

[For Immediate Release]

NetDragon Announces 2011 Second Quarter and Interim Results

First Half Net Profit Increased by 242.4% YoY; Online Games & Mobile Internet Businesses Revenues Rise Significantly

[25 August 2011, Hong Kong] NetDragon Websoft Inc. ("NetDragon"; Stock Code: 777), a leading developer and operator of online games and mobile Internet applications in China, today announced its unaudited interim financial results for the period ended June 30, 2011. Additionally, a management conference call and live webcast is scheduled at 7:00 PM Hong Kong time, August 25, 2011 to review financial results and recent business developments.

Second Quarter 2011 Financial and Operational Highlights

- Net Revenue was RMB184.3 million, an increase of 17.6 % over the first quarter of 2011 ("QoQ"), and an increase of 53.4% over the second quarter of 2010 ("YoY")
- Revenue from Online Games was RMB174.9 million, an increase of 16.1% QoQ and an increase of 45.6% YoY
- Revenue from Mobile Internet was RMB9.4 million, an increase of 54.8% QoQ and an increase of 2,250% YoY
- Operating Profit was RMB56.7 million, an increase of 50.1% QoQ and an increase of 848.8% YoY
- Profit attributable to owners of the company was RMB42.9 million, an increase of 24.0% QoQ and an increase of 2,672.4% YoY; net profit margin was 23.3%, up from 22.1% in the first quarter of 2011 and 1.3% in the second quarter of 2010
- Basic earnings per share (EPS) were RMB8.15 cents, diluted EPS were RMB8.15 cents
- Peak concurrent users ("PCU") for online games were 643,000, an increase of 17.8% QoQ
- Average concurrent users ("ACU") for online games were 311,000, an increase of 26.4% QoQ
- The Board has resolved to declare an interim dividend of HKD 0.1 per share on September 15, 2011 for the six months ended June 30, 2011, which will be paid to the shareholders whose names appeared on the register of members of the Company on September 8, 2011

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, commented, "Following a significant rise in first-quarter 2011 net profit, NetDragon maintained steady growth momentum this quarter, thanks to continued growth in online games and mobile business revenues, coupled with effective control over R&D and other costs. This has resulted in dramatically improved first-half results when compared with the same period of 2010. We believe that our game business will perform even better in future on the back of upcoming product launches. NetDragon expects to launch our self-developed and highly-anticipated 3D titles , World of Dungeon Keeper Online and TRANSFORMERS Online, in the fourth quarter of 2011 and Spring 2012, respectively. In addition to MMORPGs, we expect to unveil a FPS, TCG and and "beat-em-up" side scroller as well as ports of our popular PC games to tablet PC and smartphone platforms in the future, which will better enable NetDragon to expand its customer base at home and abroad. "

Mr. Liu continued, "We are delighted that NetDragon's Mobile Internet business achieved significant growth during the first half, boosted by the increasing brand awareness of our mobile platforms. During the second quarter, revenues from the mobile Internet business exceeded our expectations, reaching RMB9.4 million, up 55% sequentially. As of June 30, users of our 91 Series smartphone products surpassed 40 million, including over 25 million total installations of our marketplace client 91 PC Suite. Aggregate downloads of applications and content through our platforms is greater than 3 billion; and user loyalty has improved as well. Looking into the future, the company will continue to focus on platform creation with an open and cooperative attitude in a changing and competitive mobile Internet market, to constantly improve customer satisfaction and mobile Internet product experience, and to maintain NetDragon's leadership in the industry."

Second Quarter 2011 Business Highlights

Online Games

- The fifth Chinese EP "Edge of Night" for Eudemons Online was released, introducing a new "Vampire" class and driving the maximum number of the game's concurrent users to hit a four-year high.
- The Turkish version of Conquer Online was available in countries including Turkey, Germany, Azerbaijan and Cyprus, further expanding the overseas footprint of NetDragon and cementing its leadership in emerging online game markets.
- The EP "Demon Rising" for the traditional Chinese version of Eudemons Online was launched in Malaysia. "Edge of Night" for the English version of Eudemons Online and "the Andromeda Crisis" for the English version of Zero Online were also released.

Mobile Internet

- NetDragon entered into a strategic cooperation agreement with Japan's largest social game developer DeNA Co Ltd. to share their mobile phone game resources and distribution platform.
- The users of "HiMarket" grew rapidly, with NetDragon maintaining its leading position among China's Android marketplaces.
- 91 Panda Reader won the China Software and Information Services Industry Award for Innovative Product at the 9th China International Software & Information Service Fair (CISIS).

Other

- NetDragon granted a total of 16,090,900 share options to its core members, outstanding employees and other eligible participants, to ensure the continuing growth and success of NetDragon by implementing a medium-and long-term equity incentive plan.
- NetDragon paid a final dividend of HK\$0.02 per share for the year ended December 31, 2010, with dividend payments in cash totaling approx. RMB 8,994,000.
- NetDragon's indirectly wholly-owned subsidiary 91 Limited entered into an agreement with members of the IDG Group on the sale of convertible preferred shares for US\$3,999,840. The preferred shares sold will represent 17.9% of all the outstanding shares of 91 Limited upon full conversion.

Recent Developments & Business Outlook

Online Games

- "Legend of the Oriental", the new EP for Heroes of Might and Magic Online was launched in August.
- NetDragon's first 3D MMORPG, World of Dungeon Keeper Online, started 3rd round of closed testing in August, and is expected to enter public open beta testing in October 2011.
- TRANSFORMERS Online is expected to be launched in China in Spring 2012.
- New EPs for Conquer Online, Eudemons Online, and Zero Online are expected in 2011.
- "The Returning Light" EP for Conquer Online will be launched in Brazil; tablet PC and web browser versions of the English version of Conquer Online are slated for release by yearend.

Mobile Internet

- Plan to launch 91 mobile games open arena for the establishment of mobile terminal games open arena.
- A series of products including 91 PC Suite, Android market and 91 Panda Reader will continue to strengthen their leading advantages, further improve the application and content distribution abilities, and put much more effort into the Android business.
- Continue to advance mobile game business, further open platforms and optimize community functions and user experiences to absorb more excellent game contents into 91 platform.
- Continue to advance 91 mobile open platform plan and entrepreneurial team supporting plan, to assist more excellent applications and teams to grow fast with the help of 91 platform.

Financial Highlights

RMB('000)	2Q 2011	1Q 2011	QoQ(%)	1H 2011	1H 2010	YoY(%)
Revenue	184,304	156,755	17.6%	341,059	259,596	31.4%
Gross Profit	170,195	142,212	19.7%	312,407	224,249	39.3%
GPM	92.3%	90.7%	1.6%	91.6%	86.4%	5.2%
Profit for the period	42,970	34,672	23.9%	77,642	22,673	242.4%
NPM	23.3%	22.1%	1.2%	22.8%	8.7%	14.1%
EPS-Basic (RMB cents)	8.15	6.57	24.0%	14.72	4.33	239.9%
EPS-Diluted (RMB cents)	8.15	6.57	24.0%	14.72	4.33	239.9%

Metrics

	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010
PCU	643,000	546,000	542,000	589,000	449,000
ACU	311,000	246,000	232,000	226,000	217,000

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

Management Conference Call

NetDragon will host a management conference call and webcast to review its results and recent developments, at 7:00PM Hong Kong Time, which corresponds to 7:00AM Eastern Daylight Time, 25 August, 2011.

Details of the conference call are as follows:

Time: 7:00PM Hong Kong Time / 7:00AM Eastern Daylight Time, August 25th, 2011

Dial in numbers:

International Toll	1-617-614-3528
US Toll Free	1-800-561-2731
Hong Kong Toll Free	800-96-3844
South China Toll Free	10-800 130 0399
North China Toll Free	10-800 152 1490
Passcode	45488981

Replay service is available from 10:00 PM August 25th to 12:00 AM, September 1st, 2011. Below are the replay numbers for different regions. International Toll: **1-617-801-6888**; US Toll Free: **1-888-286-8010**; Replay passcode: **24514749**. A live and archived webcast of the conference call will be available on the Investor Relations section of NetDragon's website

at http://ir.nd.com.cn/cn/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 “2011 Interim 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 Online (previously named as 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 China's leading marketplace for smartphone users, offering applications and content for the most popular mobile operating systems. NetDragon owns many well-known mobile Internet products, including 91 Panda Reader, 91 PC Suite, 91 Panda Space, 91 mobile portal and hipak.com.

For further information please contact:

NetDragon Websoft Inc.

Ms. Maggie Zhou (Investor Relations Department)

Tel: +86 591 8754 3120
+86 591 8390 2825

Email: maggie@nd.com.cn;
ir@nd.com.cn

Website: www.nd.com.cn/ir

* * *

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2011

	Three Months Ended		Six Months Ended	
	30/6/2011 (Unaudited) RMB '000	31/3/2011 (Unaudited)/ (Restated) RMB '000	30/6/2011 (Unaudited) RMB '000	30/6/2010 (Unaudited) RMB '000
Revenue	184,304	156,755	341,059	259,596
Cost of revenue	(14,109)	(14,543)	(28,652)	(35,347)
Gross profit	170,195	142,212	312,407	224,249
Other income and gains	5,572	9,912	15,484	14,946
Selling and marketing expenses	(34,435)	(25,318)	(59,753)	(48,827)
Administrative expenses	(48,875)	(46,591)	(95,466)	(84,180)
Development costs	(35,025)	(40,577)	(75,602)	(75,377)
Other expenses	(768)	(1,885)	(2,653)	(3,460)
Share of loss of an associate	(77)	-	(77)	-
Profit before taxation	56,587	37,753	94,340	27,351
Taxation	(13,617)	(3,081)	(16,698)	(4,678)
Profit for the period	42,970	34,672	77,642	22,673
Other comprehensive (expenses) income:				
Exchange differences arising on translation of foreign operations	(375)	(172)	(547)	28
Total comprehensive income for the period	42,595	34,500	77,095	22,701
Profit for the period attributable to:				
-Owners of the Company	42,917	34,612	77,529	22,763
-Non-controlling interests	53	60	113	(90)
	42,970	34,672	77,642	22,673
Total comprehensive income attributable to:				
- Owners of the Company	42,542	34,440	76,982	22,791
- Non-controlling interests	53	60	113	(90)
	42,595	34,500	77,095	22,701
	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share				
- Basic	8.15	6.57	14.72	4.33
- Diluted	8.15	6.57	14.72	4.33

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	30 June 2011 (Unaudited) RMB '000	31 December 2010 (Audited) RMB '000
Non-current assets		
Property, plant and equipment	148,839	128,534
Prepaid lease payments	87,195	87,753
Investment property	15,801	14,551
Deposit paid for acquisition of property, plant and equipment	19,050	19,050
Intangible assets	10,673	13,136
Interests in an associate	2,423	-
Available-for-sale investments	4,000	4,000
Loan receivables	7,890	5,819
Deferred tax assets	54	54
	<u>295,925</u>	<u>272,897</u>
Current assets		
Prepaid lease payments	1,784	1,784
Loan receivables	361	893
Trade receivables	28,977	24,393
Other receivables, prepayments and deposits	45,699	40,072
Held for trading investments	-	1,079
Amount due from a related company	832	171
Bank deposits	220,000	340,828
Bank balances and cash	1,059,602	877,823
	<u>1,357,255</u>	<u>1,287,043</u>
Current liabilities		
Trade payables	1,094	519
Other payables and accruals	68,386	58,218
Deferred income	24,130	23,119
Amount due to a shareholder	9,748	5,328
Amount due to a related company	182	-
Income tax payable	27,328	21,599
	<u>130,868</u>	<u>108,783</u>
Net current assets	<u>1,226,387</u>	<u>1,178,260</u>
	<u>1,522,312</u>	<u>1,451,157</u>
Capital and reserves		
Share capital	39,264	39,264
Share premium and reserves	1,483,475	1,412,433
Equity attributable to owners of the Company	<u>1,522,739</u>	<u>1,451,697</u>
Non-controlling interests	(427)	(540)
	<u>1,522,312</u>	<u>1,451,157</u>