

NetDragon Announces 2008 Annual Results

Strengthened Game Development Team to Bolster Creative Design Capability
Solid Pipeline Pave the Way for Sustainable Growth

Financial Highlights

RMB Million	FY2008	4Q2008	3Q2008	QoQ (Q3 vs Q4)
Revenue(Note 1)	596.0	136.5	136.6	-0.07%
Gross Profit	527.9	118.1	119.3	-1.01%
Profit Attributable to Shareholders	239.4	73.2	50.9	+43.8%
Basic EPS (RMB cents)	44.49	N/A	9.45	N/A

Note 1: Revenue generated from online gaming business

[12 March 2009, Hong Kong] NetDragon Websoft Inc. ("NetDragon", with its subsidiaries collectively the "Group"; Stock Code: 777), one of the leading game developers and operators in the PRC, today announced its annual results for the year ended 31 December 2008 (the "year under review").

During the year under review, revenue of the Group amounted to approximately RMB596.0 million, while revenue for the fourth quarter of 2008 was approximately RMB136.5 million, maintaining at a steady level from approximately RMB136.6 million for the third quarter of 2008. Gross profit was approximately RMB527.9 million for the full year, and RMB118.1 million for the fourth quarter of 2008. Profit attributable to share holders was RMB239.4 million for the full year, and RMB73.2 million for the fourth quarter of 2008, which represents an increase of 43.8% over the prior quarter. The Group is in a healthy financial position with a net cash position of approximately 1.305 billion as at 31 December 2008, providing adequate sources of funding for further investment in game development capabilities.

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, said, "Last year was a remarkable year for us with NetDragon successfully transferred to the Main Board of the Stock Exchange of Hong Kong in June and our inclusion in the Morgan Stanley Capital International ("MSCI") China Index in May. We saw the severe downturn of global economy in the second half of 2008 and increasing market competition in the online gaming industry. However, with our concerted efforts in strengthening our game development capabilities, enhancing the integrated operation model and enriching our product portfolio, we are able to reinforce our competitive strength and our leading position in the industry. With a solid and diversified pipeline for 2009 and beyond, we are well-positioned to capture the immense market opportunities both in the PRC and abroad."

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. During the year under review, the Group sought to expand its product offerings by continuing to develop additional online games internally. A new 2.5D MMORPG Heroes of Might and Magic Online was launched in the second quarter of 2008 and is expected to become another flagship title for the Group in the coming years. The Group has also continued to launch upgrades on a weekly basis for Conquer Online, Eudemons Online, Zero Online and Tou Ming Zhuang Online as well as new expansion packs for Conquer Online, in order to bolster the popularity of the online games and sustain interests among players.

In addition, the Group increased its internal resources as well as recruited talents from different aspects to strengthen its marketing, and research and development capabilities and to further leverage the inherent advantages of vertical integration as a top developer and operator of online games. As of 31 December 2008, the Group has increased its overall staff headcount to a total of 2,426, of which 1,465 are members of the development team, which are now blending the finest in programming, design and graphics expertise.

To further expand its product mix and diversify its game portfolio, the Group has been looking for partnerships with leading interactive entertainment companies. In 2008, the Group entered into cooperation with a member of The Walt Disney Company's Interactive Media Group, BVIIG as well as Electronic Arts Inc. for the development of Disney Fantasy Online and the Group's first 3D MMORPG - Dungeon Keeper Online respectively. Disney Fantasy Online is expected to be launched in 2009, while Dungeon Keeper Online will be launched in 2010

Way of the Five and Tian Yuan are another two online games in the pipeline for 2009. In an effort to help promote and raise the profile of its signature online game Way of the Five, the Group is pleased to have Mr. Stephen Chow Sing-Chi acting as the "Ambassador of Happiness" in 2009. The market has anticipated Way of the Five for some time and it has received a number of industry awards including one of the "Top 10 Most Anticipated Online Games" at the Golden Plume Awards. Besides, the Group has signed a content development and distribution agreement with Shanghai Baihai Information Technology Co., Ltd for development of a new online game, namely CJ7 Online, based on the theme, contents and characters of the same named movie "CJ7". The Group owns the right to distribute this game in the PRC.

As a pioneer in the development of online gaming products, the Group has licensed its own in-house developed online games in various countries and already entered markets where six different languages are spoken, including English, French and Spanish. During the year under review, it has further extended its foothold in Thailand, Vietnam and Taiwan by entering into cooperation and/or licensing agreements with online operators in the respective markets.

During the year under review, the Group faced the re-emergence of "private servers", which have adversely impacted its business operation. The Group swiftly implemented a series of defensive and counter-attack measures to combat this issue. Together with the support from both the Fujian and Fuzhou governments, the Group successfully defeated a number of private servers operating Eudemons Online nationwide. Looking ahead, the Group will further strengthen its online security and employ defensive measures to prevent the emergence of private servers while reducing any potential negative impact.

Mr. Liu added, "We believe that rapid and high-quality game development is critical to our success. We will continue to invest in, and significantly expand our game development capabilities through the recruitment of

experienced, top-notch game developers and designers. Our professional game development team coupled with a modified and enhanced game development platform will enable the Group to quickly and frequently develop and introduce new online games and upgrades to its existing games."

"To further strengthen our presence elsewhere, we will continue to enhance our overseas distribution channels and identify strategic partnership opportunities in overseas markets in the future. Going forward, we will continue to lay the foundations for long-term success and create value in a challenging business environment. With a range of new and fun online games in the pipeline, I am confident the Group will continue to make progress and achieve sustainable growth in the future." Mr. Liu concluded.

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, Way of the Five, 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 four games currently in development, including Tian Yuan, Disney Fantasy Online, Dungeon Keeper Online and CJ7 Online, which are expected to be launched from 2009.

NetDragon is 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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