

[For Immediate Release]

## NetDragon Websoft Inc. Reports Fourth Quarter and Fiscal Year 2011 Financial Results

### Revenue Achieves All-time High; Full-year Net Profit Jumped 288% Over 2010

[26 March 2012, 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 financial results for the fourth quarter and fiscal year ended December 31, 2011 and is scheduled to hold a conference call and webcast on March 26, 2012 at 7:00pm Hong Kong Time / 7:00am Eastern Daylight Time to review the company's performance and recent business developments.

#### Fourth Quarter 2011 Financial and Operational Highlights

- Total revenues were RMB 217.2 million, an increase of 7.1% over the third quarter of 2011 ("QoQ"), and an increase of 50.9% over the fourth quarter of 2010 ("YoY")
- Revenue from Online Games was RMB 192.5 million, an increase of 4.9% QoQ and an increase of 33.7% YoY
- Revenue from Mobile Internet was RMB 24.7 million, an increase of 28.4% QoQ and an increase of 489.5% YoY
- Gross Profit was RMB 188.8 million, an increase of 2.2% QoQ and an increase of 46.0% YoY
- Operating Profit was RMB 26.9 million, a decrease of 54.4% QoQ and a decrease of 27.7% YoY
- Profit attributable to owners of the company was RMB 7.9 million, a decrease of 84.2% QoQ and a decrease of 15.4% YoY
- Basic earnings per share ("EPS") were RMB 1.53 cents, diluted EPS were RMB 1.53 cents
- Peak concurrent users ("PCU") for online games were 612,000, an increase of 7.6% QoQ and an increase of 12.9% YoY
- Average concurrent users ("ACU") for online games were 310,000, an increase of 3.3% QoQ and an increase of 33.6% YoY
- The Board of Directors has recommended a final dividend of 0.12 Hong Kong dollars per share, subject to final approval by the shareholders at the Annual General Meeting
- During the quarter ended 31 December 2011, the company repurchased a total of 10,353,000 shares on the Stock Exchange at an aggregate consideration of HKD 40,420,035 before expenses

#### Fiscal Year 2011 Financial Highlights

- Total revenues for 2011 jumped to RMB 761.0 million, an increase of 43.1% compared to 2010
- Total revenue from Online Games was RMB 701.6 million, an increase of 31.9% compared to 2010
- Total revenue from Mobile Internet was RMB 59.4 million, an increase of 792.6% compared to 2010
- Gross profit was RMB 685.9 million, an increase of 47.4% over 2010
- Operating profit was RMB 180.4 million, an increase of 158.9% compared to 2010
- Profit attributable to owners of the company was RMB 135.2 million, an increase of 286.7% over 2010; net profit margin was 17.8% up from 6.6% in 2010
- Basic earnings per share were RMB 25.85 cents, diluted EPS were RMB 25.85 cents
- During the year ended 31 December 2011, the company repurchased a total of 13,971,000 shares on the Stock Exchange at an aggregate consideration of HKD 55,401,035 before expenses

#### Chairman's Statement

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, commented, "2011 was a landmark year for NetDragon. Total revenues for the fourth quarter of 2011 exceeded RMB 217.2 million, marking our seventh consecutive quarter of top-line growth, while full-year revenue reached an all-time high of RMB 761.0 million. Significantly, our full-year net profit margin nearly tripled year-over-year. Through intelligent resource allocation and prudent cost-control measures, we were able to grow our businesses without sacrificing profitability. "

Mr. Liu continued, "NetDragon managed to attract players with diverse preferences by constantly enriching our existing PC-based game portfolio and by expanding into games for mobile phones and tablets. As for our mobile internet business, thanks to the outstanding performance of both 91 PC Suite and Hi Market marketplaces along with a series of mobile

application products, we were able to collaborate with many leading firms across the industry chain, and thereby fortify NetDragon's leading position in China's mobile internet market."

Mr. Liu concluded, "Looking forward, we expect NetDragon's core game products will continue to be a source of steady revenue, with revenue step-up potential lying in our pipeline. Meanwhile, our mobile internet business will reach a new stage in 2012. We plan to invest more in brand building in a move to scale up acquisition of new users and take an even more commanding position within the industry. By actively maintaining the value of its sales and distribution channels, we expect to realize more significant growth in revenue from the mobile internet business. Overall, we have full confidence in NetDragon's short-term development and in its long-term future. "

## **Fourth Quarter 2011 Business Highlights**

### **Online Games**

- NetDragon released a new Chinese expansion pack for its western fantasy MMORPG Eudemons Online, enabling the game's monthly revenue to reach a new high.
- The English version of Conquer Online, a Martial Arts MMORPG, for iPad finished its open beta and is now available worldwide at the iPad App Store.

### **Mobile Internet**

- 91 PC Suite, NetDragon's applications distribution platform for all mainstream operating systems, exceeded 52 million total users. And total users for Hi Market, NetDragon's Android applications distribution platform, exceeded 12.9 million. As of December 2011, total aggregate downloads over both marketplaces exceeded 3 billion.

### **Other**

- 91kt Player, jointly developed by NetDragon and Turner Broadcasting System Asia Pacific, Inc., the parent company of Cartoon Network, was officially launched. Along with 91kt.com, the two companies aim to offer Chinese kids the best in animation and digital entertainment products.

## **Recent Developments & Business Outlook**

### **Online Games**

- Eudemons Online's next expansion pack is expected in May, 2012.
- Conquer Online's "classical version" is expected in the third quarter of 2012.

### **Mobile Internet**

- NetDragon will establish a joint venture with Japan's leading social gaming platform operator, DeNA Co., Ltd. ("DeNA") that will localize non-Chinese social games, including a roster of DeNA's popular in-house and third party titles, for the growing smartphone market in China.
- 91 Panda Home plans to release product segments targeted at different genders, ages and occupations to meet users' demands.
- 91 Panda Reader will further optimize its e-reading and social media functionality to increase community interaction and realize cloud synchronization across all platforms.

## Metrics

### Online Games

	4Q 2011	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010
<b>PCU</b>	<b>612,000</b>	569,000	643,000	546,000	542,000	589,000
<b>ACU</b>	<b>310,000</b>	300,000	311,000	246,000	232,000	226,000

### Management Conference Call

NetDragon will host a conference call and webcast to review its financial results for the fourth quarter and fiscal year 2011 ended December 31, 2011 and present an overview of its financial performance and business operations on Monday, March 26, 2012 Hong Kong time.

Details of the investor conference call are as follows:

**Time: 7:00 PM Beijing / Hong Kong Time / 7:00 AM Eastern Daylight Time, March 26<sup>th</sup>, 2012**

Dial in numbers:

International Toll	<b>65-6723-9381</b>
US Toll Free	<b>1-86-6519-4004</b>
Hong Kong Toll Free	<b>800-93-0346</b>
Mainland China Toll Free (for fixed line users)	<b>800-819-0121</b>
Mainland China Toll Free (for mobile users)	<b>400-620-8038</b>
Passcode	<b>NetDragon</b>

Replay service is available from 10:00 PM March 26<sup>th</sup> to 11:59 PM, April 2<sup>nd</sup>, 2012 HKT. Below are the replay numbers for different regions. International Toll: **612-8235-5000**; US Toll Free: **1-86-6214-5335**; Replay passcode: **60342901**. 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 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 and Heroes of Might & Magic 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, and a new version of Ultima Online. In the mobile Internet industry, we provide China's leading marketplaces, sj.91.com and hiapk.com, which offer applications and content for the most popular mobile operating systems.

For further information please contact:

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Investor Relations Director

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED 31 DECEMBER 2011**

	4Q 2011	3Q 2011	2011	2010
	RMB '000	RMB '000	RMB '000	RMB '000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Revenue</b>	<b>217,176</b>	202,739	<b>760,974</b>	531,772
Cost of revenue	<b>(28,337)</b>	(18,043)	<b>(75,032)</b>	(66,333)
<b>Gross profit</b>	<b>188,839</b>	184,696	<b>685,942</b>	465,439
Other income and gains	<b>17,369</b>	5,303	<b>38,156</b>	60,864
Selling and marketing expenses	<b>(46,277)</b>	(34,310)	<b>(140,340)</b>	(101,993)
Administrative expenses	<b>(59,529)</b>	(55,946)	<b>(210,941)</b>	(182,022)
Development costs	<b>(47,387)</b>	(36,280)	<b>(159,269)</b>	(162,234)
Other expenses	<b>(5,047)</b>	(3,894)	<b>(11,594)</b>	(10,392)
Loss on changes in fair value of conversion option derivative	<b>(17,582)</b>	(210)	<b>(17,792)</b>	-
Finance costs	<b>(3,490)</b>	(316)	<b>(3,806)</b>	-
Share of losses of associates	<b>(439)</b>	(65)	<b>(581)</b>	-
<b>Profit before taxation</b>	<b>26,457</b>	58,978	<b>179,775</b>	69,662
Taxation	<b>(18,710)</b>	(9,124)	<b>(44,532)</b>	(34,769)
<b>Profit for the period</b>	<b>7,747</b>	49,854	<b>135,243</b>	34,893
Other comprehensive (expenses) income:				
Exchange differences arising on translation of foreign operations	<b>(171)</b>	(734)	<b>(1,452)</b>	(172)
Gain on property revaluation	-	-	-	673
	<b>(171)</b>	(734)	<b>(1,452)</b>	501
<b>Total comprehensive income for the period</b>	<b>7,576</b>	49,120	<b>133,791</b>	35,394
Profit for the period attributable to:				
-Owners of the Company	<b>7,861</b>	49,771	<b>135,161</b>	34,949
-Non-controlling interests	<b>(114)</b>	83	<b>82</b>	(56)
	<b>7,747</b>	49,854	<b>135,243</b>	34,893
Total comprehensive income attributable to:				
- Owners of the Company	<b>7,690</b>	49,037	<b>133,709</b>	35,450
- Non-controlling interests	<b>(114)</b>	83	<b>82</b>	(56)
	<b>7,576</b>	49,120	<b>133,791</b>	35,394
<b>Earnings per share</b>	<b>RMB cents</b>	RMB cents	<b>RMB cents</b>	RMB cents
- Basic	<b>1.53</b>	9.48	<b>25.85</b>	6.64
- Diluted	<b>1.53</b>	9.48	<b>25.85</b>	6.64

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2011)**

	2011(Audited) RMB '000	2010(Audied) RMB '000
<b>Non-current assets</b>		
Property, plant and equipment	192,119	128,534
Prepaid lease payments	86,298	87,753
Investment property	15,809	14,551
Deposit paid for acquisition of property, plant and equipment	19,050	19,050
Intangible assets	4,520	13,136
Interests in an associate	12,669	-
Available-for-sale investments	4,000	4,000
Loan receivables	6,314	5,819
Deferred tax assets	54	54
	<u>340,833</u>	<u>272,897</u>
<b>Current assets</b>		
Prepaid lease payments	1,784	1,784
Loan receivables	1,091	893
Trade receivables	41,555	24,393
Other receivables, prepayments and deposits	41,429	40,072
Held for trading investments	-	1,079
Amount due from a related company	1,200	171
Bank deposits	40,000	340,828
Bank balances and cash	1,428,928	877,823
	<u>1,555,987</u>	<u>1,287,043</u>
<b>Current liabilities</b>		
Trade payables	5,001	519
Other payables and accruals	121,353	58,218
Deferred income	25,528	23,119
Amount due to a related company	965	-
Amount due to shareholders	-	5,328
Promissory notes	30,623	-
Income tax payable	42,849	21,599
	<u>226,319</u>	<u>108,783</u>
<b>Net current assets</b>	<u>1,329,668</u>	<u>1,178,260</u>
<b>Total assets less current liabilities</b>	<u>1,670,501</u>	<u>1,451,157</u>
<b>Non-current liabilities</b>		
Redeemable convertible preferred shares	131,675	-
Conversion option derivative liability	39,932	-
	<u>171,607</u>	<u>-</u>
<b>Net assets</b>	<u>1,498,894</u>	<u>1,451,157</u>
<b>Capital and reserves</b>		
Share capital	38,226	39,264
Share premium and reserves	1,461,126	1,412,433
Equity attributable to owners of the Company	1,499,352	1,451,697
Non-controlling interests	(458)	(540)
Total equity	<u>1,498,894</u>	<u>1,451,157</u>