

NetDragon Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that it is expected that the unaudited third quarterly results of the Group for the nine months ended 30 September 2008 may experience a substantial decline as compared with the corresponding period in 2007.

Shareholders and potential investors are advised to exercise caution in dealing in the shares of the Company.

This announcement is made by NetDragon Websoft Inc. (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The board of directors (the “Board”) of the Company wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that it is expected that the unaudited third quarterly results of the Group for the nine months ended 30 September 2008 may experience a substantial decline as compared with the corresponding period in 2007. Based on the information currently available, the Board considers that the expected decline in net profit is mainly due to (i) the decline in turnover and (ii) the rise in operating costs. In addition, the continuous appreciation of Renminbi and the commonly known industry problem regarding “private servers” also had an adverse impact on the Group’s results. In particular, the unauthorized activity of such private servers directly competed with the Group’s operations of online games, affecting both user concurrency level and revenue generating performance of online games.

The information contained in this announcement is only a preliminary assessment by the management of the Company and is not based on any figures or information which has been audited or reviewed by the Company’s auditors. Shareholders and potential investors are advised to read carefully the unaudited third quarterly results announcement of the Company for the nine months ended 30 September 2008, which will be released in November 2008.

Shareholders and potential investors are advised to exercise caution in dealing in the shares of the Company.

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

Hong Kong, 3 November 2008

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 Guo Wei, Charles, Mr. Lee Kwan Hung and Mr. Liu Sai Keung, Thomas.