

[For Immediate Release]

NetDragon Websoft Inc. Announces First Quarter 2012 Financial Results

**Record Quarterly Revenue of RMB 237 million; Net Profit Increased 621.2% Quarter-over-quarter
Mobile Internet Revenue Increased 84.1% Quarter-over-quarter**

[25 May 2012, HONG KONG] **NetDragon Websoft Inc.** (“NetDragon”, Stock code: 777), a leading developer and operator of online games and mobile internet platforms in China, today announced its financial results for the first quarter of 2012 ended 31 March 2012. Additionally, a conference call and live webcast is scheduled at 7:00 PM, May 25, 2012 Hong Kong time (7:00 AM Eastern Daylight Time, May 25) to review the company’s performance and recent business developments.

First Quarter 2012 Financial and Operational Highlights

- Revenue was RMB 237.0 million, an increase of 9.1% over the fourth quarter of 2011 (“QoQ”) and an increase of 51.2% over the first quarter of 2011 (“YoY”).
- Revenue from Online Games was RMB 191.6 million, a decrease of 0.5% QoQ and an increase of 27.2% YoY.
- Revenue from Mobile Internet was RMB 45.4 million, an increase of 84.1% QoQ and an increase of 644.3% YoY.
- Gross profit was RMB 208.7 million, an increase of 10.5% QoQ and an increase of 46.8% YoY.
- Operating profit was RMB 64.1 million, an increase of 138.3% QoQ and an increase of 69.8% YoY.
- Profit attributable to owners of the company was RMB 55.8 million, an increase of 609.5% QoQ and an increase of 61.1% YoY.
- Basic earnings per share were RMB 10.88 cents, diluted EPS were RMB 10.87 cents.
- Peak concurrent users (“PCU”) for online games were 600,000, a decrease of 2.0% QoQ and an increase of 9.9% YoY.
- Average concurrent users (“ACU”) for online games were 297,000, a decrease of 4.2% QoQ and an increase of 20.7% YoY.

Mr. Liu Dejian, NetDragon’s Chairman and Executive Director commented: “During the first quarter, we are delighted with the overall growth of the company, driven by the well-established and smoothly operating online games business as well as the fast-growing mobile internet business. Quarterly revenue hit a historic high of RMB 237.0 million; net profit also increased 621.2% QoQ, laying a solid foundation for the company to achieve 2012 strategic goals.

“Regarding our online games business, after the success of two expansion packs in 2011, Eudemons Online’s new Chinese version expansion pack ‘Legacy of Asgard’ entered its beta testing this March and set a record high in monthly revenue, demonstrating that this classic game is still maintaining its powerful vitality and market appeal. Going forward, we plan to explore further opportunities in the branding and serializing of Eudemons Online. In addition, we’ve launched the expansion pack ‘Invasion of Pirates’ for Conquer Online in several foreign languages this quarter, in a move to maintain the appeal of this game in overseas markets.”

“In terms of our mobile internet business, we are steadily advancing our strategy of providing a superior yet simple end-user experience as well as offering differentiated content and services, all with the aim of maintaining our leadership position in the mobile marketplace space. So far, we have achieved good results. First quarter revenue increased 84.1% QoQ to RMB45.4 million, and now represented 19.2% of total revenue compared with 11.4% in the previous quarter. By leveraging over a dozen years of R&D experience in various IT fields, we will continue to rapidly roll out mobile games and develop more e-commerce and content-focused verticals. Not only will this support direct monetization of our user base, but it will also spur the growth of mobile advertising and platform distribution revenues. In addition, we recently announced our ‘91 Win Matrix’ cooperative plan, in a move to provide technical, operational, financial and brand cooperation to small and medium-sized developers in a joint effort to build a healthy mobile internet value chain. Going forward, we have full confidence in achieving NetDragon’s 2012 overall strategic goals.”

First Quarter 2012 Business Highlights

Online Games

- NetDragon launched the EP “Invasion of Pirates” for the martial arts MMORPG, Conquer Online, in French, Spanish, Arabic and Traditional Chinese.

- NetDragon launched new Malaysian version EP “Demon Rising” for its 2.5D Fantasy MMORPG, Eudemons Online.
- NetDragon was honored with “2011 Annual Most Popular Online Gaming Company in China” by 17173 “2011 China Online Games List”; Eudemons Online received three awards alone: “China’s Annual Most Popular Online Game”, “Most Popular 2.5D Online Games” and “Most Popular China-Made Original Online Games”.

Mobile Internet

- 91 PC Suite, NetDragon’s applications distribution platform for all mainstream operating systems, exceeded 75 million total users. And total users for HiMarket, NetDragon’s Android applications distribution platform, exceeded 21 million. As of March 2012, total aggregate downloads over both marketplaces surpassed 5 billion.
- NetDragon’s in-house developed mobile games, Dragon Royal Online and HengHa Warring States, as well as jointly-operated mobile games, such as 91 Immortal and 91 Richistan, were officially launched in the first quarter.

Recent Developments and Business Outlook

Online Games

- Eudemons Online’s new Chinese EP “Legacy of Asgard” was officially launched in April 2012. The EP hit a record high in monthly revenue during the beta in March 2012.
- NetDragon’s first 3D MMORPG Dungeon Keeper Online entered open beta testing in April 2012.
- NetDragon’s 2.5D Sci-Fi MMORPG Zero Online launched its new Chinese EP in May. This revolutionary new EP introduced an entirely new copy task, enabling players to readily have a more sophisticated playing experience as well as enjoy the fun of a single-player game.
- iPad based Conquer Online will release additional language versions in a move to further expand its presence on tablets.

Mobile Internet

- NetDragon announced the launch of its nationwide developer program “91 Win Matrix”, inviting developers to join the 91 Open Mobile Platform for mobile innovative applications development. NetDragon will provide developers with comprehensive support, including technical, operational, financial and brand cooperation.
- “91 Kid Applications”, a platform within 91 PC Suite, which focuses on recommending mobile applications for children and for mothers as a tool for interacting with their toddlers, was officially rolled out. This is NetDragon’s first formal foray into the market segment for childcare products.
- NetDragon, together with DeNA Co., Ltd., Japan’s leading social gaming platform operator, signed an agreement with Jiangyin National High-tech District Administration Committee in Hong Kong. This joint venture company will localize non-Chinese social games, including a roster of DeNA Group’s popular in-house developed and third party titles, for the growing smartphone market in China.
- NetDragon will keep enriching games, applications, themes, ringtones, wallpapers, and other contents on our mobile internet platforms. With more efforts on analyzing data, distributing more customized and personalized contents, NetDragon will provide smartphone users with more valuable services.

Financial Highlights:

RMB('000)	1Q 2012	4Q 2011	1Q 2011	QoQ(%)	YoY(%)
Revenue	236,975	217,176	156,755	9.1%	51.2%
-Online Games	191,581	192,513	150,656	(0.5%)	27.2%
-Mobile Internet Business	45,394	24,663	6,099	84.1%	644.3%
Gross Profit	208,700	188,839	142,212	10.5%	46.8%
GPM	88.1%	87.0%	90.7%	1.1%	(2.6%)
Profit for the period	55,873	7,747	34,672	621.2%	61.1%
NPM	23.6%	3.6%	22.1%	20.0%	1.5%
EPS-Basic (RMB cents)	10.88	1.53	6.57	611.1%	65.6%
EPS-Diluted (RMB cents)	10.87	1.53	6.57	610.5%	65.4%

Metrics

Online Games

	1Q 2012	4Q 2011	3Q 2011	2Q 2011	1Q 2011	4Q 2010
PCU	600,000	612,000	569,000	643,000	546,000	542,000
ACU	297,000	310,000	300,000	311,000	246,000	232,000

Management Conference Call

NetDragon will host a management conference call and webcast to review its financial results for the first quarter ended March 31, 2012 on Friday, May 25, 2012 Hong Kong time.

Details of the live conference call are as follows:

Time: 7:00 PM Beijing / Hong Kong Time / 7:00 AM Eastern Daylight Time, May 25, 2012

International Toll	65-6723-9381
US Toll Free	1-866-519-4004
Hong Kong Toll Free	800-930-346
China Toll Free (for fixed line users)	800-819-0121
China Toll Free (for mobile users)	400-620-8038
Passcode	NetDragon

Replay service is available from 10:00 PM May 25 to 11:59 PM, June 1, 2012 HKT. Below are the replay numbers for different regions. International Toll: **61-2-8235-5000**; US Toll Free: **1-866-214-5335**; Replay passcode: **80265474**. 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 "1Q 2012 Results Conference Call" and follow the registration instructions.

About NetDragon

NetDragon Websoft Inc. (HKSE: 0777) 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 2003 in English, Spanish, Arabic and other languages. 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 offers many well-known mobile Internet products and services, 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 31 MARCH 2012**

	Three Months Ended		
	31/3/2012	31/12/2011	31/3/2011
	(Unaudited)	(Unaudited)	(Unaudited)/ (Restated)
	RMB '000	RMB '000	RMB '000
Revenue	236,975	217,176	156,755
Cost of revenue	<u>(28,275)</u>	<u>(28,337)</u>	<u>(14,543)</u>
Gross profit	208,700	188,839	142,212
Other income and gains	3,989	17,369	9,912
Selling and marketing expenses	(33,487)	(46,277)	(25,318)
Administrative expenses	(58,911)	(59,529)	(46,591)
Development costs	(45,786)	(47,387)	(40,577)
Other expenses	(1,721)	(5,047)	(1,885)
Net loss on derivative financial instruments	(3,961)	(17,582)	-
Finance costs	(4,729)	(3,490)	-
Share of losses of associates	<u>(373)</u>	<u>(439)</u>	<u>-</u>
Profit before taxation	63,721	26,457	37,753
Taxation	(7,848)	(18,710)	(3,081)
Profit for the period	55,873	7,747	34,672
Other comprehensive expense:			
Exchange differences arising on translation of foreign operations	<u>(17)</u>	<u>(171)</u>	<u>(172)</u>
Total comprehensive income for the period	55,856	7,576	34,500
Profit for the period attributable to:			
-Owners of the Company	55,771	7,861	34,612
-Non-controlling interests	102	(114)	60
	<u>55,873</u>	<u>7,747</u>	<u>34,672</u>
Total comprehensive income attributable to:			
- Owners of the Company	55,754	7,690	34,440
- Non-controlling interests	102	(114)	60
	<u>55,856</u>	<u>7,576</u>	<u>34,500</u>
Earnings per share	RMB cents	RMB cents	RMB cents
- Basic	10.88	1.53	6.57
- Diluted	<u>10.87</u>	<u>1.53</u>	<u>6.57</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(AS AT 31 MARCH 2012)

	31 March 2012 (Unaudited) RMB '000	31 December 2011 (Audited) RMB '000
Non-current assets		
Property, plant and equipment	195,851	192,119
Prepaid lease payments	140,682	86,298
Investment property	15,807	15,809
Deposit paid for acquisition of property, plant and equipment	36	19,050
Intangible assets	6,398	4,520
Interests in associates	12,296	12,669
Available-for-sale investments	4,000	4,000
Loan receivables	6,125	6,314
Deferred tax assets	54	54
	<u>381,249</u>	<u>340,833</u>
Current assets		
Prepaid lease payments	2,902	1,784
Loan receivables	966	1,091
Trade receivables	33,259	41,555
Other receivables, prepayments and deposits	49,064	41,429
Amounts due from related companies	1,598	1,200
Bank deposits	110,000	40,000
Bank balances and cash	1,387,418	1,428,928
	<u>1,585,207</u>	<u>1,555,987</u>
Current liabilities		
Trade payables	7,040	5,001
Other payables and accruals	122,025	121,353
Deferred income	27,286	25,528
Amounts due to related companies	243	965
Promissory notes	-	30,623
Income tax payable	38,521	42,849
	<u>195,115</u>	<u>226,319</u>
Net current assets	<u>1,390,092</u>	<u>1,329,668</u>
Total assets less current liabilities	<u>1,771,341</u>	<u>1,670,501</u>
Non-current liabilities		
Redeemable convertible preferred shares	164,916	131,675
Conversion option derivative liability	46,080	39,932
	<u>210,996</u>	<u>171,607</u>
Net assets	<u>1,560,345</u>	<u>1,498,894</u>
Capital and reserves		
Share capital	38,226	38,226
Share premium and reserves	1,522,474	1,461,126
Equity attributable to owners of the Company	<u>1,560,700</u>	<u>1,499,352</u>
Non-controlling interests	(355)	(458)
	<u>1,560,345</u>	<u>1,498,894</u>