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NetDragon Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND NINE MONTHS ENDED
30 SEPTEMBER 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 three months and nine months ended 30 September 2015. The third quarterly results of the Group have been reviewed by Messrs. Deloitte Touche Tohmatsu, the auditor (the “Auditor”) of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and reviewed by the audit committee (the “Audit Committee”) of the Company, comprising three independent non-executive Directors.

RESULTS

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months and nine months ended 30 September 2015 together with the comparative figures in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue	4	259,412	232,702	771,637	679,937
Cost of revenue		(44,031)	(23,530)	(126,002)	(66,502)
Gross profit		215,381	209,172	645,635	613,435
Other income and gains	4	43,951	36,034	100,484	124,637
Selling and marketing expenses		(42,663)	(38,569)	(112,796)	(101,289)
Administrative expenses		(133,516)	(77,538)	(358,614)	(206,058)
Development costs		(107,472)	(67,341)	(291,503)	(159,982)
Other expenses		(3,270)	(3,666)	(12,012)	(22,050)
Share of losses of associates		(3,177)	(406)	(8,489)	(639)
Operating (loss) profit		(30,766)	57,686	(37,295)	248,054
Interest income on pledged bank deposit		1,657	638	4,847	2,319
Exchange (loss) gain on pledged bank deposit, secured bank borrowing and convertible preferred shares		(10,527)	1,188	(9,881)	(5,081)
Net gain (loss) on derivative financial instrument		13,408	(646)	13,408	6,817
Net (loss) gain on disposal of held-for-trading investments		(525)	—	876	—
Net loss on held-for-trading investments		(2,334)	(1,553)	(13,066)	(399)
Finance costs		(851)	(728)	(2,491)	(2,977)
(Loss) profit before taxation		(29,938)	56,585	(43,602)	248,733
Taxation	6	(8,072)	(4,166)	(20,066)	(54,755)
(Loss) profit for the period	7	(38,010)	52,419	(63,668)	193,978
Other comprehensive income (expense) for the period, net of income tax:					
Exchange differences arising on translation of foreign operations that may be reclassified subsequently to profit or loss		3,796	(161)	3,667	421
Total comprehensive (expense) income for the period		(34,214)	52,258	(60,001)	194,399

	NOTE	Three months ended 30 September		Nine months ended 30 September	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
(Loss) profit for the period attributable to:					
- Owners of the Company		(26,530)	52,595	(44,904)	196,087
- Non-controlling interests		(11,480)	(176)	(18,764)	(2,109)
		<u>(38,010)</u>	<u>52,419</u>	<u>(63,668)</u>	<u>193,978</u>
Total comprehensive (expense) income attributable to:					
- Owners of the Company		(22,734)	52,434	(41,237)	196,508
- Non-controlling interests		(11,480)	(176)	(18,764)	(2,109)
		<u>(34,214)</u>	<u>52,258</u>	<u>(60,001)</u>	<u>194,399</u>
		<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
(Loss) earnings per share	9				
- Basic		(5.34)	10.31	(9.07)	38.55
- Diluted		<u>N/A</u>	<u>10.27</u>	<u>N/A</u>	<u>38.08</u>

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

		30 September 2015	31 December 2014
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	10	1,134,534	822,704
Prepaid lease payments	11	439,331	378,673
Intangible assets		198,294	141,254
Interests in associates		20,306	28,795
Available-for-sale investments		5,000	5,000
Loan receivables		21,045	18,327
Deposit paid for acquisition of subsidiaries	16	777,671	—
Deposits made for acquisition of property, plant and equipment		15,372	35,967
Goodwill		71,110	40,013
Deferred tax assets		54	54
		<u>2,682,717</u>	<u>1,470,787</u>
Current assets			
Prepaid lease payments	11	2,732	2,708
Loan receivables		2,627	1,578
Trade receivables	12	71,360	51,072
Amounts due from customers for contract work		5,458	7,252
Other receivables, prepayments and deposits		101,667	210,098
Amount due from a related company		1,704	1,704
Amounts due from associates		10,982	367
Held-for-trading investments		166,718	211,584
Pledged bank deposit	13	246,182	236,805
Bank deposits		779,236	1,999,644
Bank balances and cash		<u>1,198,314</u>	<u>1,036,788</u>
		<u>2,586,980</u>	<u>3,759,600</u>

		30 September 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
	<i>NOTES</i>		
Current liabilities			
Trade and other payables	14	220,697	209,214
Amounts due to customers for contract work		1,343	424
Deferred income		23,928	25,595
Amount due to a related company		2,329	1,891
Amounts due to associates		5,008	8
Convertible preferred shares	15	256,947	—
Secured bank borrowing	13	246,182	236,805
Income tax payable		<u>102,342</u>	<u>137,648</u>
		<u>858,776</u>	<u>611,585</u>
Net current assets		<u>1,728,204</u>	<u>3,148,015</u>
Total assets less current liabilities		<u>4,410,921</u>	<u>4,618,802</u>
Non-current liabilities			
Other payables		6,981	1,283
Deferred tax liabilities		<u>7,979</u>	<u>116</u>
		<u>14,960</u>	<u>1,399</u>
Net assets		<u>4,395,961</u>	<u>4,617,403</u>
Capital and reserves			
Share capital		36,725	36,943
Share premium and reserves		<u>4,323,315</u>	<u>4,529,971</u>
Equity attributable to owners of the Company		4,360,040	4,566,914
Non-controlling interests		<u>35,921</u>	<u>50,489</u>
		<u>4,395,961</u>	<u>4,617,403</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Attributable to owners of the Company														
	Share capital	Capital			Statutory reserves	Dividend reserve	Revaluation reserve	Treasury share reserve	Employee share-based			Retained profits	Total	Non-controlling interests	Total equity
		Share premium	redemption reserve	Other reserve					compensation reserve	Translation reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2014	37,664	1,036,480	4,139	—	10,045	202,885	79,977	673	(5,780)	29,777	(59,309)	3,278,591	4,615,142	7,736	4,622,878
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	—	—	196,087	196,087	(2,109)	193,978
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	421	—	421	—	421
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	—	—	—	421	196,087	196,508	(2,109)	194,399
Repurchase and cancellation of shares	(176)	(27,609)	176	—	—	—	—	—	—	—	—	(176)	(27,785)	—	(27,785)
Shares issued upon exercise of share options	199	17,998	—	—	—	—	—	—	—	(5,782)	—	—	12,415	—	12,415
Shares issued upon acquisition of subsidiaries	162	28,031	—	—	—	—	—	—	—	—	—	—	28,193	—	28,193
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	8,710	—	—	8,710	—	8,710
Awarded shares vested to employees	—	—	—	—	—	—	—	—	1,445	(2,803)	—	1,358	—	—	—
Return of capital to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,990)	(3,990)
Contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	300	300
Acquisition of non-wholly owned subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	58	58
Final dividend for 2013 paid	—	—	—	—	—	—	(79,977)	—	—	—	—	(353)	(80,330)	—	(80,330)
Interim dividend for 2014 declared and paid	—	—	—	—	—	—	—	—	—	—	—	(81,277)	(81,277)	—	(81,277)
Dividend paid to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(224)	(224)
At 30 September 2014 (unaudited)	37,849	1,054,900	4,315	—	10,045	202,885	—	673	(4,335)	29,902	(58,888)	3,394,230	4,671,576	1,771	4,673,347
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	—	—	—	—	—	—	—	—	—	—	—	(44,904)	(44,904)	(18,764)	(63,668)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	3,667	—	3,667	—	3,667
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	—	—	—	3,667	(44,904)	(41,237)	(18,764)	(60,001)
Repurchase and cancellation of shares	(486)	(70,095)	486	—	—	—	—	—	—	—	—	(486)	(70,581)	—	(70,581)
Shares issued upon exercise of share options	268	27,087	—	—	—	—	—	—	—	(8,250)	—	—	19,105	—	19,105
Issue of shares by a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	1,211	1,211
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	3,595	—	—	3,595	—	3,595
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 declared and paid	—	—	—	—	—	—	—	—	—	—	—	(39,246)	(39,246)	—	(39,246)
At 30 September 2015 (unaudited)	36,725	887,278	5,709	38,640	10,035	253,630	—	673	(3,253)	25,039	(55,682)	3,161,246	4,360,040	35,921	4,395,961

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Nine months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
NOTE	RMB'000	RMB'000
NET CASH USED IN OPERATING ACTIVITIES	(44,285)	(226,674)
INVESTING ACTIVITIES		
Acquisitions of subsidiaries	(71,620)	(116,183)
Deposit paid for acquisition of subsidiaries	16 (777,671)	—
Acquisitions of investments in associates	—	(28,992)
Acquisitions of held-for-trading investments	—	(165,548)
Purchase of property, plant and equipment	(386,096)	(254,092)
Purchase of prepaid lease payments	(38,169)	(195,287)
Purchase of intangible assets	(9,073)	(2,097)
Proceeds from disposal of subsidiaries	61,396	—
Proceeds from disposal of held-for-trading investments	32,676	—
Deposits paid for acquisition of property, plant and equipment	(9,736)	(15,974)
Placement of bank deposits	(1,304,752)	(2,117,950)
Withdrawal of pledged bank deposit	—	112,363
Withdrawal of bank deposits	2,542,043	2,645,850
Other investing activities	80,134	40,624
NET CASH FROM (USED IN) INVESTING ACTIVITIES	119,132	(97,286)
FINANCING ACTIVITIES		
Contribution from a non-controlling shareholder	—	300
Proceeds from issue of convertible preferred shares	260,359	—
Proceeds from shares issued upon exercise of share options	19,105	12,415
Dividends paid	(117,631)	(161,607)
Dividend paid to non-controlling interest of a subsidiary	—	(224)
Payment for repurchase of shares	(70,581)	(27,785)
Repayment of secured bank borrowing	—	(111,052)
Repayment of borrowings	—	(3,378)
Other financing activities	(265)	(4,848)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	90,987	(296,179)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	165,834	(620,139)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,036,788	1,304,355
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4,308)	(12,282)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	1,198,314	671,934

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 Units 2001-05 & 11, 20th Floor, Harbour Centre, 25 Harbour Road, Wan Chai, 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 amounts included in the condensed consolidated financial statements have been computed in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) applicable to interim periods. However, it does not contain sufficient information to constitute a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and the methods of computation used in the condensed consolidated financial statements for the nine months ended 30 September 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 fair value through profit or loss (“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 derivative financial instrument’ 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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Online game revenue	238,961	213,089	702,182	644,628
Education	9,526	7,684	32,975	23,380
Mobile technology and mobile marketing	10,925	11,929	36,480	11,929
	<u>259,412</u>	<u>232,702</u>	<u>771,637</u>	<u>679,937</u>
Other income and gains				
Government grants (<i>Note</i>)	4,806	4,060	15,651	13,649
Interest income	14,075	25,003	52,037	70,686
Net foreign exchange gain	20,590	—	20,590	23,709
Game implementation income	3,282	2,696	10,215	7,645
Compensation income	—	1,739	—	1,739
Rental income, net of negligible outgoing expenses	319	97	772	346
Server rental income	108	928	323	3,860
Others	771	1,511	896	3,003
	<u>43,951</u>	<u>36,034</u>	<u>100,484</u>	<u>124,637</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:

Nine months ended 30 September 2015

	Online game <i>(Unaudited)</i> <i>RMB’000</i>	Education <i>(Unaudited)</i> <i>RMB’000</i>	Mobile technology and mobile marketing <i>(Unaudited)</i> <i>RMB’000</i>	Total <i>(Unaudited)</i> <i>RMB’000</i>
Segment revenue	<u>702,182</u>	<u>32,975</u>	<u>36,480</u>	<u>771,637</u>
Segment profit (loss)	<u>169,702</u>	<u>(114,153)</u>	<u>(14,403)</u>	41,146
Unallocated income and gains				63,644
Unallocated expenses				<u>(148,392)</u>
Loss before taxation				<u>(43,602)</u>

Three months ended 30 September 2015

	Online game <i>(Unaudited)</i> <i>RMB’000</i>	Education <i>(Unaudited)</i> <i>RMB’000</i>	Mobile technology and mobile marketing <i>(Unaudited)</i> <i>RMB’000</i>	Total <i>(Unaudited)</i> <i>RMB’000</i>
Segment revenue	<u>238,961</u>	<u>9,526</u>	<u>10,925</u>	<u>259,412</u>
Segment profit (loss)	<u>62,046</u>	<u>(57,094)</u>	<u>(7,498)</u>	(2,546)
Unallocated income and gains				25,104
Unallocated expenses				<u>(52,496)</u>
Loss before taxation				<u>(29,938)</u>

Nine months ended 30 September 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>644,628</u>	<u>23,380</u>	<u>11,929</u>	<u>679,937</u>
Segment profit (loss)	<u>260,161</u>	<u>(15,370)</u>	<u>7,271</u>	252,062
Unallocated income and gains				91,155
Unallocated expenses				<u>(94,484)</u>
Profit before taxation				<u>248,733</u>

Three months ended 30 September 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>213,089</u>	<u>7,684</u>	<u>11,929</u>	<u>232,702</u>
Segment profit (loss)	<u>64,020</u>	<u>(9,531)</u>	<u>7,271</u>	61,760
Unallocated income and gains				26,291
Unallocated expenses				<u>(31,466)</u>
Profit before taxation				<u>56,585</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 (loss) on derivative financial instrument (excluding convertible preferred shares), income tax expenses, and unallocated income, gains and expenses). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers.

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

	30 September 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited and restated)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Online game	2,768,245	3,383,304
Education	1,397,924	673,972
Mobile technology and mobile marketing	181,484	207,808
Total segment assets	4,347,653	4,265,084
Unallocated	922,044	965,303
	<u>5,269,697</u>	<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

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The tax charge comprises:				
Hong Kong Profits Tax	2,249	2,537	5,188	6,397
The PRC Enterprise Income Tax ("EIT")	5,819	1,564	14,791	48,262
Taxation in other jurisdiction	70	65	153	96
	8,138	4,166	20,132	54,755
Deferred tax	(66)	—	(66)	—
	<u>8,072</u>	<u>4,166</u>	<u>20,066</u>	<u>54,755</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the three months and nine months ended 30 September 2015 and 30 September 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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
(Loss) profit for the period has been arrived at after charging (crediting):				
Staff costs:				
Directors' emoluments	1,473	1,948	4,220	5,792
Other staff costs				
Salaries and other benefits	147,513	101,797	410,177	253,631
Contributions to retirement benefits schemes	19,723	10,055	48,309	22,208
Share-based payments expense	2,313	4,734	5,894	15,533
	<u>171,022</u>	<u>118,534</u>	<u>468,600</u>	<u>297,164</u>
Amortisation of intangible assets	6,250	3,236	15,375	3,324
Release of prepaid lease payments (included in administrative expenses)	681	590	2,126	1,718
Depreciation of property, plant and equipment	28,697	16,509	80,913	44,286
Total depreciation and amortisation	<u>35,628</u>	<u>20,335</u>	<u>98,414</u>	<u>49,328</u>
Amount written off as uncollectible	—	—	—	5,208
Operating lease rentals in respect of:				
- rented premises	12,722	4,156	33,605	9,989
- computer equipment	13,687	9,122	42,475	26,284
Loss on disposal of property, plant and equipment	281	260	590	459
Loss on deemed disposal of associates	—	—	3,353	—
Net foreign exchange gain	<u>(14,672)</u>	<u>(387)</u>	<u>(10,709)</u>	<u>(18,628)</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).

Interim dividend of HKD0.10 per share for the six months ended 30 June 2015 (six months ended 30 June 2014: HKD0.20 per share), amounting to RMB39,246,000 (six months ended 30 June 2014: RMB81,277,000) in aggregate, had been approved by the directors of the Company at the Board meeting on 27 August 2015 and was paid on 30 September 2015.

The directors of the Company do not recommend the payment of an interim dividend for the three months ended 30 September 2015 (three months ended 30 September 2014: Nil).

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:

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000	RMB'000	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>(26,530)</u>	<u>52,595</u>	<u>(44,904)</u>	<u>196,087</u>

	Number of shares			
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
'000	'000	'000	'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)	496,827	510,112	495,064	508,733
Effect of dilutive potential shares from the Company's share option scheme	<u>1,500</u>	<u>2,069</u>	<u>4,576</u>	<u>6,226</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>498,327</u>	<u>512,181</u>	<u>499,640</u>	<u>514,959</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2015, the deposits made for acquisition of property, plant and equipment of approximately RMB5,692,000 were transferred to property, plant and equipment (nine-month period ended 30 September 2014: RMB13,299,000) and the Group spent approximately RMB388,010,000 for the acquisition of property, plant and equipment to expand its operations which included an amount of approximately RMB1,914,000 being acquired upon the acquisition of a subsidiary (nine-month period ended 30 September 2014: RMB254,985,000 which included an amount of approximately RMB893,000 being acquired upon the acquisition of subsidiaries). The additions for the period mainly included RMB47,182,000 (nine-month period ended 30 September 2014: RMB67,124,000) in office and computer equipment and RMB309,088,000 (nine-month period ended 30 September 2014: RMB185,100,000) in construction in progress.

11. PREPAID LEASE PAYMENTS

During the nine-month period ended 30 September 2015, the deposits made for acquisition of prepaid lease payments of approximately RMB24,639,000 (nine-month period ended 30 September 2014: Nil) were transferred to prepaid lease payments and the Group spent approximately RMB38,169,000 (nine-month period ended 30 September 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.

	30 September 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	30,004	31,946
31 - 60 days	16,044	7,147
61 - 90 days	14,796	7,117
Over 90 days	<u>10,516</u>	<u>4,862</u>
	<u>71,360</u>	<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

	30 September 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	10,621	8,638
Accrued staff costs	81,338	86,769
Receipt in advance	35,355	20,348
Other tax payables (<i>Note</i>)	762	5,714
Other payables and accruals	<u>92,621</u>	<u>87,745</u>
	<u>220,697</u>	<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 September 2015, an amount of approximately RMB0.8 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.

	30 September 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 90 days	9,457	5,875
91 - 180 days	395	2,096
181 - 365 days	202	158
Over 365 days	567	509
	<u>10,621</u>	<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 issue price of Series A convertible preferred shares, 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:

	Shown in the condensed consolidated financial statements as RMB'000
Issue of convertible preferred shares	260,474
Fair value change	(13,408)
Exchange realignment	<u>9,881</u>
At 30 September 2015	<u><u>256,947</u></u>

16. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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 completion of the acquisition took place on 2 November 2015. 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, 6 August 2015, 28 August 2015, 7 September 2015, 17 September 2015, 1 October 2015, 16 October 2015, 3 November 2015 and 14 December 2015 and circular of the Company dated 31 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*):

	Three months ended				
	30 September 2015	30 June 2015	31 March 2015	31 December 2014	30 September 2014
PCU	761,000	708,000	703,000	642,000	382,000
ACU	360,000	318,000	309,000	301,000	225,000

Note: As at 30 September 2015, our online games include Conquer Online, Eudemons Online, Calibur of Spirit, Zero Online, Tou Ming Zhuang Online, Way of the Five, Tian Yuan, Disney Fantasy Online and other games.

The PCU for online games was approximately 761,000 for the three months ended 30 September 2015, representing an increase of approximately 7.5% from the three months ended 30 June 2015 and representing an increase of approximately 99.2% from the three months ended 30 September 2014.

We also recorded the ACU for online games of approximately 360,000 for the three months ended 30 September 2015, representing an increase of approximately 13.2% from the three months ended 30 June 2015 and representing an increase of approximately 60.0% from the three months ended 30 September 2014.

**FINANCIAL PERFORMANCE HIGHLIGHTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

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

	Nine months ended 30 September	
	2015 <i>(Unaudited)</i> RMB'000	2014 <i>(Unaudited)</i> RMB'000
Revenue	771,637	679,937
Cost of revenue	<u>(126,002)</u>	<u>(66,502)</u>
Gross profit	645,635	613,435
Other income and gains	100,484	124,637
Selling and marketing expenses	(112,796)	(101,289)
Administrative expenses	(358,614)	(206,058)
Development costs	(291,503)	(159,982)
Other expenses	(12,012)	(22,050)
Share of losses of associates	<u>(8,489)</u>	<u>(639)</u>
Operating (loss) profit	(37,295)	248,054
Interest income on pledged bank deposit	4,847	2,319
Exchange loss on pledged bank deposit, secured bank borrowing and convertible preferred shares	(9,881)	(5,081)
Net gain on derivative financial instrument	13,408	6,817
Net gain on disposal of held-for-trading investments	876	—
Net loss on held-for-trading investments	(13,066)	(399)
Finance costs	<u>(2,491)</u>	<u>(2,977)</u>
(Loss) profit before taxation	(43,602)	248,733
Taxation	<u>(20,066)</u>	<u>(54,755)</u>
(Loss) profit for the period	<u>(63,668)</u>	<u>193,978</u>
(Loss) profit for the period attributable to:		
- Owners of the Company	(44,904)	196,087
- Non-controlling interests	<u>(18,764)</u>	<u>(2,109)</u>
	<u>(63,668)</u>	<u>193,978</u>

Revenue

Revenue from online games and other business for the nine months ended 30 September 2015 was approximately RMB771.6 million, representing an increase of approximately 13.5% as compared to approximately RMB679.9 million for the nine months ended 30 September 2014.

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

	Nine months ended 30 September			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
PRC	639,003	82.8	587,119	86.3
Other markets	<u>132,634</u>	<u>17.2</u>	<u>92,818</u>	<u>13.7</u>
	<u>771,637</u>	<u>100.0</u>	<u>679,937</u>	<u>100.0</u>

The Group's revenue analysed by geographical segments is based on the location where services are provided. The revenue derived from the PRC for the nine months ended 30 September 2015 was approximately RMB639.0 million, representing an increase of approximately 8.8% over the nine months ended 30 September 2014.

The revenue derived from other markets for the nine months ended 30 September 2015 was approximately RMB132.6 million, representing an increase of approximately 42.9% over the nine months ended 30 September 2014.

Third Quarter of 2015

Revenue

Revenue for the third quarter of 2015 was approximately RMB259.4 million, representing a decrease of approximately 2.5% from the second quarter of 2015 and an increase of approximately 11.5% over the same period in 2014.

Cost of revenue

Cost of revenue for the third quarter of 2015 was approximately RMB44.0 million, representing an increase of approximately 2.5% from the second quarter of 2015 and an increase of approximately 87.1% over the same period in 2014.

Other income and gains

Other income and gains of approximately RMB44.0 million were recorded for the third quarter of 2015, representing an increase of approximately 46.6% from the second quarter of 2015 and an increase of approximately 22.0% over the same period in 2014.

Selling and marketing expenses

Selling and marketing expenses for the third quarter of 2015 were approximately RMB42.7 million, representing an increase of approximately 8.5% from the second quarter of 2015 and an increase of approximately 10.6% over the same period in 2014.

Administrative expenses

Administrative expenses for the third quarter of 2015 were approximately RMB133.5 million, representing an increase of approximately 13.0% from the second quarter of 2015 and an increase of approximately 72.2% over the same period in 2014.

Development costs

Development costs for the third quarter of 2015 were approximately RMB107.5 million, representing an increase of approximately 11.8% from the second quarter of 2015 and an increase of approximately 59.6% over the same period in 2014.

Other expenses

Other expenses for the third quarter of 2015 were approximately RMB3.3 million, representing an increase of approximately 2.6% from the second quarter of 2015 and a decrease of approximately 10.8% over the same period in 2014.

Finance costs

Finance costs for the third quarter of 2015 were approximately RMB0.9 million, representing an increase of approximately 3.4% from the second quarter of 2015 and an increase of approximately 16.9% over the same period in 2014.

(Loss) profit for the period

Loss for the third quarter of 2015 was approximately RMB38.0 million, representing an increase of approximately 201.8% from the second quarter of 2015, whereas, profit for the same period of 2014 was approximately RMB52.4 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 third quarter of 2015 was approximately RMB26.5 million, representing an increase of approximately 255.6% from the second quarter of 2015, whereas, profit attributable to the owners of the Company for the same period of 2014 was approximately RMB52.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2015 Compared to Second Quarter of 2015

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

	Three months ended	
	30 September	30 June
	2015	2015
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Revenue	259,412	266,009
Cost of revenue	<u>(44,031)</u>	<u>(42,948)</u>
Gross profit	215,381	223,061
Other income and gains	43,951	29,989
Selling and marketing expenses	(42,663)	(39,307)
Administrative expenses	(133,516)	(118,172)
Development costs	(107,472)	(96,142)
Other expenses	(3,270)	(3,186)
Share of losses of associates	<u>(3,177)</u>	<u>(1,767)</u>
Operating loss	(30,766)	(5,524)
Interest income on pledged bank deposit	1,657	1,600
Exchange (loss) gain on pledged bank deposit, secured bank borrowing and convertible preferred shares	(10,527)	646
Net gain on derivative financial instrument	13,408	—
Net loss on disposal of held-for-trading investment	(525)	—
Net loss on held-for-trading investments	(2,334)	(991)
Finance costs	<u>(851)</u>	<u>(823)</u>
Loss before taxation	(29,938)	(5,092)
Taxation	<u>(8,072)</u>	<u>(7,501)</u>
Loss for the period	<u>(38,010)</u>	<u>(12,593)</u>
Loss for the period attributable to:		
- Owners of the Company	(26,530)	(7,460)
- Non-controlling interests	<u>(11,480)</u>	<u>(5,133)</u>
	<u>(38,010)</u>	<u>(12,593)</u>

FINANCIAL REVIEW

Revenue

Our revenue from online games and other business for the three months ended 30 September 2015 was approximately RMB259.4 million, representing a decrease of approximately 2.5% as compared to approximately RMB266.0 million for the three months ended 30 June 2015.

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

	Three months ended			
	30 September 2015		30 June 2015	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
PRC	213,455	82.3	221,373	83.2
Other markets	45,957	17.7	44,636	16.8
	<u>259,412</u>	<u>100.0</u>	<u>266,009</u>	<u>100.0</u>

The revenue derived from the PRC for the three months ended 30 September 2015 was approximately RMB213.4 million, representing a decrease of approximately 3.6% as compared to approximately RMB221.3 million for the three months ended 30 June 2015. The decrease in revenue derived from the PRC was mainly due to the decrease in revenue from (i) Eudemons Online; and (ii) education business.

The revenue derived from other markets for the three months ended 30 September 2015 was approximately RMB46.0 million, representing an increase of approximately 3.0% as compared to approximately RMB44.7 million for the three months ended 30 June 2015. The increase in revenue derived from other markets was mainly due to the increase in revenue from Conquer Online.

Cost of revenue

Cost of revenue for the three months ended 30 September 2015 was approximately RMB44.0 million, representing an increase of approximately 2.5% as compared to approximately RMB43.0 million for the three months ended 30 June 2015. The increase was mainly due to the increase in cost of (i) mobile technology and mobile marketing business; and (ii) education business.

Gross profit

Our gross profit for the three months ended 30 September 2015 was approximately RMB215.4 million, representing a decrease of approximately 3.4% as compared to approximately RMB223.0 million for the three months ended 30 June 2015.

Gross profit margin for the three months ended 30 September 2015 was approximately 83.0%, which represented a decrease of approximately 0.9% as compared with the three months ended 30 June 2015.

Other income and gains

Other income and gains for the three months ended 30 September 2015 were approximately RMB44.0 million, representing an increase of approximately 46.6% as compared with the three months ended 30 June 2015. The increase in other income and gains was mainly due to offset of the (i) decrease in interest income; (ii) decrease in government grants; and (iii) increase in exchange gain on foreign currencies.

Selling and marketing expenses

Selling and marketing expenses for the three months ended 30 September 2015 were approximately RMB42.7 million, representing an increase of approximately 8.5% as compared with the three months ended 30 June 2015. The increase in selling and marketing expenses was mainly due to the increase in (i) staff costs; and (ii) advertising and promotion expenses.

Administrative expenses

Administrative expenses increased by approximately 13.0% to approximately RMB133.5 million for the three months ended 30 September 2015 as compared with the three months ended 30 June 2015, which was mainly due to offset of the (i) increase in staff costs; (ii) increase in legal and professional fees for merger and acquisition; (iii) increase in low value consumables; and (iv) decrease in recruiting fee.

Development costs

Development costs increased by approximately 11.8% to approximately RMB107.5 million for the three months ended 30 September 2015 as compared with the three months ended 30 June 2015, which was mainly due to the increase in (i) staff costs; and (ii) outsourcing service fees.

Taxation

Taxation for the three months ended 30 September 2015 was approximately RMB8.1 million, which raised by approximately 7.6% as compared with the three months ended 30 June 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 September 2015 was approximately RMB26.5 million, representing an increase of approximately 255.6% as compared to approximately RMB7.5 million for the three months ended 30 June 2015.

Third Quarter of 2015 Compared to Third Quarter of 2014

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

	Three months ended	
	30 September	
	2015	2014
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	259,412	232,702
Cost of revenue	<u>(44,031)</u>	<u>(23,530)</u>
Gross profit	215,381	209,172
Other income and gains	43,951	36,034
Selling and marketing expenses	(42,663)	(38,569)
Administrative expenses	(133,516)	(77,538)
Development costs	(107,472)	(67,341)
Other expenses	(3,270)	(3,666)
Share of losses of associates	<u>(3,177)</u>	<u>(406)</u>
Operating (loss) profit	(30,766)	57,686
Interest income on pledged bank deposit	1,657	638
Exchange (loss) gain on pledged bank deposit, secured bank borrowing and convertible preferred shares	(10,527)	1,188
Net gain (loss) on derivative financial instrument	13,408	(646)
Net loss on disposal of held-for-trading investment	(525)	—
Net loss on held-for-trading investments	(2,334)	(1,553)
Finance costs	<u>(851)</u>	<u>(728)</u>
(Loss) profit before taxation	(29,938)	56,585
Taxation	<u>(8,072)</u>	<u>(4,166)</u>
(Loss) profit for the period	<u>(38,010)</u>	<u>52,419</u>
(Loss) profit for the period attributable to:		
- Owners of the Company	(26,530)	52,595
- Non-controlling interests	<u>(11,480)</u>	<u>(176)</u>
	<u>(38,010)</u>	<u>52,419</u>

FINANCIAL REVIEW

Revenue

Our revenue from online games and other business for the three months ended 30 September 2015 was approximately RMB259.4 million, representing an increase of approximately 11.5% as compared to approximately RMB232.7 million for the three months ended 30 September 2014.

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

	Three months ended 30 September			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
PRC	213,455	82.3	195,877	84.2
Other markets	<u>45,957</u>	<u>17.7</u>	<u>36,825</u>	<u>15.8</u>
	<u>259,412</u>	<u>100.0</u>	<u>232,702</u>	<u>100.0</u>

The revenue derived from the PRC for the three months ended 30 September 2015 was approximately RMB213.4 million, representing an increase of approximately 9.0% as compared to approximately RMB195.9 million for the three months ended 30 September 2014. The increase in revenue derived from the PRC was mainly due to the increase in revenue from (i) Calibur of Spirit; and (ii) education business.

The revenue derived from other markets for the three months ended 30 September 2015 amounted to approximately RMB46.0 million, representing an increase of approximately 24.8% as compared with the three months ended 30 September 2014. The increase in revenue derived from other markets was mainly due to the increase in revenue from Conquer Online.

Cost of revenue

Cost of revenue for the three months ended 30 September 2015 increased by approximately 87.1% to approximately RMB44.0 million as compared with the three months ended 30 September 2014. 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 September 2015 was approximately RMB215.4 million, representing an increase of approximately 3.0% as compared to approximately RMB209.2 million for the three months ended 30 September 2014.

Gross profit margin for the three months ended 30 September 2015 was approximately 83.0%, which represented a decrease of approximately 6.9% as compared with the three months ended 30 September 2014.

Other income and gains

Other income and gains for the three months ended 30 September 2015 were approximately RMB44.0 million, representing an increase of approximately 22.0% as compared with the three months ended 30 September 2014. The increase was mainly due to offset of the (i) decrease in interest income; and (ii) increase in exchange gain on foreign currencies.

Selling and marketing expenses

Selling and marketing expenses for the three months ended 30 September 2015 increased by approximately 10.6% to approximately RMB42.7 million as compared with the three months ended 30 September 2014. The increase in selling and marketing expenses was mainly due to the increase in (i) staff costs; and (ii) advertising and promotion expenses.

Administrative expenses

Administrative expenses increased by approximately 72.2% to approximately RMB133.5 million for the three months ended 30 September 2015 as compared with the three months ended 30 September 2014. The increase in administrative expenses was mainly due to the increase in (i) staff costs; (ii) depreciation and amortisation; (iii) legal and professional fees for merger and acquisition; (iv) rental expenses; (v) low value consumables; and (vi) repairs and maintenance.

Development costs

Development costs increased by approximately 59.6% to approximately RMB107.5 million for the three months ended 30 September 2015 as compared with the three months ended 30 September 2014. The increase in development costs was mainly caused by the increase in (i) staff costs; (ii) depreciation and amortisation; and (iii) outsourcing service fees.

Taxation

Taxation for the three months ended 30 September 2015 raised by approximately 93.8% to approximately RMB8.1 million as compared with the three months ended 30 September 2014, which was due to offset of the (i) increase in taxable profit; and (ii) decrease in amount of overprovision in prior year.

(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 September 2015 was approximately RMB26.5 million, whereas, profit attributable to the owners of the Company for the three months ended 30 September 2014 was approximately RMB52.6 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 (loss) gain on pledged bank deposit, secured bank borrowing and convertible preferred shares, net gain (loss) on derivative financial instrument, net (loss) gain on disposal of held-for-trading investments, net loss on held-for-trading investments and finance costs.

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

	Period ended		Three months ended		
	30 September	30 September	30 September	30 June	30 September
	2015	2014	2015	2015	2014
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Non-GAAP operating (loss) profit	(14,358)	271,171	(23,526)	1,806	66,863
Non-GAAP (loss) profit	(34,424)	216,416	(31,598)	(5,695)	62,697
Non-GAAP (loss) profit attributable to owners of the Company	(15,176)	218,525	(19,723)	(473)	62,873

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2015, we had bank deposits, bank balances and cash and pledged bank deposit of approximately RMB2,223.7 million (31 December 2014: RMB3,273.2 million), out of which approximately RMB246.2 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 0.06 (31 December 2014: 0.05). As at 30 September 2015, total bank borrowing of the Group amounted to approximately RMB246.2 million (31 December 2014: RMB236.8 million) was floating-rate loan.

As at 30 September 2015, the Group had net current assets of approximately RMB1,728.2 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 30 September 2015	At 30 June 2015	At 30 September 2014
Research and development	2,645	2,093	1,654
Selling and marketing	736	721	632
Accounting, finance and general administration	<u>742</u>	<u>725</u>	<u>1,128</u>
Total	<u>4,123</u>	<u>3,539</u>	<u>3,414</u>

BUSINESS REVIEW AND OUTLOOK

Business Developments

Games Business

The Group's flagship MOBA micro-client based game Calibur of Spirit (英魂之刃), continued to see its operational metrics increase, including hitting a record high of 1.65 million daily active users in October 2015. The increase was a direct result of a series of in-game updates that continue to improve game play and user engagement as well as several online and offline promotional events held during the quarter. The Group is in the final stage of development for the mobile version for Calibur of Spirit (英魂之刃) and expects to begin testing in the first quarter of 2016. Given the huge success the Calibur of Spirit (英魂之刃) brand has generated through PC, the Group is confident in the mobile version's future revenue generation capabilities and its attractiveness to its core user base. Calibur of Spirit (英魂之刃) is also extending its presence outside of China with the recent signing of publishing contracts in several South East Asian nations.

The Group continued to launch in-game updates for its flagship game Conquer Online (征服) during the quarter. With a new class update, The Rhapsody of Ice and Fire: Taoist Ascending (道士翻身) was launched for Conquer Online's (征服) overseas versions during the second quarter of 2015 generating record high monthly revenue in July 2015. An overseas version of a new expansion pack was launched in October 2015 and will be followed by a new class update scheduled for launch in early 2016. A new expansion pack for the Chinese version of Conquer Online (征服) was released

in August 2015 which was followed by the release of Awakening of The Monk (武僧翻身), a new class update released in November 2015. The Group further expanded content on offer for another flagship game Eudemons Online (魔域) with the launch of a new expansion pack in October 2015. Eudemons Online (魔域) will celebrate its 10-year anniversary in early 2016 with a large celebratory game update. The first expansion pack containing new gameplay for Eudemons Online Pocket Version* (魔域口袋版) was also launched in August 2015.

Tiger Knight (虎豹騎), the Group's new 3D action strategy game, is currently undergoing testing which began in August 2015. An English version is currently being localized and is expected to begin testing on the Steam platform during the first quarter of 2016. The Group expects to commence revenue generation from Tiger Knight (虎豹騎) in the first half of 2016.

Online and Mobile Education

(1) Products

The Group's research and development team continued to push ahead and is on track to complete the development of the first commercial version of its total-solution education ecosystem platform in China by the first quarter of 2016. The ecosystem will provide schools, teachers and students a best-in-class experience as they will be able to work across the Group's various software platforms within the ecosystem that are designed to work seamlessly with each other. Furthermore, integration of the Group's software platforms to its proprietary 101 Student Tablet will enhance the user experience to another level.

The first commercial version of the Group's platform in China will include various software platforms such as pre-class lesson preparation, in-class collaborative lessons, after-school homework system, as well as a customizable instant messaging platform that is designed specifically for education communities.

On the content front, the Group's content development team continues to make progress in creating China's best online education content repository in terms of quality, volume and breadth of subjects. Content includes teaching and learning modules and question banks that are designed to be consistent with the curriculum of major education-focused publishers in China and allows teachers and students to follow the curriculum adopted by their schools within the platform. The Group differentiates itself in the market with the volume and

* For identification purpose only

breadth of content on offer as well as its world-class content production capabilities built from its extensive experience in game development. In particular, the Group expects to leverage its know-how in 3D and Virtual Reality (VR) to create a next-generation educational experience.

(2) *Merger and Acquisitions*

During the period, the Group actively sought out acquisition opportunities in the field of education and learning in order to build technological barriers, enhance investment in human resources and accelerate the global rollout of its products.

In August 2015, the Group completed the acquisition of a 100% stake in ChiVox Co., Ltd (“ChiVox”). With this acquisition, the Group will integrate ChiVox’s world-class intelligent voice and speech technology into its learning platform.

In November 2015, the Group completed its acquisition of a 100% stake in Promethean World Plc (“Promethean”), a London-listed world leader in the rapidly growing global interactive learning technology market, for a total cash consideration of Great British Pound 84.8 million (equivalent to approximately RMB799 million). Promethean’s products include interactive whiteboards, interactive flat panels, smart interactive desks, educational software for interactive classrooms and lesson preparation, and Promethean Planet which is one of the largest online community for teachers in terms of number of registered teachers. Promethean will provide the Group with a strong brand in education, global sales and marketing channels and business potential to create technology synergies and market access opportunities which will enhance the Group’s competitiveness and accelerate the global rollout of its products.

(3) *Go to Market*

The Group has commenced its go-to-market roll-out in China with a pilot launch during the quarter and has won several successful tenders in multiple provinces. These sales contracts include a combination of software and hardware and involve a delivery and customer-validation cycle of a few months. Revenue from these contracts is expected to be recognized in the first half of 2016. These sales contracts are expected to cover over 1,800 classrooms in 150 schools across 10 provinces (or direct-controlled municipalities). As the Group transitions from the current pilot launch to a full commercial launch, revenue from its education business is expected to ramp up significantly in 2016 from its current level.

Internationally, the acquisition of Promethean has enabled the Group to gain access to 1.3 million classrooms in over 100 countries with two million teachers and over 30 million students. Promethean's sales revenue will be consolidated into the Group's financials starting in the fourth quarter of 2015.

Conclusion

The Group continued to make great strides in both its online gaming and education businesses. Its 12.1% year-over-year growth of its third-quarter revenue from gaming business is a testament to the Group's capability to continue to generate steady growth for this highly profitable business. Its flagship MOBA game, Calibur of Spirit (英魂之刃), continued to break records in various operating metrics including reaching 1.65 million daily active users in October 2015. Another flagship game Conquer Online (征服) also reached a record high monthly revenue for its overseas version in July 2015.

During the third quarter of 2015, the Group has made substantial progress in the development of its online education ecosystem as it moves toward mass-scale go-to-market in 2016. The Group has enjoyed early success in its recent pilot launch in China, having won several large sales contracts. The Group also recently completed the acquisition of Promethean World Plc, a global interactive learning technology company with a large user base and global brand. This acquisition will further enhance the Group's competitiveness, accelerate the development of its education business and mark the beginning of its global expansion.

While the Group continues to invest heavily in the education business, the management team is confident that this is the right strategy in the face of an unprecedented market opportunity in the global education space, and this initiative will prove to be highly valuable to the Group's shareholders in the long term.

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 four phases 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. 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 and are currently underway. Twelve executives dormitory buildings have been largely completed. 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.

- 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.

* For identification purpose only

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 September 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 <i>(Note 1)</i>	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)	51.05%
Liu Dejian (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%

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 Luyuan (Note 2)	The Company	Beneficial owner and beneficiary of certain trust	255,652,057(L)	51.37%
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)	51.05%
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	1,036,519(L)	0.21%
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 38.40% 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 5.67% 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 38.40% and 3.82%, 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 50.31% 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 0.21% of the issued voting shares of the Company which is represented by beneficial interest of 718,519 shares and the rest being underlying shares of interest of 318,000 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 September 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 September 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 <i>(Note 1)</i>	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100(L)	38.40%
IDG Group <i>(Note 2)</i>	The Company	Beneficial owner	78,333,320(L)	15.74%
Ho Chi Sing <i>(Note 2)</i>	The Company	Through controlled corporations	78,333,320(L)	15.74%
Zhou Quan <i>(Note 2)</i>	The Company	Through controlled corporations	73,490,095(L)	14.77%
First Elite Group Limited <i>(Note 3)</i>	The Company	Beneficial owner and through controlled corporation	26,463,011(L)	5.32%
Jardine PTC Limited <i>(Note 3)</i>	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%, 10.45%, 2.13% 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 September 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 September 2015 are as follows:

Grantee	Date of grant	Exercise Price HKD	As at 1	Number of share options			As at 30
			January 2015	Granted	Exercised	Lapsed	September 2015
Executive Directors							
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
Independent non-executive Directors							
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	—	0
	23.04.2012	5.74	200,000	—	200,000	—	0
	04.12.2013	15.72	318,000	—	—	—	318,000
Liu Sai Keung, Thomas	22.07.2011	4.60	200,000	—	—	—	200,000
	23.04.2012	5.74	300,000	—	—	—	300,000
	04.12.2013	15.72	318,000	—	—	—	318,000
Others							
Employees	07.12.2009	4.33	80,000	—	80,000	—	0
	28.04.2011	4.80	5,562,594	—	2,394,715	248,550	2,919,329
	22.07.2011	4.60	277,238	—	137,313	—	139,925
	23.04.2012	5.74	1,171,217	—	308,205	96,025	766,987
	06.07.2012	6.53	473,238	—	110,000	—	363,238
	12.09.2012	7.20	53,250	—	—	—	53,250
	16.01.2013	11.164	575,350	—	112,775	35,625	426,950
	25.04.2014	14.66	556,000	—	—	—	556,000
	11.05.2015	27.75	—	251,000	37,000	—	214,000
Total			<u>13,255,487</u>	<u>251,000</u>	<u>4,372,508</u>	<u>380,200</u>	<u>8,753,779</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 nine months ended 30 September 2015, 1,192,500 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 September 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 September 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 September 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. The acquisition of Promethean World Plc was completed on 2 November 2015 (London time) and further details of the acquisition are set out in the announcements of the Company dated 9 June 2015, 17 June 2015, 10 July 2015, 6 August 2015, 28 August 2015, 7 September 2015, 17 September 2015, 1 October 2015, 16 October 2015 and 3 November 2015 and the circular of the Company dated 31 August 2015.

APPOINTMENT OF DR. LEUNG LIM KIN SIMON AS EXECUTIVE DIRECTOR OF THE COMPANY

The Board appointed Dr. Leung as an executive director of the Company with effect from 30 October 2015. Dr. Leung, aged 61, joined the Company in March 2015 and had over 30 years of experience in both information technology and telecommunications industries. Dr. Leung is responsible for the planning, consolidation and operation of the education business of the Company in the People's Republic of China and the development of the online education business overseas. Further details of Dr. Leung's appointment and his work experience are set out in the announcement of the Company dated 30 October 2015.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code under Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standard of dealings as set out on the Model Code under Appendix 10 to the Listing Rules and the code of conduct of the Company regarding securities transactions by the Directors for the nine months ended 30 September 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.

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 nine months ended 30 September 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 nine months ended 30 September 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
		Highest	Lowest	
		<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
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, 17 December 2015

As at the date of this announcement, the Board comprises five executive Directors, namely Liu Dejian, Liu Luyuan, Zheng Hui, Chen Hongzhan and Leung Lim Kin Simon; 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.