

[For Immediate Release]

NetDragon Websoft Inc. Announces Third Quarter 2011 Financial Results

Company marks solid growth in revenue and net profit for 6 consecutive quarters

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

Third Quarter 2011 Financial and Operational Highlights

- Net Revenue was RMB 202.7 million, an increase of 10% over the second quarter of 2011 ("QoQ"), and an increase of 58.1% over the third quarter of 2010 ("YoY")
- Revenue from Online Games was RMB 183.5 million, an increase of 5% QoQ and an increase of 43.1% YoY
- Revenue from Mobile Internet was RMB 19.2 million, an increase of 103.4% QoQ and an increase of 1923.8% YoY
- Operating Profit was RMB 59.0 million, an increase of 4.2% QoQ and an increase of 1052.0% YoY
- Profit attributable to owners of the company was RMB 49.8 million, an increase of 16% QoQ and an increase of 1619.8% YoY; net profit margin was 24.6%, up from 23.3% in the second quarter of 2011 and 2.2% in the third quarter of 2010
- Basic earnings per share (EPS) were RMB 9.48 cents, diluted EPS were RMB 9.48 cents
- Peak concurrent users ("PCU") for online games were 569,000, a decrease of 11.5% QoQ
- Average concurrent users ("ACU") for online games were 300,000, a decrease of 3.5% QoQ

Liu Dejian, Chairman and Executive Director of NetDragon, said, "During the quarter, we managed to increase our revenue and net profit for six consecutive quarters, representing a solid uptrend in the results for NetDragon's operations. Our online game business, which benefited from the roll-outs of new expansion packs and the staging of several in-game events, saw continuous increases in the number of paid players and their willingness to pay for major games. That was driven by NetDragon's quick response to the demands of the market and players through the application of our proprietary research and development strategy. We believe that major games scheduled for launch in 2012, including Dungeon Keeper Online and TRANSFORMERS Online, along with content updates for our existing games to meet the players' demands, will fuel the further growth of NetDragon's online games business. In addition, with the increasing popularity of portable devices, players are turning their attentions to these new devices as a platform for games. NetDragon is positioning itself to take advantage of the surge in portable devices and to get a jump on future opportunities in the online game market through innovation and by leveraging its resource advantages."

Mr. Liu continued, "Compared to the online game market, China's mobile internet market is experiencing exponential growth. With advertisers increasingly realizing the importance of mobile internet in marketing and in promotions, NetDragon's mobile business has established relationships with more vendors, which has, in turn, significantly increased our mobile internet advertising revenue. In terms of mobile games, NetDragon saw increases in the revenue from in-home developed and jointly operated mobile games. Additionally, during the quarter, the number of users of our series of mobile applications has continued to display dynamic growth. Furthermore, we have invested in companies with growth potential and synergistic value, so as to lay a sound foundation for the long-term success of our mobile business. Going forward, we will continue to expand the depth and width of our mobile platforms and establish close partnerships with other leading developers in the industry as part of the move to enrich the content of the mobile platforms, provide more outstanding services and enhance the overall experience for both developers and users."

Third Quarter 2011 Business Highlights

Online Games

- NetDragon released new Chinese version of the EP “Legend of the Oriental” for Heroes of Might and Magic Online
- NetDragon released new EP “Edge of Night” for the English version of Eudemons Online
- NetDragon released new Brazilian EP “The Returning Light” for Conquer Online
- NetDragon started the third round of closed testing for its first 3D MMORPG, Dungeon Keeper Online

Mobile Internet

- New versions released for mobile games 91 Farm and 91 Tribe.
- New versions of 91 Panda Reader released for different operating systems
- Significant improvements in product and stability were made in 91 PC Suite, assuring better customer experience. The application was also awarded one of top ten mobile software titles in 2011 Seventh China Mobile Software Top 50 Contest as well as one of the top 100 software titles in 2011 First Hong Kong International Software Contest.

Other

- NetDragon granted a total of 3,681,500 share options to its senior executives, outstanding employees and other eligible participants, to promote the continuing growth and success of NetDragon by implementing a medium-and long-term equity incentive plan.
- NetDragon paid an interim dividend of HK\$0.1 per share, with dividend payments in cash totaling approximately RMB 43,957,000.
- TQ Building, the main building in the Haixi Animation Creativity City project was completed in August 2011, and is expected to be put into operation in 2012.

Recent Developments & Business Outlook

Online Games

- NetDragon launched the "Trumpet of the Legionnaire" EP for its flagship online game Eudemons Online in October 2011, which led to Eudemons Online hitting a historic high in monthly revenue. In addition, NetDragon plans to launch a new Chinese version EP for the title in the first quarter of 2012. The new EP “Legion Eudemons” for the English version of Eudemons Online will be launched in December 2011.
- Tou Ming Zhuang Online and Conquer Online are expected to launch new Chinese EPs respectively in December 2011.
- The Russian version of Conquer Online started closed testing in November 2011 and is expected to enter public open beta testing in January 2012; and the English web version of Conquer Online conducted large-scale closed testing in November 2011 and is expected to enter public open beta testing at the end of the year; and the English version of Conquer Online for tablet PC is slated for release by year end.
- NetDragon’s first 2D horizontal edition combat online game icombo completed three round closed beta testings in 2010 and is expected to enter its final closed beta testing in June 2012.
- Zero Online plans to launch a new Chinese EP in the first quarter of 2012.
- TRANSFORMERS Online is expected to carry out its first closed beta testing at the end of 2011 and officially roll-out in 2012 in China.
- NetDragon’s first 3D MMORPG, Dungeon Keeper Online is expected to enter open beta in early 2012.

Mobile Internet

- NetDragon is pressing on with the development of the new version of 91 Panda Reader to increase the breadth of content available for the reader while optimizing overall performance.
- 91 PC Suite is soon to come out with a new user interactive experience version on the existing platform to increase frequency and level of engagement of the application’s active users.

Other

- In October 2011, 91kt Player, jointly developed by NetDragon and Turner Broadcasting System Asia Pacific, Inc., the parent company of Cartoon Network, was formally launched. This product aims to bring Chinese children and adolescents the world's most popular Cartoon Network content, in association with a jointly developed website 91kt.com.
- In October 2011, NetDragon once again won Award for Original Online Game at the 2011 China International Internet Culture Expo.
- In November 2011, NetDragon was honored with the 2011 Asian Most Admired Knowledge Enterprise (MAKE) Award at the award ceremony in Seoul, South Korea. Net Dragon was one among three Chinese companies winning the award.

Financial Highlights

RMB('000)	3Q 2011	2Q 2011	QoQ(%)	3Q 2011	3Q 2010	YoY(%)
Revenue	202,739	184,304	10.0%	202,739	128,219	58.1%
-Online Games	183,533	174,863	5.0%	183,533	128,219	43.1%
-Mobile Internet Business	19,206	9,441	103.4%	19,206	949 ①	1923.8%
Gross Profit	184,696	170,195	8.5%	184,696	111,851 ②	65.1%
GPM	91.1%	92.3%	(1.2%)	91.1%	87.2%	3.9%
Profit for the period	49,854	42,970	16.0%	49,854	2,847	1651.1%
NPM	24.6%	23.3%	1.3%	24.6%	2.2%	22.4%
EPS-Basic (RMB cents)	9.48	8.15	16.3%	9.48	0.55	1623.6%
EPS-Diluted (RMB cents)	9.48	8.15	16.3%	9.48	0.55	1623.6%

Note 1: The mobile internet business income has been recorded as revenue for the period ended 30 September 2011 whereas it had been classified as other income and gains for the period ended 30 September 2010.

Note 2: The mobile internet income was classified as other income and gains, thus, the figure does not form part in calculating the GP of 3Q 2010.

Metrics

	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010
PCU	569,000	643,000	546,000	542,000	589,000	449,000
ACU	300,000	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 unaudited financial results for the 3 months and 9 months ended September 30th, 2011 on Wednesday, November 30th, 2011 Hong Kong time.

Details of the investor conference call are as follows:

Time: 7:00PM Hong Kong Time / 6:00AM Eastern Daylight Time, November 30th, 2011

Dial in numbers:

International Toll	656-723-9381
US Toll Free	1-866-519-4004
Hong Kong Toll Free	800-93-0346
Mainland China Toll Free	800-819-0121
Passcode	27093088

Replay service is available from 10:00 PM November 30 to 11:59 PM, December 7, 2011 HKT. Below are the replay numbers for different regions. International Toll: **612-8235-5000**; US Toll Free: **1-866-214-5335**; Replay passcode: **27093088**. 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 "3Q 2011 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 Dungeon Keeper Online, TRANSFORMERS Online, Absolute Force, icombo, 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, sj.91.com and hiapk.com.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011

	Three Months Ended		
	30/9/2011	30/6/2011	30/9/2010
	(Unaudited) RMB '000	(Unaudited) RMB '000	(Unaudited) RMB '000
Revenue	202,739	184,304	128,219
Cost of revenue	(18,043)	(14,109)	(16,368)
Gross profit	184,696	170,195	111,851
Other income and gains	5,303	5,572	8,565
Selling and marketing expenses	(34,310)	(34,435)	(28,886)
Administrative expenses	(56,156)	(48,875)	(48,059)
Development costs	(36,280)	(35,025)	(36,966)
Other expenses	(3,894)	(768)	(1,380)
Finance costs	(316)	-	-
Share of losses of an associate	(65)	(77)	-
Profit before taxation	58,978	56,587	5,125
Taxation	(9,124)	(13,617)	(2,278)
Profit for the period	49,854	42,970	2,847
Other comprehensive (expenses) income:			
Exchange differences arising on translation of foreign operations	(734)	(375)	(49)
Total comprehensive income for the period	49,120	42,595	2,798
Profit for the period attributable to:			
-Owners of the Company	49,771	42,917	2,894
-Non-controlling interests	83	53	(47)
	49,854	42,970	2,847
Total comprehensive income attributable to:			
- Owners of the Company	49,037	42,542	2,845
- Non-controlling interests	83	53	(47)
	49,120	42,595	2,798
	RMB cents	RMB cents	RMB cents
Earnings per share			
- Basic	9.48	8.15	0.55
- Diluted	9.48	8.15	0.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AS AT 30 SEPTEMBER 2011)

	30 September 2011 (Unaudited) RMB '000	31 December 2010 (Audited) RMB '000
Non-current assets		
Property, plant and equipment	163,476	128,534
Prepaid lease payments	86,708	87,753
Investment property	15,900	14,551
Deposit paid for acquisition of property, plant and equipment	19,050	19,050
Intangible assets	6,152	13,136
Interests in an associate	7,108	-
Available-for-sale investments	4,000	4,000
Loan receivables	7,356	5,819
Deferred tax assets	54	54
	<u>309,804</u>	<u>272,897</u>
Current assets		
Prepaid lease payments	1,784	1,784
Loan receivables	361	893
Trade receivables	43,024	24,393
Other receivables, prepayments and deposits	40,322	40,072
Held for trading investments	-	1,079
Amount due from a related company	890	171
Bank deposits	30,000	340,828
Bank balances and cash	1,282,890	877,823
	<u>1,399,271</u>	<u>1,287,043</u>
Current liabilities		
Trade payables	1,003	519
Other payables and accruals	78,743	58,218
Deferred income	23,319	23,119
Amount due to a shareholder	-	5,328
Promissory notes	29,565	-
Income tax payable	29,749	21,599
	<u>162,379</u>	<u>108,783</u>
Net current assets	1,236,892	1,178,260
Non-current liabilities		
Redeemable convertible preferred shares	14,541	-
Conversion option derivative liability	11,398	-
	<u>25,939</u>	<u>-</u>
	<u>1,520,757</u>	<u>1,451,157</u>
Capital and reserves		
Share capital	39,026	39,264
Share premium and reserves	1,482,075	1,412,433
Equity attributable to owners of the Company	1,521,101	1,451,697
Non-controlling interests	(344)	(540)
	<u>1,520,757</u>	<u>1,451,157</u>