

[For Immediate Release]

NetDragon Websoft Inc. Announces 2012 Third Quarter Results

3Q Total Revenues Recorded New High

Net Profit Doubled QoQ

Mobile Internet Revenue Up 46.2% QoQ

[November 23, 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 unaudited financial results for the third quarter ended September 30, 2012. A conference call and webcast is scheduled for November 23, 2012 at 7:00 pm Hong Kong time (6:00 am ET, November 23) to review the company's financial results and recent business developments.

Third Quarter 2012 Financial and Operational Highlights

- Total Revenues* were RMB290.1 million, an increase of 11.7% over the second quarter of 2012 ("QoQ") and an increase of 43.8% over the third quarter of 2011("YoY");
 - Revenue from Online Games was RMB204.0 million, an increase of 1.5% QoQ and an increase of 11.2% YoY;
 - Revenue from Mobile Internet* was RMB86.1 million, an increase of 46.2% QoQ and an increase of 370.9% YoY;
 - Gross profit was RMB252.8 million, an increase of 8.2% QoQ and an increase of 36.9% YoY;
 - Operating profit was RMB127.0 million, an increase of 43.8% QoQ and an increase of 114.9% YoY;
 - Profit attributable to Owners of the Company was RMB95.4 million, an increase of 111.8% QoQ and an increase of 91.7% YoY;
 - Pro Forma Net Profit was RMB117.6 million, an increase of 71.2% QoQ and an increase of 133.4% YoY;
 - Basic earnings per share("EPS") were RMB18.95 cents, while diluted earnings per share were RMB18.87 cents;
 - Peak concurrent users ("PCU") for online games were 525,000, a decrease of 9.8% QoQ and a decrease of 7.7% YoY;
 - Average concurrent users ("ACU") for online games were 281,000, a decrease of 8.5% QoQ and a decrease of 6.3% YoY;
 - Total users of 91 Assistant were 127 million, an increase of 27.2% QoQ and an increase of 253.4% YoY;
 - Total users of HiMarket exceeded 48 million, an increase of 57.5% QoQ and an increase of 599.7% YoY.
- * The company has revisited the accounting policies of its mobile Internet business, and determined to present 91 mobile platform revenues derived from third party apps and content with cooperation partners on a net basis instead of gross basis. Management believes this will result in more relevant information about the core financial and operational performance of the mobile internet segment. Restated revenue figures net of cooperation fee for prior reporting periods are provided below

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, commented "In the third quarter of 2012, NetDragon maintained stability in online games and robust growth in mobile internet business. Total revenues hit a new high, growing 11.7% quarter-over-quarter to RMB290.1 million; net profit grew 111.8% quarter-over-quarter. "

"Our revenue from online games increased approximately 1.5% quarter-over-quarter, aided by release of an expansion pack for Eudemons Online in September. As the traditional online games market matures, we will continue to support

our flagship titles but shift our emphasis towards mobile and web games production. We believe that the increasingly enriched product portfolio will help our company maintain solid growth in online games going forward. "

"Our mobile internet business maintained its industry-leading position, increasing its revenue by 46.2% quarter-over-quarter. After focusing primarily on user acquisition since our mobile platform's inception in 2008, we now see our business entering a period of fast-growing monetization. Moreover, we are excited about our leadership role in the mobile internet world, and wholeheartedly accept the challenges and opportunities that lie ahead in fashioning a healthy and dynamic win-win mobile internet ecosystem in China and beyond."

Third Quarter 2012 Business Highlights

Mobile Internet

- "91 Assistant", NetDragon's applications distribution platform for all mainstream operating systems, reached 127 million total users. Total users for "HiMarket", NetDragon's Android applications distribution platform, exceeded 48 million.
- Total apps and content exceeded 700,000 and aggregate downloads surpassed 9.5 billion, which ranks NetDragon as China's largest mobile applications distribution platform.
- 91 Open Mobile Platform launched more than 300 mobile games, with total registered users exceeding 9 million.
- 91 DeNA, the joint venture between 91 Mobile and Japan's largest mobile social gaming platform operator DeNA Co., Ltd., launched its first self-developed game "Legend of Cavalry" and localized titles including "Fantasica", "Emblem of the Gods" and "Rites of Delta".

Online Games

- Eudemons Online's new Chinese EP was officially launched.
- Disney Fantasy Online's new EPs were launched in August and September 2012, respectively.
- The Arabic version of "DDTank"(弹弹堂), for which NetDragon serves as an agent, officially launched its open beta testing on September 20.

Recent Developments and Business Outlook

Mobile Internet

- 91 Limited and China's leading TMT social media DoNews jointly held "Symposium on Trend of Mobile applications on Android Platform & 2012 First China Android Business Summit", aiming to build an Android ecosystem in China.
- NetDragon launched its quarterly report titled "Trend of Mobile Applications on 91 Mobile Internet" in a move to provide macro data that assists mobile developers and advertisers.

Online Games

- New expansion packs for "Heroes of Might and Magic Online" and "Tou Ming Zhuang Online" are scheduled for the fourth quarter of 2012.
- NetDragon's 2.5D MMORPG "Crazy Tribes" set in an ancient era underwent its closed beta testing in September 2012 and is scheduled for its first open beta testing in November 2012.

Others

- As of September 30, 2012, "91 Application Center for Children" exceeded 35 million totaled aggregate downloads, on which over 4000 applications are available for kids created by developers both in and outside of China. Android version of the Center will be introduced this year.

Financial Highlights:

RMB('000)	3Q 2012	2Q 2012	3Q 2011	QoQ(%)	YoY(%)
Revenue (Restated)	290,144	259,849	201,812	11.7%	43.8%
-Online Games	204,067	200,992	183,533	1.5%	11.2%
-Mobile Internet (Restated)	86,077	58,857	18,279	46.2%	370.9%
Gross Profit	252,786	233,675	184,696	8.2%	36.9%
GPM	87.1%	89.9%	91.5%	-2.8%	-4.4%
Operating Profit	126,958	88,289	59,077	43.8%	114.9%
Net Profit	95,285	44,986	49,854	111.8%	91.1%
Pro Forma Net Profit	117,580	68,683	50,380	71.2%	133.4%
NPM	32.8%	17.3%	24.7%	15.5%	8.1%
EPS-Basic (RMB cents)	18.95	8.75	9.48	116.6%	99.9%
EPS-Diluted (RMB cents)	18.87	8.73	9.48	116.2%	99.1%

* Restated Revenue Figures

RMB ('000)	2Q 2012	1Q 2012	4Q 2011	3Q 2011	2Q 2011	1Q 2011
Total Revenues (Unrestated)	276,133	236,975	217,176	202,739	184,304	156,755
Total Revenues (Restated)	259,849	227,310	212,171	201,812	184,642	156,904
Mobile Internet Revenue (Unrestated)	75,141	45,394	24,663	19,206	9,441	6,099
Mobile Internet Revenue (Restated)	58,857	35,729	19,658	18,279	9,779	6,248

Metrics

Online Games

	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011	2Q 2011
PCU	525,000	582,000	600,000	612,000	569,000	643,000
ACU	281,000	307,000	297,000	310,000	300,000	311,000

Pro Forma Financial Measures

To supplement the consolidated results prepared in accordance with Hong Kong Financial Reporting Standards, certain pro forma financial measures, namely Pro Forma Net Profit, have been presented in this press release. These unaudited pro forma financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. In addition, these pro forma financial measures may be defined differently from similar terms used by other companies.

Management believes that the pro forma financial measures provide investors with useful supplementary information to

assess the performance of the Group's core operations by excluding certain non-cash items, namely valuation loss on derivative financial instruments and finance costs, on a non-tax adjusted basis, both items associated with convertible preferred shares and promissory notes issued by a subsidiary.

Management Conference Call

NetDragon will host a management conference call and webcast to review its financial results for the third quarter ended September 30, 2012 on Friday, November 23, 2012 Hong Kong time.

Details of the live conference call are as follows:

Time: 7:00 PM Beijing / Hong Kong Time / 6:00 AM Eastern Standard Time, November 23, 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)	800-8190-121
China Toll Free (for mobile users)	400-6208-038
Passcode	NetDragon

Replay service is available from 10:00 PM November 23 to 08:59 PM December 1, 2012 HKT. Below are the replay numbers for different regions. International Toll: **61-2-8199-0299**; US Toll Free: **1-855-4525-696**; Replay passcode: **68454378**. 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 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 *sj.91.com*, *www.hiapk.com*, *91 Assistant*, *HiMarket*, *91 Panda Reader* and *91 Panda Home*.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012**

	Three Months Ended		
	30/9/2012 (Unaudited) RMB '000	30/6/2012 (Unaudited /(Restated) RMB '000	30/9/2011 (Unaudited /(Unrestated) RMB '000
Revenue	290,144	259,849	202,739
Cost of revenue	(37,358)	(26,174)	(18,043)
Gross profit	252,786	233,675	184,696
Other income and gains	17,322	11,397	5,303
Selling and marketing expenses	(37,388)	(37,078)	(34,310)
Administrative expenses	(51,564)	(54,270)	(56,373)
Development costs	(46,231)	(50,164)	(36,280)
Other expenses	(7,604)	(14,986)	(3,894)
Share of losses of associates	(363)	(285)	(65)
Operating Profit	126,958	88,289	59,077
Interest income on pledged bank deposit	2,600	-	-
Exchange gain (loss) on pledged bank deposit, secured bank loan and redeemable convertible preference shares	6,234	(1,642)	427
Net loss on derivative financial instruments	(15,474)	(19,378)	(210)
Finance costs	(6,821)	(4,319)	(316)
Profit before taxation	113,497	62,950	58,978
Taxation	(18,212)	(17,964)	(9,124)
Profit for the period	95,285	44,986	49,854
Other comprehensive income (expense):			
Exchange differences arising on translation of foreign operations	59	89	(734)
Total comprehensive income for the period	95,344	45,075	49,120
Profit for the period attributable to:			
-Owners of the Company	95,399	45,032	49,771
-Non-controlling interests	(114)	(46)	83
	95,285	44,986	49,854
Total comprehensive income attributable to:			
- Owners of the Company	95,458	45,121	49,037
- Non-controlling interests	(114)	(46)	83
	95,344	45,075	49,120
	RMB cents	RMB cents	RMB cents
Earnings per share			
- Basic	18.95	8.75	9.48
- Diluted	18.87	8.73	9.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(AS AT 30 SEPTEMBER 2012)

	30 September 2012 (Unaudited) RMB '000	31 December 2011 (Audited) RMB '000
Non-current assets		
Property, plant and equipment	261,116	192,119
Prepaid lease payments	140,042	86,298
Investment property	16,111	15,809
Deposit paid for acquisition of property, plant and equipment	-	19,050
Intangible assets	4,000	4,520
Interests in associates	12,148	12,669
Long-term deposit	3,600	-
Available-for-sale investments	5,000	4,000
Loan receivables	8,893	6,314
Deferred tax assets	54	54
	<u>450,964</u>	<u>340,833</u>
Current assets		
Prepaid lease payments	2,902	1,784
Loan receivables	3,894	1,091
Trade receivables	81,469	41,555
Other receivables, prepayments and deposits	46,484	41,429
Held for trading investment	5,000	-
Amount due from related companies	2,499	1,200
Pledged bank deposit	191,387	-
Bank deposits	173,358	40,000
Bank balances and cash	1,271,289	1,428,928
	<u>1,778,282</u>	<u>1,555,987</u>
Current liabilities		
Trade payables	31,154	5,001
Other payables and accruals	108,955	121,353
Deferred income	32,881	25,528
Amount due to a related company	-	965
Secured bank loan	185,174	-
Other financial liability	6,183	-
Promissory notes	-	30,623
Income tax payable	42,724	42,849
	<u>407,071</u>	<u>226,319</u>
Net current assets	<u>1,371,211</u>	<u>1,329,668</u>
Total assets less current liabilities	<u>1,822,175</u>	<u>1,670,501</u>
Non-current liabilities		
Redeemable convertible preferred shares	174,979	131,675
Conversion option derivative liability	75,135	39,932
	<u>250,114</u>	<u>171,607</u>
Net assets	<u>1,572,061</u>	<u>1,498,894</u>
Capital and reserves		
Share capital	37,511	38,226
Share premium and reserves	1,508,763	1,461,126
Equity attributable to owners of the Company	<u>1,546,274</u>	<u>1,499,352</u>
Non-controlling interests	25,787	(458)
	<u>1,572,061</u>	<u>1,498,894</u>