

[For Immediate Release]

## NetDragon Websoft Inc. Announces Fourth Quarter and Fiscal Year 2009 Financial Results

[15 April 2010, Hong Kong] NetDragon Websoft Inc. (“NetDragon”, with its subsidiaries collectively the “Group”; Stock Code: 777), a leading online game developer and operator in China, today announced its financial results for the fourth quarter and fiscal year ended December 31, 2009.

Liu Dejian, Chairman and Executive Director of NetDragon, said: “2009 was a momentous year for NetDragon. Since our founding over a decade ago, we have continuously fostered a culture of creativity and innovation. Now, our R&D division comprises over 1500 staff, which will serve as the engine for our future growth in online games, multimedia and mobile products and services. With greater resources at our command, we are able to produce more and diversified content and applications, which we will offer over various digital conduits.”

Mr. Liu continued: “This new decade holds much promise for NetDragon. In order to effectively realize our strategic goals, we will continue to optimize and transform our structure, and quickly adapt to the dynamic world in which we operate. Through upgrading our human resources, we are able to reduce the time to market of game expansion packs while creating a pipeline of a dozen new titles. We are also able to expand into synergistic yet new growth opportunities in an efficient manner, such as our 91 mobile platform, by leveraging common resources of our R&D engine. And as the developer of our products, we can continue to grow beyond our borders and seize the opportunities that the world offers. The opportunities are boundless, as is NetDragon.”

### Fourth Quarter 2009 Business Highlights

- Licensed “Eudemons Online” in Russia and the CIS
- Launched open beta test for “Tian Yuan” and “Disney Fantasy Online”
- Conducted the first closed beta test for “Dungeon Keeper Online”
- Included by Fortune Magazine (Chinese Edition) in its list of “2009 Outstanding Employers - the Best Companies to Work for in China”
- Chairman of NetDragon, Liu Dejian was recognized as the “Annual Outstanding Entrepreneur of 2009 in China’s Game Industry” at the 2009 Annual Conference of Chinese e-Game Industry

### Recent Developments

- Traditional Chinese version of “Way of the Five” entered open beta test in January 2010
- NetDragon received the “Overseas Expansion Award for National Games for 2009,” as well as recognition as a “Top 10 Game Developer for 2009” at the 2009 China Game Industry Annual Conference in January 2010
- Released a new Chinese expansion pack “Star Fleets” for “Zero Online” in February 2010
- Launched closed beta test for “CJ7 Online” in March 2010
- The Board of Directors has recommended a final dividend of HKD0.05 per share for the year ended December 31, 2009, subject to shareholder approval at the Annual General Meeting on May 28, 2010.

### Business Outlook

- Open beta tests of “CJ7 Online” and “Dungeon Keeper Online” are expected in the coming months; games under development include “Cross Gate\*”, “New Ultima Online” and “Doomsday\*” (\* working titles)
- New expansion packs “Eudemons Clan\*”, “ Magic Legend\*”, and “ Phoenix Returns\*” for “Eudemons Online”, “Conquer Online” and “Heroes of Might and Magic Online”, respectively, are expected in 1H 2010
- Continue to invest in mobile software platform and applications, to lay foundation for Group’s multimedia development
- Further optimize the human resources and management structure, and continuously enhance the efficiency of development and marketing departments

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## Management Conference Call

NetDragon will host a management conference call and webcast to review its results and recent developments, at 9:00 AM 16 April, 2010 Hong Kong Time, which corresponds to 9:00 PM, 15 April, 2010 Eastern Daylight Time.

Dial in details for the live conference call are as follows:

Dial in numbers:

International Toll	1-617-597-5307
US Toll Free	1-866-713-8307
Hong Kong Toll Free	800-96-3844
South China Toll Free	10-800-130-0399
North China Toll Free	10-800-152-1490
Passcode	97511562

Replay service is available from 12:00PM April 16 to April 23, 2010. Below are the replay numbers for different regions. International Toll: 1-617-801-6888; US Toll Free: 1-888-286-8010; Replay passcode: 12766909. A live and archived webcast of the conference call will be available on the Investor Relations section of NetDragon's website at [http://ir.netdragon.com/investor/ir\\_events.shtml](http://ir.netdragon.com/investor/ir_events.shtml). Participants in the live webcast should visit the aforementioned website 10 minutes prior to the call, then click on the icon for "4Q and Fiscal Year 2009 Earnings Conference Call" and follow the registration instructions.

## About NetDragon

NetDragon Websoft Inc. is a leading innovator and creative force in China's online gaming industry. Established in 1999, NetDragon has been operating and developing a broad range of MMORPGs since launching its first self-made title *Monster & Me* in 2002. In addition, NetDragon is China's pioneer in overseas expansion, having directly operated its titles in overseas markets since 2004 in English, Spanish, Arabic and other foreign languages.

The Group's game portfolio comprises a range of massively multiplayer online games that cater to various types of players and gaming preferences. Current offerings include the games *Way of the Five*, *Eudemons Online*, *Conquer Online*, *Zero Online*, *Heroes of Might & Magic Online*, *Disney Fantasy Online* and *Tian Yuan*. The Group also has multiple games currently in development, including *CJ7 Online*, *Dungeon Keeper Online*, *Cross Gate*, *Doomsday* and a new version of *Ultima Online*.

For further information please contact:

### NetDragon Websoft Inc.

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## 2009 Fiscal Year Business Review

- “Way of the Five” launched open beta test in March 2009 and was awarded as “The Best Q-style Online Game for 2009” by Golden Plume Awards; and licensed its Traditional Chinese version in Taiwan, Hong Kong and Macau
- Two expansion packs of “Eudemons Online” - “The Divine Path” and “Demon Rising” have been launched in both Chinese and English; “Eudemons Online” also licensed its Vietnamese and Russian versions in Vietnam, Russia and CIS Region respectively
- Released “The Warlords”, the English version of “Tou Ming Zhuang Online” and licensed its Vietnamese version in Vietnam
- Released Chinese EP-“Expanding Horizons” for “Zero Online”, and licensed corresponding versions of “Zero Online” in Thailand, Vietnam and Japan
- Launched Gold Edition: “Heroes of Might and Magic Online”
- Launched open beta test for the Arabic version of “Conquer Online” in the MENA markets, marking the first-ever large-scale Chinese online game successfully introduced in said area
- Released Chinese, English, Spanish and French versions of “Raiding Clans”-expansion pack for “Conquer Online”
- Launched open beta test for “Tian Yuan”, which was awarded as “Most Anticipated Online Game” by QQ.com
- Launched the first closed beta test for “Dungeon Keeper Online”
- Licensed the right to develop and operate a new version of “Ultima Online” in collaboration with Electronic Arts Mythic Entertainment
- Celebrated the Group’s 10th anniversary on 1 September 2009
- Recognized as “National Outstanding Award for Internet Cultural Enterprise” by Ministry of Culture
- Recognized as “Most Valuable Enterprise in China’s Online Game Industry in the Past Ten Years” by ChinaJoy Expo
- Included by Fortune Magazine (Chinese Edition) in its list of “2009 Outstanding Employers-the Best Companies to Work for in China”
- Recognized as “Platinum Award Corporate and Employee Contribution Programme” and “Platinum Award” by Community Chest of Hong Kong
- In 2009 Annual Conference of Chinese e-Game Industry, the Group was recognized as “Annual Excellent Enterprise of 2009”; Disney Fantasy Online won “Most Anticipated Online Game of 2009” and Chairman of NetDragon, Liu Dejian was awarded as the “Annual Outstanding Entrepreneur of 2009 in China’s Game Industry”
- Launched a series of self-developed mobile phone applications, “Panda Home” won “Best Home Replacement App” award at the first Android Network Awards”, while “91 Panda Reader” was chosen as one of the Top20 of 5th China Mobile Client Software of 2009
- Game entertainment portal “91.com” continued to offer Chinese audience a diverse array of internet products and services

## Financial Highlights

(RMB '000)	4Q 2009	3Q 2009	4Q 2008	FY 2009	FY 2008	YoY
Revenue	<b>134,190</b>	150,877	136,466	<b>621,836</b>	595,981	4.3%
Gross Profit	<b>115,459</b>	127,996	118,167	<b>537,511</b>	527,964	1.8%
GPM	<b>86.0%</b>	84.8%	86.6%	<b>86.4%</b>	88.6%	(2.1%)
Profit for the period	<b>1,246</b>	18,986	73,192	<b>86,624</b>	239,269	(63.8%)
NPM	<b>0.9%</b>	12.6%	53.6%	<b>13.9%</b>	40.1%	(26.2%)
Basic EPS ( RMB cents )	<b>0.27</b>	3.67	8.3	<b>16.57</b>	44.49	(62.8%)

## Metrics

	4Q 2009	3Q 2009	2Q 2009	1Q 2009	4Q 2008	3Q 2008	2Q 2008	1Q 2008
PCU	<b>492,000</b>	519,000	632,000	695,000	591,000	544,000	697,000	669,000
ACU	<b>253,000</b>	273,000	310,000	333,000	317,000	311,000	355,000	313,000

Note: Online games include Conquer Online, Eudemons Online, Zero Online, Tou Ming Zhuang Online, Heroes of Might and Magic Online, Way of the Five, Disney Fantasy Online, Tian Yuan and other games.

## Condensed Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2009

	Unaudited		Audited	
	4Q2009	3Q2009	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	134,190	150,877	621,836	595,981
Cost of revenue	(18,731)	(22,881)	(84,325)	(68,017)
<b>Gross profit</b>	115,459	127,996	537,511	527,964
Other income and gains	17,881	28,539	57,807	58,020
Selling and marketing expenses	(34,714)	(31,551)	(133,460)	(103,599)
Administrative expenses	(37,466)	(47,085)	(163,926)	(112,673)
Development costs	(58,208)	(55,484)	(201,461)	(89,823)
Other expenses	(1,368)	(179)	(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)
<b>Operating Profit</b>	1,584	22,236	97,729	262,180
Share of losses of associates	-	-	(724)	(276)
<b>Profit before taxation</b>	1,584	22,236	97,005	261,904
Taxation	(338)	(3,250)	(10,381)	(22,635)
<b>Profit for the year</b>	1,246	18,986	86,624	239,269
<b>Profit for the year attributable to</b>				
-Owners of the Company	1,426	19,290	87,108	239,381
-Minority interests	(180)	(304)	(484)	(112)
	1,246	18,986	86,624	239,269
	RMB cents	RMB cents	RMB cents	RMB cents
<b>Earnings per share</b>				
- Basic	0.27	3.67	16.57	44.49
- Diluted	0.27	3.67	16.56	44.49

## Condensed Consolidated Statement of Financial Position

As at 31 December 2009

	Audited	
	At 31 December 2009	At 31 December 2008
	RMB'000	RMB'000
<b>Non-current assets</b>		
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 associates	-	224
Available-for-sale investments	4,000	4,000
Loan receivables	7,313	6,835
Deferred tax assets	54	54
	<b>183,543</b>	132,608
<b>Current assets</b>		
Prepaid lease payments	855	138
Loan receivables	893	440
Trade receivables	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 an associate	29,000	-
Tax recoverable	20	108
Bank deposits	551,970	629,454
Bank balances and cash	705,053	332,009
	<b>1,368,568</b>	1,387,802
<b>Current liabilities</b>		
Trade payables	285	219
Other payables and accruals	67,881	36,620
Deferred income	18,189	16,838
Income tax payable	9,935	12,922
	<b>96,290</b>	66,599
<b>Net current assets</b>	<b>1,272,278</b>	1,321,203
	<b>1,455,821</b>	1,453,811
<b>Capital and reserves</b>		
Share capital	39,264	39,264
Share premium and reserves	1,417,041	1,414,547
Equity attributable to owners of the Company	<b>1,456,305</b>	1,453,811
Minority interests	(484)	-
	<b>1,455,821</b>	1,453,811