

NetDragon Announces 2008 Interim Results

Revenue Rises 23.4% to RMB322.9 Million

Way of the Five and Tian Yuan to be launched in 2H 2008

Significant revenue contribution is expected

Financial Highlights

RMB Million	For the six months ended 30 June	
	2008	2007
Revenue	322.9	261.7
Gross Profit	290.5	247.1
Net Profit Attributable to Shareholders	115.3	153.8
Earnings per Share (Basic)	RMB 21.21 cents	RMB 38.36 cents

[24 Aug 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: 777), today announced its unaudited results for the six months ended 30 June 2008 (the "period under review").

During the period under review, revenue of the Group amounted to approximately RMB322.9 million, representing an increase of approximately 23.4% over the same period last year. Gross profit increased by 17.6% to approximately RMB290.5 million. 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.

Chairman of NetDragon Mr. Liu Dejian said, "As a vertically integrated developer and operator of online games, the Group is continuing to execute upon its strategy of strengthening core game development and operating capabilities, with the goal of further availing itself of the growth prospects presented by the online gaming industry in China and abroad. Armed with stronger game development capabilities, improved efficiency and proprietary content, we will attain our objective of achieving sustainable and long term growth in order to maximize our profitability and shareholders' returns."

Regarding the Group's games, Mr. Liu continued, "As the developer and owner of our content, we have been able to offer our games to overseas audiences, both directly and in cooperation with our local partners over the past several years. Recently, we continued to broaden our sources of revenue as two of our flagship online games – Eudemons Online and Zero Online – were launched in Hong Kong and Taiwan. At home, at the end of May this year, we unveiled Heroes of Might and Magic Online, which incorporates content and concepts from a popular offline game published by our partner Ubisoft Entertainment SA. Also, we will release two additional titles – the wholly self-developed Way of the Five and Tian Yuan – which we believe will contribute to the Group's revenue upon full commercial release in the future."

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Mr. Liu further added, "As we look beyond this year, our commitment to R&D will result in a richer and more diversified portfolio of online game content, which we will exploit both at home and abroad. For example, we signed a content development and distribution agreement with Buena Vista Internet Group ("BVIG") earlier this year. Based upon this agreement, we will develop a co-branded 2.5D MMORPG which will feature certain BVIG intellectual property as part of the games' non-player characters and virtual environment. This is just one example of how we expect to gain a competitive advantage in today's competitive and lucrative online gaming industry."

In line with the Group's strategy of strengthening the technical knowledge and skill of its game development team, the Group invited professionals from various industries to conduct training session with its game developers. With an aim to further enhance its core game development capabilities, the Group will continue to recruit experienced game developers to join its game development team. It will also engineer game development automation software to improve efficiency throughout the process of new game development.

Recently, the Group witnessed a reemergence of "private servers", a vehicle by which unauthorized individuals illegally operate and offer online games to the general public. These unauthorized activities have been directly competing with the Group's operations of online games, especially Eudemons Online during the first half of 2008. Both user concurrency levels and revenue generated from online games were adversely affected.

Mr. Liu concluded, "Problems with private servers had a negative impact on our numbers of PCU and ACU as well as our online gaming revenue in the first half this year. However, we are able to manage the situation by employing various measures in an attempt to resolve and reduce the impact to the online games franchise." Mr. Liu added, "Although many of the industry players are facing problems caused by private servers even today, we have already employed necessary measures to mitigate the effect, and are confident that our operations and business performance will be less affected."

In the first half of 2008, the Group's game portfolio consists of a range of MMORPGs (Massively Multiplayer Online Role-Playing Games) in various styles which include Eudemons Online, Conquer Online, Zero Online, Tou Ming Zhuang Online and Heroes of Might and Magic Online. Revenue derived from Conquer Online for the six months ended June 2008 amounted to approximately RMB76.0 million, representing an increase of 22.9% as compared with the corresponding period last year. Eudemons Online recorded revenue of RMB196.9 million, representing an increase of approximately 6.4% when compared the corresponding period in 2007.

Zero Online and Tou Ming Zhuang Online contributed approximately RMB34.1 million and RMB15.0 million, respectively, to the revenue of the Group during the period under review. The newly launched online game, Heroes of Might and Magic Online, contributed a revenue of approximately RMB400,000 in the first half this year since it was launched in May 2008.

During the period under review, most online games of the Group achieved steady growth in the numbers of PCU and ACU, respectively. PCU and ACU for Conquer Online was approximately 103,000 and 67,000, representing an increase of 15.7% and 4.7%, respectively, as compared to the same period last year. The PCU of Conquer Online and Eudemons Online for the three months ended 30 June 2008

raised by approximately 4.0% and 5.4%, respectively, whereas both online games also recorded a 4.7% and 19.0% increase in ACU year-on-year. Zero Online also recorded approximately 6.0% and steady growth year-on-year in PCU and ACU, respectively, for the three months ended 30 June 2008.

With a gradual decrease in the level of attractiveness and degree of fervor after the same-named movie - "The Warlords", Tou Ming Zhuang Online experienced a quarter-on-quarter decrease of 41.7% and 33.3%, respectively, in PCU and ACU for the three months ended June 2008. Nevertheless, Heroes of Might and Magic Online, which was launched in late May 2008, achieved in both PCU and ACU of approximately 4,000 and 2,000, respectively.

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About NetDragon

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, Heroes of Might and Magic 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 games in the pipeline, namely Way of the Five, Tian Yuan and Disney Game, which are expected to be launched in the second half of 2008 to 2009.

Listed on the GEM of the SEHK on 2 November 2007 (Stock code on GEM: 8288), NetDragon is successfully transferred to the Main Board of the SEHK on 24 June 2008 (Stock code on Main Board: 777) by way of introduction. For more information, please visit <http://www.nd.com.cn>.

For further information, please contact:

NetDragon Websoft Inc.

Ms. Angelina Li (Investor Relations Officer)

Tel: +852 6303 1722 or +86 1380 9508 688

Email: angelinali@nd.com.hk

Fax: +852 2850 7066

Porda International (Finance) P.R. Co., Ltd.

Helen Chung/ Sharis Siu/ Kate Lam/ Liz Yip

Tel: +852 3150 6730/ 3150 6771/ 3150 6738/ 3150 6739

Email: helen@pordafinance.com.hk / sharis@pordafinance.com.hk / kate@pordafinance.com.hk /

liz@pordafinance.com.hk

Fax: +852 3150 6728

Appendix

Breakdown of the Group's revenue by game:

	3 months ended				6 months ended			
	30 June 08 RMB '000	% of total revenue	31 Mar 08 RMB '000	% of total revenue	30 June 08 RMB '000	% of total revenue	30 June 07 RMB '000	% of total revenue
Online Games								
Conquer Online	36,577	24.8	39,437	22.4	76,014	23.5	61,873	23.6
Eudemons Online	91,492	62.1	105,395	60.0	196,887	61.0	185,040	70.7
Zero Online	14,843	10.1	19,271	11.0	34,114	10.6	14,417	5.5
Tou Ming Zhuang Online	3,782	2.6	11,173	6.4	14,955	4.6	-	-
Heroes of Might and Magic Online	413	0.3	-	-	413	0.1	-	-
Others	234	0.1	280	0.2	514	0.2	419	0.2
Total	147,341	100.0	175,656	100.0	322,897	100.0	261,749	100.0

Numbers of PCU and ACU of each game for the periods indicated:

才	3 months ended			
	30 June 2008	31 Mar 2008	30 June 2007	31 Mar 2007
PCU				
Conquer Online	103,000	99,000	89,000	85,000
Eudemons Online	505,000	479,000	496,000	438,000
Zero Online	71,000	67,000	53,000	-
Tou Ming Zhuang Online	14,000	24,000	-	-
Heroes of Might and Magic Online	4,000	-	-	-
ACU				
Conquer Online	67,000	64,000	64,000	61,000
Eudemons Online	250,000	210,000	274,000	213,000
Zero Online	30,000	30,000	21,000	-
Tou Ming Zhuang Online	6,000	9,000	-	-
Heroes of Might and Magic Online	2,000	-	-	-