

[For Immediate Release]

## **NetDragon Websoft Inc. Reports Fourth Quarter and Fiscal Year 2012 Financial Results**

### ***Full-year Revenue First Topped RMB1.1 Billion; Mobile Internet Maintains Top-line Growth***

[27 March 2013, 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, 2012 and is scheduled to hold a conference call and webcast on March 27, 2013 at 7:00pm Hong Kong Time / 7:00am Eastern Daylight Time to review the company's performance and recent business developments.

#### **Fourth Quarter 2012 Financial and Operational Highlights**

- Total revenues were RMB331.0 million, an increase of 14.1% over the third quarter of 2012 ("QoQ"), and an increase of 52.4% over the fourth quarter of 2011 ("YoY");
- Revenue from Online Games was RMB229.1 million, an increase of 12.3% QoQ and an increase of 19.0% YoY;
- Revenue from Mobile Internet was RMB101.9 million, an increase of 18.4% QoQ and an increase of 313.3% YoY;
- Gross profit was RMB296.8 million, an increase of 17.4% QoQ and an increase of 57.2% YoY;
- Operating profit was RMB120.5 million, a decrease of 5.1% QoQ and an increase of 153.6% YoY;
- Non-GAAP operating profit<sup>1</sup> was RMB138.6 million, an increase of 4.8% QoQ and an increase of 141.8% YoY;
- Non-GAAP profit attributable to owners of the company<sup>1</sup> was RMB107.8 million, a decrease of 5.5% and an increase of 400.2%;
- Non-GAAP profit for the period<sup>1</sup> was RMB107.6 million, a decrease of 5.6% and an increase of 402.1%;
- Basic loss per share were RMB31.19 cents, diluted loss per share were RMB30.99 cents ;
- Peak concurrent users ("PCU") for online games were 521,000, a decrease of 0.8% QoQ and a decrease of 14.9% YoY;
- Average concurrent users ("ACU") for online games were 287,000, an increase of 2.1% QoQ and a decrease of 7.4% YoY;
- The Board of Directors has recommended a final dividend of 0.2 Hong Kong dollar per share, subject to final approval by the shareholders at the Annual General Meeting.

#### **Fiscal Year 2012 Financial Highlights**

- Total revenue for 2012 jumped to RMB1,108.3 million, an increase of 45.6% compared to 2011;
- Total revenue from Online Games was RMB825.7 million, an increase of 17.7% compared to 2011;
- Total revenue from Mobile Internet was RMB282.6 million, an increase of 375.7% compared to 2011;
- Gross profit was RMB992.0 million, an increase of 44.6% compared to 2011;
- Operating profit was RMB408.0 million, an increase of 102.6% compared to 2011;
- Non-GAAP operating profit<sup>1</sup> was RMB442.7 million, an increase of 109.4% compared to 2011;

<sup>1</sup> See "Non-GAAP Financial Measures" section for more details on the reasons for presenting these measures

- Profit attributable to owners of the company was RMB39.2 million, a decrease of 71.0% over 2011;
- Non-GAAP profit attributable to owners of the company<sup>1</sup> was RMB368.0 million, an increase of 120.6% over 2011;
- Profit for the year was RMB39.0 million, a decrease of 71.2% over 2011;
- Non-GAAP profit for the year<sup>1</sup> was RMB367.8 million, an increase of 120.3% over 2011;
- Basic earnings per share were RMB7.71 cents, diluted EPS were RMB7.60 cents;
- During the year ended 31 December 2012, the company repurchased a total of 9,635,500 shares on the Stock Exchange at an aggregate consideration of HKD 56,147,000 before expenses.

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, commented “2012 marked a significant milestone in NetDragon’s history, with full-year revenue hitting a historic high of RMB1.1 billion. Total revenue for the fourth quarter of 2012 reached RMB331 million, representing the eleventh consecutive quarter of top-line growth. Notably and as originally anticipated, while NetDragon maintained stability in online game business, our mobile internet business revenue reached RMB102 million in the fourth quarter, while full-year revenue stood at RMB283 million. According to iResearch, as of December 2012, 91 platform is the No. 1 third party apps distributor in China based on active users, for Android system. It also has the greatest number of Android apps displayed in the platform, close to 900,000 Android apps, and it has 93,000 app developers, the greatest number of app developers in China.”

Mr. Liu concluded: “All the staff and management at NetDragon now are more confident than ever about the development of and prospects for NetDragon. Not long ago, NetDragon has got the green light by Hong Kong Stock Exchange to proceed with the Proposed Spin-off of 91 Wireless Websoft Limited. And on Feb 8, we’ve submitted the listing application form to the Stock Exchange for the listing of, and permission to deal in, 91 Wireless Websoft Limited shares on the Growth Enterprise Market. With the advantages that the proposed spin-off will receive upon obtaining the listing status combined with our years of experience, 91 Wireless Websoft Limited is expected to continue to develop the mobile internet business, with an aim to maintain and enhance its position in China’s mobile internet market, while its parent, NetDragon, will continue to focus on the research, development and operation of a variety of high-end original online games for global players. In addition, NetDragon plans to incubate additional commercially viable projects in an aim to cultivate the new drivers for NetDragon’s sustainability going forward.”

## **Fourth Quarter 2012 Business Highlights**

### **Mobile Internet**

- As of December 2012, HiMarket and 91 Assistant have around 93,000 app developers on the platforms, having the greatest number of app developers among the independent third-party app distributors in China.
- NetDragon launched a test version of “91 Mobile Game Center”, a cross-platform mobile games and social network platform. The platform integrates evaluation, download and management of mobile games, interaction community and comments sharing into one version, perfectly supporting data exchange between Android and iOS to provide a new level of experience for smartphone users.

## Online Games

- NetDragon launched the new English EP “Cult of the Shadowed Sun” for Eudemons Online on December 28, following its September release of the Chinese version for this EP, which hit a record high in October.
- NetDragon launched the new EP “Supreme Lady\*” for Tou Ming Zhuang Online. Combining today’s hot topics including the popular television series “Qing Palace Drama” which is currently popular among target players, the new EP engages players with a series of unique features.
- NetDragon released new EP “Mystery of the Wanderer\*” for Heroes of Might and Magic Online. Updates of weaponry and outfits bring the thrill associated with the classical game up several notches.
- NetDragon’s first imaginative style ARPG “Age of Egmont” (previously named “Age of Emblem”) entered its first closed beta testing in December 2012.

## **Recent Developments and Business Outlook**

### Mobile Internet

- “91 Assistant’s Gold Version”, launched in February 2013, introduced its mobile life column, an online community and other functions to further enhance user experience and engagement.
- Jiangsu Bode Network Technology Co., Ltd. (namely 91 DeNA), a joint venture between 91 Mobile and Japan’s mobile social gaming platform operator DeNA Co., Ltd., plans to launch new games in the first quarter of 2013.
- 91 Wireless Websoft Limited formally submitted the application to the Hong Kong Stock Exchange on February 8, 2013 for a GEM Listing of the shares of 91 Wireless Websoft Limited, by way of introduction.

### Online Games

- Eudemons Online’s new Chinese EP “Love in a Fallen City\*”, is scheduled to enter closed beta in March 2013, and is on track to launch open beta in April.
- NetDragon’s first self-developed 3D webpage game “Calibur of Spirit” is currently in a data-deletion beta testing, and is scheduled to move to open paid beta testing in March 2013.
- NetDragon’s 2.5D MMORPG mobile game “Crazy Tribes” using the primitive social as background with fresh, lovely and artistic style is expected for a non-data-deletion paid testing at the beginning of 2013.
- “Age of Egmont” (previously named “Age of Emblem”) is scheduled to launch its mobile version in March 2013.

### Others

- “91 Cloud Mall” plans to, by continuing to deploy the “scenario shopping engine”, match selected purchase data from participating e-commerce firms based on usage behaviors when purchases take place through a mobile device to intelligently promote further sales, and share the data with retailers as well as mobile application and web developers, and to use this information to further strengthen cooperation in the future, completing the building of a marketing platform “Money Tree” to help partners develop more profitable marketing campaigns.

\* Working titles

**Financial Highlights:**

RMB('000)	4Q 2012	3Q 2012	4Q 2011	QoQ(%)	YoY(%)	2012	2011	YoY(%)
Revenue	<b>331,046</b>	290,144	217,176	14.1%	52.4%	<b>1,108,349</b>	760,974	45.6%
-Online Games	<b>229,104</b>	204,067	192,513	12.3%	19.0%	<b>825,744</b>	701,565	17.7%
-Mobile Internet	<b>101,942</b>	86,077	24,663	18.4%	313.3%	<b>282,605</b>	59,409	375.7%
Gross Profit	<b>296,829</b>	252,786	188,839	17.4%	57.2%	<b>991,990</b>	685,942	44.6%
GPM	<b>89.7%</b>	87.1%	87.0%	2.6%	2.7%	<b>89.5%</b>	90.1%	(0.6%)
Operating Profit	<b>120,542</b>	126,958	47,529	(5.1%)	153.6%	<b>407,980</b>	201,373	102.6%
Non-GAAP Operating Profit	<b>138,555</b>	132,231	57,290	4.8%	141.8%	<b>442,713</b>	211,458	109.4%
(Loss)/Profit attributable to equity holders	<b>(157,025)</b>	95,399	7,861	N/A	N/A	<b>39,176</b>	135,161	(71.0%)
Non-GAAP profit attributable to equity holders	<b>107,800</b>	114,133	21,551	(5.5%)	400.2%	<b>367,992</b>	166,844	120.6%
(Loss)/Profit	<b>(157,182)</b>	95,285	7,747	N/A	N/A	<b>38,961</b>	135,243	(71.2%)
Non-GAAP Profit	<b>107,643</b>	114,019	21,437	(5.6%)	402.1%	<b>367,777</b>	166,926	120.3%
EPS-Basic (RMB cents)	<b>(31.19)</b>	18.95	1.53	N/A	N/A	<b>7.71</b>	25.85	(70.2%)
EPS-Diluted (RMB cents)	<b>(30.99)</b>	18.87	1.53	N/A	N/A	<b>7.60</b>	25.85	(70.6%)

**Metrics**
**Online Games**

	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011
<b>PCU</b>	<b>521,000</b>	525,000	582,000	600,000	612,000	569,000
<b>ACU</b>	<b>287,000</b>	281,000	307,000	297,000	310,000	300,000

**Non-GAAP Financial Measures**

To supplement the consolidated results of the Group prepared in accordance with HKFRSs, the use of certain non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. These non-GAAP measures are not expressly permitted measures under HKFRSs and may not be comparable to similarly titled measures for other companies. The non-GAAP financial measures of the Group exclude equity-settled share-based compensation, interest income on pledged bank deposit, exchange gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares, net loss on derivative financial instruments and finance costs.

## Management Conference Call

NetDragon will host a conference call and webcast to review its financial results for the fourth quarter and fiscal year 2012 ended December 31, 2012 and present an overview of its financial performance and business operations on Wednesday, March 27, 2013 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 27, 2013**

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 22:00 March 27 to 20:59 April 3, 2013 HKT. Below are the replay numbers for different regions. International Toll: **61-2-8199-0299**; US Toll Free: **1-855-4525-696**; Replay passcode: **18876511**. 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/content/2013-03-13/20130313191323868.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 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 Assistant, HiMarket, 91 Open Mobile Platform, 91 Panda Reader, sj.91.com and www.hiapk.com.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED 31 DECEMBER 2012**

	4Q 2012	3Q 2012	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Revenue</b>	<b>331,046</b>	290,144	<b>1,108,349</b>	760,974
Cost of revenue	<u>(34,217)</u>	<u>(37,358)</u>	<u>(116,359)</u>	<u>(75,032)</u>
<b>Gross profit</b>	<b>296,829</b>	252,786	<b>991,990</b>	685,942
Other income and gains	17,536	17,322	50,025	38,156
Selling and marketing expenses	(44,220)	(37,388)	(152,173)	(140,340)
Administrative expenses	(82,883)	(51,564)	(247,628)	(210,941)
Development costs	(61,992)	(46,231)	(204,173)	(159,269)
Other expenses	(2,902)	(7,604)	(27,214)	(11,594)
Share of losses of associates	(435)	(363)	(1,456)	(581)
Share of loss of a jointly controlled entity	<u>(1,391)</u>	<u>-</u>	<u>(1,391)</u>	<u>-</u>
<b>Operating profit</b>	<b>120,542</b>	126,958	<b>407,980</b>	201,373
Interest income on pledged bank deposit	2,249	2,600	4,849	-
Exchange gain on pledged bank deposit, secured loan and redeemable convertible preferred shares	7,098	6,234	11,909	-
Net loss on derivative financial instruments	(243,611)	(15,474)	(282,424)	(17,792)
Finance costs	<u>(12,548)</u>	<u>(6,821)</u>	<u>(28,417)</u>	<u>(3,806)</u>
<b>(Loss)/Profit before taxation</b>	<b>(126,270)</b>	113,497	<b>113,897</b>	179,775
Taxation	<u>(30,912)</u>	<u>(18,212)</u>	<u>(74,936)</u>	<u>(44,532)</u>
<b>(Loss)/Profit for the period / year</b>	<b><u>(157,182)</u></b>	<u>95,285</u>	<b><u>38,961</u></b>	<u>135,243</u>
Other comprehensive (expenses) income: Exchange differences arising on translation of foreign operations	<u>(195)</u>	<u>59</u>	<u>(64)</u>	<u>(1,452)</u>
Total comprehensive income for the period / year	<u><b>(157,377)</b></u>	<u>95,344</u>	<u><b>(38,897)</b></u>	<u>133,791</u>
(Loss)/Profit for the period attributable to:				
-Owners of the Company	(157,025)	95,399	39,176	135,161
-Non-controlling interests	<u>(157)</u>	<u>(114)</u>	<u>(215)</u>	<u>82</u>
	<u><b>(157,182)</b></u>	<u>95,285</u>	<u><b>38,961</b></u>	<u>135,243</u>
Total comprehensive income attributable to:				
- Owners of the Company	(157,220)	95,458	39,112	133,709
- Non-controlling interests	<u>(157)</u>	<u>(114)</u>	<u>(215)</u>	<u>82</u>
	<u><b>(157,377)</b></u>	<u>95,344</u>	<u><b>38,897</b></u>	<u>133,791</u>
<b>Earnings per share</b>	<b>RMB cents</b>	RMB cents	<b>RMB cents</b>	RMB cents
- Basic	(31.19)	18.95	7.71	25.85
- Diluted	<u>(30.99)</u>	<u>18.87</u>	<u>7.60</u>	<u>25.85</u>

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

	2012 RMB '000	2011 RMB '000
<b>Non-current assets</b>		
Property, plant and equipment	345,415	192,119
Prepaid lease payments	139,678	86,298
Investment property	16,217	15,809
Deposit paid for acquisition of land use rights	-	19,050
Intangible assets	2,626	4,520
Interests in associates	11,793	12,669
Interest in a jointly controlled entity	18,015	-
Available-for-sale investments	5,000	4,000
Loan receivables	9,969	6,314
Goodwill	12,534	-
Deferred tax assets	1,586	54
	<u>562,833</u>	<u>340,833</u>
<b>Current assets</b>		
Prepaid lease payments	2,902	1,784
Loan receivables	3,143	1,091
Trade receivables	61,427	41,555
Other receivables, prepayments and deposits	72,101	41,429
Held for trading investments	4,939	-
Amounts due from related companies	3,637	1,200
Amount due from a jointly controlled entity	3,060	-
Pledged bank deposit	194,405	-
Bank deposits	394,081	40,000
Bank balances and cash	1,142,825	1,428,928
	<u>1,882,520</u>	<u>1,555,987</u>
<b>Current liabilities</b>		
Trade and other payables	222,137	126,354
Deferred income	24,778	25,528
Amounts due to related companies	121	965
Amount due to an associate	5,600	-
Secured bank loan	183,595	-
Other financial liability	10,679	-
Promissory notes	-	30,623
Income tax payable	66,355	42,849
	<u>513,265</u>	<u>226,319</u>
<b>Net current assets</b>	<u>1,369,255</u>	<u>1,329,668</u>
<b>Total assets less current liabilities</b>	<u>1,932,088</u>	<u>1,670,501</u>
<b>Non-current liabilities</b>		
Redeemable convertible preferred shares	195,115	131,675
Conversion option derivative liability	314,829	39,932
Deferred tax liabilities	6,141	-
	<u>516,085</u>	<u>171,607</u>
<b>Net assets</b>	<u>1,416,003</u>	<u>1,498,894</u>
<b>Capital and reserves</b>		
Share capital	37,532	38,226

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Share premium and reserves	<u>1,356,317</u>	<u>1,461,126</u>
Equity attributable to owners of the Company	<b>1,393,849</b>	1,499,352
Non-controlling interests	<u>22,154</u>	<u>(458)</u>
	<b><u>1,416,003</u></b>	<b><u>1,498,894</u></b>