

## NetDragon Announces Its First Annual Results since Listing

Net profit reaches RMB374 million

| Financial Highlights (for the year ended 31 December) |                 |                 |            |
|---|-----------------|-----------------|------------|
| Revenue   | 2007 (RMB'000)  | 2006 (RMB'000)  | Change (%) |
| Gross Profit  | 645,214         | 122,061         | +428.6%    |
| Net Profit Attributable to Shareholders               | 608,351         | 110,882         | +448.6%    |
| Earnings per Share (Basic)                            | 374,837         | 42,985          | +772%      |
| Revenue   | RMB 85.01 cents | RMB 12.21 cents | +596.2%    |

[20 March 2008, Hong Kong] One of the leading game developers and operators in the PRC, NetDragon Websoft Inc. ("NetDragon" or the "Company", with its subsidiary collectively the "Group"; Stock Code: 8288.HK), today reported its annual results for the year ended 31 December 2007 (the "year under review"), in its first annual report since being listed on the GEM Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 2 November 2007.

In the year under review, NetDragon took advantage of rapid developments within the online game market and grasped opportunities created by strong market demand to actively develop its business, in the process delivering an excellent profit performance. For the year ended 31 December 2007 the Group's revenue was approximately RMB 645,214,000, an increase of 428.6% over revenue for the previous year. Gross profit and net profit attributable to shareholders were RMB608,351,000 and RMB374,837,000 respectively, representing increases of 448.6% and 772 % over 2006. As a result, the Board of Directors recommends payment of a final dividend of RMB0.4 per share for the year ended 31 December 2007.

Explaining the Group's excellent performance, Chairman of NetDragon Mr. Liu Dejian said, "During the year under review, the growth in our total revenue was mainly due to significant increases in revenue from our existing games "Conquer Online" and "Eudemons Online". Revenue from "Conquer Online" for the year was approximately RMB135.2 million, an increase of approximately 164.8% over RMB51.1 million the previous year. Revenue from "Eudemons Online" was approximately RMB448.6 million, an increase of approximately 545.6% as compared with RMB69.5 million for the previous year. Our new game "Zero Online", which was launched in April 2007, recorded revenue of approximately RMB58.8 million, while "Tou Ming Zhuang Online", launched in December 2007, brought in revenue of approximately RMB1.8 million."

During the year under review, the Group achieved a major breakthrough with the establishment of an exclusive cooperative relationship with renowned film-making company China Film Group Corporation. The two parties together developed a new online game called "Tou Ming Zhuang Online" based on the theme, content and plot of the film "The Warlords", which was launched at the same time as the film's premiere. In addition, the Group established cooperative relations with two portal websites, namely Beijing Sina Information Technology Company Limited and Shenzhen Tencent Computer System Company Limited, as a way of expanding its business channels. The Group is also developing three new MMORPG games, to be called "Heroes of Might and Magic Online", "Way of the Five", and "Tian Yuan".

Its dedication led to the Group winning various awards and recognitions during the year. NetDragon was recognized as one of the "Outstanding Employers of 2007" by Fortune. "Zero Online" was described as the "Most Anticipated Online Game for 2007" by QQ.com, while "Heroes of Might and Magic Online" was featured as the "Most Anticipated Online Game for 2008" by the Publishers Association of China. NetDragon (Fujian), meanwhile, was honoured as the "Best PRC New Game Developer for 2007".

As the PRC's online game market continues to flourish, the Group's prospects for further development are bright. According to the China Game Industry Survey Report for 2007 released on 16 January 2008, the number of online game players in China in 2007 reached a record high of over 40 million, half of whom were paying online game players. The number of online game players in China is estimated to double to around 84.6 million by 2011, by which date revenue generated from online games in China is predicted to amount to US\$3.05 billion, according to an IDC Report.

Chairman Mr. Liu concluded, "The online game market is currently gathering significant momentum. Growing Internet penetration in China and the increasing number of Internet users throughout the country is creating a firm foundation for sustainable development of online games. We anticipate that the predominant model for online game operations will evolve into a free-of-charge model, with users paying for value-added services. As for the types of online games we plan to develop, we are looking to attract players by boosting the amusement and excitement of our educational and intelligence games while at the same time improving the aesthetic appeal of the graphics. By improving our core game development capabilities, boosting our operating revenue and expanding our product portfolio, we believe the Group will be able to continue benefiting from the huge market opportunities."

Besides, the Group has submitted relevant documents to The Stock Exchange of Hong Kong Limited in relation to the proposed listing of the shares of the Company on the Main Board by way of introduction, it is expected that this exercise will be completed in 2008.

### **About NetDragon**

NetDragon Websoft Inc. is one of the leading online game developers and operators in the PRC. The Group's portfolio consists of a range of MMORPGs (Massively Multiplayer Online Role-Playing Games) that cater to various types of players and gaming preferences. The Group has successfully developed and marketed many popular online games in various styles, with its current offerings including the games Eudemons Online, Conquer Online, Zero Online, Tou Ming Zhuang Online, Era of Faith, and Monster & Me. These games have also been offered in various languages including English, French and Spanish to diversify the player base for revenue generation. The Group has three developing games in the pipeline, namely Heroes of Might and Magic Online, Way of the Five, and Tian Yuan. NetDragon was listed on the GEM board of the Stock Exchange of Hong Kong on 2 November 2007 (Stock Code: **8288.HK**).

Issued by Porda International (Finance) PR Group for and on behalf of NetDragon Websoft Inc.

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Appendix: The table below sets out the breakdown of our revenue by online game:

|                        | 2007    |        | 2006    |        |
|------------------------|---------|--------|---------|--------|
|                        | RMB'000 | %      | RMB'000 | %      |
| Eudemons Online        | 448,603 | 69.5   | 69,489  | 41.9   |
| Conquer Online         | 135,326 | 21.0   | 51,112  | 56.9   |
| Zero Online            | 58,755  | 9.1    | --      | --     |
| Tou Ming Zhuang Online | 1,816   | 0.3    | --      | --     |
| Others                 | 714     | 0.1    | 1,460   | 1.2    |
| Total revenue          | 645,214 | 100.0% | 122,061 | 100.0% |