

[For Immediate Release]

NetDragon Websoft Inc. Announces Fourth Quarter 2010 Financial Results :

Core Online Games Business Shows Steady Growth, Mobile Internet Business Promising

[25 March, 2011, Hong Kong] NetDragon Websoft Inc. ("NetDragon", 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, 2010. Additionally, a management conference call and live webcast is scheduled at 8:00 PM Hong Kong time, March 25, 2011 to review financial results and recent business developments.

Fourth Quarter 2010 Financial and Operational Highlights

- Total revenues were RMB 144.0million, an increase of 12.3% over third quarter 2010
- Gross profit was RMB 129.3million, an increase of 15.6% over third quarter 2010; gross margin was 89.8% up from 87.2% in third quarter 2010
- Mobile Internet business income was RMB 4.2million, an increase of 340.8% over third quarter 2010
- Net profit was RMB 9.4million, an increase of 229.2% over third quarter 2010; net profit margin was 6.5%, up from 2.2% in the third quarter 2010
- Basic earnings per share (EPS) were RMB 1.76cents, diluted EPS were RMB 1.76cents
- Average concurrent users ("ACU") for online games was 232,000, an increase of 2.7% over the third quarter 2010
- Peak concurrent users ("PCU") for online games was 542,000, a decrease of 8.0% over the third quarter 2010

Fiscal Year 2010 Financial Highlights

- Total revenues were RMB 531.8million, as compared with RMB 621.8million in the year 2009
- Gross profit was RMB 465.4million, as compared with RMB 537.5million in the year 2009; gross margin was 87.5% compared to 86.4% in 2009
- Mobile Internet business income was RMB 6.7million, as compared with zero income from this business in 2009
- Net profit was RMB 34.9million, as compared with RMB 86.6million in the year 2009; net profit margin was 6.6% compared to 13.9% in 2009
- Basic earnings per share (EPS) were RMB 6.64cents, diluted EPS were RMB 6.64cents

Chairman's Statement

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, stated, "In 2010, the release of diversified versions of our flagship online games successfully attracted new gamers and drew old gamers back, which lead to our Fourth Quarter ACU mark reaching the highest level in 2010. We also continued to build strategic partnerships with globally renowned enterprises, and develop new online game products based on our strengthening R&D capabilities. Management is deeply pleased with NetDragon's recent rebound and the solid foundation we have laid for growth in our core online gaming business.

Mr. Liu concluded, "As for our mobile internet business, we continued to leverage our early-mover advantage and R&D prowess into tens of millions of aggregate installations of our mobile internet software. We also made headway in monetizing our mobile internet platform through advertising as well as our turnkey solution that integrates R&D, operations and our marketplace. We believe that our efforts in mobile internet will enable us to maintain our leading position in the coming years.

Fourth Quarter 2010 Business Highlights

- The Vietnamese and Traditional Chinese versions of Zero Online's EP "Galactic Armada" were released in Vietnam and Hong Kong, respectively
- A new expansion pack "Phoenix Returns" of Heroes of Might and Magic Online was launched in China
- Chinese and English versions of Conquer Online's EP "The Returning Light" were released, and a Portuguese version of Conquer Online officially entered open beta testing in Brazil

- NetDragon received the "Award for Original Online Game" at the 8th China International Digital Content Expo (DigiChina)

Recent Developments

- In January of 2011, Arabic, Spanish and French versions of EP - "The Returning Light" were released for Conquer Online
- NetDragon's Board of Directors will recommend the payment of a final dividend of HK\$0.02 per share for the year ended 31 December 2010; subject to final approval of the stockholders at the annual general meeting
- NetDragon's annual general meeting will be held on May 20, 2011

Business Outlook

Online Games business. NetDragon expects to release several new online games in 2011, including the following:

- TRANSFORMERS Online: The action-oriented PC online game TRANSFORMERS Online is expected to officially roll-out in 2011 in China as well as other select markets in Asia, MENA and Russia/CIS
- World of Dungeon Keeper: In 2010, NetDragon carried out two closed beta tests for the 3D MMORPG, World of Dungeon Keeper. Open beta testing is expected in the second half of 2011
- icombo (previously named as "Cross Gate") : NetDragon's first 2D "beat-em-up" side scroller, icombo underwent two closed beta tests in 2010, and is expected to enter open beta testing in 2011
- Absolute Force: NetDragon's first "first-person shooter" game, Absolute Force is expected to enter open beta testing in 2011

Mobile Internet business. NetDragon has built up a number of leading products, perfected channels, and acquired a broad user base in the sector. We will continue to develop mobile internet applications and other mobile products. Additionally, NetDragon will push forward with its strategy of platform development, to provide even more domestic and overseas small-to-medium sized developers with industry-leading platform resources, in order to realize win-win results.

Financial Highlights:

RMB('000)	4Q 2010	3Q 2010	QoQ(%)	FY 2010	FY 2009	YoY(%)
Revenue	143,957	128,219	12.3%	531,772	621,836	(14.5%)
Gross Profit	129,339	111,851	15.6%	465,439	537,511	(13.4%)
GPM	89.8%	87.2%	2.6%	87.5%	86.4%	1.1%
Profit for the period	9,373	2,847	229.2%	34,893	86,624	(59.7%)
NPM	6.5%	2.2%	4.3%	6.6%	13.9%	(7.3%)
EPS-Basic (RMB cents)	1.76	0.55	220%	6.64	16.57	(59.9%)
EPS-Diluted (RMB cents)	1.76	0.55	220%	6.64	16.56	(59.9%)

Metrics

	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009
PCU	542,000	589,000	449,000	451,000	492,000
ACU	232,000	226,000	217,000	230,000	253,000

Note 1: 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 others

Management Conference Call

NetDragon will host a management conference call and webcast to review its results and recent developments, at 8:00PM Hong Kong Time, which corresponds to 8:00AM Eastern Standard Time, 25 March, 2011.

Details of the conference call are as follows:

Dial in numbers:

International Toll	1-617-847-8705
US Toll Free	1-800-599-9816
Hong Kong Toll Free	800-963-844
South China Toll Free	10-800-130-0399
North China Toll Free	10-800-152-1490
Passcode	469-329-38

Replay service is available from 11:00PM 25 March to 12:00PM, 1 April, 2011. Below are the replay numbers for different regions. International Toll: 1-617-801-6888; US Toll Free: 1-888-286-8010; Replay passcode: 91-593-620. 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 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 2010 Results Conference Call" and follow the registration instructions.

About NetDragon

NetDragon Websoft Inc. is a leading innovator and creative force in China's online gaming and mobile internet industries. Established in 1999, we are a vertically integrated developer & operator of MMORPGs and a cutting-edge R&D powerhouse. We launched our first self-made online game Monster & Me in 2002, followed by multiple titles including Eudemons Online, Conquer Online, Heroes of Might & Magic Online and Disney Fantasy Online. We are also China's pioneer in overseas expansion, directly operating titles in overseas markets since 2004 in English, Spanish, Arabic and other languages. Our online games currently in development include World of Dungeon Keeper, TRANSFORMERS Online, icombo (previously named as Cross Gate), and a new version of Ultima Online. In the mobile internet industry, we provide one of China's leading marketplaces for smartphone users, offering applications and content for the most popular mobile operating systems globally.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND THE YEAR ENDED 31 DECEMBER 2010

	For the Three Months Ended		For the Year Ended	
	31/12/2010 (Unaudited) RMB '000	30/9/2010 (Unaudited) RMB '000	31/12/2010 (Audited) RMB '000	31/12/2009 (Audited) RMB '000
Revenue	143,957	128,219	531,772	621,836
Cost of revenue	(14,618)	(16,368)	(66,333)	(84,325)
Gross profit	129,339	111,851	465,439	537,511
Other income and gains	37,353	8,565	60,864	57,807
Selling and marketing expenses	(24,280)	(28,886)	(101,993)	(133,460)
Administrative expenses	(49,783)	(48,059)	(182,022)	(163,926)
Development costs	(49,891)	(36,966)	(162,234)	(201,461)
Other expenses	(5,552)	(1,380)	(10,392)	(1,959)
Net loss on derivative financial instruments	-	-	-	(15,214)
Net gain on financial assets designated as fair value through profit or loss	-	-	-	18,431
Share of losses of jointly controlled entities	-	-	-	(724)
Profit before taxation	37,186	5,125	69,662	97,005
Taxation	(27,813)	(2,278)	(34,769)	(10,381)
Profit for the period	9,373	2,847	34,893	86,624
Other comprehensive income (expenses):				
Exchange differences arising on translation of foreign operations	(151)	(49)	(172)	(784)
Gain on revaluation of property	673	-	673	-
	522	(49)	501	(784)
Total comprehensive income for the period	9,895	2,798	35,394	85,840
Profit for the period attributable to:				
- Owners of the company	9,292	2,894	34,949	87,108
- Non-controlling interests	81	(47)	(56)	(484)
	9,373	2,847	34,893	86,624
Total comprehensive income attributable to:				
- Owners of the company	9,814	2,845	35,450	86,324
- Non-controlling interests	81	(47)	(56)	(484)
	9,895	2,798	35,394	85,840
Earnings per share	RMB cents	RMB cents	RMB cents	RMB cents
-Basic	1.76	0.55	6.64	16.57
-Diluted	1.76	0.55	6.64	16.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31 December 2010 (Audited) RMB '000	31 December 2009 (Audited)/(Restated) RMB '000
Non-current assets		
Property, plant and equipment	128,534	138,011
Prepaid lease payments	87,753	12,917
Investment property	14,551	-
Deposit paid for acquisition of property, plant and equipment	19,050	8,895
Intangible assets	13,136	12,980
Interests in jointly controlled entities	-	-
Available-for-sale investments	4,000	4,000
Loan receivables	5,819	7,313
Deferred tax assets	54	54
	<u>272,897</u>	<u>184,170</u>
Current assets		
Prepaid lease payments	1,784	228
Loan receivables	893	893
Trade receivables	24,393	14,128
Other receivables, prepayments and deposits	40,072	66,272
Held for trading investments	1,079	377
Advance to a jointly controlled entity	-	29,000
Amount due from a related company	171	-
Tax recoverable	-	20
Bank deposits	340,828	551,970
Bank balances and cash	877,823	705,053
	<u>1,287,043</u>	<u>1,367,941</u>
Current liabilities		
Trade payables	519	285
Other payables and accruals	58,218	67,881
Deferred income	23,119	18,189
Amount due to a related company	5,328	-
Income tax payable	21,599	9,935
	<u>108,783</u>	<u>96,290</u>
Net current assets	<u>1,178,260</u>	<u>1,271,651</u>
	<u>1,451,157</u>	<u>1,455,821</u>
Capital and reserves		
Share capital	39,264	39,264
Share premium and reserves	1,412,433	1,417,041
Equity attributable to owners of the Company	1,451,697	1,456,305
Non-controlling interests	(540)	(484)
	<u>1,451,157</u>	<u>1,455,821</u>