

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



**NetDragon Websoft Inc.**

**網龍網絡有限公司**

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

**(Stock Code: 777)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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 six months ended 30 June 2015. The interim 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 six months ended 30 June 2015 together with the comparative figures in 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

		<b>Six months ended 30 June</b>	
		<b>2015</b>	2014
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	<b>512,225</b>	447,235
Cost of revenue		<u><b>(81,971)</b></u>	<u>(42,972)</u>
Gross profit		<b>430,254</b>	404,263
Other income and gains	4	<b>56,533</b>	88,603
Selling and marketing expenses		<b>(70,133)</b>	(62,720)
Administrative expenses		<b>(225,098)</b>	(128,520)
Development costs		<b>(184,031)</b>	(92,641)
Other expenses		<b>(8,742)</b>	(18,384)
Share of losses of associates		<u><b>(5,312)</b></u>	<u>(233)</u>
Operating (loss) profit		<b>(6,529)</b>	190,368
Interest income on pledged bank deposit		<b>3,190</b>	1,681
Exchange gain (loss) on pledged bank deposit, secured bank borrowing and convertible preferred shares		<b>646</b>	(6,269)
Net gain on derivative financial instrument		—	7,463
Gain on disposal of held-for-trading investment		<b>1,401</b>	—
Net (loss) gain on held-for-trading investments		<b>(10,732)</b>	1,154
Finance costs		<u><b>(1,640)</b></u>	<u>(2,249)</u>
(Loss) profit before taxation		<b>(13,664)</b>	192,148
Taxation	6	<u><b>(11,994)</b></u>	<u>(50,589)</u>
(Loss) profit for the period	7	<b>(25,658)</b>	141,559
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		<u><b>(129)</b></u>	<u>582</u>
Total comprehensive (expense) income for the period		<u><b>(25,787)</b></u>	<u>142,141</u>

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2015</b>	2014
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the period attributable to:			
- Owners of the Company		<b>(18,374)</b>	143,492
- Non-controlling interests		<u><b>(7,284)</b></u>	<u>(1,933)</u>
		<u><b>(25,658)</b></u>	<u>141,559</u>
 Total comprehensive (expense) income attributable to:			
- Owners of the Company		<b>(18,503)</b>	144,074
- Non-controlling interests		<u><b>(7,284)</b></u>	<u>(1,933)</u>
		<u><b>(25,787)</b></u>	<u>142,141</u>
		<i>RMB cents</i>	<i>RMB cents</i>
<b>(Loss) earnings per share</b>	9		
- Basic		<b>(3.72)</b>	28.24
- Diluted		<u><b>N/A</b></u>	<u>28.00</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

		<b>30 June 2015</b>	31 December 2014
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>1,084,365</b>	822,704
Prepaid lease payments	11	<b>440,001</b>	378,673
Intangible assets		<b>137,770</b>	141,254
Interests in associates		<b>23,483</b>	28,795
Available-for-sale investments		<b>5,000</b>	5,000
Loan receivables		<b>19,736</b>	18,327
Deposits made for acquisition of property, plant and equipment		<b>11,443</b>	35,967
Goodwill		<b>40,013</b>	40,013
Deferred tax assets		<b>54</b>	54
		<b><u>1,761,865</u></b>	<b><u>1,470,787</u></b>
<b>Current assets</b>			
Prepaid lease payments	11	<b>2,732</b>	2,708
Loan receivables		<b>2,373</b>	1,578
Trade receivables	12	<b>68,420</b>	51,072
Amounts due from customers for contract work		<b>11,585</b>	7,252
Other receivables, prepayments and deposits		<b>94,584</b>	210,098
Amount due from a related company		<b>1,704</b>	1,704
Amounts due from associates		<b>856</b>	367
Held-for-trading investments		<b>195,396</b>	211,584
Pledged bank deposit	13	<b>236,596</b>	236,805
Bank deposits		<b>1,463,502</b>	1,999,644
Bank balances and cash		<b><u>1,442,821</u></b>	<b><u>1,036,788</u></b>
		<b><u>3,520,569</u></b>	<b><u>3,759,600</u></b>

		<b>30 June 2015</b>	31 December 2014
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables	14	<b>197,569</b>	209,214
Amounts due to customers for contract work		<b>1,016</b>	424
Deferred income		<b>24,187</b>	25,595
Amount due to a related company		<b>1,957</b>	1,891
Amount due to an associate		<b>677</b>	8
Convertible preferred shares	15	<b>259,828</b>	—
Secured bank borrowing	13	<b>236,596</b>	236,805
Income tax payable		<b>97,182</b>	137,648
		<b><u>819,012</u></b>	<u>611,585</u>
<b>Net current assets</b>		<b><u>2,701,557</u></b>	<u>3,148,015</u>
<b>Total assets less current liabilities</b>		<b><u>4,463,422</u></b>	<u>4,618,802</u>
<b>Non-current liabilities</b>			
Other payables		—	1,283
Deferred tax liabilities		<b><u>116</u></b>	<u>116</u>
		<b><u>116</u></b>	<u>1,399</u>
<b>Net assets</b>		<b><u>4,463,306</u></b>	<u>4,617,403</u>
<b>Capital and reserves</b>			
Share capital		<b>36,687</b>	36,943
Share premium and reserves		<b><u>4,380,429</u></b>	<u>4,529,971</u>
Equity attributable to owners of the Company		<b>4,417,116</b>	4,566,914
Non-controlling interests		<b><u>46,190</u></b>	<u>50,489</u>
		<b><u>4,463,306</u></b>	<u>4,617,403</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company														
	Share capital	Share premium	Capital redemption reserve	Other reserve	Capital reserve	Statutory reserves	Dividend reserve	Revaluation reserve	Treasury share reserve	Employee share-based compensation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 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	—	—	—	—	—	—	—	—	—	—	—	143,492	143,492	(1,933)	141,559
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	582	—	582	—	582
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	—	—	—	582	143,492	144,074	(1,933)	142,141
Repurchase and cancellation of shares	(176)	(27,609)	176	—	—	—	—	—	—	—	—	(176)	(27,785)	—	(27,785)
Shares issued upon exercise of share options	150	13,476	—	—	—	—	—	—	—	(4,437)	—	—	9,189	—	9,189
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	6,273	—	—	6,273	—	6,273
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	—	—	—	—	—	—	80,751	—	—	—	—	(80,751)	—	—	—
At 30 June 2014 (unaudited)	37,638	1,022,347	4,315	—	10,045	202,885	80,751	673	(4,335)	28,810	(58,727)	3,342,161	4,666,563	2,171	4,668,734
At 1 January 2015	36,943	930,286	5,223	38,755	10,045	253,699	78,865	673	(4,335)	31,872	(59,349)	3,244,237	4,566,914	50,489	4,617,403
Loss for the period	—	—	—	—	—	—	—	—	—	—	—	(18,374)	(18,374)	(7,284)	(25,658)
Other comprehensive expense for the period	—	—	—	—	—	—	—	—	—	—	(129)	—	(129)	—	(129)
Total comprehensive expense for the period	—	—	—	—	—	—	—	—	—	—	(129)	(18,374)	(18,503)	(7,284)	(25,787)
Repurchase and cancellation of shares	(486)	(70,095)	486	—	—	—	—	—	—	—	—	(486)	(70,581)	—	(70,581)
Shares issued upon exercise of share options	230	22,364	—	—	—	—	—	—	—	(6,833)	—	—	15,761	—	15,761
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	2,035	—	—	2,035	—	2,035
Awarded shares vested to employees	—	—	—	—	—	—	—	—	1,082	(2,178)	—	1,096	—	—	—
Deemed disposal of associates	—	—	—	—	—	—	—	—	—	—	—	—	—	3,353	3,353
Dividend paid to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(239)	(239)
Acquisition of additional equity interests from non-controlling interests	—	—	—	(115)	—	—	—	—	—	—	—	—	(115)	(113)	(228)
Transfer upon deregistration of a subsidiary	—	—	—	—	(10)	(69)	—	—	—	—	—	69	(10)	(16)	(26)
Final dividend for 2014 paid	—	—	—	—	—	—	(78,865)	—	—	—	—	480	(78,385)	—	(78,385)
Interim dividend for 2015	—	—	—	—	—	—	39,197	—	—	—	—	(39,197)	—	—	—
At 30 June 2015 (unaudited)	36,687	882,555	5,709	38,640	10,035	253,630	39,197	673	(3,253)	24,896	(59,478)	3,187,825	4,417,116	46,190	4,463,306

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><b>(31,187)</b></u>	<u><b>(315,442)</b></u>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of subsidiaries	—	(5,243)
Acquisitions of investments in associates	—	(4,900)
Purchase of property, plant and equipment	<b>(311,382)</b>	(172,723)
Purchase of prepaid lease payments	<b>(38,158)</b>	(195,287)
Purchase of intangible assets	<b>(5,640)</b>	(614)
Proceeds from disposal of subsidiaries	<b>61,396</b>	—
Payment for deposits of property, plant and equipment	<b>(3,791)</b>	(13,748)
Placement of bank deposits	<b>(1,304,752)</b>	(1,967,950)
Withdrawal of bank deposits	<b>1,840,151</b>	2,348,916
Other investing activities	<u><b>72,608</b></u>	<u><b>28,298</b></u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u><b>310,432</b></u>	<u><b>16,749</b></u>
<b>FINANCING ACTIVITIES</b>		
Contribution from a non-controlling shareholder	—	300
Proceeds from issue of convertible preferred shares	<b>260,359</b>	—
Proceeds from shares issued upon exercise of share options	<b>15,761</b>	9,189
Dividends paid	<b>(78,385)</b>	(80,330)
Payment for repurchase of shares	<b>(70,581)</b>	(27,785)
Other financing activities	<u><b>(265)</b></u>	<u><b>(4,848)</b></u>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<u><b>126,889</b></u>	<u><b>(103,474)</b></u>

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>406,134</b>	<b>(402,167)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>1,036,788</b>	<b>1,304,355</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<u><b>(101)</b></u>	<u><b>(10,938)</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<u><b>1,442,821</b></u>	<u><b>891,250</b></u>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

**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, education business and mobile technology and mobile marketing business.

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

**2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, 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 six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

*Financial liabilities at FVTPL*

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and *HKAS 39 Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Net gain or loss on other financial liability' line item.

#### *Convertible preferred shares*

The Group designated the convertible preferred shares as financial liabilities at fair value through profit or loss as they are contracts containing one or more embedded derivatives. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the condensed consolidated statement of profit or loss and other comprehensive income. Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognised in the profit or loss.

The convertible preferred shares are classified as current liabilities as the Group does not have an unconditional right to defer settlement of the liabilities for at least twelve months after the end of the reporting period.

In the current interim period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<i>(Unaudited)</i>	<i>(Unaudited and restated)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>		
Online game revenue	<b>463,221</b>	431,539
Education	<b>23,449</b>	15,696
Mobile technology and mobile marketing	<u><b>25,555</b></u>	<u>—</u>
	<u><b>512,225</b></u>	<u>447,235</u>
<b>Other income and gains</b>		
Government grants ( <i>Note</i> )	<b>10,845</b>	9,589
Interest income	<b>37,962</b>	45,683
Net foreign exchange gain	—	24,510
Game implementation income	<b>6,933</b>	4,949
Rental income, net of negligible outgoing expenses	<b>453</b>	249
Server rental income	<b>215</b>	2,932
Others	<u><b>125</b></u>	<u>691</u>
	<u><b>56,533</b></u>	<u>88,603</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 following is an analysis of the Group’s revenue and results by reportable segment:

### Six months ended 30 June 2015

	Online game (Unaudited) RMB’000	Education (Unaudited) RMB’000	Mobile technology and mobile marketing (Unaudited) RMB’000	Total (Unaudited) RMB’000
Segment revenue	<u>463,221</u>	<u>23,449</u>	<u>25,555</u>	<u>512,225</u>
Segment profit (loss)	<u>107,656</u>	<u>(57,059)</u>	<u>(6,905)</u>	43,692
Unallocated income and gains				38,540
Unallocated expenses				<u>(95,896)</u>
Loss before taxation				<u>(13,664)</u>

### Six months ended 30 June 2014 (Restated)

	Online game (Unaudited) RMB’000	Education (Unaudited) RMB’000	Mobile technology and mobile marketing (Unaudited) RMB’000	Total (Unaudited) RMB’000
Segment revenue	<u>431,539</u>	<u>15,696</u>	<u>—</u>	<u>447,235</u>
Segment profit (loss)	<u>196,141</u>	<u>(5,839)</u>	<u>—</u>	190,302
Unallocated income and gains				64,864
Unallocated expenses				<u>(63,018)</u>
Profit before taxation				<u>192,148</u>

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment (loss) profit represents the profit earned or loss incurred by the segment whereby certain items are not included in arriving at the segment result of the operating segment (including share-based payments expense, net 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:

	<b>30 June 2015</b>	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited and restated)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Online game	<b>2,754,135</b>	3,383,304
Education	<b>977,708</b>	673,972
Mobile technology and mobile marketing	<b><u>191,715</u></b>	<u>207,808</u>
Total segment assets	<b>3,923,558</b>	4,265,084
Unallocated	<b><u>1,358,876</u></b>	<u>965,303</u>
	<b><u>5,282,434</u></b>	<u>5,230,387</u>

For the purposes of monitoring segment performance and allocating resources, all assets are allocated to operating segments other than those assets managed on group basis, such as available-for-sale investments, held-for-trading 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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
The tax charge comprises:		
Hong Kong Profits Tax	<b>2,939</b>	3,860
The PRC Enterprise Income Tax ("EIT")	<b>8,972</b>	46,698
Taxation in other jurisdiction	<b><u>83</u></b>	<u>31</u>
	<b><u>11,994</u></b>	<u>50,589</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 June 2015 and 30 June 2014.

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

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

## 7. (LOSS) PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	2,747	3,844
Other staff costs		
Salaries and other benefits	262,664	151,834
Contributions to retirement benefits schemes	28,586	12,153
Share-based payments expense	<u>3,581</u>	<u>10,799</u>
	<u>297,578</u>	<u>178,630</u>
Amortisation of intangible assets	9,125	88
Release of prepaid lease payments (included in administrative expenses)	1,445	1,128
Depreciation of property, plant and equipment	<u>52,216</u>	<u>27,777</u>
Total depreciation and amortisation	<u>62,786</u>	<u>28,993</u>
Amount written off as uncollectible	—	5,208
Operating lease rentals in respect of:		
- rented premises	20,883	5,833
- computer equipment	28,788	17,162
Loss on disposal of property, plant and equipment	309	199
Loss on deemed disposal of associates	3,353	—
Net foreign exchange loss (gain)	<u>3,963</u>	<u>(18,241)</u>

## 8. DIVIDENDS

On 15 June 2015, a dividend of Hong Kong dollars (“HKD”) 0.20 per share (2014: HKD0.20 per share) was paid to shareholders as the final dividend for 2014. The aggregated amount of the final dividend paid in current interim period amounted to approximately RMB78,385,000 (2014: RMB80,330,000).

The directors have determined that an interim dividend of HKD0.10 per share (2014: HKD0.20 per share), amounting to approximately HKD49,704,000 (equivalent to approximately RMB39,197,000) in aggregate, will be paid to the shareholders of the Company whose names appear in the register of members on 15 September 2015.

## 9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share:		
- (loss) profit for the period attributable to the owners of the Company	<u>(18,374)</u>	<u>143,492</u>
	Number of shares Six months ended 30 June	
	2015 (Unaudited) '000	2014 (Unaudited) '000
Weighted average number of shares in issue during the period, for the purpose of basic (loss) earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	<u>494,167</u>	508,031
Effect of dilutive potential shares from the Company's share option scheme	<u>3,327</u>	<u>4,510</u>
Number of shares for the purpose of calculating diluted (loss) earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	<u>497,494</u>	<u>512,541</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2015, the deposits of approximately RMB3,676,000 were transferred to property, plant and equipment (six-month period ended 30 June 2014: RMB12,468,000) and the Group spent approximately RMB311,382,000 (six-month period ended 30 June 2014: RMB172,723,000) for the acquisition of property, plant and equipment to expand its operations. The additions for the period mainly included RMB29,811,000 (six-month period ended 30 June 2014: RMB38,615,000) in office and computer equipment and RMB259,175,000 (six-month period ended 30 June 2014: RMB136,579,000) in construction in progress. The Group has no material disposal of property, plant and equipment in both periods.

## 11. PREPAID LEASE PAYMENTS

During the six-month period ended 30 June 2015, the deposits of approximately RMB24,639,000 (six-month period ended 30 June 2014: Nil) were transferred to prepaid lease payments and the Group spent approximately RMB38,158,000 (six-month period ended 30 June 2014: RMB195,287,000) for the acquisition of prepaid lease payments to expand its buildings located in Fuzhou. The Group is in the process of obtaining the land use right certificates.

## 12. 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.

	<b>30 June 2015 (Unaudited) RMB'000</b>	31 December 2014 (Audited) RMB'000
0 - 30 days	<b>33,018</b>	31,946
31 - 60 days	<b>17,871</b>	7,147
61 - 90 days	<b>4,811</b>	7,117
Over 90 days	<b><u>12,720</u></b>	<u>4,862</u>
	<b><u>68,420</u></b>	<u>51,072</u>

## 13. PLEDGED BANK DEPOSIT/SECURED BANK BORROWING

The pledged bank deposit represents deposit pledged to a bank for issue of a standby documentary credit to secure bank borrowing granted to the Group. The secured bank borrowing is denominated in United States dollar ("USD"), carries interest rate of London Inter-Bank Offer Rate plus 0.8% per annum and is repayable on 7 December 2015.



#### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2015</b>	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables	<b>7,185</b>	8,638
Accrued staff costs	<b>68,283</b>	86,769
Receipt in advance	<b>8,184</b>	20,348
Other tax payables ( <i>Note</i> )	<b>5,714</b>	5,714
Other payables and accruals	<b>108,203</b>	<u>87,745</u>
	<b><u>197,569</u></b>	<u>209,214</u>

*Note:* On 28 December 2011, 91 Wireless Websoft Limited (“91 Limited”) introduced a share award scheme, whereby eligible participants are conferred rights by 91 Limited to be issued or transferred fully-paid ordinary shares in the capital of 91 Limited. Upon the disposal of 91 Limited and its subsidiaries on 1 October 2013, 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 Limited in cash, which were both received by the Group on behalf of the eligible participants. As at 30 June 2015, an amount of approximately RMB5.7 million (31 December 2014: 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.

	<b>30 June 2015</b>	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
0 - 90 days	<b>5,748</b>	5,875
91 - 180 days	<b>319</b>	2,096
181 - 365 days	<b>557</b>	158
Over 365 days	<b>561</b>	<u>509</u>
	<b><u>7,185</u></b>	<u>8,638</u>

## 15. CONVERTIBLE PREFERRED SHARES

Best Assistant Education Online Limited (“Best Assistant”), an indirect non-wholly owned subsidiary of the Company issued 180,914,513 Series A convertible preferred shares of par value of USD0.001 each at an aggregate issue price of USD52,500,000 (equivalent to approximately RMB321,762,000) to IDG-Accel China Growth Fund-L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P., Vertex Asia Fund Pte. Ltd., Alpha Animation and Culture (Hong Kong) Company Limited, Catchy Holdings Limited, DJM Holding Ltd., Creative Sky International Limited and NetDragon Websoft Inc. (“NetDragon BVI”), a direct wholly owned subsidiary of the Company (collectively referred to as “Series A Investors”) on 13 February 2015. The Series A convertible preferred shares are denominated in USD.

### **Conversion**

Series A convertible preferred shares shall be converted, at the option of the holder thereof, at any time after the issue date of the convertible preferred shares, into ordinary shares of the subsidiary of the Company at the applicable conversion ratio which was initially one ordinary share for each convertible preferred share. The initial conversion ratio of 1:1 is subject to adjustments, in the event of share split, share division, share combination, share dividend, reorganisation, merger, consolidation, reclassification, exchange, substitution, recapitalisation or similar event.

Series A convertible preferred shares shall be automatically converted into ordinary shares upon occurrence of an underwritten public offering of the ordinary shares of the subsidiary of the Company wherein the pre-offering market capitalisation of the subsidiary of the Company is no less than USD1,000,000,000 and net proceeds to the subsidiary of the Company are in excess of USD100,000,000.

### **Dividends**

The holders of outstanding Series A convertible preferred shares shall be entitled to receive dividends, when, as and if declared by the board of the subsidiary of the Company, out of the funds lawfully available therefor, in preference and priority to any declaration or payment of any distribution on ordinary shares or other equity securities. The right to receive dividends on Series A convertible preferred shares shall not be cumulative, and no rights to such dividends shall accrue to holders of convertible preferred shares.

### **Liquidation**

The holders of the Series A convertible preferred shares have preference over holders of ordinary shares and other equity securities with respect to payment of dividends and distribution of assets and funds upon liquidation of the subsidiary of the Company. The holders of the Series A convertible preferred shares shall be entitled to receive an amount equivalent to 300% of the Series A issue price, plus all declared but unpaid dividends.

The Series A convertible preferred shares are classified as current liabilities.

The Group has elected to designate the Series A convertible preferred shares with embedded derivatives as financial liabilities at FVTPL on initial recognition. At the end of each reporting period subsequent to initial recognition, the entire Series A convertible preferred shares are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

The movements of the Series A convertible preferred shares for the period are set out as below:

	<b>Shown in the condensed consolidated financial statements as RMB'000</b>
Opening balance	—
Issue of convertible preferred shares	260,474
Fair value change	—
Exchange realignment	<u>(646)</u>
At 30 June 2015	<u>259,828</u>

## 16. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### **Acquisition of 蘇州馳聲信息科技有限公司**

On 1 June 2015, Modern Victory Holdings Limited (“Modern Victory”), an indirect non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement with the independent third parties (the “Vendors”), pursuant to which the Vendors conditionally agreed to sell and Modern Victory conditionally agreed to acquire 100% equity interests of 蘇州馳聲信息科技有限公司 for an aggregate consideration of RMB91,000,000 (the “Consideration”). The Consideration will partly be satisfied by cash and partly be satisfied by the allotment and issue of 9,591,159 new shares of Best Assistant, a non-wholly owned subsidiary of the Company, credited as fully paid up at an issue price of approximately RMB1.77. The directors of the Company are in the process of ascertaining the financial impact arising on this transaction.

### **Acquisition of Promethean World Plc**

Digital Train Limited (“Digital Train”), an indirect non-wholly owned subsidiary of the Company, announced a firm intention to make a recommended offer for the entire issued and to be issued share capital of Promethean World Plc on 10 July 2015. The offer could result in a maximum aggregate cash consideration of Great British Pound 84.8 million (equivalent to approximately RMB799 million). In connection with the making of the offer, the Company, Digital Train and Promethean World Plc entered into a co-operation agreement on 10 July 2015 which sets out certain obligations and commitments in relation to the implementation of the proposed acquisition. On 6 August 2015, the offer document and form of acceptance in respect of the offer were despatched to the shareholders of Promethean World Plc.

The directors of the Company are still assessing the financial impact of this transaction. Further details of the proposed acquisition of Promethean World Plc are set out in the announcements of the Company dated 9 June 2015, 17 June 2015, 10 July 2015 and 6 August 2015.

## OPERATION INFORMATION

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

	<b>Three months ended</b>				
	<b>30 June 2015</b>	31 March 2015	31 December 2014	30 September 2014	30 June 2014
<b>PCU</b>	<b>708,000</b>	703,000	642,000	382,000	471,000
<b>ACU</b>	<b>318,000</b>	309,000	301,000	225,000	239,000

*Note:* As at 30 June 2015, 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, Calibur of Spirit and other games.

The PCU for online games was approximately 708,000 for the three months ended 30 June 2015, representing a slight increase of approximately 0.7% from the three months ended 31 March 2015 and representing an increase of approximately 50.3% from the three months ended 30 June 2014.

We also recorded the ACU for online games of approximately 318,000 for the three months ended 30 June 2015, representing an increase of approximately 2.9% from the three months ended 31 March 2015 and representing an increase of approximately 33.1% from the three months ended 30 June 2014.

**FINANCIAL PERFORMANCE HIGHLIGHTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The following table sets forth the comparative figures for the six months ended 30 June 2015 and 2014:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>512,225</b>	447,235
Cost of revenue	<u><b>(81,971)</b></u>	<u>(42,972)</u>
Gross profit	<b>430,254</b>	404,263
Other income and gains	<b>56,533</b>	88,603
Selling and marketing expenses	<b>(70,133)</b>	(62,720)
Administrative expenses	<b>(225,098)</b>	(128,520)
Development costs	<b>(184,031)</b>	(92,641)
Other expenses	<b>(8,742)</b>	(18,384)
Share of losses of associates	<u><b>(5,312)</b></u>	<u>(233)</u>
Operating (loss) profit	<b>(6,529)</b>	190,368
Interest income on pledged bank deposit	<b>3,190</b>	1,681
Exchange gain (loss) on pledged bank deposit, secured bank borrowing and convertible preferred shares	<b>646</b>	(6,269)
Net gain on derivative financial instrument	<b>—</b>	7,463
Gain on disposal of held-for-trading investment	<b>1,401</b>	—
Net (loss) gain on held-for-trading investments	<b>(10,732)</b>	1,154
Finance costs	<u><b>(1,640)</b></u>	<u>(2,249)</u>
(Loss) profit before taxation	<b>(13,664)</b>	192,148
Taxation	<u><b>(11,994)</b></u>	<u>(50,589)</u>
(Loss) profit for the period	<u><b>(25,658)</b></u>	<u>141,559</u>
(Loss) profit for the period attributable to:		
- Owners of the Company	<b>(18,374)</b>	143,492
- Non-controlling interests	<u><b>(7,284)</b></u>	<u>(1,933)</u>
	<u><b>(25,658)</b></u>	<u>141,559</u>

## Revenue

Revenue from online games and other business for the six months ended 30 June 2015 was approximately RMB512.2 million, representing an increase of approximately 14.5% as compared to approximately RMB447.2 million for the six months ended 30 June 2014.

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

	Six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
<b>PRC</b>	<b>425,548</b>	<b>83.1</b>	391,242	87.5
<b>Other markets</b>	<u><b>86,677</b></u>	<u><b>16.9</b></u>	<u>55,993</u>	<u>12.5</u>
	<u><b>512,225</b></u>	<u><b>100.0</b></u>	<u>447,235</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 six months ended 30 June 2015 was approximately RMB425.5 million, representing an increase of approximately 8.8% over the six months ended 30 June 2014.

The revenue derived from other markets for the six months ended 30 June 2015 was approximately RMB86.7 million, representing an increase of approximately 54.8% over the six months ended 30 June 2014.

## **Second Quarter of 2015**

### **Revenue**

Revenue for the second quarter of 2015 was approximately RMB266.0 million, representing an increase of approximately 8.0% from the first quarter of 2015 and an increase of approximately 15.6% over the same period in 2014.

### **Cost of revenue**

Cost of revenue for the second quarter of 2015 was approximately RMB43.0 million, representing an increase of approximately 10.1% from the first quarter of 2015 and an increase of approximately 96.2% over the same period in 2014.

### **Other income and gains**

Other income and gains of approximately RMB30.0 million were recorded for the second quarter of 2015, representing an increase of approximately 13.0% from the first quarter of 2015 and a decrease of approximately 27.3% over the same period in 2014.

### **Selling and marketing expenses**

Selling and marketing expenses for the second quarter of 2015 were approximately RMB39.3 million, representing an increase of approximately 27.5% from the first quarter of 2015 and an increase of approximately 17.0% over the same period in 2014.

### **Administrative expenses**

Administrative expenses for the second quarter of 2015 were approximately RMB118.2 million, representing an increase of approximately 10.5% from the first quarter of 2015 and an increase of approximately 64.9% over the same period in 2014.

### **Development costs**

Development costs for the second quarter of 2015 were approximately RMB96.1 million, representing an increase of approximately 9.4% from the first quarter of 2015 and an increase of approximately 86.0% over the same period in 2014.

**Other expenses**

Other expenses for the second quarter of 2015 were approximately RMB3.2 million, representing a decrease of approximately 42.7% from the first quarter of 2015 and a decrease of approximately 80.7% over the same period in 2014.

**Net gain on derivative financial instrument**

No net gain on derivative financial instrument for the second quarter of 2015 and the first quarter of 2015 was made, whereas, net gain on derivative financial instrument for the same period in 2014 was approximately RMB2.7 million.

**Finance costs**

Finance costs for the second quarter of 2015 were approximately RMB0.8 million, keeping a steady level as compared with the first quarter of 2015 and a decrease of approximately 27.3% over the same period in 2014.

**(Loss) profit for the period**

Loss for the second quarter of 2015 was approximately RMB12.6 million, representing a decrease of approximately 3.6% from the first quarter of 2015, whereas, profit for the same period of 2014 was approximately RMB63.8 million.

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

Loss for the period attributable to the owners of the Company for the second quarter of 2015 was approximately RMB7.5 million, representing a decrease of approximately 31.6% from the first quarter of 2015, whereas, profit attributable to the owners of the Company for the same period of 2014 was approximately RMB63.8 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Second Quarter of 2015 Compared to First Quarter of 2015

The following table sets forth the comparative figures for the second quarter of 2015 and the first quarter of 2015:

	<b>Three months ended</b>	
	<b>30 June</b>	<b>31 March</b>
	<b>2015</b>	<b>2015</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>266,009</b>	246,216
Cost of revenue	<u><b>(42,948)</b></u>	<u>(39,023)</u>
Gross profit	<b>223,061</b>	207,193
Other income and gains	<b>29,989</b>	26,544
Selling and marketing expenses	<b>(39,307)</b>	(30,826)
Administrative expenses	<b>(118,172)</b>	(106,926)
Development costs	<b>(96,142)</b>	(87,889)
Other expenses	<b>(3,186)</b>	(5,556)
Share of losses of associates	<u><b>(1,767)</b></u>	<u>(3,545)</u>
Operating loss	<b>(5,524)</b>	(1,005)
Interest income on pledged bank deposit	<b>1,600</b>	1,590
Exchange gain on pledged bank deposit, secured bank borrowing and convertible preferred shares	<b>646</b>	—
Gain on disposal of held-for-trading investment	—	1,401
Net loss on held-for-trading investments	<b>(991)</b>	(9,741)
Finance costs	<u><b>(823)</b></u>	<u>(817)</u>
Loss before taxation	<b>(5,092)</b>	(8,572)
Taxation	<u><b>(7,501)</b></u>	<u>(4,493)</u>
Loss for the period	<u><b>(12,593)</b></u>	<u>(13,065)</u>
Loss for the period attributable to:		
- Owners of the Company	<b>(7,460)</b>	(10,914)
- Non-controlling interests	<u><b>(5,133)</b></u>	<u>(2,151)</u>
	<u><b>(12,593)</b></u>	<u>(13,065)</u>

## FINANCIAL REVIEW

### Revenue

Our revenue from online games and other business for the three months ended 30 June 2015 was approximately RMB266.0 million, representing an increase of approximately 8.0% as compared to approximately RMB246.2 million for the three months ended 31 March 2015.

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

	Three months ended			
	30 June 2015		31 March 2015	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
<b>PRC</b>	<b>221,373</b>	<b>83.2</b>	204,175	82.9
<b>Other markets</b>	<b><u>44,636</u></b>	<b><u>16.8</u></b>	<u>42,041</u>	<u>17.1</u>
	<b><u>266,009</u></b>	<b><u>100.0</u></b>	<u>246,216</u>	<u>100.0</u>

The revenue derived from the PRC for the three months ended 30 June 2015 was approximately RMB221.3 million, representing an increase of approximately 8.4% as compared to approximately RMB204.2 million for the three months ended 31 March 2015. The increase in revenue derived from the PRC was mainly due to the increase in revenue from (i) Eudemons Online and Conquer Online; and (ii) education business.

The revenue derived from other markets for the three months ended 30 June 2015 was approximately RMB44.7 million, representing an increase of approximately 6.2% as compared to approximately RMB42.0 million for the three months ended 31 March 2015. The increase in revenue derived from other markets was mainly due to the increase in revenue from mobile technology and mobile marketing business.

### Cost of revenue

Cost of revenue for the three months ended 30 June 2015 was approximately RMB43.0 million, representing an increase of approximately 10.1% as compared to approximately RMB39.0 million for the three months ended 31 March 2015. The increase was mainly due to the increase in (i) cost of mobile technology and mobile marketing business; (ii) server leasing fee; (iii) server depreciation; and (iv) cost of education business.

## **Gross profit**

Our gross profit for the three months ended 30 June 2015 was approximately RMB223.0 million, representing an increase of approximately 7.7% as compared to approximately RMB207.2 million for the three months ended 31 March 2015.

Gross profit margin for the three months ended 30 June 2015 was approximately 83.9%, which represented a decrease of approximately 0.3% as compared with the three months ended 31 March 2015.

## **Other income and gains**

Other income and gains for the three months ended 30 June 2015 were approximately RMB30.0 million, representing an increase of approximately 13.0% as compared with the three months ended 31 March 2015. The increase in other income and gains was mainly due to offset of the (i) increase in interest income; (ii) increase in government grants; and (iii) decrease in exchange gain on foreign currencies.

## **Selling and marketing expenses**

Selling and marketing expenses for the three months ended 30 June 2015 were approximately RMB39.3 million, representing an increase of approximately 27.5% as compared with the three months ended 31 March 2015. The increase in selling and marketing expenses was mainly due to increase in (i) advertising and promotion expenses; and (ii) consulting fee.

## **Administrative expenses**

Administrative expenses increased by approximately 10.5% to approximately RMB118.2 million for the three months ended 30 June 2015 as compared with the three months ended 31 March 2015, which was mainly due to offset of the (i) decrease in staff costs; (ii) increase in legal and professional fees for merger and acquisition; (iii) decrease in low value consumables; (iv) increase in exchange loss on foreign currencies; and (v) increase in recruiting fee.

## **Development costs**

Development costs increased by approximately 9.4% to approximately RMB96.1 million for the three months ended 30 June 2015 as compared with the three months ended 31 March 2015, which was mainly due to increase in staff costs.

**Other expenses**

Other expenses for the three months ended 30 June 2015 were approximately RMB3.2 million, representing a decrease of approximately 42.7% as compared with three months ended 31 March 2015. The decrease in other expenses was mainly due to offset of (i) no loss on deemed disposal of associates incurred; and (ii) increase in compensation expense.

**Taxation**

Taxation for the three months ended 30 June 2015 was approximately RMB7.5 million, which raised by approximately 66.9% as compared with the three months ended 31 March 2015. The increase was mainly due to the increase in taxable profit.

**Loss for the period attributable to the owners of the Company**

Loss for the period attributable to the owners of the Company for the three months ended 30 June 2015 was approximately RMB7.5 million, representing a decrease of approximately 31.6% as compared to approximately RMB10.9 million for the three months ended 31 March 2015.

## Second Quarter of 2015 Compared to Second Quarter of 2014

The following table sets forth the comparative figures for the second quarter of 2015 and the second quarter of 2014:

	<b>Three months ended 30 June</b>	
	<b>2015</b>	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>266,009</b>	230,144
Cost of revenue	<u><b>(42,948)</b></u>	<u>(21,888)</u>
Gross profit	<b>223,061</b>	208,256
Other income and gains	<b>29,989</b>	41,255
Selling and marketing expenses	<b>(39,307)</b>	(33,590)
Administrative expenses	<b>(118,172)</b>	(71,645)
Development costs	<b>(96,142)</b>	(51,687)
Other expenses	<b>(3,186)</b>	(16,491)
Share of losses of associates	<u><b>(1,767)</b></u>	<u>(145)</u>
Operating (loss) profit	<b>(5,524)</b>	75,953
Interest income on pledged bank deposit	<b>1,600</b>	840
Exchange gain (loss) on pledged bank deposit, secured bank borrowing and convertible preferred shares	<b>646</b>	(2,106)
Net gain on derivative financial instrument	<b>—</b>	2,737
Net (loss) gain on held-for-trading investments	<b>(991)</b>	61
Finance costs	<u><b>(823)</b></u>	<u>(1,132)</u>
(Loss) profit before taxation	<b>(5,092)</b>	76,353
Taxation	<u><b>(7,501)</b></u>	<u>(12,547)</u>
(Loss) profit for the period	<u><b>(12,593)</b></u>	<u>63,806</u>
(Loss) profit for the period attributable to:		
- Owners of the Company	<b>(7,460)</b>	63,830
- Non-controlling interests	<u><b>(5,133)</b></u>	<u>(24)</u>
	<u><b>(12,593)</b></u>	<u>63,806</u>

## FINANCIAL REVIEW

### Revenue

Our revenue from online games and other business for the three months ended 30 June 2015 was approximately RMB266.0 million, representing an increase of approximately 15.6% 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 June			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
<b>PRC</b>	<b>221,373</b>	<b>83.2</b>	203,511	88.4
<b>Other markets</b>	<b>44,636</b>	<b>16.8</b>	26,633	11.6
	<b><u>266,009</u></b>	<b><u>100.0</u></b>	<b><u>230,144</u></b>	<b><u>100.0</u></b>

The revenue derived from the PRC for the three months ended 30 June 2015 was approximately RMB221.3 million, representing an increase of approximately 8.8% as compared to approximately RMB203.5 million for the three months ended 30 June 2014. The increase in revenue derived from the PRC was mainly due to offset of the (i) decrease in revenue from Eudemons Online; and (ii) increase in revenue from Calibur of Spirit.

The revenue derived from other markets for the three months ended 30 June 2015 amounted to approximately RMB44.7 million, representing an increase of approximately 67.6% as compared with the three months ended 30 June 2014. The increase in revenue derived from other markets was mainly due to the increase in revenue from (i) Conquer Online; and (ii) mobile technology and mobile marketing business. Excluded revenue derived from mobile technology and mobile marketing business acquired in the third quarter of 2014, the revenue from other markets for the three months ended 30 June 2015 increased by approximately 19.1%.

## **Cost of revenue**

Cost of revenue for the three months ended 30 June 2015 increased by approximately 96.2% to approximately RMB43.0 million as compared with the three months ended 30 June 2014. The increase was mainly due to 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 June 2015 was approximately RMB223.0 million, representing an increase of approximately 7.1% as compared to approximately RMB208.2 million for the three months ended 30 June 2014.

Gross profit margin for the three months ended 30 June 2015 was approximately 83.9%, which represented a decrease of approximately 6.6% as compared with the three months ended 30 June 2014.

## **Other income and gains**

Other income and gains for the three months ended 30 June 2015 were approximately RMB30.0 million, representing a decrease of approximately 27.3% as compared with the three months ended 30 June 2014. The decrease was mainly due to the decrease in (i) interest income; (ii) exchange gain on foreign currencies; and (iii) server rental income.

## **Selling and marketing expenses**

Selling and marketing expenses for the three months ended 30 June 2015 increased by approximately 17.0% to approximately RMB39.3 million as compared with the three months ended 30 June 2014. The increase in selling and marketing expenses was mainly due to the increase in (i) staff costs; (ii) consulting fee; and (iii) promotion expense.

## **Administrative expenses**

Administrative expenses increased by approximately 64.9% to approximately RMB118.2 million for the three months ended 30 June 2015 as compared with the three months ended 30 June 2014. The increase in administrative expenses was mainly due to the increase in (i) staff costs; (ii) depreciation and amortisation; (iii) exchange loss on foreign currencies; (iv) rental expense; and (v) recruiting fee.

### **Development costs**

Development costs increased by approximately 86.0% to approximately RMB96.1 million for the three months ended 30 June 2015 as compared with the three months ended 30 June 2014. 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 June 2015 were approximately RMB3.2 million, which represented a decrease of approximately 80.7% as compared with the three months ended 30 June 2014. The decrease in other expenses was mainly due to (i) the decrease in donation; and (ii) no trade receivable written off as uncollectible.

### **Net gain on derivative financial instrument**

No net gain on derivative financial instrument for the three months ended 30 June 2015 was made, whereas, net gain on derivative financial instrument for the three months ended 30 June 2014 was approximately RMB2.7 million.

### **Taxation**

Taxation for the three months ended 30 June 2015 dropped by approximately 40.2% to approximately RMB7.5 million as compared with the three months ended 30 June 2014, which was due to the decrease in taxable profit.

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

Loss for the period attributable to the owners of the Company for the three months ended 30 June 2015 was approximately RMB7.5 million, whereas, profit attributable to the owners of the Company for the three months ended 30 June 2014 was approximately RMB63.8 million.



## 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, loss on deemed disposal of associates, 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 convertible preferred shares, net gain on derivative financial instrument, gain on disposal of held-for-trading investment, net (loss) gain on held-for-trading investments and finance costs.

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

	<b>Period ended</b>		<b>Three months ended</b>		
	<b>30 June</b>	30 June	<b>30 June</b>	31 March	30 June
	<b>2015</b>	2014	<b>2015</b>	2015	2014
	<b>RMB’000</b>	RMB’000	<b>RMB’000</b>	RMB’000	RMB’000
Non-GAAP operating profit	<b>9,168</b>	204,308	<b>1,806</b>	7,362	83,162
Non-GAAP (loss) profit	<b>(2,826)</b>	153,719	<b>(5,695)</b>	2,869	70,615
Non-GAAP profit (loss) attributable to owners of the Company	<b>4,547</b>	155,652	<b>(473)</b>	5,020	70,639

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2015, we had bank deposits, bank balances and cash and pledged bank deposit of approximately RMB3,142.9 million (31 December 2014: RMB3,273.2 million), out of which approximately RMB236.6 million (31 December 2014: RMB236.8 million) has been pledged to bank to secure bank borrowing. The gearing ratio (consolidated bank borrowing/consolidated total equity) was 0.05 (31 December 2014: 0.05). As at 30 June 2015, total bank borrowing of the Group amounted to approximately RMB236.6 million (31 December 2014: RMB236.8 million) was floating-rate loan.

As at 30 June 2015, the Group had net current assets of approximately RMB2,701.6 million as compared with approximately RMB3,148.0 million as at 31 December 2014.

## STAFF INFORMATION

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

	At <b>30 June</b> <b>2015</b>	At 31 March 2015	At 30 June 2014
Research and development	<b>2,093</b>	2,061	1,354
Selling and marketing	<b>721</b>	677	545
Accounting, finance and general administration	<u><b>725</b></u>	<u>640</u>	<u>832</u>
Total	<u><b>3,539</b></u>	<u>3,378</u>	<u>2,731</u>

## BUSINESS REVIEW AND OUTLOOK

In the first half of 2015, the Group further consolidated its market position in the gaming space and continued its effort to develop its education ecosystem.

During the period, the online game business maintain its strong growth momentum. With the launch of new gameplay and new contents, the portfolio of the Group's flagship games was further strengthened and its market share was consolidated. New games launched by the Group were well received by the players and recorded strong operating performance. The Group expect to launch two to three new mobile games to further enrich its product portfolio and expand its revenue streams during the second half of 2015.

During the period, the Group continued to focus on the investment and foundation work of its online education business to construct “hardware + software + content + cloud platform” ecosystem. The Group's ecosystem centers on the K12 education and extends pre-school, higher, vocational, non-academic credential and lifelong education as well as enterprise training to meet a wider range of educational needs. Based in China with global visions, the Group has been promoting its self-developed education products through the Internet and the domestic & international distribution channels. The Group has also actively introduced international leading technologies, marketing channels, talents and teaching contents through overseas cooperation and merger and acquisition.

## 1. Games Business

### (1) *Online games*

During the first quarter of 2015, a new gameplay of flagship game title Conquer Online (征服) was introduced, resulting in record high overseas revenue during the period. Conquer Online (征服) celebrated its anniversary in April 2015 with the launch of The Rhapsody of Ice and Fire: Taoist Ascending (道士翻身) which further consolidates the game's market share. The new expansion pack of Conquer Online (征服) has been launched in the third quarter of 2015 to satisfy the need of new gaming experience of its target players. War of Legions (王者之戰), the new expansion pack for the Group's another flagship game Eudemons Online (魔域), officially began open-beta testing in May 2015. The new expansion pack offers players a richer gaming experience.

Calibur of Spirit (英魂之刃), the Group's first MOBA micro-client game, officially began open-beta testing on Tencent's platform in January 2015 and has since rapidly recorded significant player growth thanks to its efficient micro-client login and fast paced battle mode. Calibur of Spirit (英魂之刃) generated record high monthly gross revenue of approximately RMB26 million in May 2015 and its peak concurrent users of over 400,000 users in July 2015. The Portuguese version of Calibur of Spirit (英魂之刃) began alpha testing in March 2015. The Group is currently developing multiple foreign language versions as well as a mobile game version of Calibur of Spirit (英魂之刃) to leverage the user base and brand value of this popular game.

Regarding new games, 3D action strategy game Tiger Knight (虎豹騎), which vividly reproduces and realistic legendary army battle scenes with visual effects, has won praise from players. During its research and development phase, Tiger Knight (虎豹騎) was among the games listed on Sina's "China Games Weight Rank", and was awarded as one of "Top Online Games of the Year" and "New Games of the Year". In the third quarter of 2015, the Chinese version of Tiger Knight (虎豹騎) will begin a new round of alpha testing and is expected for the official launch by the end of 2015.

### (2) *Mobile games*

Eudemons Online Pocket Version\* (魔域口袋版) has recorded satisfactory operational metrics since its open-beta testing in January 2015 and its traditional Chinese version was formally released in Hong Kong and Taiwan in April 2015. In June 2015, Eudemons Online Pocket Version\* (魔域口袋版) released the BOSS version on App Store that was quickly ranked among the top 10 paid mobile apps on the App Store with its six brand new challenging modes sparking

great enthusiasm of players. The first expansion pack of Eudemons Online Pocket Version\* (魔域口袋版) began alpha-testing in August 2015, and began official open-beta testing in the third quarter of 2015. The new expansion pack accelerated growth of the game while maintaining higher user stickiness. Looking forward, the Group plans to expand overseas markets for the successful Eudemons Online Pocket Version\* (魔域口袋版). Another mobile game, the Android version of 2.5D martial arts mobile role-playing game Blade & Sword\* (最江湖) began its all channels testing in June 2015 with plans to formally launch by the end of 2015.

Meanwhile, the Group continued to invest in the pipeline of overseas version of mobile games. The overseas version of the Group's first person shooting game and a mobile card game Dead Union\* (絕對火力之危機邊緣) and will start their alpha testing during the second half of 2015 and are expected to be officially launched during the fourth quarter of 2015.

## **2. Online and Mobile Education**

In the first half of 2015, leveraging on favourable industry policies, the online and mobile education business of the Group continued its strong growth momentum in 2014 and recorded outstanding progress in terms of products, pedagogy integration, content, market, financing and M&A.

### *(1) Products and contents*

The Group made significant progress in building a dynamic and engaging educational ecosystem that will create a fun and effective learning experience and enable a seamless connection between teachers, students and parents. The Group is on the verge of completing the final stage of the development for its education product targeted for first-phase commercialization.

On the hardware front, the Group's "101 student tablet" has gone through several internal design iterations and is ready for large scale deployment. On the software front, the Group's initial product will center around its collaborative classroom product which aims to provide a revolutionary teaching and learning experience within the classroom. Integrated within the ecosystem is an educational content repository that covers primary and secondary school curriculum and all major academic subjects, including both licensed and self-developed contents. The Group's Instant Messaging Platform has gone through a vigorous development cycle and will be integrated within the Group's other software modules to ensure a seamless user experience.

## (2) *Go to Market*

The Group's market penetration strategy focuses on forming a large scale active user base by combining B2B and online B2C models. While B2B model is executed through channel building and is a vital step for penetrating into new regional markets, the Group will leverage its deep internet B2C expertise to scale up users and monetization through online B2C model. As part of its efforts in the B2B model, the Group has built up a national distribution network and has established a sales team covering 6 major regions and over 20 provinces in China.

The Group expects to ramp up commercialization efforts within the next several months in line with start of the new school year, and targets to achieve sales coverage in over 15 cities. To ensure a smooth product and service roll-out, this first-phase commercialization will be controlled to cover initially 500-1,000 classrooms by the end of 2015.

## (3) *Merger and Acquisition (M&A)*

The Group continued to build traction with its M&A initiatives during the first half of 2015. In June 2015, the Group signed a sale and purchase agreement to conditionally acquire a 100% equity interest in ChiVox Co., Ltd ("ChiVox"). The Group is on track to complete this acquisition by September 2015. With this acquisition, the Group will integrate ChiVox's best-in-class intelligent voice and speech technology into its language assessment platform in the area of language assessment, which will create a very high entry barrier to competing education platforms. In July 2015, the Group announced its intention to make a recommended offer for the entire issued and to be issued share capital of Promethean World Plc for a total consideration of £84.8 million (equivalent to US\$131.5 million). Promethean is a global leader in interactive learning technology with a substantial user base and a well-known brand with the reputation for providing high quality education products.

## (4) *Fundraising*

In February 2015, the Group's online education subsidiary acquired Series A equity fundraising round of USD52.5 million led by world-renowned investors at a fully-diluted post-money valuation of USD477.5 million.

### 3. Conclusion

In the first half of 2015, while strengthening its position in the gaming market, the Group steadily pushed forward the development of the online education platform. Both the online games and mobile games businesses continued strong growth with the operating indicators showed an upward trend. The Group also focused on creating and implementing a comprehensive online ecological education system. The Group is confident about the recent development and long-term prospects of the education business.

With respect to online games, as the Group continued to optimize its game portfolio and launched new gameplay and new content for popular games. With the deep excavation of the value of flagship games by the Group, the advantages of the brand strategy have been extended and the market position and player loyalty have been consolidated. With respect to new games, Calibur of Spirit (英魂之刃), a MOBA micro-client game developed in-house by the Group, recorded significant user growth and remarkable operating indicators since the official beta testing in January 2015. With the launch of further promotional activities, operating indicators of the game are expected to further improve. With respect to mobile games, Eudemons Online Pocket Version\* (魔域口袋版), recorded strong performance immediately after the official beta testing began in January 2015 and is believed to become another revenue generator of the Group in the future. In the second half of 2015, the Group will launch a variety of mobile games to further enrich its product portfolio.

The strategic focus of the Group remained on the online education business. The Group has been focusing on developing products catering to the demand of K12 teachers and students and will expand to cover the lifelong learning sector. The Group plans to penetrate the market through comprehensive education solutions which are expected to be officially launched in the second half of 2015. Leveraging on the Group's ability to design integrated Internet and mobile products and its in-depth understanding of the education industry, the learning process was made simple and effective, satisfying the concern and demand of a wider range of people for education. In the future, the Group will target the global market, seek cooperation opportunities and create a better ecological environment for the development of online education.

\* For identification purpose only

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

The “Haixi Animation Creativity City” is a project initiated by Changle Western Taiwan Straits Creative Valley (長樂海西創意谷) with the Group providing construction and planning services. It is a key project in Fujian province, and also a key project for the cultural creativity industry in the Linkonggang Economic Zone of Fuzhou City. The Project covers a more integrated industrial chain of animation creativity from research and development in animation to exchange, animation derivatives, online and mobile education application. During the period under review, the progress of each phase was as follows:

- 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 and the construction of two new steel buildings are currently underway.
- II Phase II covers an area of 296.5 mu. This is the core animation research center of the Group. After two years of construction, the main building of the Group’s landmark building, Enterprise\* (企業號), was officially put into operation on 18 May 2014. Other ancillary buildings are under construction within the area. Most office and ancillary buildings are currently underway.
- III Phase III covers an area of approximately 600.1 mu of which 345 mu has been earmarked for online education industrial zone, the commissioned design and project procedures are undergoing simultaneously, 105 mu has been slated for commercial and residential use, 48.8 mu was designated for apartments for senior management. Nine executives dormitory buildings have been largely completed, and the remaining three buildings will be started at a later stage. The remaining 101.3 mu will be used for future mobile game business research and development purpose.

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

\* For identification purpose only



- IV The Group also places great emphasis on the development of education segment. It is planning to construct a new Changle campus for Fuzhou Software Technology Vocational College, which has a student enrolment of approximately 8,000 and occupies an area of 536.2 mu. Currently, the land is under batch approval procedures from Provincial Department, the project will form an industry cluster effect together with the three projects in the park by the way of “learning supported by production, research facilitated by production, learning combined with production” to boost the emergence and development of Haixi animation creation industry.
- V Another real estate development project occupying an area of 199.9 mu has been stated for commercial and residential use. This project won the bid in 2014 and has completed temporary construction fence and preliminary site preparation. This project is currently under planning.

The construction of the Project will help form a full-scale high-tech industry cluster and animation industry chain for “technological research and development, application and production” in the area, making it a new town with the most sophisticated technology and the most ecology-friendly industry, a creative new town with the greatest potential, and a new innovative culture zone along the south-eastern coast in China.

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

As at 30 June 2015, 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, through a controlled corporation and beneficiary of a trust	254,053,257 (L)	51.11%
Liu Dejian (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000 (L)	98.86%
Liu Luyuan (Note 2)	The Company	Beneficial owner and beneficiary of certain trust	255,652,057 (L)	51.43%
Liu Luyuan (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000 (L)	98.86%
Zheng Hui (Note 2)	The Company	Beneficial owner and through controlled corporations	254,053,257 (L)	51.11%
Zheng Hui (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000 (L)	98.86%
Chen Hongzhan (Note 4)	The Company	Beneficial owner and beneficiary of certain trust	11,197,019 (L)	2.25%
Chao Guowei, Charles (Note 5)	The Company	Beneficial owner	818,000 (L)	0.16%
Lee Kwan Hung (Note 6)	The Company	Beneficial owner	1,146,019 (L)	0.23%
Liu Sai Keung, Thomas (Note 7)	The Company	Beneficial owner	935,019 (L)	0.19%

Notes:

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

2. Liu Dejian is interested in 95.36% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 38.44% of the issued voting shares of the Company. Liu Dejian is also interested in 0.42% of the issued voting shares of the Company which is represented by beneficial interest of 1,798,800 shares, a beneficiary of a trust of 197,019 shares and the rest being underlying shares of interest of 85,200 share options granted by the Company.

Liu Luyuan is interested in 5.68% of the issued voting shares of the Company which is represented by interest held as a beneficiary of certain trust holding in aggregate 26,541,819 shares, and the rest being underlying shares of interest of 1,684,000 share options granted by the Company.

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 38.44% and 3.83%, respectively, of the issued voting shares 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 voting shares of Eagle World International Inc., which in turn is interested in 2.80% of the issued voting shares of the Company. Zheng Hui is also interested in 0.30% of the issued shares of the Company which is represented by beneficial interest of 1,411,800 shares and the rest being underlying shares of 85,200 share options granted by 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 51.10% of the issued voting shares of the Company through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Liu Luyuan, a trust in favour of Liu Dejian and Liu Luyuan, Fitter Property Inc., Eagle World International Inc. and their respective shares held as beneficial owner in each of their personal capacities.

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)”). 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).
4. Chen Hongzhan is interested in 2.25% of the issued voting shares of the Company which is represented by personal interest of 71,000 shares, interest held as a beneficiary of certain trust holding in aggregate of 11,040,819 shares and the rest being underlying shares of interest of 85,200 share options granted by the Company.
5. Chao Guowei, Charles is interested in 0.16% of the issued voting shares of the Company which is represented by personal interest of 579,500 shares and the rest being the underlying shares of interest of 238,500 shares options granted by the Company.

6. Lee Kwan Hung is interested in 0.23% of the issued voting shares of the Company which is represented by beneficial interest of 428,019 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 0.19% of the issued voting shares of the Company which is represented by beneficial interest of 117,019 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 June 2015, none of the Directors and chief executive of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 30 June 2015, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or, who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Name of Group member	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100 (L)	38.44%
IDG Group (Note 2)	The Company	Beneficial owner	78,333,320 (L)	15.76%

Name	Name of Group member	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
Ho Chi Sing (Note 2)	The Company	Through controlled corporations	78,333,320 (L)	15.76%
Zhou Quan (Note 2)	The Company	Through controlled corporations	73,490,095 (L)	14.79%
First Elite Group Limited (Note 3)	The Company	Beneficial owner and through controlled corporation	26,463,011 (L)	5.32%
Jardine PTC Limited (Note 3)	The Company	Trustee	26,463,011 (L)	5.32%

*Notes:*

1. The letter “L” denotes the shareholder’s long position in the share capital of the relevant member of the Group.
2. The IDG Group is comprised of four limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 2.19%, 10.46%, 2.14% and 0.97% 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 Jardine PTC 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 June 2015.

## 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 June 2015 are as follows:

Grantee	Date of grant	Exercise Price HKD	As at 1	Number of share options			As at
			January 2015	Granted	Exercised	Lapsed	30 June 2015
<b>Executive Directors</b>							
Liu Dejian	22.07.2011	4.60	156,200	—	71,000	—	85,200
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	156,200	—	71,000	—	85,200
Chen Hongzhan	22.07.2011	4.60	156,200	—	71,000	—	85,200

Grantee	Date of grant	Exercise Price HKD	As at 1	Number of share options			As at
			January 2015	Granted	Exercised	Lapsed	30 June 2015
<b>Independent non-executive Directors</b>							
Chao Guowei, Charles	22.07.2011	4.60	200,000	—	200,000	—	0
	23.04.2012	5.74	300,000	—	300,000	—	0
	04.12.2013	15.72	318,000	—	79,500	—	238,500
Lee Kwan Hung	22.07.2011	4.60	200,000	—	—	—	200,000
	23.04.2012	5.74	200,000	—	—	—	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
<b>Others</b>							
Employees	07.12.2009	4.33	80,000	—	80,000	—	0
	28.04.2011	4.80	5,562,594	—	2,376,072	150,900	3,035,622
	22.07.2011	4.60	277,238	—	84,000	—	193,238
	23.04.2012	5.74	1,171,217	—	301,755	21,325	848,137
	06.07.2012	6.53	473,238	—	14,250	—	458,988
	12.09.2012	7.20	53,250	—	—	—	53,250
	16.01.2013	11.164	575,350	—	101,775	—	473,575
	25.04.2014	14.66	556,000	—	—	—	556,000
	11.05.2015	27.75	—	251,000	—	—	251,000
Total			<u>13,255,487</u>	<u>251,000</u>	<u>3,750,352</u>	<u>172,225</u>	<u>9,583,910</u>

*Notes:*

1. On 11 May 2015, 251,000 share options were granted to the employees of the Company under the Main Board Share Option Scheme. The closing price of the Company's shares on 11 May 2015 (the trading day on the grant of the share options) was HKD27.75.
2. During the period under review, 792,500 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 June 2015, 475,451 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 237,725 vested awarded shares in 2015, a total of 118,212 awarded shares were vested by 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 as amended on 13 February 2015 (the “Best Assistant Share Award Scheme”) in which selected participants include senior management employees of Best Assistant and/or its subsidiaries (“Best Assistant Group”), consultants to Best Assistant Group employed by any member of the Company, its associated companies or their subsidiaries

(excluding Best Assistant Group) and any person who contributes to the development of Best Assistant Group which has been certified and determined by the board of directors of Best Assistant with the affirmative vote of one director appointed by IDG Investors, Vertex or Alpha.

Subject to early termination, the Best Assistant Share Award Scheme shall be valid and effective for a term of ten years commencing on 7 August 2012. Best Assistant may also transfer shares awarded under the Best Assistant Share Award Scheme whether vested or unvested to other trusts and if there is a change in control of Best Assistant, all awarded shares shall immediately be vested. The board of directors of Best Assistant may also waive any vesting conditions with the affirmative vote of one director appointed by IDG Investors, Vertex or Alpha. 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 with the affirmative vote of one director appointed by IDG Investors, Vertex or Alpha.

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 June 2015, no awarded shares were granted under the Best Assistant Share Award Scheme.

## **ISSUE OF SERIES A PREFERRED SHARES BY BEST ASSISTANT**

On 6 January 2015, Best Assistant entered into a subscription agreement (“Series A Agreement”) with IDG-Accel China Growth Fund-L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P. (together referred to as “IDG Investors”), Vertex Asia Fund Pte. Ltd. (“Vertex”), Alpha Animation and Culture (Hong Kong) Company Limited (“Alpha”), Catchy Holdings Limited, DJM Holding Ltd., Creative Sky International Limited and NetDragon Websoft Inc. (“NetDragon BVI”), a direct wholly owned subsidiary of the Company (collectively referred to as “Series A Investors”) for the allotment and issue of an aggregate of 180,914,513 Series A preferred Shares (“Series A Preferred Shares”) for a total consideration of



US\$52,500,000 (equivalent to approximately HK\$409.5 million). The Series A Agreement and the issue and allotment of the Series A Preferred Shares were completed on 13 February 2015. The Series A Preferred Shares represented 100% of all issued preferred shares of Best Assistant and accounted for approximately 12.22% of all the outstanding shares of Best Assistant upon full conversion of all of the Series A Preferred Shares.

Assuming all of the Series A Preferred Shares are fully converted into ordinary shares of Best Assistant, the Company's interest in ordinary shares of Best Assistant will be reduced from 86.15% to approximately 77.96%.

As at 30 June 2015, no Series A Preferred Shares have been converted into ordinary shares of Best Assistant.

### **VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF PROMETHEAN WORLD PLC**

On 10 July 2015, Digital Train Limited ("Digital Train"), an indirect non wholly-owned subsidiary of the Company announced a firm intention to make a recommended offer for the entire issued and to be issued share capital of Promethean World Plc ("Promethean"), a company incorporated in England and Wales with registered number 07118000 and listed on the main market of the London Stock Exchange, pursuant to Rule 2.7 of the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers at a maximum aggregate consideration of £84.8 million (equivalent to approximately HK\$1,012.7 million) being payable by the Group (the "Proposed Acquisition"). Promethean is listed on the London Stock Exchange and is a global leader in the interactive learning technology market. In connection with the making of the said offer, the Company, Digital Train and Promethean entered into a cooperation agreement on 10 July 2015 which sets out certain obligations and commitments in relation to the implementation of the Proposed Acquisition.

The Proposed Acquisition constitutes a very substantial acquisition of the Company and is subject to the satisfaction of a number of conditions including but not limited to: (i) receiving valid acceptances of not less than 90% in nominal value in aggregate of Promethean Shares to which the said offer relates and of the voting rights attached to those shares; and (ii) the approval of shareholders of the Company at an extraordinary general meeting of the Company to approve, implement and effect the said offer and the Proposed Acquisition. For details of the Proposed Acquisition, the condition, of the said offer and the said cooperation agreement, please refer to the announcements of the Company dated 9 June 2015, 17 June 2015 and 10 July 2015.

The offer documents and forms of acceptance have been sent to the Promethean shareholders on 6 August 2015 and is open for acceptance by the Promethean Shareholders until 1 p.m. (London time) on 27 August 2015 (or such later time(s) and/or date(s) as Digital Train may determine, subject to the consent of the UK Takeover Panel, where required). For details, please refer to the announcement of the Company dated 6 August 2015 and further announcements of the Company.

## **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 six months ended 30 June 2015.

## **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.

## **INTERIM DIVIDEND**

On 27 August 2015, the Board has resolved to declare an interim dividend of HKD0.10 per share for the six months ended 30 June 2015 (2014: HKD0.20 per share). The interim dividend will be paid to the shareholders whose names appeared on the register of members of the Company on 15 September 2015. It is expected that the interim dividend will be distributed on or about 30 September 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 15 September 2015 to Thursday, 17 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend for the six months ended 30 June 2015, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 14 September 2015.

## **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 interim results for the six months ended 30 June 2015 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 six months ended 30 June 2015, the Company bought back a total of 1,870,000 shares on the Stock Exchange at an aggregate consideration of HKD25,323,860 before expenses.

Details of the shares buy-backs are as follows:

Month of shares bought back	Number of ordinary shares Bought back	Price per share		Aggregate consideration paid HKD
		Highest HKD	Lowest HKD	
January 2015	<u>1,870,000</u>	<u>13.80</u>	<u>12.90</u>	<u>25,323,860</u>

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

Hong Kong, 27 August 2015

*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.*