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NetDragon Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND NINE MONTHS ENDED
30 SEPTEMBER 2014**

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 and nine months ended 30 September 2014. The third 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 and nine months ended 30 September 2014 together with the comparative figures in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

		Three months ended 30 September		Nine months ended 30 September	
		2014	2013	2014	2013
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NOTES	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	4	232,702	219,364	679,937	655,517
Cost of revenue		(23,530)	(19,837)	(66,502)	(58,356)
Gross profit		209,172	199,527	613,435	597,161
Other income and gains	4	36,034	12,476	124,637	30,293
Selling and marketing expenses		(38,569)	(27,935)	(101,289)	(74,508)
Administrative expenses		(77,538)	(87,611)	(206,058)	(225,261)
Development costs		(67,341)	(45,349)	(159,982)	(118,388)
Other expenses		(3,666)	(1,259)	(22,050)	(4,756)
Share of losses of associates		(406)	(41)	(639)	(24)
Operating profit		57,686	49,808	248,054	204,517
Interest income on pledged bank deposit		638	222	2,319	4,043
Exchange gain (loss) on pledged bank deposit and secured bank borrowing		1,188	(1,769)	(5,081)	128
Net (loss) gain on derivative financial instrument		(646)	—	6,817	(2,359)
Net loss on held-for-trading investments		(1,553)	—	(399)	—
Finance costs		(728)	(326)	(2,977)	(3,683)
Profit before taxation		56,585	47,935	248,733	202,646
Taxation	6	(4,166)	(10,974)	(54,755)	(33,507)
Profit for the period from continuing operations	7	52,419	36,961	193,978	169,139
Discontinued operations					
Profit for the period from discontinued operations	8	—	105,586	—	244,078
Profit for the period		52,419	142,547	193,978	413,217
Other comprehensive (expense) income for the period, net of income tax:					
Exchange differences arising on translation of foreign operations that may be reclassified subsequently to profit or loss		(161)	(167)	421	(792)
Total comprehensive income for the period		52,258	142,380	194,399	412,425

	Three months ended		Nine months ended	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NOTE	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) for the period attributable to:				
- Owners of the Company	52,595	97,230	196,087	333,631
- Non-controlling interests	(176)	45,317	(2,109)	79,586
	<u>52,419</u>	<u>142,547</u>	<u>193,978</u>	<u>413,217</u>
Profit for the period attributable to owners of the Company:				
- from continuing operations	52,595	36,926	196,087	169,170
- from discontinued operations	—	60,304	—	164,461
Profit for the period attributable to owner of the Company	<u>52,595</u>	<u>97,230</u>	<u>196,087</u>	<u>333,631</u>
(Loss) profit for the period attributable to non-controlling interests:				
- from continuing operations	(176)	35	(2,109)	(31)
- from discontinued operations	—	45,282	—	79,617
(Loss) profit for the period attributable to non-controlling interests	<u>(176)</u>	<u>45,317</u>	<u>(2,109)</u>	<u>79,586</u>
Total comprehensive income (expense) attributable to:				
- Owners of the Company	52,434	97,063	196,508	332,839
- Non-controlling interests	(176)	45,317	(2,109)	79,586
	<u>52,258</u>	<u>142,380</u>	<u>194,399</u>	<u>412,425</u>
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share				
From continuing and discontinued operations				
- Basic	10.31	19.14	38.55	65.97
- Diluted	<u>10.27</u>	<u>19.02</u>	<u>38.08</u>	<u>59.75</u>
From continuing operations				
- Basic	10.31	7.27	38.55	33.45
- Diluted	<u>10.27</u>	<u>7.22</u>	<u>38.08</u>	<u>32.86</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

		30 September 2014	31 December 2013
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	11	771,887	532,684
Prepaid lease payments	12	379,263	185,819
Investment property	12	—	15,725
Intangible assets		143,380	—
Interests in associates		30,510	1,299
Available-for-sale investments		5,000	5,000
Loan receivables		15,897	16,041
Deposits made for acquisition of property, plant and equipment		19,444	16,769
Other receivable		—	60,969
Goodwill		18,780	12,534
Deferred tax assets		54	54
		<u>1,384,215</u>	<u>846,894</u>
Current assets			
Prepaid lease payments	12	2,708	2,583
Loan receivables		898	713
Trade receivables	13	52,252	41,718
Other receivables, prepayments and deposits		167,914	69,770
Amounts due from related companies		1,704	4,564
Amounts due from associates		72	—
Held-for-trading investments		185,884	20,735
Pledged bank deposit	14	—	107,368
Bank deposits		2,540,917	3,051,289
Bank balances and cash		<u>671,934</u>	<u>1,304,355</u>
		<u>3,624,283</u>	<u>4,603,095</u>

		30 September 2014	31 December 2013
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and other payables	15	168,999	152,837
Deferred income		27,008	26,553
Amount due to a related company		340	—
Secured bank borrowing	14	—	104,672
Other financial liability		—	3,122
Income tax payable		<u>136,505</u>	<u>539,927</u>
		<u>332,852</u>	<u>827,111</u>
Net current assets		<u>3,291,431</u>	<u>3,775,984</u>
Total assets less current liabilities		<u>4,675,646</u>	<u>4,622,878</u>
Non-current liabilities			
Other payables	16	2,248	—
Deferred tax liabilities		<u>51</u>	<u>—</u>
		<u>2,299</u>	<u>—</u>
Net assets		<u>4,673,347</u>	<u>4,622,878</u>
Capital and reserves			
Share capital		37,849	37,664
Share premium and reserves		<u>4,633,727</u>	<u>4,577,478</u>
Equity attributable to owners of the Company		4,671,576	4,615,142
Non-controlling interests		<u>1,771</u>	<u>7,736</u>
		<u>4,673,347</u>	<u>4,622,878</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	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		Retained profits	Total	Non-controlling interests	Total equity
			reserve	reserve							reserve	reserve				
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	RMB'000	RMB'000
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	—	—	—	—	—	—	—	—	—	—	—	333,631	333,631	79,586	413,217	
Other comprehensive expense for the period	—	—	—	—	—	—	—	—	—	—	(792)	—	(792)	—	(792)	
Total comprehensive (expense) income for the period	—	—	—	—	—	—	—	—	—	—	(792)	333,631	332,839	79,586	412,425	
Repurchase and cancellation of shares	(422)	(82,598)	422	—	—	—	—	—	—	—	—	(422)	(83,020)	—	(83,020)	
Shares issued upon exercise of share options	499	44,240	—	—	—	—	—	—	—	(15,299)	—	—	29,440	—	29,440	
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	14,436	—	—	14,436	—	14,436	
Recognition of equity-settled share-based payments granted by subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	113,991	113,991	
Conversion of redeemable convertible preferred shares	—	—	—	408,261	—	—	—	—	—	—	—	—	408,261	188,614	596,875	
Contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	3,990	3,990	
Awarded shares vested to employees	—	—	—	—	—	—	—	—	1,445	(2,846)	—	1,401	—	—	—	
Final dividend for 2012 paid	—	—	—	—	—	—	(81,947)	—	—	—	—	(391)	(82,338)	—	(82,338)	
Interim dividend for 2013 declared and paid	—	—	—	—	—	—	—	—	—	—	—	(81,329)	(81,329)	—	(81,329)	
Acquisition of additional equity interests from non-controlling shareholders of a subsidiary	—	—	—	(1,049)	—	—	—	—	—	—	—	—	(1,049)	1,049	—	
At 30 September 2013 (unaudited)	37,609	1,031,486	4,139	409,421	10,045	172,895	—	673	(5,780)	27,277	(58,971)	302,295	1,931,089	409,384	2,340,473	
At 1 January 2014	37,664	1,036,480	4,139	—	10,045	202,885	79,977	673	(5,780)	29,777	(59,309)	3,278,591	4,615,142	7,736	4,622,878	
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	—	—	196,087	196,087	(2,109)	193,978	
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	421	—	421	—	421	
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	—	—	—	421	196,087	196,508	(2,109)	194,399	
Repurchase and cancellation of shares	(176)	(27,609)	176	—	—	—	—	—	—	—	—	(176)	(27,785)	—	(27,785)	
Shares issued upon exercise of share options	199	17,998	—	—	—	—	—	—	—	(5,782)	—	—	12,415	—	12,415	
Shares issued upon acquisition of subsidiaries	162	28,031	—	—	—	—	—	—	—	—	—	—	28,193	—	28,193	
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	8,710	—	—	8,710	—	8,710	
Awarded shares vested to employees	—	—	—	—	—	—	—	—	1,445	(2,803)	—	1,358	—	—	—	
Return of capital to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,990)	(3,990)	
Contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	300	300	
Acquisition of non-wholly owned subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	58	58	
Final dividend for 2013 paid	—	—	—	—	—	—	(79,977)	—	—	—	—	(353)	(80,330)	—	(80,330)	
Interim dividend for 2014 declared and paid	—	—	—	—	—	—	—	—	—	—	—	(81,277)	(81,277)	—	(81,277)	
Dividend paid to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(224)	(224)	
At 30 September 2014 (unaudited)	37,849	1,054,900	4,315	—	10,045	202,885	—	673	(4,335)	29,902	(58,888)	3,394,230	4,671,576	1,771	4,673,347	

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

	Nine months ended 30 September	
	2014	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<u>(226,674)</u>	<u>999,066</u>
INVESTING ACTIVITIES		
Acquisitions of subsidiaries	(116,183)	—
Acquisitions of investments in associates	(28,992)	—
Acquisitions of held-for-trading investments	(165,548)	—
Purchase of property, plant and equipment	(254,092)	(143,167)
Purchase of prepaid lease payments	(195,287)	(60,267)
Proceeds from disposal of prepaid lease payments	—	11,760
Proceeds from return of capital from interest in an associate	—	5,600
Deposits paid for acquisition of property, plant and equipment	(15,974)	(26,898)
Placement of bank deposits	(2,117,950)	(316,050)
Placement of pledged bank deposit	—	(108,268)
Withdrawal of pledged bank deposit	112,363	182,149
Withdrawal of bank deposits	2,645,850	291,139
Other investing activities	<u>38,527</u>	<u>18,755</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(97,286)</u>	<u>(145,247)</u>
FINANCING ACTIVITIES		
Contribution from a non-controlling shareholder	300	—
Proceeds from issue of redeemable convertible preferred shares	—	109,888
Proceeds from shares issued upon exercise of share options	12,415	29,440
Dividends paid	(161,607)	(163,667)
Dividend paid to non-controlling interest of a subsidiary	(224)	—
Payment for repurchase of shares	(27,785)	(83,020)
New bank borrowing raised	—	110,036
Repayment of secured bank borrowing	(111,052)	(179,660)
Repayment of borrowings	(3,378)	—
Repayment of amount due to an associate	—	(5,600)
Other financing activities	<u>(4,848)</u>	<u>4,848</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(296,179)</u>	<u>(177,735)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(620,139)	676,084
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,304,355	1,142,825
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(12,282)</u>	<u>(1,169)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u><u>671,934</u></u>	<u><u>1,817,740</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

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 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 games development, including games design, programming and graphics and online games operation. The Group was also engaged in mobile Internet business which was discontinued since 1 October 2013.

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 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 “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 nine months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. REVENUE, OTHER INCOME AND GAINS

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue				
Online game revenue	<u>232,702</u>	<u>219,364</u>	<u>679,937</u>	<u>655,517</u>
Other income and gains				
Government grants (Note)	4,060	4,040	13,649	13,913
Interest income	25,003	7,444	70,686	13,785
Net foreign exchange gain	—	—	23,709	—
Gain on disposal of held-for-trading investment	—	—	—	229
Game implementation income	2,696	380	7,645	931
Compensation income	1,739	—	1,739	—
Rental income, net of negligible outgoing expenses	97	118	346	364
Server rental income	928	—	3,860	—
Others	<u>1,511</u>	<u>494</u>	<u>3,003</u>	<u>1,071</u>
	<u>36,034</u>	<u>12,476</u>	<u>124,637</u>	<u>30,293</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. The Group has only one operating segment (i.e. online games development and operation and marketing of those online games) from its continuing operations.

With effect from 1 October 2013, the Group’s mobile Internet business segment has been classified as discontinued operations upon the disposal of 91 Wireless Websoft Limited and its subsidiaries (“91 Group”), which is described in more details in note 8. Accordingly, the comparative information has been restated to present the results of the mobile Internet business as discontinued operations to conform with the current period’s presentation.

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segment:

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB’000	RMB’000	RMB’000	RMB’000
Segment revenue	<u>232,702</u>	<u>219,364</u>	<u>679,937</u>	<u>655,517</u>
Segment profit	62,166	93,662	252,701	324,479
Unallocated income and gains	26,292	8,056	91,156	15,220
Unallocated expenses	(31,467)	(53,742)	(94,485)	(137,029)
Share of losses of associates	<u>(406)</u>	<u>(41)</u>	<u>(639)</u>	<u>(24)</u>
Profit before taxation	<u>56,585</u>	<u>47,935</u>	<u>248,733</u>	<u>202,646</u>

The accounting policies of the operating segment are the same as the Group’s accounting policies. Segment profit represents the profit earned by segment 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, net (loss) gain on derivative financial instrument, 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.

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

	30 September 2014	31 December 2013
	<i>(Unaudited)</i>	<i>(Audited)</i>
	RMB'000	RMB'000
Online game	4,646,423	5,129,373
Unallocated	<u>362,075</u>	<u>320,616</u>
	<u>5,008,498</u>	<u>5,449,989</u>

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

6. TAXATION

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Continuing operations	RMB'000	RMB'000	RMB'000	RMB'000
The tax charge comprises:				
Hong Kong Profits Tax	2,537	1,445	6,397	4,826
PRC Enterprise Income Tax ("EIT")	1,564	9,464	48,262	28,524
Taxation in other jurisdiction	<u>65</u>	<u>65</u>	<u>96</u>	<u>157</u>
	<u>4,166</u>	<u>10,974</u>	<u>54,755</u>	<u>33,507</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the three months and nine months ended 30 September 2014 and 2013.

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

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

7. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period from continuing operations has been arrived at after charging (crediting):				
Staff costs:				
Directors' emoluments	1,948	1,726	5,792	6,156
Other staff costs				
Salaries and other benefits	101,797	61,048	253,631	177,156
Contributions to retirement benefits schemes	10,055	5,766	22,208	16,153
Share-based payments expense	4,734	32,424	15,533	85,924
	<u>118,534</u>	<u>100,964</u>	<u>297,164</u>	<u>285,389</u>
Amortisation of intangible assets (included in cost of revenue)	87	400	175	1,217
Amortisation of intangible assets (included in administrative expenses)	3,149	—	3,149	—
Release of prepaid lease payments (included in administrative expenses)	590	464	1,718	1,193
Depreciation of property, plant and equipment	16,509	10,702	44,286	33,180
Total depreciation and amortisation	<u>20,335</u>	<u>11,566</u>	<u>49,328</u>	<u>35,590</u>
Amount written off as bad debts	—	—	5,208	—
Operating lease rentals in respect of:				
- rented premises	4,156	2,520	9,989	7,310
- computer equipment	9,122	7,906	26,284	24,571
Net foreign exchange (gain) loss	(387)	(212)	(18,628)	1,715
Write off of intangible assets (included in other expenses)	—	52	—	52
Loss on disposal of property, plant and equipment	260	5	459	179

8. DISCONTINUED OPERATIONS

On 14 August 2013, NetDragon Websoft Inc. (“NetDragon BVI”), a wholly owned subsidiary of the Company, and Baidu Holdings Limited (“Baidu”), an independent third party, entered into a sale and purchase agreement (“S&P Agreement”) pursuant to which NetDragon BVI has conditionally agreed to sell, and Baidu has conditionally agreed to purchase the entire equity interest of 91 Group (the “Disposal”). The Disposal was completed on 1 October 2013.

The profit from the discontinued operations for the three months and nine months ended 30 September 2013 was analysed as follows:

	Three months ended 30 September 2013 (Unaudited) RMB'000	Nine months ended 30 September 2013 (Unaudited) RMB'000
Profit for the period	<u>105,586</u>	<u>244,078</u>
Attributable to:		
- Owners of the Company	60,304	164,461
- Non-controlling interests	<u>45,282</u>	<u>79,617</u>
	<u>105,586</u>	<u>244,078</u>

The results of the mobile Internet business for the three months and nine months ended 30 September 2013 were as follows:

	Three months ended 30 September 2013 (Unaudited) RMB'000	Nine months ended 30 September 2013 (Unaudited) RMB'000
Revenue	261,500	608,188
Cost of revenue	<u>(29,439)</u>	<u>(78,212)</u>
Gross profit	232,061	529,976
Other income and gains	2,390	6,976
Selling and marketing expenses	(33,558)	(61,604)
Administrative expenses	(25,201)	(74,989)
Development costs	(20,964)	(57,873)
Other expenses	(4,899)	(15,179)
Share of losses of associates	(216)	(937)
Share of (loss) profit of a joint venture	<u>(122)</u>	<u>796</u>
Operating profit	149,491	327,166
Exchange gain on redeemable convertible preferred shares	—	1,133
Net gain on derivative financial instruments	—	32,704
Finance costs	<u>—</u>	<u>(10,875)</u>
Profit before taxation	149,491	350,128
Taxation	<u>(43,905)</u>	<u>(106,050)</u>
Profit for the period from discontinued operations	<u><u>105,586</u></u>	<u><u>244,078</u></u>

9. DIVIDENDS

On 13 June 2014, a dividend of Hong Kong dollars (“HKD”) 0.20 per share (2013: HKD0.20 per share) was paid to shareholders as the final dividend for 2013. The aggregate amount of the final dividend paid in current interim period amounted to approximately RMB80,330,000 (2013: RMB82,338,000).

Interim dividend of HKD0.20 per share for the six months ended 30 June 2014 (six months ended 30 June 2013: HKD0.20 per share), amounting to RMB81,277,000 (six months ended 30 June 2013: RMB81,329,000) in aggregate, had been approved by the directors of the Company at the Board meeting on 22 August 2014 and was paid on 23 September 2014.

The directors of the Company do not recommend the payment of an interim dividend for the three months ended 30 September 2014 (three months ended 30 September 2013: Nil).

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share:				
- profit for the period attributable to the owners of the Company	52,595	97,230	196,087	333,631
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>—</u>	<u>—</u>	<u>—</u>	<u>(26,009)</u>
Earnings for the purpose of diluted earnings per share	<u>52,595</u>	<u>97,230</u>	<u>196,087</u>	<u>307,622</u>
	Number of shares			
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
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)	510,112	507,868	508,733	505,752
Effect of dilutive potential shares from the Company's share option scheme	<u>2,069</u>	<u>3,421</u>	<u>6,226</u>	<u>9,095</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>512,181</u>	<u>511,289</u>	<u>514,959</u>	<u>514,847</u>

Note: The computation of diluted earnings per share for the three months and nine months ended 30 September 2013 had taken into account the effect of share awards and redeemable convertible preferred shares issued by 91 Wireless Websoft Limited.

From continuing operations

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

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share:				
Profit for the period attributable to the owners of the Company	52,595	97,230	196,087	333,631
Less: profit for the period from discontinued operations attributable to the owners of the Company	<u>—</u>	<u>60,304</u>	<u>—</u>	<u>164,461</u>
Earnings for the purposes of calculating basic and diluted earnings per share from continuing operations	<u>52,595</u>	<u>36,926</u>	<u>196,087</u>	<u>169,170</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

The basic and diluted earnings per share from discontinued operations attributable to the owners of the Company are as follows:

	Three months ended	Nine months ended
	30 September 2013	30 September 2013
	RMB cents	RMB cents
Earnings per share		
- Basic	11.87	32.52
- Diluted	<u>11.80</u>	<u>26.89</u>

Basic and diluted earnings per share from discontinued operations for the three months and nine months ended 30 September 2013 are calculated based on the profit attributable to the owners of the Company from discontinued operations of approximately RMB60,304,000 and RMB164,461,000 (and after deducting the adjustment to the share of profit of subsidiaries of approximately RMB26,009,000 for diluted earnings per share) for the three months and nine months ended 30 September 2013, respectively and the denominators detailed above for both basic and diluted earnings per share from continuing operations.

11. PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2014, the deposits of approximately RMB13,299,000 were transferred to property, plant and equipment (nine-month period ended 30 September 2013: Nil) and the Group spent RMB254,092,000 (nine-month period ended 30 September 2013: RMB143,167,000) for the acquisition of property, plant and equipment to expand its operations. The additions for the period mainly included RMB67,124,000 (nine-month ended 30 September 2013: RMB34,507,000) in office and computer equipment and RMB185,100,000 (nine-month ended 30 September 2013: RMB97,891,000) in construction in progress. The Group has no material disposal of property, plant and equipment in both periods.

12. PREPAID LEASE PAYMENTS/INVESTMENT PROPERTY

During the nine-month period ended 30 September 2014, the Group spent approximately RMB195,287,000 (2013: RMB60,267,000) for the acquisition of prepaid lease payments to expand its buildings located in Fuzhou. The Group disposed of the prepaid lease payment of approximately RMB11,760,000 with the same amount of consideration for the period ended 30 September 2013 and no disposal made during the period ended 30 September 2014. The Group is in the process of obtaining the land use right certificates.

During the nine-month period ended 30 September 2014, the Group's investment property with fair value of RMB15,882,000 was transferred to property, plant and equipment as the Group changed its intention from earning rentals to self-use.

13. 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 revenue recognition dates.

	30 September 2014 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2013 <i>(Audited)</i> <i>RMB'000</i>
0 - 30 days	28,714	22,806
31 - 60 days	7,452	5,088
61 - 90 days	4,646	10,211
Over 90 days	11,440	3,613
	<u>52,252</u>	<u>41,718</u>

14. PLEDGED BANK DEPOSIT/SECURED BANK BORROWING

The secured bank borrowing as at 31 December 2013, which was denominated in Australian dollar at interest rate of 3.84% per annum, was fully settled on 5 September 2014. The borrowing was secured by the pledged bank deposit which was denominated in United States dollar (“USD”) and was fully released upon the repayment of bank borrowing.

15. TRADE AND OTHER PAYABLES

	30 September 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Trade payables	13,236	6,050
Accrued staff costs	64,141	70,214
Receipt in advance	27,508	20,065
Other tax payables (<i>Note</i>)	5,714	—
Other payables and accruals	<u>58,400</u>	<u>56,508</u>
	<u>168,999</u>	<u>152,837</u>

Note: On 28 December 2011, 91 Wireless Websoft Limited introduced a 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. Upon the Disposal on 1 October 2013 as described in note 8, the eligible participants would be entitled to the merger consideration of USD13.168 per share and the special dividend of USD0.371 per share of 91 Wireless Websoft Limited in cash, which were both received by the Group on behalf of the eligible participants. As at 30 September 2014, an amount of approximately RMB5.7 million of withholding PRC personal income tax calculated at the applicable tax rate and other surcharges was withheld by the Group.

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

	30 September 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
0 - 90 days	11,795	2,576
91 - 180 days	998	3,121
181 - 365 days	15	61
Over 365 days	<u>428</u>	<u>292</u>
	<u>13,236</u>	<u>6,050</u>

16. OTHER PAYABLES

Other payables represent the consideration received on behalf of the eligible participants of the share award scheme upon the disposal of 91 Wireless Websoft Limited as described in note 15. As at 30 September 2014, an amount of approximately RMB2,039,000, which is repayable within twelve months after the end of the reporting period in accordance with the deferred payment agreement, is included in other payables as current liabilities. The remaining balance of approximately RMB2,248,000, which are repayable on 1 October 2015 and 31 January 2016 in accordance with deferred payment agreement, are included as non-current liabilities.

17. 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.

During the nine-month period ended 30 September 2014, options were granted on 25 April 2014. Details of such share options are as follows:

Date of grant	Vesting period	Exercisable period	Outstanding at 30 September 2014
25 April 2014	25 April 2014 - 31 December 2014	1 January 2015 - 24 April 2024	139,000
25 April 2014	25 April 2014 - 31 December 2015	1 January 2016 - 24 April 2024	139,000
25 April 2014	25 April 2014 - 31 December 2016	1 January 2017 - 24 April 2024	139,000
25 April 2014	25 April 2014 - 31 December 2017	1 January 2018 - 24 April 2024	139,000
			<u>556,000</u>

Movements in the share options granted on 25 April 2014 are as follows:

Date of grant	Granted during period	Forfeited during period	Outstanding at 30 September 2014
25 April 2014	<u>556,000</u>	<u>—</u>	<u>556,000</u>

The fair value of the options granted on that date was approximately RMB3,225,000. 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	HKD14.66
Exercise price	HKD14.66
Risk-free interest rate	1.848-1.957%
Expected option life	7.67-8.42 years
Expected volatility	56.31%
Expected dividend yield	2.729%

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:

	Number of Share options
Outstanding as at 1 January 2014	17,170,989
Granted during the period	556,000
Forfeited during the period	(1,105,530)
Exercised during the period	<u>(3,235,899)</u>
Outstanding as at 30 September 2014	<u>13,385,560</u>

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HKD14.09.

The Group recognised the total expenses of approximately RMB1,514,000 and RMB5,978,000 for the three months and nine months ended 30 September 2014, respectively (three months and nine months ended 30 September 2013: RMB2,567,000 and RMB7,581,000, respectively) in relation to share options granted by the Company.

Upon the Disposal as detailed in note 8, few participants of 91 Group under the Scheme are no longer the staffs of the Group. However, the share options of these participants shall not lapse on the date of the Disposal, but shall continue to have effect under the Scheme. The Group recognised the total expense of approximately RMB122,000 and RMB362,000 for the three months and nine months ended 30 September 2014, respectively (three months and nine months ended 30 September 2013: Nil) in relation to these share options granted.

(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 RMB801,000 and RMB2,370,000 for the three months and nine months ended 30 September 2014, respectively (three months and nine months ended 30 September 2013: approximately RMB1,365,000 and RMB6,855,000, respectively) in relation to share awards.

317,400 share awards were vested and released during the nine months ended 30 September 2014 (nine months ended 30 September 2013: 317,397). The number of share awards outstanding at 30 September 2014 was 952,203.

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

Pursuant to the announcement of the Company dated 28 December 2011, the former 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”).

No expenses was recognised for the three months and nine months ended 30 September 2014 (three months and nine months ended 30 September 2013: approximately RMB36,064,000 and RMB70,748,000, respectively) in relation to share award issued by a subsidiary of the Company under the 91 Share Award Scheme by the Group.

No 91 Awards was vested and released during the period ended 30 September 2014 (nine months ended 30 September 2013: 2,472,009 shares).

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

Pursuant to the announcement of the Company dated 10 January 2013, a direct wholly owned subsidiary of the Company, NetDragon Websoft Inc. has awarded 6,114,500 shares of 91 Wireless Websoft Limited to certain selected participants of the Group. Among the shares awarded, 1,528,625 shares were entitled by the selected participants on 9 January 2013, 1,528,625 shares were entitled by the selected participants on 1 January 2014, 1,528,625 shares will be entitled by the selected participants on 1 January 2015 and the remaining 1,528,625 shares will be entitled by the selected participants on 1 January 2016.

Fair value of the shares awarded 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 awarded on 9 January 2013 was approximately RMB70,165,000.

The Group recognised the total expenses of approximately RMB3,571,000 and RMB10,601,000 for the three months and nine months ended 30 September 2014, respectively (three months and nine months ended 30 September 2013: approximately RMB8,633,000 and RMB43,243,000, respectively) in relation to the shares awarded on 9 January 2013.

Upon the Disposal with effective from 1 October 2013 as detailed in note 8, certain participants of 91 Group under the Scheme are no longer the employees of the Group and the shares awarded to these participants shall be lapsed. However, the board of directors have approved shares awarded to these employees to continue to have effect as stated in the relevant letters of grant initially issued by a subsidiary of the Company. The Group recognised the total expenses of approximately RMB325,000 and RMB962,000 for the three months and nine months ended 30 September 2014, respectively (three months and nine months ended 30 September 2013: Nil) in relation to these share awarded.

18. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) **Repurchase of shares**

In October 2014, the Company repurchased 2,824,500 of its own shares through purchase on the Stock Exchange with a consideration of RMB29,634,000 (HKD37,395,000) for cancellation.

(ii) **Sale of shares of Best Assistant Education Online Limited (“Best Assistant”) to Idea Gain Limited**

On 1 November 2014, 180,000,000 shares of Best Assistant, a wholly owned subsidiary, were sold to Idea Gain Limited, for a consideration of RMB90,000,000, which represented approximately 13.85% of shareholding interest of Best Assistant.

(iii) **Acquisition of a non-wholly owned subsidiary**

On 18 November 2014, 福建天音文化傳媒有限公司 (“福建天音”), a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties, pursuant to which 福建天音 conditionally agreed to inject RMB7,875,000 into 北京就是迷文化傳媒有限公司 for obtaining its 70% equity interests. The acquisition was completed in November 2014. The directors are in the process of ascertaining the financial impact arising on this transaction.

OPERATION INFORMATION

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

		Three months ended			
	30 September 2014	30 June 2014	31 March 2014	31 December 2013	30 September 2013
PCU	382,000	471,000	472,000	477,000	510,000
ACU	225,000	239,000	239,000	266,000	270,000

Note: As at 30 September 2014, 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 382,000 for the three months ended 30 September 2014, representing a decrease of approximately 18.9% from the three months ended 30 June 2014 and representing a decrease of approximately 25.1% from the three months ended 30 September 2013.

We also recorded the ACU for online games of approximately 225,000 for the three months ended 30 September 2014, which represented a decrease of approximately 5.9% from the three months ended 30 June 2014 and represented a decrease of approximately 16.7% from the three months ended 30 September 2013.

**FINANCIAL PERFORMANCE HIGHLIGHTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

The following table sets forth the comparative figures for the nine months ended 30 September 2014 and 2013:

	Nine months ended	
	30 September	
	2014	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Revenue	679,937	655,517
Cost of revenue	<u>(66,502)</u>	<u>(58,356)</u>
Gross profit	613,435	597,161
Other income and gains	124,637	30,293
Selling and marketing expenses	(101,289)	(74,508)
Administrative expenses	(206,058)	(225,261)
Development costs	(159,982)	(118,388)
Other expenses	(22,050)	(4,756)
Share of losses of associates	<u>(639)</u>	<u>(24)</u>
Operating profit	248,054	204,517
Interest income on pledged bank deposit	2,319	4,043
Exchange (loss) gain on pledged bank deposit and secured bank borrowing	(5,081)	128
Net gain (loss) on derivative financial instrument	6,817	(2,359)
Net loss on held-for-trading investments	(399)	—
Finance costs	<u>(2,977)</u>	<u>(3,683)</u>
Profit before taxation	248,733	202,646
Taxation	<u>(54,755)</u>	<u>(33,507)</u>
Profit for the period from continuing operations	193,978	169,139
Discontinued operations		
Profit for the period from discontinued operations	<u>—</u>	<u>244,078</u>
Profit for the period	<u>193,978</u>	<u>413,217</u>
Profit (loss) for the period attributable to:		
- Owners of the Company	196,087	333,631
- Non-controlling interests	<u>(2,109)</u>	<u>79,586</u>
	<u>193,978</u>	<u>413,217</u>

Revenue

Continuing operations

Revenue from online game and other business for the nine months ended 30 September 2014 was approximately RMB679.9 million, representing an increase of approximately 3.7% as compared to approximately RMB655.5 million for the nine months ended 30 September 2013.

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

	Nine months ended 30 September			
	2014		2013	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
PRC	587,119	86.3	576,264	87.9
Overseas	92,818	13.7	79,253	12.1
	<u>679,937</u>	<u>100.0</u>	<u>655,517</u>	<u>100.0</u>

The Group's revenue analysed by geographical segments is based on the location where services are provided. The revenue derived from the PRC for the nine months ended 30 September 2014 was approximately RMB587.1 million, representing an increase of approximately 1.9% over the nine months ended 30 September 2013.

The revenue derived from overseas markets for the nine months ended 30 September 2014 was approximately RMB92.8 million, representing an increase of approximately 17.1% over the nine months ended 30 September 2013.

Third Quarter of 2014

Continuing operations

Revenue

The revenue for the third quarter of 2014 was approximately RMB232.7 million, representing an increase of approximately 1.1% from the second quarter of 2014 and an increase of approximately 6.1% over the same period in 2013.

Cost of revenue

Cost of revenue for the third quarter of 2014 was approximately RMB23.5 million, representing an increase of approximately 7.5% from the second quarter of 2014 and an increase of approximately 18.6% over the same period in 2013.

Other income and gains

Other income and gains of approximately RMB36.0 million were recorded for the third quarter of 2014, representing a decrease of approximately 12.7% from the second quarter of 2014 and an increase of approximately 188.8% over the same period in 2013.

Selling and marketing expenses

Selling and marketing expenses for the third quarter of 2014 were approximately RMB38.6 million, representing an increase of approximately 14.8% from the second quarter of 2014 and an increase of approximately 38.1% over the same period in 2013.

Administrative expenses

Administrative expenses for the third quarter of 2014 were approximately RMB77.5 million, representing an increase of approximately 8.2% from the second quarter of 2014 and representing a decrease of approximately 11.5% over the same period in 2013.

Development costs

Development costs for the third quarter of 2014 were approximately RMB67.3 million, representing an increase of approximately 30.3% from the second quarter of 2014 and an increase of approximately 48.5% over the same period in 2013.

Other expenses

Other expenses for the third quarter of 2014 were approximately RMB3.7 million, representing a decrease of approximately 77.8% from the second quarter of 2014 and an increase of approximately 191.2% over the same period in 2013.

Operating profit

Operating profit for the third quarter of 2014 was approximately RMB57.7 million, representing a decrease of approximately 24.1% from the second quarter of 2014 and an increase of approximately 15.8% over the same period in 2013.

Net (loss) gain on derivative financial instrument

Net loss on derivative financial instrument for the third quarter of 2014 was approximately RMB0.6 million, whereas, net gain on derivative financial instrument for the second quarter of 2014 was approximately RMB2.7 million and there was no net loss for the same period in 2013.

Finance costs

Finance costs for the third quarter of 2014 were approximately RMB0.7 million, representing a decrease of approximately 35.7% from the second quarter of 2014 and an increase of approximately 123.3% over the same period in 2013.

Profit for the period from continuing operations

Profit for the third quarter of 2014 was approximately RMB52.4 million, representing a decrease of approximately 17.8% from the second quarter of 2014 and an increase of approximately 41.8% over the same period in 2013.

Continuing and discontinued operations**Profit for the period attributable to owners of the Company**

Profit for the period attributable to owners of the Company for the third quarter of 2014 was approximately RMB52.6 million, representing a decrease of approximately 17.6% from the second quarter of 2014 and a decrease of approximately 45.9% over the same period in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2014 Compared to Second Quarter of 2014

The following table sets forth the comparative figures for the third quarter of 2014 and the second quarter of 2014:

	Three months ended	
	30 September 2014 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Revenue	232,702	230,144
Cost of revenue	<u>(23,530)</u>	<u>(21,888)</u>
Gross profit	209,172	208,256
Other income and gains	36,034	41,255
Selling and marketing expenses	(38,569)	(33,590)
Administrative expenses	(77,538)	(71,645)
Development costs	(67,341)	(51,687)
Other expenses	(3,666)	(16,491)
Share of losses of associates	<u>(406)</u>	<u>(145)</u>
Operating profit	57,686	75,953
Interest income on pledged bank deposit	638	840
Exchange gain (loss) on pledged bank deposit and secured bank borrowing	1,188	(2,106)
Net (loss) gain on derivative financial instrument	(646)	2,737
Net (loss) gain on held-for-trading investments	(1,553)	61
Finance costs	<u>(728)</u>	<u>(1,132)</u>
Profit before taxation	56,585	76,353
Taxation	<u>(4,166)</u>	<u>(12,547)</u>
Profit for the period	<u>52,419</u>	<u>63,806</u>
Profit (loss) for the period attributable to:		
- Owners of the Company	52,595	63,830
- Non-controlling interests	<u>(176)</u>	<u>(24)</u>
	<u>52,419</u>	<u>63,806</u>

FINANCIAL REVIEW

Revenue

Our revenue from online game and other business for the three months ended 30 September 2014 was approximately RMB232.7 million, representing an increase of approximately 1.1% as compared to approximately RMB230.1 million for the three months ended 30 June 2014.

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

	Three months ended			
	30 September 2014		30 June 2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
PRC	195,877	84.2	203,511	88.4
Overseas	<u>36,825</u>	<u>15.8</u>	<u>26,633</u>	<u>11.6</u>
	<u>232,702</u>	<u>100.0</u>	<u>230,144</u>	<u>100.0</u>

The revenue derived from the PRC for the three months ended 30 September 2014 was approximately RMB195.9 million, representing a decrease of approximately 3.8% as compared to approximately RMB203.5 million for the three months ended 30 June 2014. The decrease in revenue derived from the PRC was mainly due to the decrease in revenue from Eudemons Online.

The revenue derived from overseas markets for the three months ended 30 September 2014 was approximately RMB36.8 million, representing an increase of approximately 38.3% as compared to approximately RMB26.6 million for the three months ended 30 June 2014. The increase in revenue derived from overseas markets was mainly contributed from mobile technology and mobile marketing business which was acquired during the third quarter of 2014.

Cost of revenue

Cost of revenue for the three months ended 30 September 2014 was approximately RMB23.5 million, representing an increase of approximately 7.5% as compared to approximately RMB21.9 million for the three months ended 30 June 2014. The increase was mainly derived from cost of mobile technology and mobile marketing business.

Gross profit

Our gross profit for the three months ended 30 September 2014 was approximately RMB209.2 million, representing an increase of approximately 0.4% as compared to approximately RMB208.2 million for the three months ended 30 June 2014.

Gross profit margin for the three months ended 30 September 2014 was approximately 89.9%, which represented a decrease of approximately 0.6% as compared with the three months ended 30 June 2014.

Other income and gains

Other income and gains for the three months ended 30 September 2014 were approximately RMB36.0 million, representing a decrease of approximately 12.7% as compared with the three months ended 30 June 2014. The decrease was mainly due to the decrease in government grants, server rental income and exchange gain.

Selling and marketing expenses

Selling and marketing expenses for the three months ended 30 September 2014 were approximately RMB38.6 million, representing an increase of approximately 14.8% as compared with the three months ended 30 June 2014. The increase in selling and marketing expenses was mainly due to the increase in staff costs and promotional expenses.

Administrative expenses

Administrative expenses increased by approximately 8.2% to approximately RMB77.5 million for the three months ended 30 September 2014 as compared with the three months ended 30 June 2014, which was mainly due to offset of the (i) increase in staff costs; (ii) increase in depreciation and amortisation; and (iii) decrease in legal and professional fees.

Development costs

Development costs increased by approximately 30.3% to approximately RMB67.3 million for the three months ended 30 September 2014 as compared with the three months ended 30 June 2014. The increase in the development costs was mainly caused by the increase in staff costs.

Other expenses

Other expenses for the three months ended 30 September 2014 were approximately RMB3.7 million, representing a decrease of approximately 77.8% as compared with three months ended 30 June 2014. The decrease in other expenses was mainly due to (i) the decrease in donation; and (ii) no amount written off as bad debts.

Operating profit

Operating profit for the three months ended 30 September 2014 was approximately RMB57.7 million, representing a decrease of approximately 24.1% as compared to approximately RMB76.0 million for the three months ended 30 June 2014.

Net (loss) gain on derivative financial instrument

Net loss on derivative financial instrument was approximately RMB0.6 million for the three months ended 30 September 2014, whereas, net gain on derivative financial instrument for the three months ended 30 June 2014 was approximately RMB2.7 million.

Finance costs

Finance costs for the three months ended 30 September 2014 were approximately RMB0.7 million, representing a decrease of approximately 35.7% as compared with the three months ended 30 June 2014. The decrease in finance costs was due to the decrease in days of borrowing.

Taxation

Taxation for the three months ended 30 September 2014 was approximately RMB4.2 million, which dropped by approximately 66.8% as compared with the three months ended 30 June 2014. The decrease was mainly due to (i) the decrease in taxable profit; and (ii) deduction of overprovision in prior year.

Profit for the period attributable to owners of the Company

Profit for the period attributable to owners of the Company for the three months ended 30 September 2014 was approximately RMB52.6 million, representing a decrease of approximately RMB11.2 million as compared with approximately RMB63.8 million for the three months ended 30 June 2014.

Third Quarter of 2014 Compared to Third Quarter of 2013

The following table sets forth the comparative figures for the third quarter of 2014 and 2013:

	Three months ended	
	30 September	
	2014	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Revenue	232,702	219,364
Cost of revenue	<u>(23,530)</u>	<u>(19,837)</u>
Gross profit	209,172	199,527
Other income and gains	36,034	12,476
Selling and marketing expenses	(38,569)	(27,935)
Administrative expenses	(77,538)	(87,611)
Development costs	(67,341)	(45,349)
Other expenses	(3,666)	(1,259)
Share of losses of associates	<u>(406)</u>	<u>(41)</u>
Operating profit	57,686	49,808
Interest income on pledged bank deposit	638	222
Exchange gain (loss) on pledged bank deposit and secured bank borrowing	1,188	(1,769)
Net loss on derivative financial instrument	(646)	—
Net loss on held-for-trading investments	(1,553)	—
Finance costs	<u>(728)</u>	<u>(326)</u>
Profit before taxation	56,585	47,935
Taxation	<u>(4,166)</u>	<u>(10,974)</u>
Profit for the period from continuing operations	52,419	36,961
Discontinued operations		
Profit for the period from discontinued operations	<u>—</u>	<u>105,586</u>
Profit for the period	<u>52,419</u>	<u>142,547</u>
Profit (loss) for the period attributable to:		
- Owners of the Company	52,595	97,230
- Non-controlling interests	<u>(176)</u>	<u>45,317</u>
	<u>52,419</u>	<u>142,547</u>

FINANCIAL REVIEW

Continuing operations

Revenue

Our revenue from online game and other business for the three months ended 30 September 2014 was approximately RMB232.7 million, representing an increase of approximately 6.1% as compared to approximately RMB219.4 million for the three months ended 30 September 2013.

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

	Three months ended 30 September			
	2014		2013	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
PRC	195,877	84.2	195,035	88.9
Overseas	36,825	15.8	24,329	11.1
	<u>232,702</u>	<u>100.0</u>	<u>219,364</u>	<u>100.0</u>

The revenue derived from the PRC for the three months ended 30 September 2014 was approximately RMB195.9 million, keeping at a steady level as compared with the three months ended 30 September 2013.

The revenue derived from overseas markets for the three months ended 30 September 2014 amounted to approximately RMB36.8 million, representing an increase of approximately 51.4% as compared to approximately RMB24.3 million for the three months ended 30 September 2013. The increase in revenue derived from overseas market was mainly contributed from mobile technology and mobile marketing business.

Cost of revenue

Cost of revenue for the three months ended 30 September 2014 increased by approximately 18.6% to approximately RMB23.5 million as compared with the three months ended 30 September 2013. The increase was mainly due to the increase in (i) server leasing fee; (ii) server depreciation; and (iii) cost of mobile technology and mobile marketing business.

Gross profit

Our gross profit for the three months ended 30 September 2014 was approximately RMB209.2 million, representing an increase of approximately 4.8% as compared to approximately RMB199.5 million for the three months ended 30 September 2013.

Gross profit margin for the three months ended 30 September 2014 was approximately 89.9%, which represented a decrease of approximately 1.1% as compared with the three months ended 30 September 2013.

Other income and gains

Other income and gains for the three months ended 30 September 2014 were approximately RMB36.0 million, representing an increase of approximately 188.8% as compared with the three months ended 30 September 2013. The increase in other income and gains was mainly due to the increase in (i) interest income; and (ii) game implementation income.

Selling and marketing expenses

Selling and marketing expenses for the three months ended 30 September 2014 increased by approximately 38.1% to approximately RMB38.6 million as compared with the three months ended 30 September 2013. The increase in selling and marketing expenses was mainly due to the increase in (i) staff costs; and (ii) advertising and promotional expenses.

Administrative expenses

Administrative expenses decreased by approximately 11.5% to approximately RMB77.5 million for the three months ended 30 September 2014 as compared with the three months ended 30 September 2013. The decrease in administrative expenses was mainly due to offset of the (i) decrease in share-based payments expense; (ii) increase in depreciation and amortisation; (iii) decrease in legal and professional fees; (iv) increase in low value consumables; and (v) increase in rental expenses.

Development costs

Development costs increased by approximately 48.5% to approximately RMB67.3 million for the three months ended 30 September 2014 as compared with the three months ended 30 September 2013. The increase in development costs was mainly caused by the increase in (i) staff costs; and (ii) outsourcing fee.

Other expenses

Other expenses for the three months ended 30 September 2014 were approximately RMB3.7 million, which represented an increase of approximately 191.2% as compared with the three months ended 30 September 2013. The increase in other expenses was mainly due to donation to an university.

Operating profit

Operating profit for the three months ended 30 September 2014 was approximately RMB57.7 million, representing an increase of approximately 15.8% as compared to approximately RMB49.8 million for the three months ended 30 September 2013.

Net loss on derivative financial instrument

Net loss on derivative financial instrument for the three months ended 30 September 2014 was approximately RMB0.6 million and there was no net loss on derivative financial instrument for the three months ended 30 September 2013.

Finance costs

Finance costs increased by approximately 123.3% to approximately RMB0.7 million for the three months ended 30 September 2014 as compared with the three months ended 30 September 2013, which was due to the increase in days of borrowings.

Taxation

Taxation for the three months ended 30 September 2014 was approximately RMB4.2 million, which dropped by approximately 62.0% as compared with the three months ended 30 September 2013. The decrease was due to (i) the decrease in taxable profit; and (ii) deduction of overprovision in prior year.

Continuing and discontinued operations

Profit for the period attributable to owners of the Company

Profit for the period attributable to owners of the Company for the three months ended 30 September 2014 was approximately RMB52.6 million, representing a decrease of approximately RMB44.6 million as compared with approximately RMB97.2 million for the three months ended 30 September 2013.

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards (“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, amortisation of intangible assets arising on acquisition of subsidiaries, interest income on pledged bank deposit, exchange gain (loss) on pledged bank deposit, secured bank borrowing and redeemable convertible preferred shares, net gain (loss) on derivative financial instruments and finance costs.

The non-GAAP measures from continuing and discontinued operations of the Group are presented as follows:

	Period ended		Three months ended		
	30 September 2014 <i>RMB’000</i>	30 September 2013 <i>RMB’000</i>	30 September 2014 <i>RMB’000</i>	30 June 2014 <i>RMB’000</i>	30 September 2013 <i>RMB’000</i>
Non-GAAP operating profit	271,171	659,822	66,863	83,162	247,898
Non-GAAP profit	216,416	520,265	62,697	70,615	193,019
Non-GAAP profit attributable to owners of the Company	218,525	440,679	62,873	70,639	147,702

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2014, we had bank deposits, bank balances and cash and pledged bank deposit of approximately RMB3,212.9 million (31 December 2013: RMB4,463.0 million), no deposit (31 December 2013: RMB107.4 million) had been pledged to bank to secure bank borrowing. The gearing ratio (consolidated bank borrowing/consolidated total equity) was zero (31 December 2013: 0.02). As at 30 September 2014, the Group had no bank borrowing outstanding (31 December 2013: bank borrowing of approximately RMB104.7 million was fixed interest rate loan).

As at 30 September 2014, the Group had net current assets of approximately RMB3,291.4 million as compared with approximately RMB3,776.0 million as at 31 December 2013.

STAFF INFORMATION

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

	At 30 September 2014	At 30 June 2014	At 30 September 2013
Research and development	1,654	1,354	1,327
Selling and marketing	632	545	504
Accounting, finance and general administration	<u>1,128</u>	<u>832</u>	<u>570</u>
Total	<u>3,414</u>	<u>2,731</u>	<u>2,401</u>

As at 30 September 2014, the Group had a total of 3,414 employees (30 June 2014 and 30 September 2013: 2,731 and 2,401, respectively), 820 of which were online game developers of the research and development department, represented approximately 24.0% of the total number of staff.

BUSINESS REVIEW

During the period under review, the Group made substantial progress in the development of the content and platform for its online and mobile education business while further enhancing its MMORPG and mobile game business. The Group continued to develop cutting-edge mobile internet products for users around the world by leveraging its substantial capital position, world-class research and development (R&D) team, rich knowledge of mobile internet technologies, and experience in successfully building diversified online/mobile businesses.

Development of existing MMORPGs

During the period under review, the Group offered a wide range of quality MMORPG products to players, leveraging its in-house R&D and creative strengths as well as its innovative corporate culture.

The Group is committed to keeping its gamers engaged by introducing new expansion packs and regular upgrades to all of its games. The expansion packs and upgrades introduce new and innovative virtual items and in-game tasks. The strategy helps to extend the lifecycle and strong performance of the games and generates stable cash flows for the Group.

During the period under review, the Group released Second Ninja War (忍者翻身), a new update version for Conquer Online (征服) that adds new skills and weapons to the game. A more balanced class system also provides players with a brand new gaming experience and encourages in-game spending. On 25 September 2014, the Group began closed-beta testing of Goddess Era*(女神•天賦覺醒), the Chinese expansion pack for its flagship game Eudemons Online (魔域). Open-beta testing is expected to begin during the fourth quarter. The expansion pack allows players to enhance their characters' attributes for free through a newly added 'Goddess Gifts' feature and makes the game more attractive to players. The Group also launched the expansion packs for other titles to cater the players' demands. Mecho Wars*(異星戰場), an expansion pack for Zero Online (機戰) was rolled out in September 2014, which provides players with inter-server game modes and new gameplay and has significantly increased the interest value of the game. Talisman World*(法寶天下), an expansion pack for Way of the Five (開心) began its open-beta testing in July 2014. The expansion pack generated record monthly revenue by providing players with refreshing new combat experience and battle mode. The launch of the expansion packs mentioned above help to extend the lifespan of the Group's games.

During the period under review, the Group maintains its leading market position in China's online game industry while operating a number of online games in promising markets with great potential overseas. In August 2014, the overseas version of Conquer Online (征服) launched Second Ninja War (忍者翻身), a new update version which incorporates an updated class system designed to enhance the appeal of the game to players. The Group will leverage its years of experience in overseas markets to rejuvenate non-Chinese language versions of its online games to increase their popularity.

Games under development

The Group focused on strengthening its pipeline while at the same time expanding its existing online games portfolio.

Calibur of Spirit (英魂之刃)

Calibur of Spirit (英魂之刃), the Group's first micro-client in-house developed multiplayer online battle arena game in the world, is currently undergoing beta-testing and will begin open-beta testing in early 2015. The game was selected for the World Cyber Arena ("WCA") held in at Yinchuan, China in October 2014. This marks the Group's first game selected for the WCA, and represents a solid

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footstep in exploring the game industry chain. WCA is considered as one of the top-tier e-sporting events in China. Calibur of Spirit (英魂之刃) is the only competitive game developed in China selected for the WCA. A traditional Chinese character version will be launched in Hong Kong in December 2014. As the Group strives to create brand equity, it expects Calibur of Spirit (英魂之刃) to begin contributing meaningful revenue in the coming quarters. Mobile and overseas versions of the game are currently under development.

Mobile games business

During the period under review, the Group released updated versions for its mobile games in an effort to extend their lifespan and attract new players. The Arabic version of the Group's first turn-based role playing mobile game, The Pirate* (大海盜), provides players with a new gameplay on a monthly basis designed to enhance game quality. In September 2014, revenue from the game hit a new monthly record high.

In September 2014, the Group launched the Android version of Eudemons Online Pocket Version* (魔域口袋版), a mobile version of Eudemons Online (魔域), with gameplay that includes monster breeding and group fighting. The Group believes that it can replicate the large user base, popularity and success of this game in mobile games market. Eudemons Online Pocket Version* (魔域口袋版) has been adapted to meet the needs of mobile phone users while maintaining typical playing methods used in online games. The iOS version is expected to begin open-beta testing during the fourth quarter of 2014.

A new round of testing for games currently under development has been launched. Martial arts role playing game Blade & Sword* (最江湖) began a new testing on September 2014. The Group has entered into an exclusive licensing agreement for Blade & Sword* (最江湖) with China's leading mobile game publisher FL Mobile. The Group also began closed-beta testing of real time strategy collectible card mobile game Waku & Maou (悟空與魔王, formerly known as 微西遊) in September 2014.

The Group believes that its mobile game business will continue to develop positively with as it expands its market share and accumulates experience.

Online and Mobile Education

Serving as the foundation for its education program, the Group's "Open Cloud-based Education Platform" is a large cloud-based education platform that incorporates a back-end basic supporting platform and a front-end application platform. The platform will be accessible through a number of devices. During the period under

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review, the construction of the platform progressed steadily. Product development and content and strategic partnership discussions for the Group's online and mobile education business continued during the quarter. “101 同學派”, the Group's K-12 educational tablet, continued through its various stages of development including the design of its functionalities, features and content. The Group will continue to enrich the tablet's content and penetrate the K-12 education market by implementing its “combining software and hardware” strategy. NetDragon will promote its electronic educational content to students through its proprietary hardware in order to establish a brand-new educational ecosystem that meets the requirements of the modern K-12 education. By leveraging technology, ‘gamification’ of educational content and user behavioral analysis in the delivery of educational content, the Company is confident that the final product will be a game-changer in the way students learn.

The Company also signed strategic agreements with domestic and international education book publishers, working together in an effort to generate quality content for the educational tablet. In addition, it formed a strategic partnership with East China Normal University, Beijing Normal University and Huazhong Normal University and worked with People's Education Press to support the National Science and Technology program — Research on key technology in developing education resources digital publishing and application. The Company was responsible for presenting the program's display terminal (electronic bag), and its education tablet will serve as an pilot end device for the entire education industry.

On the vocational education front, the Group established a partnership with a renowned educational institution to create a national research and engineering technological platform for online education leveraging its experience in the mobile internet sector. During the period under review, the two parties engaged in in-depth discussions on content construction as well as cooperation on platform development. Through its continuous efforts to improve the structure of the platform, the Group is striving to create a comprehensive online and mobile learning platform for the vocational education segment in China.

The “Online Education Platform for Practitioners in Internet Information Services Industries”, a nationwide online education platform for public service sector established by NetDragon and Xinhuanet Co., Ltd. was launched on 16 August 2014. The two parties will cooperate on branding and sharing resources and technology in order to build a nationwide public service system for non-degree education and create a leading online education management service platform in China.

NetDragon started entering into a strategic cooperation agreement with Beijing Normal University focused on education and educational technologies. The Group will establish a NetDragon research center in Beijing and seek further cooperation

opportunities with Beijing Normal University. Opportunities include cooperation in the development and production of content, joint employment of senior staff, collaborative research on classroom interaction and e-textbooks. The Group is expected to begin its research during the fourth quarter of 2014. During the period under review, NetDragon donated US\$250,000 to the Internet Learning Institute of the National Central University in Taiwan in an effort to develop smart education discipline for Chinese students in Mainland China, Taiwan, and Hong Kong. The Group believes that its partnership with universities will further guarantee the supply of high-quality educational content.

During the period under review, the Group's K12 educational resources were established, enriched and improved. In addition to acquiring high-quality courseware from third parties, the Group also began exploring micro-lesson educational content production models and put forward various plans to optimize content, tests and videos.

Cooperation and Communication in the Mobile Internet Industry and Communication Technology between Fujian Province and Hong Kong

On 5 September 2014, NetDragon signed a memorandum of understanding ("MoU") with Hong Kong Cyberport Management Company Limited ("Cyberport") and Hong Kong Wireless Technology Industry Association Limited ("HKWTIA") for a term of one year. The three parties established a strategic partnership to further grow the local information and communication technology ("ICT") industry. The MoU covers the following four aspects: professional training, the introduction of local mobile applications to the mainland market, internship programs, and digital classrooms. All three parties will jointly support and help Hong Kong-based IT companies and talent to promote their business in Mainland China and will provide talent training programs for them.

Strategic Merger with Cherrypicks

On 3 June 2014, NetDragon entered into a sale and purchase agreement to acquire Cherrypick's mobile solution business. Cherrypicks is a leading enterprise in mobile technology and mobile marketing in the Asia Pacific region. The acquisition was completed on 21 July 2014. The strategic merger will provide the Group with a team of world-class, innovative mobile solutions developers with strong the capabilities to build cutting edge mobile products for global markets in areas including enterprise software, mobile marketing, mobile commerce and mobile education.

Project in Haixi Animation Creativity City (the "Project")

Haixi Animation Creativity City project was initiated by Changle Western Taiwan Straits Creative Valley, with the Group providing construction and planning services.

This is a key project for Fujian Province in 2014, as well as a key project in cultural creativity for the Linkonggang Economic Zone in Fuzhou City. The Project covers an integrated industrial chain of animation creativity from research and development in animation, to exchanges, wireless mobile internet education applications and elite education. During the period under review, the following progress was made on the four phases of construction:

- I Phase I covers an area of 246.8 mu. It is used by the Group for research and development exchange and quality control development. Currently, several main buildings have been constructed, including the Group's office building and Pentagonal Building* (五角大樓), with a gross floor area of approximately 33,000 square meters. Operations are currently underway.
- II Phase II covers an area of 296.5 mu. This is the core animation research center. Following two years of construction, the main landmark Enterprise* (企業號) (formerly known as TQ Building*天晴樓) building has began operations on 18 May 2014. A few other ancillary buildings are currently under construction within the area.
- III Phase III covers an area of 600.1 mu, of which 345 mu has been earmarked for online education industrial use , 105 mu has been slated for commercial and residential use, 48.8 mu was designated for apartments for the senior management, and the remaining 101.3 mu will be used for mobile game research and development purposes.

Changle Western Taiwan Straits Creative Valley's land grant application is currently being processed. Part of the Haixi Animation Creativity City, 105 mu of the Haixi Animation Valley was designated for commercial and residential use. Residential units will be sold to employees following the completion of the project.

- IV The Group is currently planning to construct a new Changle campus which will house approximately 8,000 students attending the Fuzhou Software Technology Vocational College and will cover an area of 536.2 mu. Planning, design, and application for the land have been completed. Once operations begin, the project will create an industry cluster effect together with the three projects in the park nearby that will support production through research and learning to boost the emergence and development of Haixi's animation creation industry.

Construction of the Haixi Project will aid in forming a full-scale high-tech industry cluster and animation industrial chain for technological research and development,

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applications and production in the area. This will create an area with the greatest potential, most sophisticated technology, highly eco-friendly industry, and a new innovative culture zone along the south-eastern coast of China.

PROSPECTS AND OUTLOOK

Looking ahead, the Group will continue to recruit and train industry talent to strengthen its R&D capabilities. The Group will continue to lengthen the life cycles of its existing games, expand its portfolio and maximize revenues by providing content updates and new versions of games from its portfolio. The Group will identify emerging markets with strong potential and diversify its product portfolio, building on its overseas operational experience.

On the mobile side, the Group will focus on applying its R&D and operational experience with online games to the mobile games sector. The Group will continuously launch new products that cater to the preferences of mobile internet users by actively and accurately understanding their needs, creating a new breakthrough in this thriving sector.

At the same time, the Group will leverage its substantial capital position to take advantage of strategic opportunities in the online education and office-in-the-Cloud services sector in order to capture the rapid growth opportunities of both emerging industries.

MMORPGS

The Group will continue to provide gameplay updates and new versions of its existing online games to strengthen user stickiness. The Group plans to release new expansion packs for its flagship titles Eudemons Online (魔域) and Conquer Online (征服) during the fourth quarter of 2014 which include content updates. The Group will continue to diversify its pipeline to attract players seeking different types of games.

Tiger Knight (虎豹騎)

Tiger Knight (虎豹騎), an in-house developed 3D action war game, is based during the popular Three Kingdoms period enjoyed by domestic and international players. The game has been introduced to a famous global platform in the first half of 2014. Steam is a global fully integrated digital gaming and social platform developed by Valve. During the period under review, the Group signed a final agreement with Valve to make the English version of the game available on Steam in the near future. Tiger Knight (虎豹騎) is currently undergoing testing, with open beta-testing expected to begin in early 2015.

Mobile Games

*Eudemons Online Pocket Version**(魔域口袋版)

Eudemons Online Pocket Version*(魔域口袋版), a mobile version of Eudemons Online, is a free-to-play mobile game whose core gameplay includes monster breeding and group fighting. Eudemons Online Pocket Version* (魔域口袋版) has been adapted to meet the needs of mobile phone users while maintaining the playing methods used in online games. The Android version of the game was launched in September 2014 while official beta testing of the iOS version is expected to begin during the fourth quarter of 2014.

*Blade & Sword** (最江湖)

Blade & Sword* (最江湖) is a 2.5D martial arts role playing mobile game developed using the Group's proprietary engine. The game is based on martial arts adventures which enable players to experience a grand open world. Testing of the iOS and Android versions is expected to begin during the fourth quarter of 2014.

Waku & Maou (悟空與魔王, formerly known as 微西遊)

Waku & Maou is a real-time strategy collectible card mobile game featured with breathtaking landscapes. It offers players an offbeat version of Journey to the West, a classic Chinese novel, with new plots lines. The game is currently undergoing closed-beta testing and is expected to launch during the fourth quarter of 2014.

Fatal Fighter (全球快打)

Fatal Fighter (全球快打) is an in-house developed 2D scrolling mobile special abilities combat game that began channels beta testing in October 2014. A simplified Chinese and Arabic version of the game is expected to launch in the fourth quarter of 2014 or early 2015.

*Martial Overlord** (武魂天下)

Martial Overlord* (武魂天下) is an in-house developed 3D martial arts mobile action game. This game provides a a new gaming experience to players by providing a special martial arts soul breeding system, delicate scenes and a real-time fight mode. The game is currently beta testing and is expected to launch during the first quarter of 2015.

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Online and Mobile Education

The Group jointly organized the “2014 Strait Wisdom Education Forum and Education Informatization Technology Conference” with East China Normal University from 25-27 November 2014. The conference under the theme “Smart Education in the Mobile Internet and Big Data Era” focused on the educational reform in the mobile internet era, in an effort to explore new educational models, create paradigms for education in the future and establish an ecosystem around the electronic bag. At the conference, Netdragon officially joined the Education Informatization Standard Committee under the Ministry of Education. As a member of the committee, NetDragon will play a major role in the technology standard setting of China’s education informatization business.

The Group will continue to develop its K12 education business using a “Content + Hardware + Cloud-Based Service” model. In terms of hardware, the Group will further improve the functions and content for its educational tablet “101 同學派” based on users feedback gathered during a trial version. The Group employs experienced teachers to develop educational content while making use of its game development experience. In terms of Cloud-based service, the Group will continue to invest resources in developing its open cloud-based education platform, which allows real-time communication and content distribution between teachers, students and parents. The Group believes that by leveraging its in-depth experience in terms of developing and operating games, its “101 同學派” will provide an efficient studying approach for students and generate a new revenue stream.

The Company expects to continue its strong progress in the development of its mobile education ecosystem product. On the hardware side, the Company is working to refine and enhance the functionality and uniqueness of its educational tablet based on user feedback gathered during the pilot launch. On the software side, NetDragon is implementing a program that will be rolled out in tandem with China’s “Three Access Points, Two Platforms” program which seeks to upgrade overall information technology for education uses. According to the program, NetDragon will build an online study space communication platform based on the instant messaging technology.

For the remainder of 2014, the Group will continue to focus on developing its platform and products as well as creating content and establishing strategic relationships. The Group will enter into strategic cooperation agreements with various institutions by developing online educational platforms. The educational platform developed by the Group and its partners will help create an internet and mobile education ecosystem. By combining its platform with both the K12 educational tablet and open cloud-based education platform, the Group believes that it provide a comprehensive solution and powerful mobile educational platform for students.

In November 2014, the Group together with Beijing Normal University and a global educational institution signed a memorandum of understanding to leverage each party's strengths to develop a leading smart education solution to support the national educational technology platform.

CONCLUSION

The Group believes that after undergoing many years of rapid development, the Chinese online game industry is maturing and becoming increasingly competitive. As a result, the production capacity and market for Chinese online games has become saturated but will maintain steady growth. The Group further optimized the R&D process for its online games, launched a variety of mobile games leveraging its deep operational experience and took advantage of new distribution channels in overseas market. During the period under review, the Group increased its investment in developing MMORPGs and updating its existing games while at the same time launching new expansion packs and updating game content to increase user stickiness. The Group's mobile games business progressed well with a dozen mobile games entering the final stages of production prior to their official launch.

In addition, the Group made substantial progress in its online and mobile education business. The Group is developing educational products and content for its K12 educational tablet and open cloud-based education platform. It also further adjusts the tablet's functionalities, features and content in order to seamlessly synchronize with the open cloud-based education platform. The Group has been focusing on developing platforms and products for its vocational education business by creating content and strengthening partnerships with strategic partners. The Group's vocational education business is expected to become a new growth driver which is expected to generate many future opportunities.

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

As at 30 September 2014, 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 a controlled corporation	253,982,257(L)	49.60%
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 beneficiary of a trust	255,510,057(L)	49.90%
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	253,982,257(L)	49.60%

Name of Director	Name of company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
Zheng Hui (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%
Zheng Hui (Note 3)	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000(L)	100.00%
Chen Hongzhan (Note 4)	The Company	Beneficial owner and beneficiary of a trust	13,190,019(L)	2.58%
Chao Guowei, Charles (Note 5)	The Company	Beneficial owner	818,000(L)	0.16%
Lee Kwan Hung (Note 6)	The Company	Beneficial owner	1,306,019(L)	0.26%
Liu Sai Keung, Thomas (Note 7)	The Company	Beneficial owner	1,235,019(L)	0.24%

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 95.36% of the issued share capital of DJM Holding Ltd., which in turn is interested in 37.31% of the issued share capital of the Company.

Liu Luyuan is interested in 5.14% of the issued share capital of the Company which is represented by interest held as a beneficiary of a trust of 26,344,800 shares.

197,019 shares were held by each of Liu Dejian and Liu Luyuan as beneficiary interest of a trust.

Zheng Hui is interested in 4.64% and 100.00%, respectively, of the issued share capital of DJM Holding Ltd. and Fitter Property Inc., which in turn is interested in 37.31% and 3.71%, 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 2.72% 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 48.88% of the issued share capital of the Company through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Liu Luyuan, Fitter Property Inc. and Eagle World International Inc..

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, Liu Luyuan and Zheng Hui have 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 2.58% of the issued share capital of the Company which is represented by beneficial interest of 1,727,800 shares, interest held as a beneficiary of a trust of 11,306,019 shares and the rest being underlying shares of interest of 156,200 share options granted by the Company.
5. Chao Guowei, Charles is interested in 0.16% of the issued share capital of the Company which is represented by the underlying shares of interest of 818,000 shares options granted by the Company.
6. Lee Kwan Hung is interested in 0.26% of the issued share capital of the Company which is represented by beneficial interest of 588,019 shares and the rest being underlying shares of interest of 718,000 share options granted by the Company.
7. Liu Sai Keung, Thomas is interested in 0.24% of the issued share capital of the Company which is represented by beneficial interest of 417,019 shares and the rest being underlying shares of interest of 818,000 share options granted by the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 September 2014, 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 30 September 2014, 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 of Shareholder	Name of company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed <i>(Note 1)</i>	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100(L)	37.31%
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)	15.30%
Ho Chi Sing <i>(Note 2)</i>	The Company	Through controlled corporations	78,333,320(L)	15.30%
Zhou Quan <i>(Note 2)</i>	The Company	Through controlled corporations	73,490,095(L)	14.35%
First Elite Group Limited <i>(Note 3)</i>	The Company	Beneficial owner and through controlled corporation	26,423,607(L)	5.16%
SMP Trustees (Hong Kong) Limited <i>(Note 3)</i>	The Company	Trustee	26,423,607(L)	5.16%

Notes:

1. The letter “L” denotes the shareholder’s long position in the share capital of the relevant member of the Group.
2. The IDG Group 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 2.12%, 10.15%, 2.07% 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. First Elite Group Limited is controlled by SMP Trustees (Hong Kong) Limited, which held on trust for Richmedia Holdings Limited.

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 30 September 2014.

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 existing share option scheme. Details of the share options outstanding and movement during the period ended 30 September 2014 are as follows:

Grantee	Date of grant	Exercise Price HKD	As at 1	Number of share options			As at 30
			January 2014	Granted	Exercised	Lapsed	September 2014
Executive Directors							
Liu Dejian	07.12.2009	4.33	320,000	—	320,000	—	0
	22.07.2011	4.60	213,000	—	56,800	—	156,200
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	213,000	—	56,800	—	156,200
Chen Hongzhan	07.12.2009	4.33	320,000	—	320,000	—	0
	22.07.2011	4.60	213,000	—	56,800	—	156,200
Independent non-executive Directors							
Chao Guowei, Charles	22.07.2011	4.60	200,000	—	—	—	200,000
	23.04.2012	5.74	300,000	—	—	—	300,000
	04.12.2013	15.72	318,000	—	—	—	318,000
Lee Kwan Hung	22.07.2011	4.60	200,000	—	—	—	200,000
	23.04.2012	5.74	300,000	—	100,000	—	200,000
	04.12.2013	15.72	318,000	—	—	—	318,000
Liu Sai Keung, Thomas	22.07.2011	4.60	200,000	—	—	—	200,000
	23.04.2012	5.74	300,000	—	—	—	300,000
	04.12.2013	15.72	318,000	—	—	—	318,000
Others							
Employees	07.12.2009	4.33	160,000	—	80,000	—	80,000
	28.04.2011	4.80	8,016,784	—	1,677,535	684,380	5,654,869
	22.07.2011	4.60	604,463	—	299,450	—	305,013
	23.04.2012	5.74	1,601,667	—	166,252	254,175	1,181,240
	06.07.2012	6.53	588,075	—	79,962	34,875	473,238
	12.09.2012	7.20	83,000	—	2,250	27,500	53,250
	16.01.2013	11.164	700,000	—	20,050	104,600	575,350
	25.04.2014	14.66	—	556,000	—	—	556,000
				<u>17,170,989</u>	<u>556,000</u>	<u>3,235,899</u>	<u>1,105,530</u>
Total			<u>17,170,989</u>	<u>556,000</u>	<u>3,235,899</u>	<u>1,105,530</u>	<u>13,385,560</u>

Notes:

1. On 25 April 2014, 556,000 share options were granted to the employee of the Company under the Main Board Share Option Scheme. The closing price of the Company's shares on 25 April 2014 (the trading day on the grant of the share options) was HKD14.66.
2. During the period under review, 910,400 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.

On 30 September 2014, 952,203 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 634,797 awarded shares granted, a total of 236,421 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.

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 30 September 2014, no awarded shares were granted under the Best Assistant Share Award Scheme.

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 nine months ended 30 September 2014.

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 code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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 Listing Rules. The primary duties of the 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 results for the three months and nine months ended 30 September 2014 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 nine months ended 30 September 2014, the Company repurchased a total of 2,585,000 shares on the Stock Exchange at an aggregate consideration of HKD37,451,760 before expenses.

Details of the shares repurchase are as follows:

Month of purchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid HKD
		Highest HKD	Lowest HKD	
June 2014	2,379,000	15.10	13.96	34,864,540
September 2014	<u>206,000</u>	<u>12.76</u>	<u>12.46</u>	<u>2,587,220</u>

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

Hong Kong, 2 December 2014

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.