

NetDragon Announces First Quarterly Results for 2008: Revenue Soars 63.7% over Same Period Last Year

[14 May 2008, Hong Kong] One of the leading game developers and operators in the PRC, NetDragon Websoft Inc. ("NetDragon" or the "Company", with its subsidiaries collectively the "Group"; Stock Code: 8288.HK), today reported its unaudited results for the three months ended 31 March 2008 (the "period under review"), representing its first quarterly results for 2008.

Highlights

1. Total revenue amounted to approximately RMB 175,556,000 representing an increase of approximately 63.7% over the same period last year.
2. Gross profit and profit for the period were approximately RMB 159,023,000 and RMB 69,934,000 respectively, representing increases of approximately 57.7% and 19.6% over the corresponding period in 2007.
3. The directors do not recommend payment of interim dividends for the three months ended 31 March 2008.

Business and Financial Highlights

The increase in the Group's total revenue was mainly due to the continuing popularity of its core games Conquer Online, Eudemons Online, Zero Online and Tou Ming Zhuang Online. To improve the quality of these games, the Group allowed players to download free upgrades for each of them on a weekly basis.

Eudemons Online--This game is a 2.5D MMORPG targeting players who enjoy demon-character fantasy games, and was launched in late March of 2006. The revenue it generated during the period under review amounted to approximately RMB 105.4 million, representing an increase of around 37.4% over the same period last year, and an overall contribution to the Group's total revenue of approximately 60%. During the period under review, the game drew a PCU and ACU approximately 479,000 and 210,000, respectively representing an increase of approximately 9.4% and a decrease of approximately 1.4%, respectively when compared to the same period last year. The Group has also entered into a licensing agreement with UserJoy Technology Co., Ltd. for the operation of a traditional Chinese version of Eudemons Online in Taiwan. The game is expected to be launched in Taiwan this summer.

Conquer Online--This game is a 2.5D MMORPG targeting players who enjoy games evoking the heroic spirit of the ancient martial era, and was launched in September 2003. In the period under review, it generated revenue of approximately RMB39.4 million, and contributed approximately 22.4% of the Group's total revenue. It drew a PCU and ACU approximately 99,000 and 64,000, respectively during the period under review, representing increases of approximately 16.5% and 4.9%, respectively over the same period last year.

Zero Online--This game is a 2.5D MMORPG targeting players who enjoy robot fighting games, and was launched in late April 2007. The revenue generated by Zero Online in the period under review amounted to approximately RMB19.3 million, and contributed approximately 11.0% of the Group's total revenue. It drew a PCU and ACU approximately 67,000 and 30,000, respectively during the period under review.

The Group has also entered into a licensing agreement with Wayi International Digital for the operation of a traditional Chinese version of Zero Online in Taiwan.

Tou Ming Zhuang Online --This game is an MMORPG based on an epic oriental costume-drama movie of the same name produced through the joint efforts of NetDragon and China Film Group. The game was launched in late 2007 and has already generated approximately RMB11.2 million in revenue, contributing approximately 6.4% of the Group's total revenue in the period under review. The game drew a PCU and ACU approximately 24,000 and 9,000, respectively during the period under review.

On the basis of its outstanding results and its extremely positive outlook for future development, in January 2008 the Group was recognized as one of "China's Best Small and Medium Sized Enterprises 2008" by internationally renowned financial journal Forbes (Chinese edition). In addition, the Group's newest game, 'Way of the Five', has been officially recognized by the PRC Ministry of Culture as an 'Online Game Suitable for Young People'. In addition, the Company's stock will become a constituent stock of the MSCI China Index at the end of May 2008.

Business Outlook

Currently, the Group is actively developing three 2.5D MMORPGs, namely Heroes of Might and Magic Online, Way of the Five, and Tian Yuan. Heroes of Might and Magic Online and Way of the Five are expected to be launched in the second quarter of this year, while Tian Yuan should be launched in the third quarter.

Chairman of NetDragon, Mr. Liu Dejian, concluded, "Looking forward, we will be continuing our efforts to further strengthen our core game development capacities. We will do this by recruiting more experienced game developers, developing game development software to replace certain manual operations, and purchasing any additional computers and software necessary for advanced game development. We will also consolidate our existing leading position through various business strategies."

"In addition, the board has applied to have its shares listed on the Main Board of the Stock Exchange of Hong Kong by way of introduction, a move which could provide new breakthroughs for our future business development."

About NetDragon Websoft Inc.

NetDragon Websoft Inc. is one of the leading online game developers and operators in the PRC. The Group's game 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. Its current offerings include the games Eudemons Online, Conquer Online, Zero Online, Tou Ming Zhuang Online, Era of Faith, and Monster & Me. Some of the games are available in foreign languages, including English, French and Spanish. The Group also has three new games in the pipeline, namely Heroes of Might and Magic Online, Way of the Five and Tian Yuan, all expected to be launched in 2008. NetDragon was listed on the GEM board of the Stock Exchange of Hong Kong on 2 November 2007 (Stock Code: 8288.HK). For more information, please visit <http://www.nd.com.cn>

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Appendix:

The table below provides a breakdown of the Group's revenue by online game:

	Three months ended 31 March			
	2008		2007	
	RMB'000	%	RMB'000	%
Eudemons Online	105,395	60.0	76,684	71.5
Conquer Online	39,437	22.4	29,883	27.8
Zero Online	19,271	11.0	--	--
Tou Ming Zhuang Online	11,173	6.4	--	--
Others	280	0.2	707	0.7
Total revenue	175,556	100.0	107,274	100.0