

# NetDragon Announces 2008 Third Quarter Results

## Strengthening Core Competencies and Game

### Financial Highlights

RMB Million	For the nine months ended 30 September	
	2008	2007
Revenue <sup>note 1</sup>	459.5	453.3
Gross Profit	409.8	428.6
Profit Attributable to Shareholders	166.2	265.7
Earnings per Share (Basic)	RMB 30.67 cents	RMB 63.93 cents

Note 1: Revenue generated from online gaming business

[17 November 2008, Hong Kong] NetDragon Websoft Inc. ("NetDragon" or the "Company", with its subsidiaries collectively the "Group"; Stock Code: 777), one of the leading game developers and operators in the PRC, today announced its unaudited results for the nine months ended 30 September 2008 (the "period under review").

During the period under review, revenue of the Group amounted to approximately RMB459.5 million, maintaining at a steady level from approximately RMB453.3 million for the same period last year. Gross profit was approximately RMB409.8 million while profit attributable to shareholders amounted to approximately RMB166.2 million.

Chairman of NetDragon Mr. Liu Dejian said, "As a leading innovator in the rapidly evolving interactive media industry, we continued to execute upon our strategy of strengthening core game development and operating capabilities. In light of the uncertainties in the macro-economic environment brought by the global financial crisis, we believe online gaming industry remains intact with its counter-cyclical nature due to a relatively smaller share of consumption for the consumers. Leveraging on our strong game development capabilities and proprietary content, we have taken necessary measures to bolster our core competences, laying a solid foundation for sustainable and long term growth going forward."

During the period under review, the Group increased internal resources to strengthen its development team and enhanced marketing initiatives with the aim to expand and diversify its game offerings, and extend the reach of its portfolio in existing and new markets. With all these measures, the Group is able to extend the commercial life of existing franchises, release games and upgrades in a timely and more frequent manner, supplement the existing pipeline of games with additional projects for future growth potential, as well as strengthening marketing activities and distribution channels in the PRC and overseas.

To further strengthen its presence in the China and abroad, the traditional Chinese version of Eudemons Online and Zero Online were officially launched in Hong Kong, Macau and Taiwan markets while Zero Online was licensed for commercial operations in Thailand. Heroes of Might and Magic Online was launched in the PRC and regular weekly upgrades of Conquer Online, Eudemons Online, Zero Online

and Tou Ming Zhuang Online are provided for free downloads in the PRC. Looking ahead, the Group will continue to establish overseas distribution channels and explore the possibilities of forming strategic relationships in overseas markets.

As one of the leading online game developers and operators in the PRC, the Group has received numerous valuable awards from public and private entities in the PRC during the period under review. These important industry recognitions include "Economic Contribution Award" from the Organizing Committee of the 6th China International Digital Content Expo organized by the Ministry of Culture, "China Internet Contribution Award for Self-Discipline" by the Internet Society of the China and "Top 10 Favourite Online Games" and "Top 10 Most Anticipated Online Games" for Eudemons Online and Way of the Five, respectively at the 2008 Golden Plume Awards.

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 nine months ended September 2008 amounted to approximately RMB114.6 million, representing an increase of 14.8% as compared with the corresponding period last year. However, Eudemons Online recorded an approximately 11.5% decrease in revenue brought by the negative impact of commonly known industry problem of "private servers", a vehicle by which unauthorized individuals illegally operate and offer online games to the general public. The Group has continued to employ defensive and counter-attack measures to mitigate the impact to the Eudemons Online franchise and the Group's financial performance.

To capture the growing opportunities presented in the online gaming industry in China and abroad, the Group will launch online games in different styles to cater the interests of various players. Way of the Five and Tian Yuan are expected to be launched in late 2008 and the first half of 2009 respectively, which are believed to generate satisfactory revenue contribution to the Group in the future. In addition, the Group signed a content development and distribution agreement with Buena Vista Internet Group ("BVI", a wholly owned subsidiary of the Walt Disney Company) earlier this year. Based upon this agreement, a co-branded 2.5D MMORPG which will feature certain BVI intellectual property as part of the games' non-player characters and virtual environment is expected to be officially launched in 2009. The Group will continue to pursue the strategy of creating online games based upon popular third-party intellectual property as this would provide a competitive advantage upon commercialization of its products.

Mr. Liu concluded, "In line with the Group's strategy of enhancing its core game development capabilities, the Group will further recruit experienced game developers to join our game development team, engineer game development automation software to replace certain manual and repetitive tasks, and purchase additional computers and software required for increasing the output of our game developers. We will also invite professionals from different industries and professors to conduct training sessions in order to further reinforce the technical knowledge and skills of our game development team."

#### About NetDragon

NetDragon Websoft Inc. is one of the leading online game developers and operators in the PRC. The Group's game portfolio comprises 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 titles of 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 also available in foreign languages, including English, French and Spanish. The Group also has three games currently in development, including Way of the Five, Tian Yuan and Disney Game, which are expected to be launched by end of 2008 and 2009.

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

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## Appendix

Numbers of PCU and ACU of online games for the periods indicated:

	3 months ended				
	30-Sep	30-June	31-Mar	31-Dec	30-Sep
	2008	2008	2008	2007	2007
PCU	544,000	697,000	669,000	787,000	707,000
ACU	311,000	355,000	313,000	407,000	404,000

Note: Online games include Conquer Online, Eudemons Online, Zero Online, Tou Ming Zhuang Online, Heroes of Might and Magic Online and other games.