<b>828</b>	884	648
Accounting, finance and general administration	<u><b>556</b></u>	<u>564</u>	<u>398</u>
Total	<u><b>3,179</b></u>	<u>3,324</u>	<u>2,620</u>

As at 31 March 2013, the Group had a total of 3,179 employees (3,324 as at 31 December 2012 and 2,620 as at 31 March 2012, respectively), 739 of which were online game developers of the research and development department, represented approximately 23.2% 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:

	<b>At 31 March 2013</b>	At 31 December 2012	At 31 March 2012
Research and development	<b>612</b>	557	326
Selling and marketing	<b>266</b>	303	207
Accounting, finance and general administration	<u>53</u>	<u>60</u>	<u>68</u>
Total	<u><b>931</b></u>	<u>920</u>	<u>601</u>

## **BUSINESS REVIEW AND PROSPECTS**

### **BUSINESS REVIEW**

During the period under review, the Group continued the endeavors to maintain its leading market position in the PRC's online game industry. It aimed to seize market opportunities of the online game industries in both the PRC and overseas in time by continuously implementing its strategies of developing and enhancing operation of its core games.

Complying with the business growth momentum of the mobile Internet industry in the PRC, the Group has continued its focus on developing its mobile Internet business as another source of business growth in addition to online games.

#### **Development and licensing of existing games**

To maximise the lifespan of its existing games, the Group has continued to launch timely upgrades by offering a variety of virtual items and tasks to players in order to maintain interest in the games among online players and bolster the popularity of its online games.

During the period under review, the Group also launched new expansion packs continuously to enrich the contents of its existing games. In March 2013, "Love in a Fallen City"\*(傾城之戀), the new expansion pack for Eudemons Online (魔域) was released and consolidated the strong attraction of this game to players. Moreover, the Group is also developing the mobile phone version of Eudemons Online (魔域) which will continue to adopt the tasks and some playing methods used in Eudemons Online (魔域).

\* For identification purpose only



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 a number of online game products in various countries and regions with market potential during the period under review.

In respect of the self-operated online games, language versions of the expansion pack “Return of the Archer”\* (弓手翻身) for Conquer Online (征服) in English, French, Spanish and Arabic were launched. The Group expects the offer of additional in-game items and premium features will bolster the popularity of its online games.

The Group has entered other overseas markets through close cooperation with local major operators. The Group has licensed its own in-house developed online games in various countries and regions, including Hong Kong, Malaysia, Macau, Taiwan, Brazil and Vietnam, to attract a larger user base.

### **Games in the pipeline**

To cope with the intensifying competition in the online game industry, in addition to updating 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.

Age of Egmont (獵龍戰記) (previously named as “Age of Emblem”\* (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. In February 2013, the mobile version of this game has also officially entered into the development stage.

\* *For identification purpose only*

## Mobile Internet Business

During the period under review, the mobile Internet business has become a significant part of the business of the Group, and the proposed spin-off of its mobile Internet business will help the Group to maximize the potential value. Besides, with continuous efforts put into the research and development and promotion of self-developed software products and games for smart-phones as well as the increasing revenue from advertisements, mobile games and online shops, the strategic importance of the Group's mobile Internet business has further increased. It becomes a key project in the future business development of the Group.

In 2013, the Group continues to launch self-developed software products for smart-phones, which cover a wide range of smart-phone platforms. As of 31 March 2013, the total number of users of the 91 Series smart phone application software (including 91 Assistant\* (91助手) (formerly known as “91 PC Suite”) and HiMarket\* (安卓市場), 91 Panda Reader \* (91熊貓看書), 91 Launcher\* (91桌面), etc.), one of the advanced smart phone applications in the PRC, has maintained a stable increase.

Among such application software items, 91 Assistant\* (91助手) (formerly known as “91 PC Suite”) is a mobile equipment management tool and a mobile apps store, which has released many new versions and commenced business co-operations with different parties to enhance the product competitiveness as well as user experience.

During the period under review, the Android version of 91 Launcher\* (91桌面) also released a number of versions with many practical, convenient and quick functions. The 3.0 version of 91 Launcher\* (91桌面) for iPhone was also released in March 2013 with a totally new interface layout and more content resources were introduced. 91 Launcher\* (91桌面) products will continue to make greater improvements in performance and experience and provide services to more users.

The Group continued to expand the scope of cooperation in group telecommunication in relation to the application of HiMarket\* (安卓市場) during the period under review, and established pre-fabrication cooperative relationship with several domestic large-scale chains of IT channels and became a leading player in the numerous domestic third-party markets.

\* For identification purpose only

The Group's smart phone platform had a significant increase in volume of the third-party mobile game products accessed by the software development kit (the "SDK") during the period under review. The Group launched the 91 Game Centre (the "91 Game Centre"), being the communication platform for mobile game users, in March 2013 on 91 Assistant\* (91 助手) (formerly known as "91 PC Suite") and HiMarket\* (安卓市場) simultaneously. In future, the smart phone platform will endeavor to introduce more mobile game products from domestic and international to further enhance the performance and functions of SDK and achieve new breakthroughs.

During the period under review, the Group has also launched the updated versions of self-developed cross-platform mobile games, such as 91 Farm\* (91農場), Hengha Warring States\* (哼哈三國), Warring States\* (戰國天下) and 91 Mythical Gods\* (91封神道). These games also provide numerous interactive features for players and their friends, enhancing the loyalty of the game players significantly.

In line with the development of business model in the mobile Internet application 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 and innovation of mobile Internet applications, contents and services for domestic and foreign small and medium enterprises and individual developers. The Group has also strengthened the content of the smart phone platform through cooperation with other mobile Internet partners in development.

On 9 January 2013, NetDragon Websoft Inc. ("NetDragon (BVI)"), a direct wholly owned subsidiary of the Company, awarded 6,114,500 ordinary shares of 91 Wireless Websoft Limited ("91 Wireless") 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).

\* *For identification purpose only*

On 9 and 10 January 2013, 91 Wireless issued the ordinary shares to NetDragon (BVI) and redeemable convertible preferred shares (“Preferred Share(s)”) 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 Dates of	
				date of the transaction	announcement of the transaction
(1) 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
(2) (i) Pacific Century Diversified Limited	91 Wireless issued to the New Series B Investors 7,016,778 Series B preferred Shares “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 has the right to 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) 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
(ii) Grandwin Enterprises Limited					
(iii) An individual investor					
(collectively, “New Series B Investors”)					

On 21 March 2013, all the holders of the series A preferred shares (the “Series A Preferred Shares”) made a request to 91 Wireless that each issued and outstanding Preferred Share be converted into fully paid non-assessable ordinary shares at the then conversion rate for each such Preferred Share pursuant to the third amended and restated articles of association of 91 Wireless adopted by special resolution passed on 10 January 2013. All the holders of the Series A Preferred Shares and the Series B Preferred Shares agreed the taking of the aforesaid actions by 91 Wireless.

In order to effect the Conversion, on 27 March 2013, 91 Wireless entered into a repurchase agreement between the Company and the holders of Series A Preferred Shares (the “Series A Repurchase Agreement”), they are IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. (collectively known as the “IDG Investors”) and Stonewell Resources Limited, and a repurchase agreement with the holders of Series B Preferred Shares (the “Series B Repurchase Agreement”), they are Vertex Asia Investments Pte. Ltd, IP Cathay II, L.P., DT Capital China Growth Fund, L.P., NetDragon (BVI), IDG Investors, Sino Coast Developments Limited, Pacific Century Diversified Limited, Grandwin Enterprises Limited and an Individual Investor.

Further details of the Series A Repurchase Agreement and the Series B Repurchase Agreement are set forth in the announcement of the Company dated 28 March 2013.

As of 31 March 2013, the mobile Internet business of the Group has 931 employees, representing approximately 29.3% of the overall staff headcount, which secured the leading position of the Group’s mobile Internet business in the future.

### **Enhancement of R&D capabilities**

The intense competition in the online game and mobile Internet application industries has driven the Group to focus on maintaining its core competitiveness by enhancing its R&D capabilities. As of 31 March 2013, the Group’s overall staff headcount was 3,179, of which 1,795 were members of the development team. After more than a decade of talent cultivation, the development team of the Group has gathered expertise in programming, design and graphics, which will support its fast development of the R&D, online and mobile game updates and software and application upgrades to accommodate the needs of the latest players and satisfy the emerging market trends.

## PROSPECTS AND OUTLOOK

Looking forward, the Group plans to further enhance its game development capabilities and to train talented R&D personnel. Apart from developing new online games to expand its product lines, the Group will continue to update the content for its online games and provide diversified online game versions to extend the lifespan of existing products, such that the Group's revenue base can be maximized.

In respect of its overseas market development, the Group will maintain its current market share in the overseas market with an additional focus on emerging markets with substantial potential to further strengthen its leading position in the global online game industry.

In respect of its mobile Internet business, it is expected that the increasing popularity of smart-phones and 3G network in the PRC, the increasing competitive edges, the extensive customer base and the optimized sales channels of the Group's mobile Internet products, including smart phone application software, smart mobile phone platform and applications, will facilitate the Group's new business breakthrough.

### Online Games

#### *MMORPGs*

The Group will continue to invest in the development of new MMORPGs, which are creative and considered to have 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 unlimited paid testing in January 2013, and released the new expansion pack "*Crazy Test*"\* (*瘋狂測試*) in April 2013.

\* *For identification purpose only*

### ***Other Online Games***

The Group will continue to launch the new expansion packs to enrich the contents of its existing games. “Super Evolution of Mechanized Body”\* (機體超級進化), the new Chinese expansion pack for Zero Online (機戰), was launched at the end of May 2013. The Group is also planning to launch the Portuguese expansion pack for Eudemons Online (魔域), “Vampire Crusade” (吸血聖戰), in June 2013.

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.

### ***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.

### **Mobile Internet Business**

The Group will further develop mobile Internet products, by launching updated versions for existing products on an ongoing basis, the Group can offer users with more user-friendly product experience and cater for their needs 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 game developers at home and abroad to create a win-win situation for all parties.

During the period under review, the Group’s mobile advertising business continued to maintain a rapid growth. Mobile advertising revenue as of 31 March 2013 again reached a new record high level. The Group believes that the continued rapid growth of the mobile advertising business benefited from the growth of the mobile Internet market in China, the increase in subscriber base of the 91 mobile platform and the Android mobile platform of the Group, as well as the Golden Touch\* (點金) mobile advertising platform, an independent advertising platform with built-in third-party applications launched by the Group in November 2011. Looking forward, the Group will continue to invest in the advertising sales team, sales systems and the research and development of the targeted advertising platform, while expanding more third-party mobile distribution channels to provide support and driving power for the continued growth of the mobile advertising business.

The Group is optimistic about the expansion of the mobile Internet business in the PRC. For the future expansion of the mobile Internet business, subsidiaries of the Company which focused on this sector have commenced operations independently since April 2011.

\* For identification purpose only

## **Conclusion**

In the face of the intensifying competition in the online game industry and the overall slowdown in the growth of the industry, the Group believes that its future success will rely more on its core competitiveness. To this end, the Group will further invest in and strengthen its game development and operation capabilities by launching internal training programs and employing experienced elite game developers, graphic designers and market operators for the continuous enhancement of its product appeal to players.

There has been a surge in the number of online game products which resulted in a higher market expectation on quality online games. In view of this, the Group devoted efforts to cater for the demands of players on storyline setting, graphic style and playing methods of new games by regulating the development process of various game projects during the period under review. It carried out initiatives to optimise the perspectives and planning of market forecast at the early development stage, identify development targets for each version of game projects and improve operating standards for projects which are subject to regular auditing. The above measures also helped optimize the cost structure of the Group and generate more profits from the future revenue growth.

The Group's advanced lay-out for its mobile Internet business is expected to boost its rapid growth in 2013. The Group has also established a project establishment process for mobile Internet products to standardize the project initiation application of such products. With the favourable mobile Internet development in the PRC as well as the endeavours of the Group, the Group believes that the mobile Internet business will become another major source of growth apart from its online games.

### **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 land 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 are expected to commence the operation before the fourth quarter of 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. The selected site, scale and scope of the education college have been determined and the relevant land procedures are under processed. With the support of preferential policies from the provincial and municipal governments, Haixi Animation Creativity City is expected to become a key zone for creativity industries in the southeast coastal region.

As at 31 March 2013, the Group had capital commitments in relation to the development of the Project of approximately RMB395.7 million, of which the Group had paid up approximately RMB253.1 million.

### **Other Events**

The Group has 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 the staff. The Group had successfully enhanced the mobility of staff and maintained the growth momentum. This project has also lowered total labour costs as shown in the results and further stimulated staff morale and sense of responsibility.

To cope with the strengthening of the game development process, the Group continues to enhance its integrated operation model including business process management system, time management system, bug management system, production schedules system and version management system, which will help to improve efficiency of operation, project management and office administrative processes.

\* *For identification purpose only*

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

As at 31 March 2013, 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	254,383,752(L)	50.33%
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	254,183,752(L)	50.29%
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	Beneficial owner and through controlled corporations	252,783,752(L)	50.01%
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%

<b>Name of Director</b>	<b>Name of company</b>	<b>Capacity and nature of interests</b>	<b>Number of shares and underlying shares held or amount of registered capital contributed</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Chen Hongzhan <i>(Note 4)</i>	The Company	Beneficial owner and through a controlled corporation	13,300,019(L)	2.63%
Chao Guowei, Charles <i>(Note 5)</i>	The Company	Beneficial owner	997,019(L)	0.19%
Lee Kwan Hung <i>(Note 5)</i>	The Company	Beneficial owner	997,019(L)	0.19%
Liu Sai Keung, Thomas <i>(Note 5)</i>	The Company	Beneficial owner	997,019(L)	0.19%

*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 36.81% 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 36.81% 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 3.84% 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 49.63% 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 share options and 1,400,000 share options 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 Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) (“NetDragon (Fujian)”), which in turn is interested in 99.00% of the registered capital of Shanghai Tiankun Digital Technology Limited\* (上海天坤數碼科技有限公司) (“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 share options of the Company on 7 December 2009 and granted 284,000 share options of the Company on 22 July 2011. 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 options 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 March 2013, 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.

\* *For identification purpose only*

## 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 March 2013, 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 <i>(Note 1)</i>	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	186,078,100(L)	36.81%
NetDragon (Fujian)	NetDragon (Shanghai)	Beneficial owner	RMB990,000(L)	99.00%
IDG Group <i>(Note 2)</i>	The Company	Beneficial owner	78,333,320(L)	15.50%
Ho Chi Sing <i>(Note 2)</i>	The Company	Through controlled corporations	78,333,320(L)	15.50%
Zhou Quan <i>(Note 2)</i>	The Company	Through controlled corporations	73,490,095(L)	14.54%
Richmedia Holdings Limited <i>(Note 3)</i>	The Company	Beneficial owner	26,344,800(L)	5.21%
IDG Investors <i>(Note 4)</i>	91 Wireless	Beneficial owner	14,582,750(L)	10.39%
NetDragon (BVI)	91 Wireless	Beneficial owner	80,571,528(L)	57.41%

*Notes:*

- 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 8.00%, 1.64% and 0.75%, 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*.

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 March 2013.

## 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 period ended 31 March 2013 are as follows:

Grantee	Date of grant	Exercise Price HKD	As at 1 January 2013	Number of share options			As at 31 March 2013
				Granted	Exercised	Lapsed	
<b>Executive Directors</b>							
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
<b>Independent non-executive Directors</b>							
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	300,000	—	—	—	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
<b>Others</b>							
Employees	07.12.2009	4.33	2,200,000	—	—	—	2,200,000
	28.04.2011	4.80	11,867,687	—	141,880	142,050	11,583,757
	22.07.2011	4.60	1,087,780	—	25,000	20,000	1,042,780
	23.04.2012	5.74	1,978,000	—	—	117,500	1,860,500
	06.07.2012	6.53	735,250	—	—	—	735,250
	12.09.2012	7.20	117,500	—	—	—	117,500
	16.01.2013	11.164	—	789,500	—	—	789,500
Total			<u>26,022,217</u>	<u>789,500</u>	<u>166,880</u>	<u>279,550</u>	<u>26,365,287</u>

*Notes:*

1. On 16 January 2013, 789,500 share options were granted to the employees of the Company under the Main Board Share Option Scheme. The closing price of the Company's shares on 16 January 2013 (the trading day on the grant of the share options) was HKD10.98.
2. During the period under review, no share options were exercised by Directors 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.

As at 31 March 2013, 1,269,603 awarded shares granted to a number of selected participants were outstanding. The awarded shares, which were purchased at a price of HKD5.07 per share by the Trustee, 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 1,269,603 awarded shares granted, a total of 472,848 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 March 2013, 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 granted 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 March 2013, no awarded shares were granted under the Best Assistant Share Award Scheme.

### **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 CORPORATE GOVERNANCE CODE**

Throughout the period 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.

## **MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code under Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standard of dealings as set out on the Model Code under Appendix 10 to the Listing Rules and the code of conduct of the Company regarding securities transactions by the Directors for the three months ended 31 March 2013.

## **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. 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 unaudited consolidated financial statements for the period ended 31 March 2013 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 three months ended 31 March 2013, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 3 June 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.*