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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)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

The board (the “Board”) of directors (the “Director(s)”) of NetDragon Websoft Inc. (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015.

**RESULTS**

The Group’s audited operating loss for the year ended 31 December 2015 was approximately RMB61.2 million. Loss attributable to the owners of the Company for the year ended 31 December 2015 was approximately RMB143.0 million. Both basic and diluted loss per share for the year ended 31 December 2015 were approximately RMB28.85 cents.

**DIVIDENDS**

The Board has recommended the payment of a final dividend of HKD0.10 per share for the year ended 31 December 2015 (year ended 31 December 2014: HKD0.20 per share), subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on Thursday, 19 May 2016. Such proposed dividends if approved by the shareholders at the AGM, will be paid on or before Wednesday, 15 June 2016 to shareholders whose names appear on the register of members of the Company on Wednesday, 25 May 2016.

## RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2015 together with the comparative figures in 2014 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	4	<b>1,272,197</b>	962,817
Cost of revenue		<b><u>(314,161)</u></b>	<u>(102,844)</u>
Gross profit		<b>958,036</b>	859,973
Other income and gains	4	<b>187,927</b>	157,101
Selling and marketing expenses		<b>(206,778)</b>	(152,495)
Administrative expenses		<b>(520,104)</b>	(326,934)
Development costs		<b>(446,229)</b>	(249,260)
Other expenses		<b>(24,092)</b>	(34,027)
Share of losses of associates		<b><u>(9,912)</u></b>	<u>(2,354)</u>
Operating (loss) profit		<b>(61,152)</b>	252,004
Interest income on pledged bank deposits		<b>6,018</b>	2,794
Exchange loss on pledged bank deposits, secured bank borrowings and convertible preferred shares		<b>(15,504)</b>	(5,081)
Net (loss) gain on derivative financial instruments		<b>(2,914)</b>	6,817
Net gain on disposal of held-for-trading investments		<b>876</b>	—
Net loss on held-for-trading investments		<b>(9,144)</b>	(17,304)
Finance costs	5	<b><u>(5,431)</u></b>	<u>(3,212)</u>
(Loss) profit before taxation		<b>(87,251)</b>	236,018
Taxation	7	<b><u>(100,675)</u></b>	<u>(64,197)</u>
(Loss) profit for the year	8	<b>(187,926)</b>	171,821
Other comprehensive income (expense) for the year, net of income tax:			
Gain on revaluation of properties that will not be reclassified subsequently to profit or loss		<b>21,776</b>	—
Exchange differences arising on translation of foreign operations that may be reclassified subsequently to profit or loss		<b><u>12,208</u></b>	<u>(40)</u>
Total comprehensive (expense) income for the year		<b><u>(153,942)</u></b>	<u>171,781</u>

	<b>2015</b>	2014
<i>NOTE</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
(Loss) profit for the year attributable to:		
- Owners of the Company	<b>(142,979)</b>	176,681
- Non-controlling interests	<u><b>(44,947)</b></u>	<u>(4,860)</u>
	<u><b>(187,926)</b></u>	<u>171,821</u>
 Total comprehensive (expense) income attributable to:		
- Owners of the Company	<b>(109,872)</b>	176,641
- Non-controlling interests	<u><b>(44,070)</b></u>	<u>(4,860)</u>
	<u><b>(153,942)</b></u>	<u>171,781</u>
	<b><i>RMB cents</i></b>	<i>RMB cents</i>
<b>(Loss) earnings per share</b>	10	
- Basic	<b>(28.85)</b>	34.77
- Diluted	<u><b>(28.85)</b></u>	<u>34.22</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2015**

	<i>NOTES</i>	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,246,117</b>	822,704
Prepaid lease payments		<b>438,677</b>	378,673
Investment properties		<b>55,377</b>	—
Intangible assets		<b>953,950</b>	141,254
Interests in associates		<b>18,883</b>	28,795
Available-for-sale investments		<b>5,000</b>	5,000
Loan receivables		<b>23,081</b>	18,327
Trade receivables	11	<b>18,112</b>	—
Deposits made for acquisition of property, plant and equipment		<b>18,302</b>	35,967
Goodwill		<b>334,839</b>	40,013
Deferred tax assets		<b><u>3,611</u></b>	<u>54</u>
		<b><u>3,115,949</u></b>	<u>1,470,787</u>
<b>Current assets</b>			
Inventories		<b>117,584</b>	—
Prepaid lease payments		<b>2,733</b>	2,708
Loan receivables		<b>3,397</b>	1,578
Trade receivables	11	<b>234,733</b>	51,072
Amounts due from customers for contract work		<b>4,339</b>	7,252
Other receivables, prepayments and deposits		<b>115,918</b>	210,098
Amounts due from related companies		<b>1,704</b>	1,704
Amounts due from associates		<b>11,204</b>	367
Tax recoverable		<b>11,159</b>	—
Held-for-trading investments		<b>170,640</b>	211,584
Pledged bank deposit		<b>—</b>	236,805
Bank deposits		<b>583,091</b>	1,999,644
Bank balances and cash		<b><u>1,126,957</u></b>	<u>1,036,788</u>
		<b><u>2,383,459</u></b>	<u>3,759,600</u>
Assets classified as held for sale		<b><u>2,690</u></b>	<u>—</u>
		<b><u>2,386,149</u></b>	<u>3,759,600</u>

		2015	2014
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables	12	507,592	209,214
Amounts due to customers for contract work		993	424
Provisions		29,373	—
Deferred income		85,039	25,595
Amount due to a related company		2,254	1,891
Amounts due to associates		9,632	8
Convertible preferred shares	14	278,499	—
Secured bank borrowings	13	25,142	236,805
Income tax payable		<u>95,194</u>	<u>137,648</u>
		<b><u>1,033,718</u></b>	<b><u>611,585</u></b>
<b>Net current assets</b>		<b><u>1,352,431</u></b>	<b><u>3,148,015</u></b>
<b>Total assets less current liabilities</b>		<b><u>4,468,380</u></b>	<b><u>4,618,802</u></b>
<b>Non-current liabilities</b>			
Other payables	15	12,723	1,283
Provisions		2,027	—
Deferred tax liabilities		<u>149,993</u>	<u>116</u>
		<b><u>164,743</u></b>	<b><u>1,399</u></b>
<b>Net assets</b>		<b><u>4,303,637</u></b>	<b><u>4,617,403</u></b>
<b>Capital and reserves</b>			
Share capital		36,726	36,943
Share premium and reserves		<u>4,257,120</u>	<u>4,529,971</u>
Equity attributable to owners of the Company		<b>4,293,846</b>	4,566,914
Non-controlling interests		<u>9,791</u>	<u>50,489</u>
		<b><u>4,303,637</u></b>	<b><u>4,617,403</u></b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company														
	Share capital	Share premium	Capital redemption reserve	Other reserve	Capital reserve	Statutory reserves	Dividend reserve	Revaluation reserve	Treasury share reserve	Employee share-based compensation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	37,664	1,036,480	4,139	—	10,045	202,885	79,977	673	(5,780)	29,777	(59,309)	3,278,591	4,615,142	7,736	4,622,878
Profit (loss) for the year	—	—	—	—	—	—	—	—	—	—	—	176,681	176,681	(4,860)	171,821
Other comprehensive expense for the year	—	—	—	—	—	—	—	—	—	—	(40)	—	(40)	—	(40)
Total comprehensive (expense) income for the year	—	—	—	—	—	—	—	—	—	—	(40)	176,681	176,641	(4,860)	171,781
Repurchase and cancellation of shares	(1,084)	(152,308)	1,084	—	—	—	—	—	—	—	—	(1,084)	(153,392)	—	(153,392)
Shares issued upon exercise of share options	201	18,083	—	—	—	—	—	—	—	(5,820)	—	—	12,464	—	12,464
Shares issued upon acquisition of subsidiaries	162	28,031	—	—	—	—	—	—	—	—	—	—	28,193	—	28,193
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	10,718	—	—	10,718	—	10,718
Return of capital to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,990)	(3,990)
Contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	90,300	90,300
Deemed disposal to non-controlling shareholder	—	—	—	38,755	—	—	—	—	—	—	—	—	38,755	(38,755)	—
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)
Final dividend for 2014 proposed	—	—	—	—	—	—	78,865	—	—	—	—	(78,865)	—	—	—
Acquisition of non-wholly owned subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	58	58
Awarded shares vested to employees	—	—	—	—	—	—	—	—	1,445	(2,803)	—	1,358	—	—	—
Transfers	—	—	—	—	—	50,814	—	—	—	—	—	(50,814)	—	—	—
	(721)	(106,194)	1,084	38,755	—	50,814	(1,112)	—	1,445	2,095	—	(211,035)	(224,869)	47,613	(177,256)
At 31 December 2014	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 year	—	—	—	—	—	—	—	—	—	—	—	(142,979)	(142,979)	(44,947)	(187,926)
Other comprehensive income for the year	—	—	—	—	—	—	—	21,776	—	—	11,331	—	33,107	877	33,984
Total comprehensive income (expense) for the year	—	—	—	—	—	—	—	21,776	—	—	11,331	(142,979)	(109,872)	(44,070)	(153,942)
Repurchase and cancellation of shares	(486)	(70,095)	486	—	—	—	—	—	—	—	—	(486)	(70,581)	—	(70,581)
Shares issued upon exercise of share options	269	27,149	—	—	—	—	—	—	—	(8,268)	—	—	19,150	—	19,150
Contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	1,211	1,211
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	5,167	—	—	5,167	—	5,167
Awarded shares vested to employees	—	—	—	—	—	—	—	—	1,082	(2,178)	—	1,096	—	—	—
Adjustment arising from transfer of associates to a non-wholly owned subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	3,353	3,353
Deemed disposal to non-controlling shareholder	—	—	—	824	—	—	—	—	—	—	—	—	824	(824)	—
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)
Final dividend for 2015 proposed	—	—	—	—	—	—	49,767	—	—	—	—	(49,767)	—	—	—
Transfers	—	—	—	—	—	7,084	—	—	—	—	—	(7,084)	—	—	—
	(217)	(42,946)	486	709	(10)	7,015	(29,098)	—	1,082	(5,279)	—	(94,938)	(163,196)	3,372	(159,824)
At 31 December 2015	36,726	887,340	5,709	39,464	10,035	260,714	49,767	22,449	(3,253)	26,593	(48,018)	3,006,320	4,293,846	9,791	4,303,637

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>NOTE</i>	<b>2015</b>	2014
		<i>RMB'000</i>	<i>RMB'000</i>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b><u>(128,316)</u></b>	<b><u>(247,828)</u></b>
<b>INVESTING ACTIVITIES</b>			
Interest received		<b>95,255</b>	64,141
Acquisitions of subsidiaries	16	<b>(880,985)</b>	(116,183)
Acquisitions of associates		—	(28,992)
Acquisitions of additional equity interests of a subsidiary		<b>(228)</b>	—
Purchase of held-for-trading investments		—	(208,153)
Proceeds from disposal of property, plant and equipment		<b>2,029</b>	388
Cash outflow from disposal of a subsidiary		—	(2,213)
Proceeds from disposal of subsidiaries		<b>65,396</b>	—
Proceeds from disposal of held-for-trading investments		<b>32,676</b>	—
Deposits paid for acquisition of property, plant and equipment		<b>(17,464)</b>	(32,817)
Placement of bank deposits		<b>(1,400,760)</b>	(2,421,255)
Placement of pledged bank deposit		—	(236,805)
Withdrawal of bank deposits		<b>2,838,633</b>	3,486,902
Withdrawal of pledged bank deposit		<b>247,622</b>	112,362
Advance of loan receivables		<b>(9,684)</b>	(6,348)
Repayment of loan receivables		<b>3,452</b>	3,222
Purchase of prepaid lease payments		<b>(38,202)</b>	(195,287)
Purchase of property, plant and equipment		<b>(507,379)</b>	(330,744)
Purchase of intangible assets		<b><u>(22,804)</u></b>	<b><u>(4,097)</u></b>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b><u>407,557</u></b>	<b><u>84,121</u></b>

	<b>2015</b>	2014
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>FINANCING ACTIVITIES</b>		
Contribution from non-controlling shareholders	—	90,300
Return of contribution to an associate and non-controlling shareholder from a subsidiary of the Group	(26)	(4,848)
Proceeds from issue of convertible preferred shares	<b>260,359</b>	—
Proceeds from shares issued upon exercise of share options	<b>19,150</b>	12,464
Dividends paid	(117,631)	(161,607)
Dividend paid to non-controlling interest of a subsidiary	(239)	—
New bank borrowing raised	—	236,805
Repayment of bank borrowings	(285,838)	(114,430)
Payment for repurchase of shares	<u>(70,581)</u>	<u>(153,392)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(194,806)</u>	<u>(94,708)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>84,435</b>	(258,415)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>1,036,788</b>	1,304,355
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>5,734</u>	<u>(9,152)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>	<u><b>1,126,957</b></u>	<u><b>1,036,788</b></u>



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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”). 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 (i) online games development, including games design, programming and graphics and online games operation, (ii) education business and (iii) mobile solution and mobile marketing business.

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

### **2. BASIS OF PREPARATION**

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

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

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

#### *Application of new and revised HKFRSs*

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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

***New and revised HKFRSs in issue but not yet effective***

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

**HKFRS 9 *Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt

instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKAS 39, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been retained. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's unlisted equity investments that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## **HKFRS 15 *Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors anticipate that the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Revenue</b>		
Online game revenue	985,427	883,483
Education revenue	242,801	32,838
Mobile solution and mobile marketing revenue	<u>43,969</u>	<u>46,496</u>
	<u><b>1,272,197</b></u>	<u><b>962,817</b></u>

*Note:* For the year ended 31 December 2015, the management considered that income derived from education and mobile solution and mobile marketing constituted revenue from the Group's principal activities due to the acquisition of new subsidiaries and rapid expansion of the mobile solution services.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Other income and gains</b>		
Government grants ( <i>Note</i> )	64,480	25,262
Interest income	63,999	93,463
Net foreign exchange gain	32,986	15,417
Gain on disposal of a subsidiary	—	98
Gain on bargain purchase from acquisition of a subsidiary	—	59
Game implementation income	11,618	11,246
Compensation income	—	1,739
Rental income, net of negligible outgoing expenses	2,598	524
Server rental income	346	4,703
Others	<u>11,900</u>	<u>4,590</u>
	<u><b>187,927</b></u>	<u><b>157,101</b></u>

*Note:* Government grants were received from the government of the People's Republic of China (the "PRC") mainly for subsidising the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to software or technology development. There are no unfulfilled conditions or contingencies relating to the grants.

#### 5. FINANCE COSTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interest on bank borrowings	4,646	3,212
Other interest expense	<u>785</u>	<u>—</u>
	<u><b>5,431</b></u>	<u><b>3,212</b></u>

## 6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

In the past, there was only one business component in the internal reporting to the CODM, which is the online game development and operation and marketing of those online games. During the year ended 31 December 2015, the CODM considered that it is in the best interests to the shareholders of the Company to assess the operating results of the Group in terms of resource allocation and performance assessment by nature of services provided, which are (i) online game, (ii) education and (iii) mobile solution and mobile marketing businesses. Accordingly, it is determined that the Group was engaged in three operating segments, online game, education and mobile solution and mobile marketing business. The comparative figures have been restated as a result of the change of segment information presented. This is the basis upon which the Group is organised.

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

### 2015

	<b>Online game</b>	<b>Education</b>	<b>Mobile solution and mobile marketing</b>	<b>Total</b>
	<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>
Segment revenue	<u>985,427</u>	<u>242,801</u>	<u>43,969</u>	<u>1,272,197</u>
Segment profit (loss)	<u>357,046</u>	<u>(274,100)</u>	<u>(26,370)</u>	56,576
Unallocated income and gains				82,922
Unallocated expenses				(217,605)
Net loss on held-for-trading investments				<u>(9,144)</u>
Loss before taxation				<u>(87,251)</u>

2014

	Online game <i>RMB'000</i>	Education <i>RMB'000</i>	Mobile solution and mobile marketing <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>883,483</u>	<u>32,838</u>	<u>46,496</u>	<u>962,817</u>
Segment profit (loss)	<u>303,338</u>	<u>(40,370)</u>	<u>27,529</u>	290,497
Unallocated income and gains				104,655
Unallocated expenses				(141,830)
Net loss on held-for-trading investments				<u>(17,304)</u>
Profit before taxation				<u>236,018</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or loss incurred from each segment without allocation of share-based payments expense, net (loss) gain on derivative financial instruments (excluding convertible preferred shares), net loss on held-for-trading investments, net gain on disposal of held-for-trading investments, 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Online game	<b>2,699,063</b>	3,383,304
Education	<b>1,841,183</b>	673,972
Mobile solution and mobile marketing	<u><b>165,992</b></u>	<u>207,808</u>
Total segment assets	<b>4,706,238</b>	4,265,084
Unallocated	<u><b>795,860</b></u>	<u>965,303</u>
	<u><b>5,502,098</b></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.

### Geographical information

The Group's operations are mainly located in the PRC, the United States of America ("USA") and the United Kingdom ("UK").

The Group's revenue from external customers by geographical location of the operations are detailed below:

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
PRC	<b>941,874</b>	816,161
USA	<b>194,259</b>	91,267
Hong Kong	<b>41,798</b>	37,770
UK	<b>9,248</b>	—
Germany	<b>8,276</b>	—
France	<b>10,997</b>	—
Others	<b><u>65,745</u></b>	<u>17,619</u>
	<b><u>1,272,197</u></b>	<u>962,817</u>

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

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
PRC	<b>1,794,131</b>	1,228,275
UK	<b>1,051,693</b>	—
Hong Kong	<b>227,695</b>	219,065
USA	<b>10,335</b>	58
France	<b>372</b>	—
Germany	<b>27</b>	—
Indonesia	<b><u>4</u></b>	<u>8</u>
	<b><u>3,084,257</u></b>	<u>1,447,406</u>

No single customer of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2015 and 2014.



## 7. TAXATION

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
The tax charge comprises:		
Hong Kong Profits Tax		
- Current year	6,247	6,988
- (Over) underprovision in prior years	<u>(322)</u>	<u>4,521</u>
	<u>5,925</u>	<u>11,509</u>
PRC Enterprise Income Tax (“EIT”)		
- Current year	20,957	54,794
- Withholding tax	525	—
- Under (over) provision in prior years	<u>75,325</u>	<u>(2,343)</u>
	<u>96,807</u>	<u>52,451</u>
Taxation in other jurisdiction	<u>223</u>	<u>172</u>
Deferred tax		
- Origination and reversal of temporary differences	189	65
- Crystallisation of deferred tax on intangible assets	<u>(2,469)</u>	<u>—</u>
	<u>(2,280)</u>	<u>65</u>
	<u><b>100,675</b></u>	<u><b>64,197</b></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

PRC EIT is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

## 8. (LOSS) PROFIT FOR THE YEAR

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	7,724	7,759
Other staff costs		
Salaries and other benefits	655,867	383,897
Contributions to retirement benefits schemes	69,275	34,624
Share-based payments expense	<u>8,254</u>	<u>19,842</u>
	<b><u>741,120</u></b>	<b><u>446,122</u></b>
Auditor's remuneration		
- audit services	2,206	1,532
- non-audit services	<u>5,958</u>	<u>1,878</u>
	<b><u>8,164</u></b>	<b><u>3,410</u></b>
Amortisation of intangible assets	35,437	7,448
Release of prepaid lease payments (included in administrative expenses)	2,812	2,308
Depreciation of property, plant and equipment	<u>113,678</u>	<u>70,002</u>
Total depreciation and amortisation	<b><u>151,927</u></b>	<b><u>79,758</u></b>
Advertising and promotion expenses (including in selling and marketing expenses)	87,866	83,601
Amounts written off as uncollectible	4	5,633
Allowances on trade receivables	1,911	4,509
Operating lease rentals in respect of		
- rented premises	47,709	15,358
- computer equipment	52,815	39,859
Loss on disposal of property, plant and equipment	667	667
Loss on deemed disposal of associates	3,353	—
Net foreign exchange gain	<u>(17,482)</u>	<u>(10,336)</u>

## 9. DIVIDENDS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2015 Interim - HKD0.10 (2014: 2014 Interim dividend of HKD0.20) per share	39,246	81,277
2014 Final - HKD0.20 (2014: 2013 Final dividend of HKD0.20) per share	<u>78,385</u>	<u>80,330</u>
	<u>117,631</u>	<u>161,607</u>

The final dividend of HKD0.10 (2014: HKD0.20) per share which has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting, amounted to approximately RMB49,767,000 (2014: RMB78,865,000).

## 10. (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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share:		
- (loss) profit for the year attributable to the owners of the Company	<u>(142,979)</u>	<u>176,681</u>
	<b>Number of shares</b>	
	2015	2014
	<i>'000</i>	<i>'000</i>
Weighted average number of shares in issue during the year for the purpose of basic (loss) earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	495,540	508,158
Effect of dilutive potential shares from the Company's share option scheme ( <i>Note</i> )	<u>—</u>	<u>8,096</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>495,540</u>	<u>516,254</u>

*Note:* The calculation of diluted loss per share for the year ended 31 December 2015 does not assume the exercise of the Company's outstanding share options as the exercise of the Company's share option would result in a decrease in loss per share.

## 11. TRADE RECEIVABLES

The Group generally allows a credit period ranging from 30 days to 90 days to its agents/trade customers. For customers in education business, the Group accepts settlement of trade receivables by four years in accordance with the agreements.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods/date of rendering of services which approximated the respective revenue recognition dates.

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade debtors		
0 - 30 days	<b>126,351</b>	31,946
31 - 60 days	<b>63,674</b>	7,147
61 - 90 days	<b>19,197</b>	7,117
Over 90 days	<b>13,681</b>	4,862
Receivables with extended credit terms		
Due within one year	<b>11,830</b>	—
Due after one year	<b><u>18,112</u></b>	<u>—</u>
	<b><u>252,845</u></b>	<u>51,072</u>

Before accepting any new agent/customer, the Group uses an internal credit assessment policy to assess the potential agent/customer's credit quality and define credit limits by agent/customer. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB32,466,000 (2014: RMB8,523,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been significant changes in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

**Ageing of trade receivables which are past due but not impaired**

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
31 - 60 days	<b>12,301</b>	2,023
61 - 90 days	<b>6,808</b>	6,010
Over 90 days	<b><u>13,357</u></b>	<u>490</u>
Total	<b><u><u>32,466</u></u></b>	<u><u>8,523</u></u>

**Movement in the allowance for doubtful debts**

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At beginning of year	<b>7,664</b>	3,025
Allowances recognised on receivables	<b>1,911</b>	4,509
Acquired on acquisition of subsidiaries	<b>4,447</b>	139
Exchange differences	<b><u>578</u></b>	<u>(9)</u>
At end of year	<b><u><u>14,600</u></u></b>	<u><u>7,664</u></u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB14,600,000 (2014: RMB7,664,000) of which the debtors have been in dispute with the Group.

**12. TRADE AND OTHER PAYABLES**

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>198,132</b>	8,638
Accrued staff costs	<b>133,786</b>	86,769
Receipt in advance	<b>30,442</b>	24,573
Other tax payables ( <i>Note a</i> )	<b>15,430</b>	8,846
Other payables and accruals ( <i>Note b</i> )	<b><u>129,802</u></b>	<u>80,388</u>
	<b><u><u>507,592</u></u></b>	<u><u>209,214</u></u>

*Notes:*

- a. 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 (“91 Group”) 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. Included in other tax payables, an amount of approximately RMB0.8 million (2014: RMB5.7 million) of withholding PRC personal income tax calculated at the applicable tax rate and other surcharges was withheld by the Group.
- b. Other payables and accruals mainly represent construction payable, dividend payable, advertising payable, office and server rental payable and other miscellaneous items for operating and investing activities.

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

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 90 days	137,998	5,875
91 - 180 days	57,186	2,096
181 - 365 days	2,297	158
Over 365 days	<u>651</u>	<u>509</u>
	<u>198,132</u>	<u>8,638</u>

### 13. SECURED BANK BORROWINGS

In the current year, the bank borrowing carries interest rate of 200 to 250 basis points over 30-day London Inter-Bank Offer Rate (“LIBOR”). The borrowing was secured by share pledges over the shares and fixed and floating charges over the assets of certain subsidiaries.

In 2014, the secured bank borrowing which was denominated in USD, carried interest rate of LIBOR plus 0.8% per annum, was fully repaid on 7 December 2015. The borrowing was secured by the standby documentary credit of the same amount which was denominated in USD and was fully released upon the repayment of the bank borrowing.

### 14. 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 year are set out as below:

	<b>Shown in the consolidated financial statements as RMB'000</b>
Issue of convertible preferred shares	260,474
Fair value change	2,521
Exchange realignment	<u>15,504</u>
At 31 December 2015	<u>278,499</u>

## **15. OTHER PAYABLES**

Other payables represent the remaining consideration for the acquisition of 蘇州馳聲信息科技有 限公司 (“蘇州馳聲信息”) as stated in note 16 and the consideration received on behalf of the eligible participants of the share award scheme upon the disposal of 91 Group. As at 31 December 2015, an amount of approximately RMB1,610,000 (2014: RMB2,385,000), which is repayable within twelve months after the end of the reporting period in accordance with the deferred payment agreement, is included in other payables as current liabilities. An amount of RMB1,283,000 was included as non-current liabilities as at 31 December 2014 which is payable in January 2016.

## **16. ACQUISITION OF SUBSIDIARIES**

### **Acquisition of Promethean World Limited (formerly known as Promethean World Plc) and its subsidiaries (collectively referred to as the “Promethean Group”)**

On 10 July 2015, the Group entered into a co-operation agreement to acquire 100% equity interests of Promethean Group at a maximum aggregate cash consideration of GBP84.8 million (equivalent to approximately RMB820 million). The transaction was completed on 2 November 2015. Promethean Group is principally engaged in creating, developing, support and sale of education hardware and software products for the education market globally.



Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
<b>Non-current assets</b>	
Property, plant and equipment	50,903
Intangible assets	763,745
Deferred tax assets	3,736
<b>Current assets</b>	
Inventories	111,329
Trade receivables	184,908
Other receivables, prepayments and deposits	19,699
Derivative financial assets	400
Tax recoverable	9,563
Bank balances and cash	10,877
Assets classified as held for sale	2,723
<b>Current liabilities</b>	
Trade and other payables	(287,709)
Deferred income	(61,735)
Provisions	(34,671)
Borrowings	(63,358)
Income tax payable	(6,985)
<b>Non-current liabilities</b>	
Provisions	(2,524)
Deferred tax liabilities	<u>(144,388)</u>
Net assets acquired	<u>556,513</u>
<b>Goodwill arising on acquisition of Promethean Group</b>	
	<i>RMB'000</i>
Consideration transferred	820,242
Less: Fair value of identifiable net assets acquired	<u>(556,513)</u>
Goodwill arising on acquisition	<u>263,729</u>

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

## Net cash outflow on acquisition of Promethean Group

	<i>RMB'000</i>
Consideration paid in cash	820,242
Less: Cash and cash equivalent balances acquired	<u>(10,877)</u>
	<u>809,365</u>

## Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 December 2015 is the loss of approximately RMB44,455,000 attributable to the additional business generated by Promethean Group. Revenue for the year ended 31 December 2015 includes RMB156,265,000 generated from Promethean Group.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 31 December 2015 would have been RMB2,138 million, and loss for year ended 31 December 2015 would have been RMB504 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## Acquisition of 蘇州馳聲信息

On 1 June 2015, the Group entered into an agreement with independent third parties to acquire 100% equity interests of 蘇州馳聲信息 at a consideration of RMB84,853,000. The consideration was partly satisfied by cash and is partly satisfied by the allotment and issue of 9,591,159 new shares of Best Assistant, an indirect non-wholly owned subsidiary of the company. The transaction was completed on 27 August 2015. 蘇州馳聲信息 is principally engaged in voice and speech technology and software development.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
<b>Non-current assets</b>	
Property, plant and equipment	1,914
Intangible assets	57,675
<b>Current assets</b>	
Trade receivables	433
Other receivables, prepayments and deposits	503
Bank balances and cash	2,380
<b>Current liability</b>	
Trade and other payables	(1,225)
<b>Non-current liability</b>	
Deferred tax liabilities	<u>(7,924)</u>
Net assets acquired	<u>53,756</u>

**Goodwill arising on acquisition of 蘇州馳聲信息**

	<i>RMB'000</i>
Consideration transferred	84,853
Less: Fair value of identifiable net assets acquired	<u>(53,756)</u>
Goodwill arising on acquisition	<u>31,097</u>

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

**Net cash outflow on acquisition of 蘇州馳聲信息**

	<i>RMB'000</i>
Consideration paid in cash	74,000
Less: Cash and cash equivalent balances acquired	<u>(2,380)</u>
	<u>71,620</u>

**Impact of acquisition on the results of the Group**

Included in the loss for the year ended 31 December 2015 is the loss of approximately RMB4,188,000 attributable to the additional business generated by 蘇州馳聲信息. Revenue for the year ended 31 December 2015 includes RMB2,144,000 generated from 蘇州馳聲信息.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 31 December 2015 would have been RMB1,279 million, and loss for year ended 31 December 2015 would have been RMB190 million. The directors of the Group consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

**Acquisition of Cherrypicks International Holdings Limited and its subsidiaries (collectively referred to as the “Cherrypicks Group”)**

On 3 June 2014, the Group entered into an agreement with an independent third party to acquire 100% equity interests of Cherrypicks Group at a consideration of USD26,051,000 (equivalent to RMB160,211,000). The consideration was partly satisfied by cash and partly satisfied by the allotment and issue of 2,626,204 new shares of the Company credited as fully paid up at an issue price of HKD13.3653 (the “Consideration Shares”). The Consideration Shares were allotted and issued pursuant to the general mandate to allot and issue shares representing 20% of the issued share capital of the Company as at 23 May 2014 granted to the directors by the shareholders at the annual general meeting of the Company on 23 May 2014. The transaction was completed on 21 July 2014. Cherrypicks Group is a leading enterprise in mobile solution and mobile marketing in the Asia Pacific region.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
<b>Non-current assets</b>	
Property, plant and equipment	893
Intangible assets	139,362
<b>Current assets</b>	
Trade receivables	4,404
Other receivables, prepayments and deposits	1,698
Amounts due from related companies	6,267
Bank balances and cash	6,015
<b>Current liabilities</b>	
Trade and other payables	(7,312)
Amount due to ultimate shareholder	(6,170)
Amounts due to related companies	(5,710)
Deferred income	(68)
Borrowings	(3,378)
Income tax payable	(3,218)
<b>Non-current liability</b>	
Deferred tax liabilities	<u>(51)</u>
<b>Net assets acquired</b>	<u><u>132,732</u></u>

### **Goodwill arising on acquisition of Cherrypicks Group**

	<i>RMB'000</i>
Consideration transferred	160,211
Less: Fair value of identifiable net assets acquired	<u>(132,732)</u>
Goodwill arising on acquisition	<u>27,479</u>

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

### **Net cash outflow on acquisition Cherrypicks Group**

	<i>RMB'000</i>
Consideration paid in cash	110,785
Less: Cash and cash equivalent balances acquired	(6,015)
Add: Shareholder's loan	<u>6,170</u>
	<u>110,940</u>

### **Impact of acquisition on the results of the Group**

Included in the profit for the year ended 31 December 2014 was the profit of approximately RMB19,054,000 attributable to the additional business generated by Cherrypicks Group. Revenue for the year ended 31 December 2014 included RMB46,656,000 generated from Cherrypicks Group.

Had the acquisition been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been RMB982 million, and profit for year ended 31 December 2014 would have been RMB164 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

### **Acquisition of other subsidiaries**

On 29 May 2014, the Group entered into an agreement with an independent third party to acquire 70% equity interests of Catch Investments Limited and its subsidiary, Just Me Co., Limited (collectively referred to as the "Catch Group") at a consideration of RMB5,250,000. The transaction was completed on 20 June 2014. The Catch Group is engaged in the provision of artiste management services.

On 31 December 2013, the Group entered into an agreement with an independent third party to acquire 51% equity interests of 恒康(福建)醫療信息服務有限公司 (“恒康(福建)醫療”) at nil consideration. The transaction was completed on 23 June 2014. 恒康(福建)醫療 is principally engaged in the provision of medical information enquires.

Assets acquired and liabilities recognised at the date of acquisitions are as follows:

	<i>RMB'000</i>
<b>Non-current asset</b>	
Intangible assets	5,245
<b>Current assets</b>	
Trade receivables	118
Bank balances and cash	7
<b>Current liability</b>	
Trade and other payables	<u>(3)</u>
Net assets acquired	<u><u>5,367</u></u>

#### **Non-controlling interests**

In 2014, the non-controlling interests (30%) in the Catch Group and (49%) in 恒康(福建)醫療 recognised at the acquisition date were measured by reference to the proportionate share of fair value of identifiable assets and liabilities of the Catch Group and 恒康(福建)醫療 at the dates of acquisition.

#### **Gain on bargain purchase on acquisition of other subsidiaries**

	<i>RMB'000</i>
Consideration paid in cash	5,250
Add: Non-controlling interests	58
Less: Fair value of identifiable net assets acquired	<u>(5,367)</u>
	<u><u>(59)</u></u>

**Net cash outflow on acquisition of other subsidiaries**

	<i>RMB'000</i>
Consideration paid in cash	5,250
Less: Cash and cash equivalent balances acquired	(7)
	<u>5,243</u>

**Impact of acquisition on the results of the Group**

Included in the profit for the year ended 31 December 2014 was the loss of approximately RMB1,293,000 attributable to the additional business generated by the above subsidiaries. Revenue for the year ended 31 December 2014 included RMB48,000 generated from the above subsidiaries.

Had the acquisition been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have no change, and profit for year ended 31 December 2014 would have been RMB169 million. The directors of the Group consider the 'pro-forma' result to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## OPERATION INFORMATION

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

	<b>Three months ended</b>				
	<b>31 December 2015</b>	30 September 2015	30 June 2015	31 March 2015	31 December 2014
<b>PCU</b>	<b>752,000</b>	761,000	708,000	703,000	642,000
<b>ACU</b>	<b>317,000</b>	360,000	318,000	309,000	301,000

*Note:* As at 31 December 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 752,000 for the three months ended 31 December 2015, representing a decrease of approximately 1.2% from the three months ended 30 September 2015 and representing an increase of approximately 17.1% from the three months ended 31 December 2014.

We also recorded the ACU for online games of approximately 317,000 for the three months ended 31 December 2015, which represented a decrease of approximately 11.9% from the three months ended 30 September 2015 and represented an increase of approximately 5.3% from the three months ended 31 December 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Key Fiscal Year 2015 Financial Highlights

- Revenue was RMB1,272.2 million, an increase of 32.1% year-over-year.
- Revenue from games business was RMB985.4 million, an increase of 11.5% year-over-year.
- Revenue from education business was RMB242.8 million, an increase of 639.4% year-over-year.
- Gross profit was RMB958.0 million, an increase of 11.4% from last year.
- Segmental profits from games business was RMB357.0 million, an increase of 17.7% year-over-year.
- Non-GAAP operating loss was RMB22.5 million.
- Net cash, cash equivalent and liquid investments as at 31 December 2015 was RMB1,880.7 million.
- Adjusted Non-GAAP operating profits , which excludes one-off tax charges and expenses related to the Promethean acquisition, was RMB0.6 million,
- Non-GAAP loss per share was RMB24.86 cents.

### Key Fourth Quarter 2015 Financial Highlights

- Revenue was RMB500.6 million, an increase of 93.0% quarter-over-quarter and 77.0% year-over-year.
- Revenue from games business was RMB283.2 million, an increase of 18.5% quarter-over-quarter and 18.6% year-over-year.
- Revenue from education business was RMB209.8 million, a significant increase both on a quarter-over-quarter and year-over-year basis due to the acquisition of Promethean that is consolidated commencing in November.
- Gross profit was RMB312.4 million, an increase of 45.0% quarter-over-quarter and 26.7% year-over-year.
- Segmental profits from games business was RMB187.3 million, an increase of 333.9% year-over-year.
- Non-GAAP operating loss was RMB8.2 million.
- Adjusted Non-GAAP operating profits, which excludes one-off tax charges and expenses related to the Promethean acquisition, was RMB1.2 million.
- Non-GAAP loss per share was RMB17.9 cents.

## FOR THE YEAR ENDED 31 DECEMBER 2015

The following table sets forth the comparative figures for the years ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue	1,272,197	962,817
Cost of revenue	<u>(314,161)</u>	<u>(102,844)</u>
Gross profit	958,036	859,973
Other income and gains	187,927	157,101
Selling and marketing expenses	(206,778)	(152,495)
Administrative expenses	(520,104)	(326,934)
Development costs	(446,229)	(249,260)
Other expenses	(24,092)	(34,027)
Share of losses of associates	<u>(9,912)</u>	<u>(2,354)</u>
Operating (loss) profit	(61,152)	252,004
Interest income on pledged bank deposits	6,018	2,794
Exchange loss on pledged bank deposits, secured bank borrowings and convertible preferred shares	(15,504)	(5,081)
Net (loss) gain on derivative financial instruments	(2,914)	6,817
Net gain on disposal of held-for-trading investments	876	—
Net loss on held-for-trading investments	(9,144)	(17,304)
Finance costs	<u>(5,431)</u>	<u>(3,212)</u>
(Loss) profit before taxation	(87,251)	236,018
Taxation	<u>(100,675)</u>	<u>(64,197)</u>
(Loss) profit for the year	<u>(187,926)</u>	<u>171,821</u>
(Loss) profit for the year attributable to:		
- Owners of the Company	(142,979)	176,681
- Non-controlling interests	<u>(44,947)</u>	<u>(4,860)</u>
	<u>(187,926)</u>	<u>171,821</u>
Non-GAAP (loss) profit for the year	<u>(123,204)</u>	<u>220,514</u>
Non-GAAP operating (loss) profit for the year	<u>(22,529)</u>	<u>284,711</u>
Adjusted Non-GAAP operating profit for the year	<u>607</u>	<u>284,711</u>

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

	<b>Three months ended</b>		
	<b>31 December 2015 (Unaudited) RMB'000</b>	<b>30 September 2015 (Unaudited) RMB'000</b>	<b>31 December 2014 (Unaudited) RMB'000</b>
Revenue	<b>500,560</b>	259,412	282,880
Cost of revenue	<b><u>(188,159)</u></b>	<u>(44,031)</u>	<u>(36,342)</u>
Gross profit	<b>312,401</b>	215,381	246,538
Other income and gains	<b>87,443</b>	43,951	32,464
Selling and marketing expenses	<b>(93,982)</b>	(42,663)	(51,206)
Administrative expenses	<b>(161,490)</b>	(133,516)	(120,876)
Development costs	<b>(154,726)</b>	(107,472)	(89,278)
Other expenses	<b>(12,080)</b>	(3,270)	(11,977)
Share of losses of associates	<b><u>(1,423)</u></b>	<u>(3,177)</u>	<u>(1,715)</u>
Operating (loss) profit	<b>(23,857)</b>	(30,766)	3,950
Interest income on pledged bank deposit	<b>1,171</b>	1,657	475
Exchange loss on pledged bank deposit, secured bank borrowing and convertible preferred shares	<b>(5,623)</b>	(10,527)	—
Net (loss) gain on derivative financial instruments	<b>(16,322)</b>	13,408	—
Net loss on disposal of held-for-trading investments	<b>—</b>	(525)	—
Net gain (loss) on held-for-trading investments	<b>3,922</b>	(2,334)	(16,905)
Finance costs	<b><u>(2,940)</u></b>	<u>(851)</u>	<u>(235)</u>
Loss before taxation	<b>(43,649)</b>	(29,938)	(12,715)
Taxation	<b><u>(80,609)</u></b>	<u>(8,072)</u>	<u>(9,442)</u>
Loss for the period	<b><u>(124,258)</u></b>	<u>(38,010)</u>	<u>(22,157)</u>
Loss for the period attributable to:			
- Owners of the Company	<b>(98,075)</b>	(26,530)	(19,406)
- Non-controlling interests	<b><u>(26,183)</u></b>	<u>(11,480)</u>	<u>(2,751)</u>
	<b><u>(124,258)</u></b>	<u>(38,010)</u>	<u>(22,157)</u>

	FY2015		FY2014		Variance	
	Online		Online		Online	
	Games	Education	Games	Education	Game	Education
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Revenue	<b>985,427</b>	<b>242,801</b>	883,483	32,838	11.5%	639.4%
Gross profit	<b>899,758</b>	<b>58,933</b>	815,459	3,400	10.3%	1,633.3%
Segmental profit (loss)	<b>357,046</b>	<b>(274,100)</b>	303,338	(40,370)	17.7%	579.0%
Key operating expenses:						
Research and development costs	<b>(293,663)</b>	<b>(148,447)</b>	(236,084)	(13,176)	24.4%	1,026.6%
Selling and marketing expenses	<b>(135,034)</b>	<b>(71,597)</b>	(143,024)	(9,339)	-5.6%	666.6%
Administrative expenses	<b>(379,129)</b>	<b>(102,517)</b>	(281,607)	(21,643)	34.6%	373.7%

	FY2015Q4		FY2014Q4		Variance	
	Online		Online		Online	
	Games	Education	Games	Education	Game	Education
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Revenue	<b>283,245</b>	<b>209,826</b>	238,855	9,458	18.6%	2,118.5%
Gross profit	<b>264,162</b>	<b>49,474</b>	215,654	211	22.5%	23,347.4%
Segmental profit (loss)	<b>187,344</b>	<b>(159,947)</b>	43,177	(25,000)	333.9%	539.8%
Key operating expenses:						
Research and development costs	<b>(76,341)</b>	<b>(74,266)</b>	(80,805)	(8,473)	-5.5%	776.5%
Selling and marketing expenses	<b>(36,072)</b>	<b>(57,776)</b>	(46,200)	(4,926)	-21.9%	1,072.9%
Administrative expenses	<b>(103,281)</b>	<b>(47,778)</b>	(95,842)	(7,819)	7.8%	511.1%

## Revenue

Revenue for the year ended 31 December 2015 was approximately RMB1,272.2 million, representing an increase of approximately 32.1% as compared to approximately RMB962.8 million for the year ended 31 December 2014. For the fourth quarter of 2015, revenue was approximately RMB500.6 million, representing an increase of approximately 93.0% from the third quarter of 2015 and an increase of approximately 77.0% over the same period in 2014.

The increase in revenue was due to a combination of (i) healthy revenue increase of online game business driven by the success of multiple games, (ii) commencement of pilot sales of the Group's education products in China in the third quarter, and (iii) consolidation of the results of Promethean World starting in November 2015.

*Online game*

Our online game revenue for the year ended 31 December 2015 was approximately RMB985.4 million, representing an increase of approximately 11.5% as compared to approximately RMB883.5 million for the year ended 31 December 2014.

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

	<b>Year ended 31 December</b>			
	<b>2015</b>		<b>2014</b>	
	<i>RMB'000</i>	<i>% of online game revenue</i>	<i>RMB'000</i>	<i>% of online game revenue</i>
<b>PRC</b>	<b>853,853</b>	<b>86.6</b>	773,369	87.5
<b>Other markets</b>	<b><u>131,574</u></b>	<b><u>13.4</u></b>	<u>110,114</u>	<u>12.5</u>
	<b><u>985,427</u></b>	<b><u>100.0</u></b>	<b><u>883,483</u></b>	<b><u>100.0</u></b>

The Group's online game revenue analysed by geographical segments is based on the location where services are provided. The online game revenue derived from the PRC for the year ended 31 December 2015 was approximately RMB853.8 million, representing an increase of approximately 10.4% over the year ended 31 December 2014. The revenue growth is primarily attributable to a combination of a significant revenue ramp-up for new MOBA game Calibur of Spirit, and healthy growth for Eudemons Online and Pocket versions.

The online game revenue derived from other markets for the year ended 31 December 2015 was approximately RMB131.6 million, representing an increase of approximately 19.5% over the year ended 31 December 2014. The growth was due in particular to the success of Conquer Online overseas version which experienced a fruitful year, in which continuous improvement in game features and monetisation strategy helped drove monthly revenue of its overseas version to a record high in July 2015.

### *Education business*

The education business revenue for the year ended 31 December 2015 was approximately RMB242.8 million, representing an increase of approximately 639.4% as compared to approximately RMB32.8 million for the year ended 31 December 2014.

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

	<b>Year ended 31 December</b>			
	<b>2015</b>		<b>2014</b>	
		<i>% of education business revenue</i>		<i>% of education business revenue</i>
	<i>RMB'000</i>		<i>RMB'000</i>	
<b>PRC</b>	<b>83,922</b>	<b>34.6</b>	32,838	100.0
<b>Other markets</b>	<b><u>158,879</u></b>	<b><u>65.4</u></b>	<u>—</u>	<u>—</u>
	<b><u>242,801</u></b>	<b><u>100.0</u></b>	<b><u>32,838</u></b>	<b><u>100.0</u></b>

The education business revenue derived from the PRC for the year ended 31 December 2015 was approximately RMB83.9 million, representing an increase of approximately 155.6% over the year ended 31 December 2014. The increase was primarily attributable to successful commencement of pilot sales of the Group's new online education products in the third quarter of 2015.

The education business revenue derived from other markets for the year ended 31 December 2015 was approximately RMB158.9 million, representing the revenue of Promethean Group consolidated into the Group's results commencing in November 2015.

### **Gross Profit**

Gross Profit for the year ended 31 December 2015 was approximately RMB958.0 million, representing an increase of approximately 11.4% as compared to approximately RMB860.0 million for the year ended 31 December 2014. For the fourth quarter of 2015, gross profits was approximately RMB312.4 million, representing an increase of approximately 45.0% from the third quarter of 2015 and an increase of approximately 26.7% over the same period in 2014.

### *Online game*

Our online game gross profits for the year ended 31 December 2015 was approximately RMB899.8 million, representing an increase of approximately 10.3% as compared to approximately RMB815.5 million for the year ended 31 December 2014. The increase was consistent with increase in online game revenue.

### *Education business*

The education business gross profit for the year ended 31 December 2015 was approximately RMB58.9 million, representing an increase of approximately 1,633.3% as compared to approximately RMB3.4 million for the year ended 31 December 2014. The increase was mainly contributed from (i) the gross profit of the Promethean Group, amounting to RMB40.9, which is consolidated after completion of acquisition in November 2015; and (ii) gross profit from pilot sale of education products in China.

### **Development costs**

Development costs for the year ended 31 December 2015 were approximately RMB446.2 million, representing an increase of approximately 79.0% as compared to approximately RMB249.3 million for the year ended 31 December 2014. For the fourth quarter of 2015, development costs were approximately RMB154.7 million, representing an increase of approximately 44.0% from the third quarter of 2015 and an increase of approximately 73.3% over the same period in 2014.

### *Online game*

Our online game development costs for the year ended 31 December 2015 were approximately RMB293.7 million, representing an increase of approximately 24.4% compared to approximately RMB236.1 million for the year ended 31 December 2014. The increase was mainly contributed from the increase in staff costs as the Group continued to invest in enhancing research and development capabilities in gaming.

### *Education business*

The education business development costs for the year ended 31 December 2015 were approximately RMB148.4 million, representing an increase of approximately 1,026.6% compared to approximately RMB13.2 million for the year ended 31 December 2014. The increase was mainly contributed from the significant increase in research and development staffs as the Group continued to invest heavily in the development of its education products.

## **Selling and marketing expenses**

Selling and marketing expenses for the year ended 31 December 2015 were approximately RMB206.8 million, representing an increase of approximately 35.6% as compared to approximately RMB152.5 million the for the year ended 31 December 2014. For the fourth quarter of 2015, selling and marketing expenses were approximately RMB94.0 million, representing an increase of approximately 120.3% from the third quarter of 2015 and an increase of approximately 83.5% over the same period in 2014.

### *Online game*

Our online game selling and marketing expenses for the year ended 31 December 2015 were approximately RMB135.0 million, representing a decrease of approximately 5.6% compared to approximately RMB143.0 million for the year ended 31 December 2014. For the quarter ended 31 December 2015, the expenses decreased by approximately 21.9% over the same period in 2014. The year-over-year and quarter-over-quarter decrease was mainly due to significant advertising spending in the fourth quarter of 2014 in tandem with the launch of Eudemons Online Pocket Version.

### *Education business*

The education business selling and marketing expenses for the year ended 31 December 2015 were approximately RMB71.6 million, representing an increase of approximately 666.6% compared to approximately RMB9.3 million for the year ended 31 December 2014. The increase was mainly contributed from the expansion of the sales and marketing team in China and increase in product promotional effort in line with the establishment of a nationwide sales and distribution network during the year and the launch of the pilot sales in the third quarter of 2015. In addition, the 2015 expense figure includes selling and marketing expenses of the Promethean Group, amounted to RMB43.7 million, which were consolidated after the completion of the acquisition in November..

## **Administrative expenses**

Administrative expenses for the year ended 31 December 2015 were approximately RMB520.1 million, representing an increase of approximately 59.1% as compared to approximately RMB326.9 million the for the year ended 31 December 2014. For the fourth quarter of 2015, administrative expenses were approximately RMB161.5 million, representing an increase of approximately 21.0% from the third quarter of 2015 and an increase of approximately 33.6% over the same period in 2014.



### *Online game*

Our online game administrative expenses for the year ended 31 December 2015 were approximately RMB379.1 million, representing an increase of approximately 34.6% compared to approximately RMB281.6 million for the year ended 31 December 2014. The increase was mainly contributed from (i) related to acquisitions, and (ii) increase in depreciation expense related to the Group's new headquarters campus in Changle.

### *Education business*

The education business administrative expenses for the year ended 31 December 2015 were approximately RMB102.5 million, representing an increase of approximately 373.7% compared to approximately RMB21.6 million for the year ended 31 December 2014. The increase was mainly contributed from the increase in (i) staff costs; (ii) legal and professional fees (due primarily to the acquisition of Promethean); (iii) amortisation expense of intangibles related to the acquisition of 蘇州馳聲信息 and Promethean Group, and (iv) office rental expense related to setting up the new Beijing office. In addition, the 2015 expense figure includes administrative expenses of the Promethean Group, amounted to RMB 28.8 million, which were consolidated after the completion of the acquisition in November.

### **Taxation**

Taxation for the three months ended 31 December 2015 raised by approximately 753.7% to approximately RMB80.6 million as compared with the three months ended 31 December 2014, which was due to additional provision of the PRC income tax arising from the disposal of 91 Group. For the same reason, taxation for the year ended 31 December 2015 increased by approximately 56.8% to RMB100.7 million over the year of 2014.

### **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 deposits, exchange loss on pledged bank deposits, secured bank borrowings and convertible preferred shares, net (loss) gain on derivative financial instruments, net gain (loss) on disposal of held-for-trading investments, net (loss) gain on held-for-trading investments and finance costs.

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

	Year ended		Three months ended		
	31 December 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>	30 September 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Non-GAAP operating (loss) profit	<b>(22,529)</b>	284,711	<b>(8,171)</b>	(23,526)	13,540
Non-GAAP (loss) profit	<b>(123,204)</b>	220,514	<b>(88,780)</b>	(31,598)	4,098
Non-GAAP (loss) profit attributable to owners of the Company	<b>(83,012)</b>	225,374	<b>(67,903)</b>	(19,723)	6,849

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2015, we had bank deposits and bank balances and cash of approximately RMB1,710.0 million (31 December 2014: RMB3,273.2 million, out of which approximately RMB236.8 million had been pledged to bank to secure bank borrowing). The gearing ratio (consolidated bank borrowing/consolidated total equity) was 0.01 (31 December 2014: 0.05). As at 31 December 2015, total bank borrowing of the Group amounted to approximately RMB25.1 million (31 December 2014: RMB236.8 million) was floating-rate loan and was secured by share pledges over the shares and fixed and floating charges over the assets of certain subsidiaries.

As at 31 December 2015, the Group had net current assets of approximately RMB1,352.4 million as compared with approximately RMB3,148.0 million as at 31 December 2014.

## STAFF INFORMATION

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

	At 31 December 2015	At 30 September 2015	At 31 December 2014
Research and development	2,874	2,645	1,850
Selling and marketing	1,009	736	743
Accounting, finance and general administration	828	742	706
Production	<u>173</u>	<u>—</u>	<u>—</u>
Total	<u>4,884</u>	<u>4,123</u>	<u>3,299</u>

### Business Review and Prospects

2015 was a rewarding year with the Group's online games business generating robust growth and online education sales in China gaining traction following the launch of an initial large-scale pilot sales program which began in the third quarter of 2015. Completing the acquisition of Promethean World Limited ("Promethean") in November 2015 also marked the beginning of the Group's global expansion in the education space.

During the year under review, the Group continued to invest heavily in the design and development of its online education products, and have made remarkable progress in building an integrated ecosystem which management team strongly believe will be a game changer. The Group also extended its education product portfolio into Virtual Reality ("VR"). Its VR product will include a state-of-the-art editor tool for teachers and students to create VR lessons and presentations with and a library of best-in-class educational VR content in terms of quality and breadth of coverage. Most importantly, the Group expects its knowhow and technologies accumulated from the games business, as well as its resources and focus in education, will enable its development team to develop VR education products better and faster than its competitors.

The Group is seeing extremely positive progress from the launch of its initial pilot sales program during the third quarter of 2015. The sales tenders won as of end of 2015 will cover over 5,000 classrooms in 400 schools across 14 provinces (or directly-controlled municipalities) in China. In addition, the Group expects its VR

product to hit the market during the second half of 2016 which will serve as a catalyst for the growth of education sales. Last but not least, the completion of the acquisition of Prometheus will accelerate the Group's global strategy by providing an existing user base covering 1.3 million classrooms in over 150 countries and over 2 million teachers and 30 million students.

The Group's games business also had a successful year, as its new game Calibur of Spirit (英魂之刃) continued its very strong momentum in the fourth quarter of 2015, and this game is poised to become a major revenue and profits growth driver for the Group's games business. The Group's overseas games also recorded strong growth during the year under review, increasing over 20% from the prior year. Looking forward, the Group anticipates a very exciting year in which the management team plans to launch new mobile game versions for Calibur of Spirit (英魂之刃) and Eudemons Online (魔域), and leverage its technology and expertise to diversify into MOBA community platforms.

### ***Games Business***

During fiscal year 2015, revenue from the games business increased 11.5% to RMB985.4 million. During the fourth quarter of 2015, revenue from the games business increased 18.5% sequentially and 18.6% year-over-year to RMB283.2 million. The increases were primarily attributable to significant revenue generation from the Group's new MOBA game Calibur of Spirit (英魂之刃), and healthy growth from Eudemons Online Pocket version\* (魔域口袋版).

During the fourth quarter of 2015, the Group continued to enhance game-play and optimize the monetization of Calibur of Spirit (英魂之刃) resulting in monthly gross revenue reaching a record high of RMB 31.6 million in December 2015. Given the strong growth momentum, the Group expects to see Calibur of Spirit (英魂之刃) generate sustained revenue growth in 2016. The Group will leverage the success of Calibur of Spirit (英魂之刃) to promote professional e-sports events which will accelerate player acquisition and create a vibrant community for MOBA players. The Group is developing a mobile version of Calibur of Spirit (英魂之刃) which will begin open beta testing in 2016 and is confident of its potential success given the game's existing large online player base.

Eudemons Online (魔域) closed out a solid year with a successful fourth quarter that saw its PC and mobile game titles generate a combined revenue increase of 25.8% sequentially. The increase in revenue was driven by the release of a new PC expansion pack in October 2015 and healthy growth from its mobile game which

\* For identification purpose only

recorded its third consecutive month of revenue growth during the fourth quarter of 2015. The Group will continue to launch content updates and leverage the popularity of its brand to launch new mobile game titles for Eudemons Online (魔域) in 2016.

The Group's other flagship game, Conquer Online(征服), also experienced a fruitful year in which the continuous improvement in game features and monetization strategy helped drive monthly revenue from its overseas version to a record high in July 2015.

Tiger Knight (虎豹騎), the Group's 3D action strategy game, is currently undergoing testing which began in August 2015. A Player Versus Environment (PVE) game update was released in the fourth quarter of 2015 to great acclaim from players. This game was recognized as one of the "Top 10 Most Anticipated Client Games" in Tencent's "2015 Chinese Game Ranking".

Going forward, the Group will continue to launch new games and use existing IP to develop spinoff franchises as part of its premier-quality games strategy.

### ***Online Education Business***

Fiscal year 2015 was a year of remarkable progress on all fronts for the Group's online education business. The Group finished developing a pilot version of its online education ecosystem which includes software components covering pre-class lesson preparation, in-class collaborative lessons, an after-school homework system, as well as a customizable instant messaging platform that is designed specifically for education communities. These software components can be seamlessly integrated into the Group's proprietary Android-based 101 Student Tablet to provide a best-in-class user experience as well as teaching and learning efficacies for teachers and students. During the fourth quarter of 2015, the Group began developing its educational VR product portfolio which will form an integral part of its education ecosystem and will feature a VR editor platform that will empower teachers and students by allowing them to create highly personalized VR presentations in a do-it-yourself fashion. The Group will also leverage its world class gaming content production experience to produce a state-of-the-art educational VR content library which will provide a learning experience that is both immersive and engaging across a broad array of subject areas. In addition to VR content, the Group is on track to build the largest interactive and 3D learning content library in China that will cover all major subject areas across the standard primary and secondary school curriculum with a breakdown into granular knowledge points. The content library will feature teaching and learning modules, question banks and interactive lessons, which are designed to enable the creation of next-generation lesson plans designed to maximize both engagement and effectiveness of an individual students' learning.

In November 2015, the Group completed the acquisition of a 100% stake in Promethean for a total cash consideration of approximately USD130 million. Starting in November 2015, Promethean's results have been consolidated into the Group's financials. Promethean provides the Group with a well-known international brand in education, access to global sales and marketing partnership channels and opportunities to create technological and operational synergies which will accelerate the global rollout of its products. The Group is pursuing several integration initiatives which are expected to result in significant revenue growth in 2016 and multi-fold increase in the user base of its award winning ClassFlow™ educational software.

The Group began the go-to-market roll-out of its education products in China during the third quarter of 2015 with a highly successful pilot launch. As of the end of 2015, sales contracts secured already cover over 5,000 classrooms in 400 schools across 14 provinces (or direct-controlled municipalities). As the Group transitions from the current pilot launch to a full commercial launch in 2016, revenue from its China education business is expected to increase by several multiples from its 2015 levels.

### **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) and the Group is responsible for its construction and planning. It is a key project in Fujian, and also a significant project for the cultural creativity industry of Fuzhou City in the Linkonggang Economic Zone. The Project involves all parts of the industrial chain of animation creativity, covering research and development of animation, exchange, animation derivatives and online and mobile education application. During the year under review, the progress of four phases of the Project was as follows:

- I Phase I covers an area of 246.8 mu. It is used for the Group's research and development, exchange and quality control. 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. These buildings have been put into operation for our employees. The construction of two new dormitory buildings of Phase I was basically completed and the interior decoration is currently underway.
- II Phase II covers an area of 296.5 mu and is the main animation research and development 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.

\* For identification purpose only

III Phase III covers an area of approximately 600.1 mu. Of which, 345 mu have been earmarked for online education industrial zone, 105 mu have been slated for commercial and residential use and 48.8 mu were designated for dormitory for senior management. The construction of the dormitory buildings for senior management was basically completed and the establishment of fire sprinkler system and ventilation ducts are currently underway. The remaining 101.3 mu will be used for future mobile game business research and development purpose. The fences and scaffolding around such land with an area of 101.3 mu were constructed and the site preparation work is currently underway.

The project land for the commercial and residential zone of Haixi Animation Creativity City with an area of 105 mu has been acquired for commercial and residential use of Changle Western Taiwan Straits Creative Valley. Completed residential units will only be sold to employees of the zone. The land supply procedures are in process.

IV The Group also places great emphasis on the development of education segment and intends to construct a new Changle campus for Fuzhou Software Technology Vocational College. Fuzhou Software Technology Vocational College occupies an area of 536.2 mu and will enroll approximately 8,000 students. The planning and design of the construction have been completed and the approval of land use has been obtained. Upon the commencement of its operation, the college will form an industry cluster with other three projects in the zone. The Group aims to expand and develop the creative animation in Haixi through providing practical education, encouraging research with production and collaborating education and production.

V Another property project occupying an area of 199.0 mu, which is allocated for commercial and residential use. The project commenced in 2014. The fences and scaffolding around the site were constructed and the site preparation work was preliminarily completed. The planning and design of the construction is currently underway.

The Project will establish a high-tech industry cluster of research and development of technology, application and production, covering the whole industrial chain of animation industry. The Project aims to become a new town with the most advanced technologies, the most ecology-friendly and most creative production base with the greatest potential and a creative cultural center in southeast coast in China.



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

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chp 571 of the Laws of Hong Kong) (“SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of Company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
Liu Dejian (Note 2)	The Company	Beneficial owner, through a controlled corporation and beneficiary of a trust	254,053,257 (L)	51.05%
Liu Dejian (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,984,860 (L)	98.86%
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	RMB9,984,860 (L)	98.86%
Zheng Hui (Note 2)	The Company	Beneficial owner and through controlled corporations	254,053,257 (L)	51.05%



<b>Name of Director</b>	<b>Name of Company</b>	<b>Capacity and nature of interests</b>	<b>Number of shares and underlying shares held or amount of registered capital contributed (Note 1)</b>	<b>Approximate percentage of shareholding</b>
Zheng Hui (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,984,860 (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 38.39% 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 38.39% 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 51.03% 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 31 December 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 31 December 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:

<b>Name of shareholder</b>	<b>Name of Company</b>	<b>Capacity and nature of interests</b>	<b>Number of shares and underlying shares held or amount of registered capital contributed</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100 (L)	38.39%
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 31 December 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 year ended 31 December 2015 are as follows:

Grantee	Date of grant	Exercise Price <i>HKD</i>	As at	Number of share options			As at
			1 January 2015	Granted	Exercised	Lapsed	31 December 2015
<b>Executive Directors</b>							
Liu Dejian	22.07.2011	4.60	156,200	—	71,000	—	85,200
Liu Luyuan	07.12.2009	4.33	1,400,000	—	—	—	1,400,000
	22.07.2011	4.60	284,000	—	—	—	284,000
Zheng Hui	22.07.2011	4.60	156,200	—	71,000	—	85,200
Chen Hongzhan	22.07.2011	4.60	156,200	—	71,000	—	85,200
<b>Independent non-executive Directors</b>							
Chao Guowei, Charles	22.07.2011	4.60	200,000	—	200,000	—	0
	23.04.2012	5.74	300,000	—	300,000	—	0
	04.12.2013	15.72	318,000	—	79,500	—	238,500
Lee Kwan Hung	22.07.2011	4.60	200,000	—	200,000	—	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

Grantee	Date of grant	Exercise Price <i>HKD</i>	As at	Number of share options			As at
			1 January 2015	Granted	Exercised	Lapsed	31 December 2015
<b>Others</b>							
Employees	07.12.2009	4.33	80,000	—	80,000	—	0
	28.04.2011	4.80	5,562,594	—	2,394,715	327,150	2,840,729
	22.07.2011	4.60	277,238	—	144,563	17,100	115,575
	23.04.2012	5.74	1,171,217	—	308,205	100,150	762,862
	06.07.2012	6.53	473,238	—	110,000	—	363,238
	12.09.2012	7.20	53,250	—	3,000	—	50,250
	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	—	<u>251,000</u>	<u>37,000</u>	<u>—</u>	<u>214,000</u>
Total			<u>13,255,487</u>	<u>251,000</u>	<u>4,382,758</u>	<u>480,025</u>	<u>8,643,704</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 year ended 31 December 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 31 December 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 31 December 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 31 December 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 LIMITED (FORMERLY KNOWN AS “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 Limited (“Promethean”), a company incorporated in England and Wales with registered number 07118000 and was 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 Digital Train (the “Acquisition”). Promethean was listed on the London Stock Exchange before its delisting in October 2015, 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 Acquisition.

The Acquisition constituted a very substantial acquisition of the Company and was completed on 2 November 2015 (London time). 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.

## **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 year ended 31 December 2015.

## **FINAL DIVIDEND**

At the Board meeting held on Wednesday, 30 March 2016, it was proposed that a final dividend of HKD0.10 per share for the year ended 31 December 2015, amounting to approximately RMB49,767,000 be paid on or before Wednesday, 15 June 2016 to the shareholders of the Company whose names appear on the Company's register of members at the close of business on Wednesday, 25 May 2016. The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on Thursday, 19 May 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) For determining the entitlement to attend and vote at the 2016 AGM**

The Company's register of members will be closed from Tuesday, 17 May 2016 to Thursday, 19 May 2016, both days inclusive, during which time no transfer of shares will be registered. In order to ensure that the shareholders are entitled to attend and vote at the AGM, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 16 May 2016 for registration of the relevant transfer.

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

The Board has recommended the payment of a final dividend of HKD0.10 per share for the year ended 31 December 2015 to shareholders whose names appear on the register of members of the Company on Wednesday, 25 May 2016 subject to the approval of the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 May 2016.

## **PUBLICATION OF FINAL RESULTS AND 2015 ANNUAL REPORT**

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

## **ANNUAL GENERAL MEETING**

The 2016 AGM will be held on Thursday, 19 May 2016. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

## **COMPETITION AND CONFLICT OF INTERESTS**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the year 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.

## **SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2015 as set out in the results announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the results announcement.

## **AUDIT COMMITTEE**

The Company established the audit committee (the “Audit Committee”) on 15 October 2007 which has adopted written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control systems, which include financial, operational and compliance controls and risk management functions.

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

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

The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company. The Group’s audited consolidated financial statements for the year ended 31 December 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 year ended 31 December 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:

<b>Month of shares bought back</b>	<b>Number of ordinary shares Bought back</b>	<b>Price per share</b>		<b>Aggregate consideration paid HKD</b>
		<b>Highest HKD</b>	<b>Lowest HKD</b>	
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, 30 March 2016

*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.*