NetDragon Websoft Inc.

網 龍 網 絡 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board (the "Board") of directors (the "Directors") of NetDragon Websoft Inc. (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

RESULTS

The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2009 was approximately RMB87.1 million, representing a decrease of approximately 63.6% compared with that of the year ended 31 December 2008. Basic and diluted earnings per share for the year ended 31 December 2009 were approximately RMB16.57 cents and RMB16.56 cents, respectively.

DIVIDENDS

The Board has recommended the payment of a final dividend of HKD0.05 per share for the year ended 31 December 2009 (year ended 31 December 2008: HKD0.11 per share), subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM") of the Company to be held on 28 May 2010. Such proposed dividends if approved by the shareholders at the AGM, will be payable on 1 June 2010 to shareholders whose names appear on the register of members of the Company on 24 May 2010.

RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2009 together with the comparative figures in 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009** *RMB'000*	**2008** *RMB'000*
Revenue	4	621,836	595,981
Cost of revenue		(84,325)	(68,017)
Gross profit		537,511	527,964
Other income and gains	4	57,807	58,020
Selling and marketing expenses		(133,460)	(103,599)
Administrative expenses		(163,926)	(112,673)
Development costs		(201,461)	(89,823)
Other expenses		(1,959)	(19,555)
Net (loss) gain on derivative financial instruments		(15,214)	32,231
Net gain (loss) on financial assets designated as fair value through profit or loss		18,431	(30,385)
Share of losses of jointly controlled entities		(724)	(276)
Profit before taxation		97,005	261,904
Taxation	6	(10,381)	(22,635)
Profit for the year	7	86,624	239,269
Other comprehensive loss:			
Exchange differences arising on translation of foreign operations		(784)	(45,027)
Total comprehensive income for the year		85,840	194,242

	NOTE	**2009** *RMB'000*	**2008** *RMB'000*
Profit for the year attributable to:			
— Owners of the Company		87,108	239,381
— Minority interests		(484)	(112)
		86,624	239,269
Total comprehensive income attributable to:			
— Owners of the Company		86,324	194,354
— Minority interests		(484)	(112)
		85,840	194,242
		RMB cents	*RMB cents*
Earnings per share	9		
— Basic		16.57	44.49
— Diluted		16.56	44.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	NOTES	**2009** *RMB'000*	**2008** *RMB'000*
Non-current assets			
Property, plant and equipment		109,226	96,160
Prepaid lease payments		41,075	7,224
Deposit paid for acquisition of property, plant and equipment		8,895	7,357
Intangible assets		12,980	10,754
Interests in jointly controlled entities		—	224
Available-for-sale investments		4,000	4,000
Loan receivables		7,313	6,835
Deferred tax assets		54	54
		183,543	132,608
Current assets			
Prepaid lease payments		855	138
Loan receivables		893	440
Trade receivables	10	14,128	9,500
Other receivables, prepayments and deposits		66,272	72,490
Held for trading investments		377	—
Financial assets designated as fair value through profit or loss		—	311,806
Derivative financial instruments		—	31,857
Advance to a jointly controlled entity		29,000	—
Tax recoverable		20	108
Bank deposits		551,970	629,454
Bank balances and cash		705,053	332,009
		1,368,568	1,387,802
Current liabilities			
Trade payables	11	285	219
Other payables and accruals		67,881	36,620
Deferred income		18,189	16,838
Income tax payable		9,935	12,922
		96,290	66,599
Net current assets		1,272,278	1,321,203
		1,455,821	1,453,811
Capital and reserves			
Share capital		39,264	39,264
Share premium and reserves		1,417,041	1,414,547
Equity attributable to owners of the Company		1,456,305	1,453,811
Minority interests		(484)	—
		1,455,821	1,453,811

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Equity attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Statutory reserves	Dividend reserve	Treasury share reserve	Employee share-based compensation reserve	Translation reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	41,219	1,379,483	8	9,946	61,216	216,093	—	—	(10,680)	71,985	1,769,270	112	1,769,382
Exchange difference on translation of foreign operations	—	—	—	—	—	—	—	—	(45,027)	—	(45,027)	—	(45,027)
Profit (loss) for the year	—	—	—	—	—	—	—	—	—	239,381	239,381	(112)	239,269
Total comprehensive income and expense for the year	—	—	—	—	—	—	—	—	(45,027)	239,381	194,354	(112)	194,242
Repurchase and cancellation of shares	(1,955)	(222,119)	1,955	—	—	—	—	—	—	(1,955)	(224,074)	—	(224,074)
Purchased of shares for unvested shares under the employee's share award scheme	—	—	—	—	—	—	(14,107)	—	—	—	(14,107)	—	(14,107)
Final dividend for 2007 paid	—	—	—	—	—	(216,093)	—	—	—	(9,057)	(225,150)	—	(225,150)
Interim dividend for 2008 paid	—	—	—	—	—	—	—	—	—	(47,496)	(47,496)	—	(47,496)
Final dividend for 2008 proposed	—	—	—	—	—	51,275	—	—	—	(51,275)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	1,014	—	—	1,014	—	1,014
Awarded shares vested to employees	—	—	—	—	—	—	1,675	(1,014)	—	(661)	—	—	—
Transfer	—	—	—	—	36,476	—	—	—	—	(36,476)	—	—	—
At 31 December 2008	39,264	1,157,364	1,963	9,946	97,692	51,275	(12,432)	—	(55,707)	164,446	1,453,811	—	1,453,811
Exchange difference on translation of foreign operations	—	—	—	—	—	—	—	—	(784)	—	(784)	—	(784)
Profit (loss) for the year	—	—	—	—	—	—	—	—	—	87,108	87,108	(484)	86,624
Total comprehensive income and expense for the year	—	—	—	—	—	—	—	—	(784)	87,108	86,324	(484)	85,840
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	5,660	—	—	5,660	—	5,660
Final dividend for 2008 paid	—	—	—	—	—	(51,275)	—	—	—	—	(51,275)	—	(51,275)
Interim dividend for 2009 paid	—	—	—	—	—	—	—	—	—	(38,208)	(38,208)	—	(38,208)
Final dividend for 2009 proposed	—	—	—	—	—	23,270	—	—	—	(23,270)	—	—	—
Awarded shares vested to employees	—	—	—	—	—	—	1,675	(1,019)	—	(663)	(7)	—	(7)
Transfer	—	—	—	—	16,950	—	—	—	—	(16,950)	—	—	—
At 31 December 2009	39,264	1,157,364	1,963	9,946	114,642	23,270	(10,757)	4,641	(56,491)	172,463	1,456,305	(484)	1,455,821

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 *RMB'000*	2008 *RMB'000*
Net cash from operating activities	179,860	249,130
Net cash from (used in) investing activities	283,440	(1,011,752)
Net cash used in financing activities	(89,483)	(501,770)
Net increase (decrease) in cash and cash equivalents	373,817	(1,264,392)
Cash and cash equivalents at beginning of the year	332,009	1,651,380
Effect of foreign exchange rate changes	(773)	(54,979)
Cash and cash equivalents at end of the year, represented by bank balances and cash	705,053	332,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability. The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 November 2007. On 12 June 2008, an extraordinary general meeting (the "EGM") was held to approve, among others, the Company's voluntary withdrawal of listing on the GEM and proposed listing on the main board (the "Main Board") of the Stock Exchange by way of introduction. The proposed withdrawal was passed by the shareholders at the EGM. The shares of the Company have been listed on the Main Board of the Stock Exchange since 24 June 2008. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 2209, 22nd Floor, Shun Tak Centre, West Tower, 200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are online game development, including game design, programming and graphics and online game operation.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - INT 13	Customer Loyalty Programmes
HK(IFRIC) - INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) - INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - INT 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be prepared on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments.

The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, segment profit or loss and segment assets, except that the Group's liabilities have not been reported segmentally (see note 5). Accordingly, no prior period adjustment has been recognised.

Improving disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value for which the balances are not significant. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 July 2010

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 January 2013

* IFRIC represents the International Financial Reporting Interpretations Committee

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of Group's financial assets.

In addition, as part of Improvement to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasehold land was required to be classified as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset life with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. REVENUE, OTHER INCOME AND GAINS

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Online game revenue	621,836	595,981
Other income and gains		
Advertising income	1,522	7,865
Business tax refunded *(Note a)*	27,099	—
Net gain on held for trading investments	3,113	—
Dividend income from available-for-sale investments, unlisted	—	176
Government grants *(Note b)*	10,039	24,608
Interest income	14,578	24,316
Others	1,456	1,055
	57,807	58,020

Notes:

a. For the year ended 31 December 2008, Fujian TQ Digital Inc. ("TQ Digital"), a subsidiary of the Company, paid business tax in respect of technology transfer income ("技術轉讓收入") to the People's Republic of China (the "PRC") tax authority. Pursuant to a tax document (Cai Shui Zi [1999] No. 273), technology transfer income is exempted from the business tax. Therefore, TQ Digital has applied for the tax refund and also obtained the tax approval for the refund of business tax in 2009. Based on the tax document, TQ Digital is not required to pay any business tax in respect of the technology transfer income since 2009.

b. Government grants were received from the government of the PRC for subsidising the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to software or technology development. There are no unfulfilled conditions or contingencies relating to the grants.

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. Under HKAS 14, the Directors considered that there was only one business segment, being online game development and operation and marketing of those online games. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss and assets.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. There is only one business component in the internal reporting to the CODM.

The following is an analysis of the Group's revenue and results by reportable segment:

	2009	**2008**
	RMB'000	*RMB'000*
Segment revenue	621,836	595,981
Segment profit	137,006	285,606
Unallocated corporate income	20,669	33,704
Net (loss) gain on derivative financial instruments	(15,214)	32,231
Net gain (loss) on financial assets designated as fair value through profit or loss	18,431	(30,385)
Unallocated corporate expenses	(63,163)	(58,976)
Share of losses of jointly controlled entities	(724)	(276)
Profit before taxation	97,005	261,904

The accounting policies of the reportable segment are the same as the Group's accounting policies. The executive directors assess segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment result of the reportable segment (including share-based payments expense, share of losses of jointly controlled entities, net (loss) gain on derivative financial instruments, net gain (loss) on financial assets designated as fair value through profit or loss, income tax expenses, unallocated corporate income and expenses). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers.

The following is an analysis of the Group's assets by reportable segment:

	2009	2008
	RMB'000	*RMB'000*
Reportable segment assets	1,093,510	1,127,099
Unallocated	458,601	393,311
	1,552,111	1,520,410

For the purposes of monitoring segment performance and allocating resources, all assets are allocated to reportable segment other than those assets are managed on group basis, such as interests in jointly controlled entities, available-for-sale investments, loan receivables, financial assets designated as fair value through profit or loss, derivative financial instruments, advance to a jointly controlled entity, tax recoverable and bank balances and cash. No analysis of the Group's liabilities by operating segments is disclosed as they are not regularly provided to the CODM for review.

Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by geographical locations of customers are detailed below:

	2009	2008
	RMB'000	*RMB'000*
PRC	483,919	446,350
United States of America ("USA")	131,982	135,520
Unallocated	5,935	14,111
	621,836	595,981

The Group's non-current assets by geographical location of assets are detailed below:

	2009	2008
	RMB'000	*RMB'000*
PRC	131,970	110,724
Hong Kong	40,168	10,957
USA	38	38
	172,176	121,719

No external customers of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2009 and 2008.

6. TAXATION

	2009	2008
	RMB'000	*RMB'000*
PRC Enterprise Income Tax:		
Current year	10,090	31,859
Overprovision in prior years	—	(9,666)
	10,090	22,193
Taxation in other jurisdiction:		
Current year	291	442
	10,381	22,635

No provision for Hong Kong Profits Tax has been made for the year as the Group's income neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax (the "EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

TQ Digital is a wholly foreign-invested enterprise and was approved to be a hi-tech enterprise located in high technology development zone on 29 July 2005. Pursuant to the Circular on Some Preferential Policies for the EIT (關於企業所得税若干優惠政策的通知) issued by the Ministry of Finance (財政部) and the State Administration of Taxation (國家税務總局) on 29 March 1994, TQ Digital is entitled to a preferential income tax rate of 15%. The qualification of hi-tech enterprise is subject to review once every two years and TQ Digital continued to be recognised as a hi-tech enterprise for the years ended 31 December 2009 and 2008.

Under the Law of PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Fujian NetDragon Websoft Co., Ltd. ("NetDragon (Fujian)") is 25% from 1 January 2008 onwards.

Shanghai TianKun Digital Technology Limited ("NetDragon (Shanghai)") was approved to be a hi-tech enterprise in 2009 and has obtained the approval to enjoy 50% reduction in EIT rate for the period from 1 January 2009 to 31 December 2011. Thus, NetDragon (Shanghai) was entitled to pay EIT at the reduced tax rate of 12.5% for the year ended 31 December 2009 (2008: 25%).

Pursuant to the relevant laws and regulations in the PRC, Fujian TQ Online Interactive Inc. ("TQ Online") is exempted from PRC income tax for two years starting from its first profit making year, followed by a 50% reduction for the next three years. No provision for PRC income tax has been made in the financial statements of TQ Online as TQ Online was exempted from PRC income tax during the years ended 31 December 2009 and 2008.

For the year ended 31 December 2009, the USA income tax rates applicable to NetDragon Websoft Inc. are 34% (2008: 34%) for federal tax and 8.84% (2008: 8.84%) for state income tax.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	97,005	261,904
Tax at the applicable tax rate of 25% (2008: 10.24%) *(Note a)*	24,251	26,821
Tax effect of share of losses of jointly controlled entities	181	69
Tax effect of income not taxable for tax purpose	(308)	(10,344)
Tax effect of expenses not deductible for tax purpose	8,309	31,977
Tax effect of tax losses not recognised	20,439	10,296
Utilisation of tax losses previously not recognised	(210)	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	74	—
Additional tax benefit on research and development expenses *(Note b)*	(25,645)	(3,668)
Tax effect of exemption and income tax on concessionary rate granted to the PRC subsidiaries	(16,642)	(22,837)
Overprovision in prior years	—	(9,666)
Others	(68)	(13)
Tax charge for the year	10,381	22,635

Notes:

a. The applicable tax rate of 25% represents the applicable income tax rate of the subsidiary in Fujian Province in the PRC which constitute the substantial part of Group's operation for the year ended 31 December 2009. For the year ended 31 December 2008, the applicable tax rate represented the weighted average tax rate of subsidiaries with different applicable tax rates on the basis of the relative amounts of profit before taxation and the relevant statutory rates. The change of the applicable tax rate is mainly due to most of the amounts of profit before taxation was generated from the subsidiary in Fujian Province during the year and therefore, the applicable tax rate is 25%.

b. Pursuant to the relevant tax rules and regulations, the Group can obtain additional tax benefit, which is equivalent to 50% of the salary and depreciation under development costs incurred for the development of new games and advanced technology development.

7. PROFIT FOR THE YEAR

	2009	2008
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	1,463	1,358
Amortisation of intangible assets (included in cost of revenue)	4,002	3,331
Amortisation of intangible assets (included in other expenses)	1,046	47
Release of prepaid lease payments	258	103
Depreciation of property, plant and equipment	49,367	33,315
Impairment losses on receivables	295	1,660
Operating lease rentals in respect of:		
- rented premises	14,624	2,845
- computer equipment	47,791	38,215
Staff costs:		
Directors' emoluments	5,111	2,057
Other staff costs		
Salaries and other benefits	246,030	123,776
Contributions to retirement benefits schemes	14,571	6,846
Share-based payments expense	2,466	615
	268,178	133,294
Net foreign exchange loss	1,302	13,111
Loss on disposal of property, plant and equipment	13	175

8. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2009 Interim - HKD0.082 (2008: 2008 Interim dividend of HKD0.1) per share	38,208	47,496
2008 Final - HKD0.11 (2008: 2007 Final dividend of RMB0.4 (equivalent to approximately HKD0.43)) per share	51,275	216,093
	89,483	263,589

The final dividend of HKD0.05 (2008: HKD0.11) per share has been proposed by the directors and is subject to approval by the shareholders in the AGM, amounting to approximately RMB23,270,000 (2008: RMB51,275,000).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2009	**2008**
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share	87,108	239,381

	Number of shares	
	2009	**2008**
	'000	*'000*
Weighted average number of shares for the purpose of basic earnings per share	525,791	538,082
Effect of dilutive potential shares from the Company's share option scheme	36	—
Weighted average number of shares for the purpose of calculating diluted earnings per share	525,827	538,082

The weighted average number of shares shown above has been arrived at after deducting the weighted average effect of 2,420,336 shares (2008: 2,797,168 shares) held by the Company's share award scheme.

The presentation of diluted earnings per share for the years ended 31 December 2009 and 2008 have not taken into the effect of potential shares under share award scheme because the exercise price of the Company's shares under share award scheme was higher than the average market price for shares for both years.

10. TRADE RECEIVABLES

The Group allows a credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period.

	2009	**2008**
	RMB'000	*RMB'000*
0 - 30 days	11,513	6,976
31 - 60 days	1,949	2,197
61 - 90 days	101	56
Over 90 days	565	271
	14,128	9,500

Before accepting any new customer, the Group uses an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB2,615,000 (2008: RMB2,524,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant changes in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2009	**2008**
	RMB'000	*RMB'000*
31 - 60 days	1,949	2,197
61 - 90 days	101	56
Over 90 days	565	271
Total	2,615	2,524

11. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009	**2008**
	RMB'000	*RMB'000*
0 - 90 days	268	185
91 - 180 days	6	24
181 - 365 days	—	10
Over 365 days	11	—
	285	219

OPERATION INFORMATION

The following table sets out the breakdown of peak concurrent users (the "PCU") and average concurrent users (the "ACU") for our online games for periods indicated below *(note)*:

	For the three months ended				
	31 December 2009	**30 September 2009**	**30 June 2009**	**31 March 2009**	**31 December 2008**
PCU	492,000	519,000	632,000	695,000	591,000
ACU	253,000	273,000	310,000	333,000	317,000

Note: As at 31 December 2009, our online games include Conquer Online, Eudemons Online, Zero Online, Tou Ming Zhuang Online, Heroes of Might and Magic Online, Way of the Five, Tian Yuan, Disney Fantasy Online and other games.

The PCU for online games was approximately 492,000 for the three months ended 31 December 2009, representing a decrease of approximately 5.2% from the three months ended 30 September 2009 and representing a decrease of approximately 16.8% from the three months ended 31 December 2008.

We also recorded the ACU for online games of approximately 253,000 for the three months ended 31 December 2009, which represented a decrease of approximately 7.3% from the three months ended 30 September 2009 and represented a decrease of approximately 20.2% from the three months ended 31 December 2008.

FINANCIAL PERFORMANCE HIGHLIGHTS
Year ended 31 December 2009

The following table sets forth the comparative figures for the years ended 31 December 2009 and 2008:

	Year ended 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Revenue	621,836	595,981
Cost of revenue	(84,325)	(68,017)
Gross profit	537,511	527,964
Other income and gains	57,807	58,020
Selling and marketing expenses	(133,460)	(103,599)
Administrative expenses	(163,926)	(112,673)
Development costs	(201,461)	(89,823)
Other expenses	(1,959)	(19,555)
Net (loss) gain on derivative financial instruments	(15,214)	32,231
Net gain (loss) on financial assets designated as fair value through profit or loss	18,431	(30,385)
Share of losses of jointly controlled entities	(724)	(276)
Profit before taxation	97,005	261,904
Taxation	(10,381)	(22,635)
Profit for the year	86,624	239,269
Profit for the year attributable to:		
— Owners of the Company	87,108	239,381
— Minority interests	(484)	(112)
	86,624	239,269

Revenue

Revenue increased by approximately 4.3% to approximately RMB621.8 million for the year ended 31 December 2009 from approximately RMB596.0 million for year ended 31 December 2008.

The following table sets out the breakdown of geographical revenue of the Group for the years ended 31 December 2009 and 2008:

	For the year ended 31 December 2009		**For the year ended 31 December 2008**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*
PRC	483,919	77.8	446,350	74.9
Overseas	137,917	22.2	149,631	25.1
	621,836	100.0	595,981	100.0

Our Group's online game revenue analysed by geographical segments is based on the location where services are provided. The revenue derived from the PRC for the year ended 31 December 2009 was approximately RMB483.9 million, representing an increase of approximately 8.4% over the year ended 31 December 2008.

The revenue derived from overseas markets for the year ended 31 December 2009 was approximately RMB137.9 million, representing a decrease of approximately 7.8% over the year ended 31 December 2008.

Fourth Quarter of 2009

Revenue

Revenue for the fourth quarter of 2009 was approximately RMB134.2 million, representing a decrease of approximately 1.7% over the same period in 2008 and a decrease of approximately 11.1% from the third quarter of 2009.

Cost of revenue

Cost of revenue for the fourth quarter of 2009 was approximately RMB18.7 million, representing an increase of approximately 2.4% over the same period in 2008 but a decrease of approximately 18.1% from the third quarter of 2009.

Other income and gains

Other income and gains of approximately RMB17.9 million were recorded for the fourth quarter of 2009, compared to other income and gains that of approximately RMB29.3 million and RMB28.5 million for the same period in 2008 and the third quarter of 2009, respectively.

Selling and marketing expenses

Selling and marketing expenses for the fourth quarter of 2009 were approximately RMB34.7 million, representing an increase of approximately 5.5% over the same period in 2008 and an increase of approximately 10.0% from the third quarter of 2009.

Administrative expenses

Administrative expenses for the fourth quarter of 2009 were approximately RMB37.5 million, representing an increase of approximately 66.2% over the same period in 2008 but a decrease of approximately 20.4% from the third quarter of 2009.

Development costs

Development costs for the fourth quarter of 2009 were approximately RMB58.2 million, representing an increase of approximately 84.9% over the same period in 2008 and an increase of approximately 4.9% from the third quarter of 2009.

Other expenses

Other expenses for the fourth quarter of 2009 were approximately RMB1.4 million, representing an increase of approximately 137.6% over the same period in 2008 and an increase of approximately 664.2% from the third quarter of 2009.

Profit for the period

Profit for the fourth quarter of 2009 was approximately RMB1.2 million, representing a decrease of approximately 98.3% over the same period in 2008 and a decrease of approximately 93.4% from the third quarter of 2009. As a percentage of revenue, profit for the period accounted for approximately 0.9% for the fourth quarter of 2009, compared to approximately 53.6% for the same period of 2008 and approximately 12.6% for the third quarter of 2009.

Profit for the period attributable to the owners of the Company

Profit for the period attributable to the owners of the Company for the fourth quarter of 2009 was approximately RMB1.4 million, representing a decrease of approximately 98.1% over the same period in 2008 and a decrease of approximately 92.6% from the third quarter of 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Fourth Quarter of 2009 Compared to Third Quarter of 2009 and Fourth Quarter of 2008

The following table sets forth the comparative figures for the fourth quarter of 2009, the third quarter of 2009 and the fourth quarter of 2008.

	Three months ended		
	31 December 2009 (Unaudited) *RMB'000*	30 September 2009 (Unaudited) *RMB'000*	31 December 2008 (Unaudited) *RMB'000*
Revenue	134,190	150,877	136,466
Cost of revenue	(18,731)	(22,881)	(18,299)
Gross profit	115,459	127,996	118,167
Other income and gains	17,881	28,539	29,313
Selling and marketing expenses	(34,714)	(31,551)	(32,913)
Administrative expenses	(37,466)	(47,085)	(22,536)
Development costs	(58,208)	(55,484)	(31,480)
Other expenses	(1,368)	(179)	3,634
Net gain on derivative financial instruments	—	—	11,438
Net loss on financial assets designated as fair value through profit or loss	—	—	(8,676)
Share of losses of jointly controlled entities	—	—	(276)
Profit before taxation	1,584	22,236	66,671
Taxation	(338)	(3,250)	6,521
Profit for the period	1,246	18,986	73,192
Profit for the period attributable to:			
— Owners of the Company	1,426	19,290	73,192
— Minority interests	(180)	(304)	—
	1,246	18,986	73,192

FINANCIAL REVIEW

Revenue

Our revenue for the three months ended 31 December 2009 was approximately RMB134.2 million, representing a decrease of approximately 11.1% and 1.7% as compared to approximately RMB150.9 million and RMB136.5 million for the three months ended 30 September 2009 and the same period of 2008, respectively.

The following table sets out the breakdown of geographical revenue of the Group for periods indicated below:

	For the period from 1 October 2009 to 31 December 2009		**For the period from 1 July 2009 to 30 September 2009**		**For the period from 1 October 2008 to 31 December 2008**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
PRC	98,045	73.1	118,797	78.7	97,726	71.6
Overseas	36,145	26.9	32,080	21.3	38,740	28.4
	134,190	100.0	150,877	100.0	136,466	100.0

The revenue derived from the PRC for the three months ended 31 December 2009 was approximately RMB98.0 million, representing a decrease of approximately 17.5% as compared to approximately RMB118.8 million for the three months ended 30 September 2009. The decrease in revenue derived from the PRC was mainly due to the increasing competition in the PRC market. However, it maintained at a steady level as compared to approximately RMB97.7 million for the same period of 2008.

The revenue derived from overseas markets for the three months ended 31 December 2009 amounted to approximately RMB36.1 million, representing an increase of approximately 12.7% as compared to approximately RMB32.1 million for the three months ended 30 September 2009. The reason for the increase was mainly due to (i) the launch of new expansion pack for Arabic versions of Conquer Online; (ii) the launch of new expansion packs of English and Traditional Chinese versions of Eudemons Online; and (iii) the launch of new expansion packs of Thai and Vietnam versions of Zero Online.

However, it also represented a decrease of approximately 6.7% as compared to approximately RMB38.7 million for the same period of 2008. The reason for the decrease was the effect of financial crisis widely spread from the end of 2008 which was not yet fully recovered in 2009, despite the Group has increased the cooperation partners or distributors for selling point cards and online payment services providers for virtual cards.

Cost of revenue

Cost of revenue for the three months ended 31 December 2009 was approximately RMB18.7 million, representing a decrease of approximately 18.1% as compared to approximately RMB22.9 million for the three months ended 30 September 2009, which was mainly due to the positive result from the actions taken on cost control during the fourth quarter of 2009. However, it maintained at a steady level as compared with the same period of 2008.

Gross profit

Our gross profit for the three months ended 31 December 2009 was approximately RMB115.5 million, representing a decrease of approximately 9.8% as compared to approximately RMB128.0 million for the three months ended 30 September 2009 and a decrease of approximately 2.3% as compared to approximately RMB118.2 million for the same period of 2008.

However, the gross profit margin for the three months ended 31 December 2009 was approximately 86.0%, representing an increase of approximately 1.2% as compared to approximately 84.8% for the three months ended 30 September 2009 but a decrease of approximately 0.6% as compared to approximately 86.6% for the same period of 2008.

Other income and gains

Other income and gains for the three months ended 31 December 2009 were approximately RMB17.9 million, representing a decrease of approximately 37.3% and 39.0% as compared with the three months ended 30 September 2009 and the same period of 2008, respectively. The decrease in other income and gains was mainly due to (i) the decrease in interest income; (ii) the decrease in the contribution of advertising income; and (iii) the decrease in government grants granted to TQ Digital by the Finance Bureau in Fuzhou Economic and Technological Development Zone of Fujian Provincial (福建省福州市經濟技術開發區財政局) and Fujian Provincial Department of Finance (福建省財政廳).

Selling and marketing expenses

Selling and marketing expenses for the three months ended 31 December 2009 were approximately RMB34.7 million, representing an increase of approximately 10.0% and 5.5% as compared with the three months ended 30 September 2009 and the same period of 2008, respectively. The increase in the amount of selling and marketing expenses was mainly due to (i) increase in promotion activities for the delay in the launch of new games; (ii) the continuous marketing support for promoting the collaboration of Heroes of Might and Magic Online provided by the Group pursuant to the agreement with Ubisoft Entertainment SA ("Ubisoft"); and (iii) increase in promotion activities for the mobile software applications business.

However, there is an increase in staff costs relating to rising employee compensations and continuously recruiting experienced staff to keep checking, preventing and attacking the private servers activities. The number of staff in our selling and marketing team was 612 as at 31 December 2009, which decreased as compared with the number of staff as at 30 September 2009. The decline in headcount as a result of the slow-down of recruitment as mentioned in the section below headed "STAFF INFORMATION" only started from late third quarter of 2009, and the effect has not yet been reflected during the period under review.

The proportion of selling and marketing expenses to the total revenue for each of the three months ended 31 December 2008, 30 September 2009 and 31 December 2009 was approximately 24.1%, 20.9% and 25.9%, respectively.

Administrative expenses

Administrative expenses increased by approximately 66.2% to approximately RMB37.5 million for the three months ended 31 December 2009 as compared with the same period of 2008, as a result of the continuous expansion of our business. However, when compared with the three months ended 30 September 2009, it recorded a decrease of approximately 20.4% amounting to approximately RMB9.6 million. The decrease was mainly due to the positive result in implementation of cost control on the operating expenses started from the fourth quarter of 2009.

The proportion of administrative expenses to revenue for each of the three months ended 31 December 2008, 30 September 2009 and 31 December 2009 was approximately 16.5%, 31.2% and 27.9%, respectively.

Development costs

Development costs increased by approximately 4.9% to approximately RMB58.2 million for the three months ended 31 December 2009 as compared with the three months ended 30 September 2009. Although, the number of staff in our development team was 1,804 as at 31 December 2009, which have decreased slightly compared with the number of staff as at 30 September 2009 as the result of the slow-down of recruitment started from late third quarter of 2009. It also represented an increase of approximately 23.1% as compared with 31 December 2008. The increase in the amount of development costs was caused by (i) the continued increase in staff costs for addressing and resolving the issues of private servers as mentioned in the above paragraph headed "Selling and marketing expenses"; (ii) continued increase in co-operation with outside service companies for design and development; and (iii) widen the development of types of online games and expansion of new business lines.

Other expenses, net gain on derivative financial instruments and net loss on financial assets designated as fair value through profit or loss

The net amount of other expenses, net gain on derivative financial instruments and net loss on financial assets designated as fair value through profit or loss for the three months ended 31 December 2009 was approximately RMB1.4 million, which have an increase as compared with the three months ended 30 September 2009. It also represented an increase of approximately 121.4% when compared with the same period of 2008 which was mainly attributable to the net effect of (i) net gain on derivative financial instruments, (ii) net loss on financial assets designated as fair value through profit or loss recorded due to the maturity during the second quarter of 2009; and (iii) the tax refund on business tax related to intercompany transactions due to the approved non-taxable cooperation revenue being paid by NetDragon (Fujian) to TQ Digital during the year of 2008.

Taxation

Taxation for the three months ended 31 December 2009 dropped by approximately 89.6% as compared with the three months ended 30 September 2009.

However, it raised by approximately 105.2% as compared with the same period of 2008. The increase in taxation was mainly due to the EIT refund of approximately RMB9.8 million approved by the Fuzhou Development Zone Tax Authority in September 2008. The EIT refund was related to the overpayment of EIT of NetDragon (Fujian) for the year ended 31 December 2007. The overpayment of EIT was related to an expense allowed by Fuzhou Development Zone Tax Authority for deduction.

Profit for the period attributable to the owners of the Company

Profit for the period attributable to the owners of the Company for the three months ended 31 December 2009 was approximately RMB1.4 million, representing a decrease of approximately RMB17.9 million and RMB71.8 million as compared with approximately RMB19.3 million for the three months ended 30 September 2009 and approximately RMB73.2 million for the same period of 2008, respectively.

Year Ended 31 December 2009 Compared to Year Ended 31 December 2008

The following table sets forth the comparative figures for the years ended 31 December 2009 and 2008:

	Year ended 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Revenue	621,836	595,981
Cost of revenue	(84,325)	(68,017)
Gross profit	537,511	527,964
Other income and gains	57,807	58,020
Selling and marketing expenses	(133,460)	(103,599)
Administrative expenses	(163,926)	(112,673)
Development costs	(201,461)	(89,823)
Other expenses	(1,959)	(19,555)
Net (loss) gain on derivative financial instruments	(15,214)	32,231
Net gain (loss) on financial assets designated as fair value through profit or loss	18,431	(30,385)
Share of losses of jointly controlled entities	(724)	(276)
Profit before taxation	97,005	261,904
Taxation	(10,381)	(22,635)
Profit for the year	86,624	239,269
Profit for the year attributable to:		
— Owners of the Company	87,108	239,381
— Minority interests	(484)	(112)
	86,624	239,269

FINANCIAL REVIEW

Revenue

Our revenue for the year ended 31 December 2009 was approximately RMB621.8 million, representing an increase of approximately 4.3% as compared to approximately RMB596.0 million for the year ended 31 December 2008. The increase in revenue was mainly due to the official launch of Chinese version of Way of the Five.

The following table sets out the breakdown of geographical revenue of the Group for the years ended 31 December 2009 and 2008:

	For the year ended 31 December 2009		**For the year ended 31 December 2008**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*
PRC	483,919	77.8	446,350	74.9
Overseas	137,917	22.2	149,631	25.1
	621,836	100.0	595,981	100.0

The revenue derived from the PRC for the year ended 31 December 2009 was approximately RMB483.9 million, representing an increase of approximately 8.4% as compared to approximately RMB446.4 million for the year ended 31 December 2008. The increase in revenue derived from the PRC was mainly due to the launch of Way of the Five in March 2009.

The revenue derived from overseas markets for the year ended 31 December 2009 amounted to approximately RMB137.9 million, representing a decrease of approximately 7.8% as compared with that of approximately RMB149.6 million for the year ended 31 December 2008. The reason for the decrease was the effect of financial crisis widely spread from the end of 2008 which was not yet fully recovered in 2009, despite the Group has increased the cooperation partners or distributors for selling point cards and online payment services providers for virtual cards.

Cost of revenue

Cost of revenue for the year ended 31 December 2009 increased by approximately 24.0% to approximately RMB84.3 million as compared with the year ended 31 December 2008. The increase in cost of revenue was mainly due to the increase in leasing expenses for servers as a result of the increase in the number of servers leased by us as compared with the year ended 31 December 2008.

Gross profit

Our gross profit for the year ended 31 December 2009 was approximately RMB537.5 million, representing an increase of approximately 1.8% as compared to approximately RMB528.0 million for the year ended 31 December 2008.

However, the gross profit margin for the year ended 31 December 2009 was approximately 86.4%, representing a decrease of approximately 2.2% as compared to approximately 88.6% for the year ended 31 December 2008. The decrease of the gross profit margin was mainly due to the increase of revenue in terms of change in percentage was much lower than the increase of cost of revenue in terms of change in percentage.

Other income and gains

Other income and gains for the year ended 31 December 2009 decreased by approximately 0.4% to approximately RMB57.8 million as compared with the year ended 31 December 2008. The decrease in other income and gains was mainly due to (i) the decrease in interest income; (ii) the decrease in the contribution of advertising income; and (iii) the decrease in government grants granted to NetDragon (Fujian) and TQ Digital by the Finance Bureau in Fuzhou Economic and Technological Development Zone of Fujian Provincial (福建省福州市經濟技術開發區財政局) and Fujian Provincial Department of Finance (福建省財政廳).

Selling and marketing expenses

Selling and marketing expenses for the year ended 31 December 2009 increased by approximately 28.8% to approximately RMB133.5 million as compared with the year ended 31 December 2008. The increase in the amount of selling and marketing expenses was mainly attributable to (i) our continued advertising and promotion expenses for Heroes of Might and Magic Online in accordance with the terms of agreement with Ubisoft, whereby the Group is required to provide marketing support for promoting the collaboration of Heroes of Might and Magic Online; (ii) increase in the marketing and promotional activities of its launch of new games including Way of the Five, Tian Yuan and Disney Fantasy Online; and (iii) increase in promotion activities for the mobile software applications business.

Further, the increase in the amount of selling and marketing expenses was also caused by the increase in staff costs relating to rising employee compensations and continuously recruiting experienced staff to keep checking, preventing and attacking the private servers activities.

The proportion of selling and marketing expenses to the total revenue for each of the year ended 31 December 2008 and 2009 was approximately 17.4% and 21.5%, respectively.

Administrative expenses

Administrative expenses increased by approximately 45.5% to approximately RMB163.9 million for the year ended 31 December 2009 as compared with the year ended 31 December 2008. The increase of administrative expenses for the year ended 31 December 2009 was mainly attributable to (i) the increase in the staff number of administrative team along with the expansion of development team; and (ii) the overall expansion of the Group.

The proportion of administrative expenses to total revenue for each of the year ended 31 December 2008 and 2009 was approximately 18.9% and 26.4%, respectively.

Development costs

Development costs increased by approximately 124.3% to approximately RMB201.5 million for the year ended 31 December 2009 as compared with the year ended 31 December 2008. The number of staff in our development team increased from 1,465 as at 31 December 2008 to 1,804 as at 31 December 2009. The increase in the amount of development costs was caused by (i) the continued increase in staff costs for addressing and resolving the issues of private servers as mentioned in the above paragraph headed "Selling and marketing expenses"; (ii) continued increase in co-operation with outside service companies for design and development; and (iii) widen the development of types of online games and expansion of new business lines.

Other expenses, net (loss) gain on derivative financial instruments and net gain (loss) on financial assets designated as fair value through profit or loss

The net amount of other expenses, net (loss) gain on derivative financial instruments and net gain (loss) on financial assets designated as fair value through profit or loss for the year ended 31 December 2009 decreased by approximately 107.1% to approximately RMB1.3 million as compared with the year ended 31 December 2008. The decrease in the net amount of other expenses, net (loss) gain on derivative financial instruments and net gain (loss) on financial assets designated as fair value through profit or loss was attributable to (i) decrease in professional services fees in 2009 as there was no expense incurred in 2009 for professional services related to the listing of the Company; (ii) decrease in business tax related to intercompany transactions due to the approved non-taxable cooperation revenue being paid by NetDragon (Fujian) to TQ Digital.

Taxation

Taxation for the year ended 31 December 2009 dropped by approximately 54.1% as compared with the year ended 31 December 2008. The decrease in taxation was mainly due to the tax benefit on the technology transfer income followed by 50% tax reduction for the year 2009, which was available to TQ Digital based on Implementation Regulations of the EIT Law of the PRC ("中華人民共和國企業所得稅法實施條例").

Profit for the year attributable to the owners of the Company

Profit for the year attributable to the owners of the Company for the year ended 31 December 2009 was approximately RMB87.1 million, representing a decrease of approximately RMB152.3 million as compared with approximately RMB239.4 million for the year ended 31 December 2008.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2009, we had bank deposits, bank balances and cash of approximately RMB1,257.0 million as compared with approximately RMB961.5 million as at 31 December 2008.

As at 31 December 2009, the Group had net current assets of approximately RMB1,272.3 million as compared with approximately RMB1,321.2 million as at 31 December 2008.

STAFF INFORMATION

For the year under review, the breakdown of the number of employees of the Group for periods indicated below:

	At 31 December 2009	At 30 September 2009	At 31 December 2008
Game development	1,804	1,951	1,465
Game operation and marketing	612	631	590
Accounting, finance and general administration	485	509	371
Total	2,901	3,091	2,426

As at 31 December 2009, we had a total of 2,901 employees (31 December 2008 and 30 September 2009: 2,426 and 3,091 respectively), 1,804 of which are developers, representing approximately 62.2% of the total number of staff.

After near two years' expansion of the Group, we have slowed down the recruitment and maintain the existing headcount in a more stable level which can be shown from the headcounts as of 30 September 2009 and 31 December 2009.

The Group keeps a close watch on the level of employees' remunerations and benefits, and rewards staff according to the results of the Group's operating achievement.

BUSINESS REVIEW AND PROSPECTS

Business review

During the year under review, the Group celebrated its 10th anniversary. Over the past decade, the Group has witnessed the blossoming of China's online game industry since its birth and has positioned itself as a leader to be reckoned with.

As one of the leading innovators in the rapidly evolving interactive media industry, the Group continues to execute a strategy of strengthening its core game development and operating capabilities in order to tap market opportunities that the online gaming industry has both in the PRC and abroad.

Launch of new games

During the year under review, the Group sought to expand its product offerings by continuing to develop additional online games through its own development team.

Way of the Five

The Group has launched a self-developed cartoon-version of the turn-based online game Way of the Five in March 2009. This game has also received a number of industry awards, including the "The Best Online Game of Animation Version" (最佳Q版網絡遊戲) by the Golden Plume Awards, "The Best New Game for 2009" (09年度最佳新銳獎) at the 2009 Award Presentation Ceremony of Internet Cafe Games in China 2009 (2009年度中國網吧遊戲盛典), the "Top 10 Best Online Game" (十大風雲網絡遊戲) by the media group of Pop Net (大眾網絡報媒體群) and the "Top 10 Pioneering Online Games" in the Tencent Online Game Award List for 2009.

The Group also announced a co-operative arrangement with Mr. Stephen Chow Sing-Chi to promote the game.

Disney Fantasy Online

The Group has commenced the open beta testing of an online fantasy world envisioned to be a turn-based MMORPG playing strategy game targeted at a broad demographic.

Tian Yuan

During the year under review, the Group also unveiled the open beta testing of a self-developed 2.5D MMORPG targeting players interested in martial art games. This game has also received one of industry award of the "Top 10 Most Anticipated Online Games" in the Tencent Online Game Award List for 2009.

Development and licensing of existing games

To maximise the lifespan of its online games, the Group has continued to launch timely upgrades by offering a variety of customised virtual items and tasks to players in order to enhance the in-game features of its existing units. During the year under review, the Group launched upgrades for its online games on a weekly basis which helped to sustain interest in the games among online players.

During the year under review, the Group has also continued to launch expansion packs that offer additional in-game items and premium features to bolster the popularity of its online games. The Chinese, English, Thai and Vietnam versions of expansion packs named Expanding Horizons of Zero Online were launched. Divine Path was one of the major expansion packs launched for the Chinese, English and other language versions of Eudemons Online. Another expansion pack for Eudemons Online, the Demon Rising, was launched the Chinese and English versions in September and December 2009, respectively. The Group also launched another expansion pack named Raiding Clans for Chinese, English and other language versions of Conquer Online.

During the year under review, the Group has commenced the open beta testing for the Arabic version of Conquer Online in Saudi Arabia. The Arabic version of Conquer Online has added Arabian style costumes and will launch religious festive tasks based on “Ramadan” and “Lesser Bairam”.

With an aim to further expand its business into overseas markets, the Group has licensed its own in-house developed online games in various countries where market opportunities are emerging. The flagship online games in different languages were launched to attract a larger user base worldwide. We commenced the operations of Zero Online in Thailand and Vietnam. We also launched the English version of Tou Ming Zhuang Online in April 2009. During the year under review, the Group entered into several licensed agreements for its own in-house developed online games in different languages in Hong Kong, Japan, Macau, Russia, Taiwan, Bazil and Vietnam. We expect to commence the operation of these games in the coming year.

Games in the pipeline

The Group believes that strengthening its core competencies and creative design capability will facilitate the successful development of new online games. The Group also explored opportunities to develop online games based on popular third party intellectual property. In 2008, NetDragon Websoft (Hong Kong) Limited (“NetDragon (Hong Kong)”), a member of the Group, entered into cooperation with Disney Online to develop Disney Fantasy Online which is launched in 2009. It has become one of the most anticipated online games among players who are expecting a totally unique gaming experience.

The Group also made further inroads into the development of MMORPG. The Group entered into a cooperative agreement with Electronic Arts Inc. (“EA”) for the development of its first 3D MMORPG Dungeon Keeper Online in 2008 and further entered into another cooperative agreement with EA for the development of its MMORPG Ultima Online in 2009.

The partnership with these internationally renowned game developers is the proof of the Group's capabilities in game operations and development as well as a reflection of its market reputation.

Expanding of business lines

The Group has continued to explore different opportunities to expand our business lines. We continued to develop mobile software applications with which the Group is targeting China's emerging smart-phone users.

The mobile software applications project contributes an important part of our wireless business. As of 31 December 2009, the Group has 218 members being employed for the mobile software applications project. It demonstrated a strong development strength and operational capabilities in a variety of mobile phone platforms. The self-development application named "91 Panda Reader" becomes a favourite applications for the mobile users. We want to provide more human-friendly mobile terminal application software to users in the next two years.

During the year under review, "91 Panda Reader" was chosen as one of the Top 50 of China Mobile Client Softwares of 2009-2010 in the 5th China Mobile Network Sites Electron Campaign of 2009.

Enhancement of R&D capabilities

As of 31 December 2009, the Group's overall staff headcount was 2,901, of which 1,804 were members of the development team. The structure was designed to expand and diversify game offerings, while extending the market reach of its product portfolio and to further leverage the inherent advantages of vertical integration as a leading developer and operator of online games. The Group's game development team has gathered expertise in programming, design and graphics, which will support our frequent game upgrades and updates to accommodate the latest player preferences and satisfy emerging market trends.

Prospects and outlook

Looking into 2010, the Group plans to further enhance its core game development capabilities, streamline its integrated model of operation, strengthen marketing efforts and channel management, expand its product mix and extend the life span of its online games in order to enhance the Group's revenue base.

MMORPGs

The Group will continue to invest in the development of new and creative online games to attract and retain larger player bases. It also intends to develop new MMORPGs to expand its game portfolio. Currently, the Group has a number of online games in the pipeline, these include:

Dungeon Keeper Online

The Group entered into licensing agreement with EA to develop the Group's first 3D MMORPG based on EA's Dungeon Keeper™ line of games. The Group also obtained the exclusive license to operate and distribute Dungeon Keeper Online throughout the Greater China region, including Hong Kong, Taiwan and Macau. Dungeon Keeper™ is a PC strategy game in which the players attempts to build and manage a dungeon or lair while protecting it from computer-controlled 'hero' characters intent on stealing the users' accumulated treasures and killing various monsters. The game was released by EA in 1997 which has gained positive market reaction and accumulated a sizable of player base. Dungeon Keeper Online is expected to be officially launched in 2010.

Ultima Online

The Group entered into licensing agreement with EA for the development of its MMORPG based on EA's Ultima Online™. The Group also obtained the exclusive license to operate and distribute Ultima Online throughout China, Hong Kong, Macau and India. Ultima Online was released in September 1997, which is one of the longest-running games in MMORPG history. The first widely successful graphical online role-playing game, Ultima Online has thrived for over a decade, with legions of devoted followers around the world. Fans of the game continue to experience an epic storyline set in an ever-growing world of magic and fantasy. Ultima Online has spawned seven expansions and dozens of content updates, making it one of the deepest, largest MMORPGs ever created.

CJ7 Online

The Company had signed a content development and distribution agreement with Shanghai Baihai Information Technology Co., Ltd in developing and distributing a new online game namely CJ7 Online. CJ7 Online is being developed based on the theme, contents and characters of the same named movie "CJ7" and the Group has the right to distribute the game in the PRC.

Aside from developing more new game titles, the Group will also continue to focus on updating its existing MMORPGs. This will help provide weekly and quarterly updates for its existing games to include such features as new virtual items and tasks. Before the date of this announcement, the Group has rolled out at least two major expansion packs for our online games.

The Group is striving to further expand its player base by working with local game operators to selectively offer its in-house developed online games to other markets. Before the date of this announcement, the Group has launched the open beta testing for Traditional Chinese version of Way of the Five in Taiwan, Hong Kong and Macau by licensing to a Taiwan-based cooperation partner. Besides that, it will continue to pursue myriad opportunities to create online games based upon popular third-party intellectual property.

Other Online Games

In addition to the above-mentioned MMORPG, the Group has also researched and developed different types of games, which include (i) action role playing games ("ARPG"); (ii) first-person shooting games ("FPS"); and (iii) action games ("ACT"). The Group is undergoing research and development for the following games and expected to be launched to the market in 2010:

Legend of the Dark* ("暗夜傳説")

This is a ARPG game featuring the fighting between human being and the vampire. In order to attract more user groups, players can choose to play as human or vampire, and as a result of which, two confronting groups are formed in the game.

Doomsday* ("末日危機")

This is a realistic ARPG with a theme of defeating the zombie in the realistic world highlighting the excitement of fighting by incorporating cyber and trendy elements.

Stock Tycoon* ("股市大亨")

This is a game co-developed by the Group and a renowned financial channel. In the game, there is a brief introduction of various financial products and the data of the game is associated with the real stock market, allowing the players to have unprecedented realistic experience in the virtual world.

Cross Gate* ("時空之門")

As different from the traditional games offered by the Group, this action game incorporates unique combating elements with more emphasis on actions, fighting, and rhythms to create more excitement for players.

The Group believes that rapid and high-quality game development is critical to its success. It will continue to invest in, and significantly expand its game development capabilities through the recruitment of experienced, top quality game developers and designers. These updates will improve its games' appeal and help maintain their marketability. The Group will also further strengthen its online security and employ defensive measures to prevent the emergence of private servers while reducing any potential negative impact.

Furthermore, the Group will engineer its game development automation software to replace certain manual and repetitive tasks, which should lead to improve efficiency in the game development process. Additional computers and software will be purchased to accelerate game development procedures. With a modified and enhanced game development platform and professional game development team, the Group will be able to lay a solid foundation to rapidly and frequently develop and introduce new online games and new expansion packs to its existing games.

To cope with the path of strengthening of the game development process, the Group also continues to enhance its integrated operation model including business process management system, time management system, bug management system, production schedules system and version management system, which should help to improve the efficiency in the game operation, project management and office administrative processes. At of 31 December 2009, the Group had 221 members being employed for the enhancing its integrated operation model.

* *For identification purpose only.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities an Futures Ordinance (Chp 571 of the Laws of Hong Kong) ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	**Name of company**	**Capacity and nature of interests**	**Number of shares and underlying shares held or amount of registered capital contributed** *(Note 1)*	**Approximate percentage of shareholding**
Liu Dejian *(Note 2)*	The Company	Beneficial owner and through controlled corporations	274,617,220(L)	51.95%
Liu Dejian *(Note 3)*	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%
Liu Dejian *(Note 3)*	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000(L)	100.00%

Name of Director	**Name of company**	**Capacity and nature of interests**	**Number of shares and underlying shares held or amount of registered capital contributed** *(Note 1)*	**Approximate percentage of shareholding**
Liu Luyuan *(Note 2)*	The Company	Beneficial owner and through controlled corporations	274,417,220(L)	51.91%
Liu Luyuan (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%
Liu Luyuan *(Note 3)*	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000(L)	100.00%
Zheng Hui *(Note 2)*	The Company	Through controlled corporations	273,017,220(L)	51.65%
Zheng Hui *(Note 3)*	NetDragon (Fujian)	Beneficial owner	RMB9,886,000(L)	98.86%
Zheng Hui *(Note 3)*	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000(L)	100.00%
Chen Hongzhan *(Note 4)*	The Company	Beneficial owner and through a controlled corporation	14,700,000(L)	2.78%

Name of Director	Name of company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
Chao Guowei, Charles	The Company	Beneficial owner	98,510(L)	0.01%
Lee Kwan Hung	The Company	Beneficial owner	98,510(L)	0.01%
Liu Sai Keung, Thomas	The Company	Beneficial owner	98,510(L)	0.01%

Notes:

1. The letter "L" denotes the shareholder's long position in the shares, underlying shares and share capital of the relevant member of the Group.

2. Liu Dejian is interested in 95.40% of the issued share capital of DJM Holding Ltd., which in turn is interested in 35.01% of the issued share capital of the Company.

   Liu Luyuan is interested in 100.00% of the issued share capital of Richmedia Holdings Limited, which in turn is interested in 4.98% of the issued share capital of the Company.

   Zheng Hui is interested in 4.60% and 100.00%, respectively, of the issued share capital of DJM Holding Ltd. and Fitter Property Inc., which in turn is interested in 35.01% and 5.41%, respectively, of the issued share capital of the Company. Zheng Hui owns the voting rights in respect of all the issued shares of Flowson Company Limited. Flowson Company Limited is interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn is interested in 6.23% of the issued share capital of the Company.

   Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who have agreed to act in concert to acquire interests in the shares in the Company. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 51.65% of the issued share capital of the Company through their direct and deemed shareholding in all of DJM Holding Ltd., Richmedia Holdings Limited, Fitter Property Inc. and Eagle World International Inc.. On 7 December 2009, the Company granted 1,600,000 share options and 1,400,000 share options of the Company to Liu Dejian and Liu Luyuan, respectively.

3. Liu Dejian, Liu Luyuan and Zheng Hui are interested in 96.05%, 2.11% and 0.70%, respectively, of the registered capital of NetDragon (Fujian), which in turn is interested in 99.00% of the registered capital of NetDragon (Shanghai). Zheng Hui is directly beneficially interested in 1.00% of the registered capital of NetDragon (Shanghai). Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who has agreed to act in concert to acquire interests in the registered capital of NetDragon (Fujian). All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 98.86% of the registered capital of NetDragon (Fujian) and the entire registered capital of NetDragon (Shanghai) through their deemed shareholding in NetDragon (Fujian) and deemed and direct shareholding in NetDragon (Shanghai).

4. Chen Hongzhan is interested in 99.00% of the issued share capital of Cristionna Holdings Limited, which in turn is interested in 2.48% of the issued share capital of the Company. Chen Hongzhen had been granted 1,600,000 share options of the Company on 7 December 2009, which represent 0.3% of the issued share capital of the Company. Chen Hongzhan is therefore deemed to be interested in an aggregate of 2.78% of the issued share capital of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2009, none of the Directors and chief executive of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 31 December 2009, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or, who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Name of Group member	Capacity and nature of interests	Number of ordinary shares held or amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	185,078,100(L)	35.01%
Fitter Property Inc.	The Company	Beneficial owner	28,641,400(L)	5.41%
Eagle World International Inc. *(Note 2)*	The Company	Beneficial owner	32,952,920(L)	6.23%
Flowson Company Limited *(Note 2)*	The Company	Through a controlled corporation	32,952,920(L)	6.23%
IDG Group *(Note 3)*	The Company	Beneficial owner	78,333,320(L)	14.83%
NetDragon (Fujian)	NetDragon (Shanghai)	Beneficial owner	RMB990,000(L)	99.00%

Notes:

1. The letter "L" denotes the shareholder's long position in the share capital of the relevant member of the Group.

2. Eagle World International Inc. is an investment holding company incorporated on 7 May 2007 in the British Virgin Islands with limited liability and is owned as to 100.00% by Flowson Company Limited. Flowson Company Limited is deemed to be interested in 6.23% of the issued share capital of the Company through its shareholding in Eagle World International Inc.

3. The IDG Group is comprised of four limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 2.06%, 9.84%, 2.01% and 0.92%, respectively, in the Company who are deemed to be acting in concert to acquire interests in the Company, and their respective controlling entities. The controlling structure of each of the above partnerships are as follows:

   a) IDG Technology Venture Investments, L.P. is controlled by its sole general partner, IDG Technology Venture Investments, LLC, which in turn is controlled by its managing members, Zhou Quan and Patrick J. McGovern.

   b) IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Zhou Quan and Patrick J. McGovern.

   c) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100.00% by James W. Breyer.

Save as disclosed above, the Directors are not aware of any persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group as at 31 December 2009.

SHARE OPTION SCHEME

Pursuant to the resolution of all the shareholders of the Company dated 12 June 2008, the Company adopted a share option scheme (the "Main Board Share Option Scheme") to replace the then existing share option scheme.

Details of the share options outstanding and movement during the year ended 31 December 2009 are as follows:

Grantee	Date of grant	Exercise Price *(HKD)*	As at 01.01.2009	Number of share options Granted	Exercised	Lapsed	As at 31.12.2009
Directors							
Liu Dejian	07.12.2009	4.33	—	1,600,000	—	—	1,600,000
Liu Luyuan	07.12.2009	4.33	—	1,400,000	—	—	1,400,000
Chen Hongzhan	07.12.2009	4.33	—	1,600,000	—	—	1,600,000
Others							
Employees	07.12.2009	4.33	—	2,200,000	—	—	2,200,000
Total			—	6,800,000	—	—	6,800,000

Notes:

1. The closing price of the Company's shares immediately before 7 December 2009, the date of grant of the 2009 options, was HKD4.33.

2. During the year under review, no share options were exercised by any Directors or chief executive of the Company.

3. During the year under review, no share options were cancelled or lapsed.

SHARE AWARD SCHEME

On 2 September 2008 (the "Adoption Date"), the Board approved and adopted the share award scheme (the "Share Award Scheme") in which selected employees of the Group are entitled to participate. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued capital of the Company as at the date of such grant.

Pursuant to the rules of the Share Award Scheme, the Group has signed an agreement with Bank of Communications Trustee Limited (the "Trustee"), for the purpose of administering the Share Award Scheme and holding the awarded shares before they are vested.

As at 31 December 2009, total awarded amount (the "Awarded Amount") of HKD16,094,000 (equivalent to approximately RMB14,120,000) was awarded to a number of selected employees. The awarded shares, which purchased with the Awarded Amount and allocated by the Trustee from the total number of Shares purchased by the Trustee on the market out of cash paid by the Company, will be transferred to the selected employees at nil consideration upon vesting between 6 November 2008 and 6 November 2012, subject to receipt by the Trustee of (i) transfer documents prescribed by the Trustee and duly signed by the selected employee within the period stipulated in the vesting notice issued by the Trustee to the selected employee; and (ii) a confirmation from the Company that all vesting conditions having been fulfilled.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HKD0.05 per share. The final dividend, if approved by the shareholders at the AGM, is expected to be paid on or around 1 June 2010 to shareholders whose names appear on the register of members of the Company on 24 May 2010, amounting to approximately HKD26,428,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2010 to Friday, 28 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and the right to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30p.m. on Monday, 24 May 2010.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 28 May 2010, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

COMPETITION AND CONFLICT OF INTEREST

Save as disclosed in the listing document of the Company dated 27 May 2008, none of the Directors or any of their respective associates, as defined in the Listing Rules, has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at 31 December 2009 and as at the date of this announcement.

COMPLIANCE WITH THE CG CODE

Throughout the year under review, the Company has complied with the principles set out in the Code of Corporate Governance Practice ("CG Code Provisions") in Appendix 14 to the Listing Rules.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2009 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 15 October 2007 which has adopted written terms of reference in compliance with the CG Code Provision and has held six meetings during 2009. The primary duties of our audit committee are to review and supervise our financial reporting process and internal control systems.

The Audit Committee reviews the quarterly, interim and annual consolidated financial results of the Group. In addition, the Audit Committee also reviews and approves the pricing policy and the performance for the continued connected transactions and connected transactions relating to structure contracts and other contracts of the Group.

Our Audit Committee comprises three independent non-executive Directors, namely Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas. Chao Guowei, Charles is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are posted on the Company's website. The Group's audited consolidated financial statements for the year ended 31 December 2009 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2009, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

By Order of the Board
NetDragon Websoft Inc.
Liu Dejian
Chairman

Hong Kong, 15 April 2010

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Dejian, Mr. Liu Luyuan, Mr. Zheng Hui and Mr. Chen Hongzhan; one non-executive Director, namely Mr. Lin Dongliang; and three independent non-executive Directors, namely Mr. Chao Guowei, Charles, Mr. Lee Kwan Hung and Mr. Liu Sai Keung, Thomas.