

[For Immediate Release]

NetDragon Websoft Inc. Announces 2010 Interim Financial Results

[19 August, 2010 Hong Kong] NetDragon Websoft Inc. ("NetDragon" or "the Company", Stock Code: 777), a leading online game developer and operator in China, today announced its interim unaudited financial results for the six months ended June 30th, 2010 and will host a conference call and webcast to review its interim unaudited financial results and recent developments at 8:00PM Hong Kong Time / 8:00AM Eastern Daylight Time, August 19th, 2010.

Liu Dejian, Chairman and Executive Director of NetDragon said, "Following a strong rebound in the net profit margin in the first quarter, we were able to maintain profitability in our core online games businesses during the second quarter. Our cost control and resource optimization efforts are making a positive impact on our organization, and creating a solid foundation upon which future growth can be layered."

Regarding the Company's mobile business, Mr. Liu commented, "Based on the existing solid user base, NetDragon is further exploring business opportunities in this field. By cooperating with downstream and upstream participants, including both operators and third-party developers, we expect to build an extensive business platform which allows more creative elements to join in and work together to expand the mobile content and services industry, thus maintaining our competitive edge in the long term."

Mr. Liu concluded, "With the rapid evolution of the online gaming and mobile industries and heightened competition therein, NetDragon is focused on introducing successful operational experiences into the research and development of new products, resulting in the healthy circulation between R&D and operations, to create more commercially viable games and mobile offerings at appropriate costs. Utilizing this approach, we are confident about the development of both the industry and NetDragon."

2010 1H Business Highlights

- Traditional Chinese version of "Way of the Five" entered open beta in January
- NetDragon received multiple awards including recognition as a "Top 10 Games Developer in China for 2009" and "Overseas Expansion Award for National Games for 2009" at the 2009 China Game Industry Annual Conference in January
- Released a new Chinese expansion pack "Galactic Armada" for "Zero Online" in February, based on the multi-player space battleships system, and adopting more interaction in the game, which brings players with more challenging experiences and feelings
- NetDragon was elected as Fujian Animation Game Industry Association Chief and recognized as "Fujian Animation & Game R&D Centre" at the 2010 Fujian Animation & Game Industry Annual Conference in March, which shows NetDragon's leading position in Western Strait Cultural and Creative Industry
- Cooperate with Saigon Tel over Vietnamese version of "Conquer Online" in March
- Chairman and Executive Director of NetDragon Liu Dejian was honored with "10th Fujian Science & Technology Award for Youth" in March
- Released a Portuguese EP "The Divine Path" for "Eudemons Online" in April
- From April to June, released English, French, Spanish and Arabic versions of Conquer Online's EP "Legends Return Season I"
- Released a new Chinese expansion pack "Legends Return" for "Conquer Online" in May
- "Disney Fantasy Online" advanced into its final stage of open beta testing and Chinese female singer Li Yuchun was signed as the game's spokesperson in May
- Released English EP- "Galactic Armada" for "Zero Online" in May
- "Dungeon Keeper Online" and "Cross Gate" started 2nd round of closed beta testing in May
- NetDragon was selected as the sole designated IT supporter for the Fujian Pavilion at the Expo 2010 Shanghai

China in May

- Showcased at Cross-Straits Conference and attended the Cross-Straits Copyright (Creative) Industry Summit Forum as the only corporate entity in May
- NetDragon won 3 awards at "SISS in China" Conference in May, demonstrating its leading position in internal process management
- Vietnamese version of "Eudemons Online" entered open beta in June

Recent Developments

- "CJ7 Online", a Q-style turn-based MMORPG adapting the storyline of Stephen Chow's same name movie, entered open beta testing in July.
- "Tian Yuan", a fantasy MMORPG, entered open beta testing in July
- NetDragon introduced Malaysian EP "The Divine Path" for "Eudemons Online" in July
- NetDragon and Hasbro entered into an agreement to develop and publish an MMORPG based on Hasbro's iconic TRANSFORMERS brand in Asia, Russia/CIS and MENA. The action-oriented PC online game "TRANSFORMERS Online" is expected to officially roll-out in 2011 in China as well as other select markets in Asia, MENA and Russia/CIS.
- At the 8th China Digital Entertainment Expo & Conference in July, CEO of NetDragon, Liu Luyuan was invited to address a speech at the CGBC Overseas Development & Cooperation Forum as the pioneer for China's online gaming overseas expansion
- The Board has resolved to declare an interim dividend of HKD0.05 per share for the six months ended 30 June 2010, which will be paid to the shareholders whose names appeared on the register of members of the Company on 2 September 2010.

Business Outlook

- "Dungeon Keeper Online", NetDragon's first 3D MMORPG, is expected to enter open beta testing in 2H 2010
- "Way of the Five" 2.0 version is expected to be launched in 2H 2010
- "Stock Tycoon" is expected to enter open beta testing in 2H 2010
- NetDragon is enriching its product pipeline and developing different genres of games targeting different groups of players, and expects to launch "Cross Gate", "Doomsday" and "Legend of the Dark" covering ARPG, FPS and ACT game types in future
- As for the mobile business, a new version of 91 PC Suite integrating platforms including Symbian, Android and Windows Mobile is expected to release in 2H 2010; we are also cooperating with China Mobile's "Mobile Market" by establishing a MM cooperative operation platform on the 91 mobile entertainment portal, in a move to further consolidate our leadership in this field.

Management Conference Call

NetDragon will host a conference call and webcast to review its interim unaudited financial results for the six months ended June 30th, 2010 at 8:00PM Hong Kong Time/8:00AM Eastern Daylight Time, Thursday, August 19th, 2010.

Details of the investor conference call are as follows:

Time: 8:00PM Hong Kong Time / 8:00AM Eastern Daylight Time, August 19th, 2010

Dial in numbers:

International Toll	1-617-213-8851
US Toll Free	1-866-831-5605
Hong Kong Toll Free	1-800-96-3844
South China Toll Free	10-800-130-0399
North China Toll Free	10-800-152-1490
Passcode	30488977

Replay service is available from 11:00PM August 19 to 12:00PM, August 26, 2010. Below are the replay numbers for different regions. International Toll: 1-617-801-6888; US Toll Free:1-888-286-8010; Replay passcode: 54495316. A live and archived webcast of the conference call will be available on the Investor Relations section of NetDragon's website at http://ir.netdragon.com/investor/ir_events.shtml Participants in the live webcast should visit the aforementioned website 10 minutes prior to the call, then click on the icon for "2010 Interim Results Conference Call" and follow the registration instructions.

About NetDragon

NetDragon Websoft Inc. is a leading innovator and creative force in China's online gaming industry. Established in 1999, NetDragon has been operating and developing a broad range of MMORPGs since launching its first self-made title Monster & Me in 2002. In addition, NetDragon is China's pioneer in overseas expansion, having directly operated its titles in overseas markets since 2004 in English, Spanish, Arabic and other foreign languages. NetDragon's game portfolio comprises a range of massively multiplayer online games that cater to various types of players and gaming preferences. Current offerings include the games Eudemons Online, Conquer Online, Zero Online, Way of the Five, Heroes of Might & Magic Online, Disney Fantasy Online and Tian Yuan. NetDragon also has multiple games currently in development, including Dungeon Keeper Online, Transformers Online, Doomsday, Cross Gate, Legend of the Dark and a new version of Ultima Online.

For further information please contact:

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Financial Highlights

RMB('000)	2Q 2010	1Q 2010	QoQ(%)	1H 2010	1H 2009	YoY(%)
Revenue	120,120	139,476	(13.9%)	259,596	336,769	(22.9%)
Gross Profit	103,490	120,759	(14.3%)	224,249	294,056	(23.7%)
GPM	86.2%	86.6%	(0.4%)	86.4%	87.3%	(0.9%)
Profit for the period	1,504	21,169	(92.9%)	22,673	66,392	(65.9%)
NPM	1.3%	15.2%	(13.9%)	8.7%	19.7%	(11.0%)
EPS-Basic (RMB cents)	0.29	4.03	(92.8%)	4.33	12.63	(65.7%)
EPS-Diluted (RMB cents)	0.29	4.03	(92.8%)	4.33	12.62	(65.7%)

Metrics

	2Q 2010	1Q 2010	4Q 2009	3Q 2009	2Q 2009	1Q 2009
PCU	449,000	451,000	492,000	519,000	632,000	695,000
ACU	217,000	230,000	253,000	273,000	310,000	333,000

Note: Online games include Conquer Online, Eudemons Online, Zero Online, Tou Ming Zhuang Online, Heroes of Might and Magic Online, Way of the Five, Disney Fantasy Online, Tian Yuan and other games

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2010

	Three Months Ended		Six Months Ended	
	30/6/2010 (Unaudited) RMB '000	31/3/2010 (Unaudited) RMB '000	30/6/2010 (Unaudited) RMB '000	30/6/2009 (Unaudited) RMB '000
Revenue	120,120	139,476	259,596	336,769
Cost of revenue	(16,630)	(18,717)	(35,347)	(42,713)
Gross profit	103,490	120,759	224,249	294,056
Other income and gains	9,286	5,660	14,946	11,387
Selling and marketing expenses	(26,630)	(22,197)	(48,827)	(67,195)
Administrative expenses	(42,004)	(42,176)	(84,180)	(79,375)
Development costs	(35,638)	(39,739)	(75,377)	(87,769)
Other expenses	(2,532)	(928)	(3,460)	(412)
Net loss on derivative financial instruments	-	-	-	(15,214)
Net gain on financial assets designated as fair value through profit or loss	-	-	-	18,431
Share of losses of jointly controlled entities	-	-	-	(724)
Profit before taxation	5,972	21,379	27,351	73,185
Taxation	(4,468)	(210)	(4,678)	(6,793)
Profit for the period	1,504	21,169	22,673	66,392
Other comprehensive income (expenses):				
Exchange differences arising on translation of foreign operations	8	20	28	(198)
Total comprehensive income for the period	1,512	21,189	22,701	66,194
Profit for the period attributable to:				
-Owners of the Company	1,548	21,215	22,763	66,392
-Non-controlling interests	(44)	(46)	(90)	-
	1,504	21,169	22,673	66,392
Total comprehensive income attributable to:				
- Owners of the Company	1,556	21,235	22,791	66,194
- Non-controlling interests	(44)	(46)	(90)	-
	1,512	21,189	22,701	66,194
	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share				
- Basic	0.29	4.03	4.33	12.63
- Diluted	0.29	4.03	4.33	12.62

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	30 June 2010 RMB '000 (Unaudited)	31 December 2009 RMB '000 (Audited)/(Restated)
Non-current assets		
Property, plant and equipment	142,937	138,011
Prepaid lease payments	54,889	12,917
Deposit paid for acquisition of property, plant and equipment	33,225	8,895
Intangible assets	12,342	12,980
Interests in jointly controlled entities	-	-
Available-for-sale investments	4,000	4,000
Loan receivables	6,713	7,313
Deferred tax assets	54	54
	<u>254,160</u>	<u>184,170</u>
Current assets		
Prepaid lease payments	1,101	228
Loan receivables	452	893
Trade receivables	19,319	14,128
Other receivables, prepayments and deposits	52,643	66,272
Held for trading investments	-	377
Amount due from a shareholder	781	-
Advance to a jointly controlled entity	-	29,000
Tax recoverable	5,347	20
Bank deposits	299,643	551,970
Bank balances and cash	898,905	705,053
	<u>1,278,191</u>	<u>1,367,941</u>
Current liabilities		
Trade payables	697	285
Other payables and accruals	41,201	67,881
Deferred income	18,951	18,189
Amount due to a related company	34	-
Income tax payable	13,082	9,935
	<u>73,965</u>	<u>96,290</u>
Net current assets	<u>1,204,226</u>	<u>1,271,651</u>
	<u>1,458,386</u>	<u>1,455,821</u>
Capital and reserves		
Share capital	39,264	39,264
Share premium and reserves	1,419,696	1,417,041
Equity attributable to owners of the Company	<u>1,458,960</u>	<u>1,456,305</u>
Non-controlling interests	(574)	(484)
	<u>1,458,386</u>	<u>1,455,821</u>