

[For Immediate Release]

**NetDragon Websoft Inc. Announces First Quarter 2013 Financial Results**  
**Total Revenues up 50.5% YoY; Net Profit up 108.3% YoY**  
**Mobile Business Experienced Rapid Growth**

[3 June, 2013, 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 ended 31 March, 2013 and is scheduled to hold a conference call and live webcast on June 3, 2013 at 7:00pm Hong Kong Time / 7:00am Eastern Daylight Time to review the company’s performance and recent business developments.

**First Quarter 2013 Financial and Operational Highlights**

- Total revenues were RMB 356.7 million, an increase of 7.8% over the fourth quarter of 2012 (“QoQ”) and an increase of 50.5% over the first quarter of 2012 (“YoY”);
- Revenue from Online Games was RMB 212.0 million, a decrease of 7.5% QoQ and an increase of 10.7% YoY;
- Revenue from Mobile Internet was RMB 144.7 million, an increase of 42.0% QoQ and an increase of 218.8% YoY;
- Gross profit was RMB 310.1 million, an increase of 4.5% QoQ and an increase of 48.6% YoY;
- Operating profit was RMB 128.1 million, an increase of 6.3% QoQ and an increase of 77.4% YoY;
- Non-GAAP operating profit<sup>1</sup> was RMB175.5 million, an increase of 26.6% QoQ and an increase of 114.1% YoY;
- Profit attributable to the owners of the Company was RMB 111.8 million, an increase of 100.4% YoY;
- Non-GAAP profit attributable to owners of the Company was RMB 136.2 million, an increase of 26.4% QoQ and an increase of 84.1% YoY;
- Profit for the period was RMB116.4 million, an increase of 108.3% YoY;
- Non-GAAP profit for the period was RMB 140.8 million, an increase of 30.8% QoQ and an increase of 90.1% YoY;
- Basic earnings per share were RMB 22.19 cents, diluted EPS were RMB 16.91 cents;
- Peak concurrent users (“PCU”) for online games were 445,000, a decrease of 14.6% QoQ and a decrease of 25.8% YoY;
- Average concurrent users (“ACU”) for online games were 237,000, a decrease of 17.4% QoQ and a decrease of 20.2% YoY.

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, commented: “The first quarter of 2013 witnessed NetDragon’s continued growth in total revenues and net profit. Total revenues grew 7.8% quarter over quarter to RMB 356.7 million, and net profit up 108.3% year over year. We are pleased to see our dual-engine strategy on online games and mobile Internet businesses has been paid off as evidenced by our strong results. The stable structure as a result of the two businesses mutually supporting each other is expected to strongly enhance our company’s long-term development.”

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

“As for our online games business, our company further optimized the resource allocation for projects, and focused more on depth development of core titles while maintaining a steady flow of new products in the development pipeline, with the aim of consolidating the existing gamer base through the company’s core games, and laying the groundwork for new player acquisition. In addition, NetDragon has launched EPs in different languages to strengthen our key titles’ revenue in overseas markets. In this quarter, overseas sales from game markets saw a 9.4% rise quarter-over-quarter.”

“2013 is essential to the establishment of mobile internet footprint. Although Internet companies have accelerated the pace of their engagement in mobile segment, our mobile business maintained the leading position across the industry through our pioneering efforts and ongoing innovation. Mobile delivered revenue up to RMB 144.7 million in this quarter, an increase of 42.0% quarter-over-quarter. Notably, 91 Wireless’ platforms exceeded over 10 billion accumulated app downloads, evidencing its user stickiness and superiority over competitive offerings. The company continues to focus on strengthening the advantages of 91 Assistant and HiMarket platforms while steadily driving proprietary research and development of mobile games and software products and providing more vertical apps to stay in tune with users’ increasingly diversified needs. For all this, we are continuing to broaden cooperation with the industry’s leading vendors. The management believes that with the continuous increasing user base and user loyalty, our mobile business is anticipated to delivering more revenue and further pleasant surprises.”

## **First Quarter 2013 Business Highlights**

### **Mobile Internet**

- 91 Wireless’ platforms had surpassed over 10 billion accumulated app downloads.
- On March 27, 2013, 91 Wireless Websoft Limited converted each issued and outstanding preferred shares into fully-paid non-assessable ordinary shares at the conversion rate for each preferred share.
- 91 Wireless’ HiMarket launched “Android Weekly” cooperation model, through which HiMarket collaborated with industry-leading e-reader vendors by providing content, in a move to enrich 91 content and enlarge our community base.

### **Online Games**

- As of the first quarter, NetDragon had 10 self-developed mobile games, by leveraging our existing superior resources and years of game R&D experience. More other self-developed mobile games are on track to be launched.
- The iOS version of “Crazy Horde”, featured with fresh, lovely and artistic style based on the primitive society, entered beta testing in March 2013. Its Android version is expected to conduct testing in the second half of 2013, in an aim to roll out this game in global market.
- NetDragon’s self-developed cultivated strategic game “War of Gods” launched the iOS paid version in January 2013. Inspired by Chinese myths, “War of Gods” integrates casual games and real-time combat mutual interaction.
- NetDragon launched multilingual versions Conquer Online EP “The Oriental Assassin”, including versions in English, French, Spanish and Arabic.

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## Recent Developments and Business Outlook

### Mobile Internet

- iPhone 5.0 version of 91 Panda Reader was launched in May 2013. The version's ease of use and speedy responsiveness contribute significantly to a highly improved overall user experience.

### Online Games

- Zero Online's new Chinese EP "Doom Savior\*" was launched on 31 May.
- Eudemons Online's new EP "Dawn of Romance" entered its open beta testing on 28 April. The new EP featured with a focus on love and marriage is meant to resonate with each player's emotional side. The new EP received a warm response, evidencing the classic title's ongoing popularity. Eudemons Online's new Portuguese EP "Edge of Night" will also be launched in June.
- The mobile version of "Age of Egmont", "Age of Egmont: Pocket Version" entered the closed beta testing on 28 March. Versions with different game experiences will be offered through several platforms including PC, iOS and Android.
- "Caliber of Spirit", the world's first next generation 3D MOBA online game based on NetDragon's in-house developed S3 game engine, supports PC, web and mobile platforms and features seven industry-leading innovative technologies, has been available on Tencent's game platform since May.
- "Sky Battle\*", a 2.5D role-play mobile game based on NetDragon's in-house developed C3 game engine, entered a non-data-deleted testing for its iOS version in May.

\* *Working titles*

## Financial Highlights:

RMB('000)	1Q 2013	4Q 2012	1Q 2012	QoQ(%)	YoY(%)
Revenue	<b>356,725</b>	331,046	236,975	7.8%	50.5%
-Online Games	<b>211,994</b>	229,104	191,581	(7.5%)	10.7%
-Mobile Internet	<b>144,731</b>	101,942	45,394	42.0%	218.8%
Gross Profit	<b>310,066</b>	296,829	208,700	4.5%	48.6%
GPM	<b>86.9%</b>	89.7%	88.1%	(2.8%)	(1.2%)
Operating Profit	<b>128,091</b>	120,542	72,192	6.3%	77.4%
Non-GAAP Operating Profit	<b>175,456</b>	138,555	81,953	26.6%	114.1%
Profit (Loss) attributable to the owner of the Company	<b>111,787</b>	(157,025)	55,771	N/A	100.4%
Non-GAAP profit attributable to the owners of the Company	<b>136,245</b>	107,800	74,003	26.4%	84.1%
Profit (Loss)	<b>116,382</b>	(157,182)	55,873	N/A	108.3%
Non-GAAP Profit	<b>140,840</b>	107,643	74,105	30.8%	90.1%
NPM	<b>32.6%</b>	N/A	23.6%	N/A	9.0%
EPS-Basic (RMB cents)	<b>22.19</b>	(31.19)	10.88	N/A	104.0%
EPS-Diluted (RMB cents)	<b>16.91</b>	(30.99)	10.87	N/A	55.6%

## Metrics

### Online Games

	1Q 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011
<b>PCU</b>	<b>445,000</b>	521,000	525,000	582,000	600,000	612,000
<b>ACU</b>	<b>237,000</b>	287,000	281,000	307,000	297,000	310,000

## 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 share-based payment expense, 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 management conference call and webcast to review its financial results for the first quarter ended March 31, 2013 on Monday, June 3, 2013 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, June 3, 2013**

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

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 "1Q 2013 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 Launcher, 91 Panda Reader, sj.91.com and www.hiapk.com.

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

	Three Months Ended		
	31/3/2013 (Unaudited) RMB '000	31/12/2012 (Unaudited) RMB '000	31/3/2012 (Unaudited) RMB '000
<b>Revenue</b>	<b>356,725</b>	331,046	236,975
Cost of revenue	<u>(46,659)</u>	<u>(34,217)</u>	<u>(28,275)</u>
<b>Gross profit</b>	<b>310,066</b>	296,829	208,700
Other income and gains	15,217	17,536	3,770
Selling and marketing expenses	<b>(35,510)</b>	(44,220)	(33,487)
Administrative expenses	<b>(102,822)</b>	(82,883)	(58,911)
Development costs	<b>(54,660)</b>	(61,992)	(45,786)
Other expenses	<b>(4,820)</b>	(2,902)	(1,721)
Share of losses of associates	<b>(393)</b>	(435)	(373)
Share of profit of a jointly controlled entity	<b>1,013</b>	(1,391)	-
<b>Operating Profit</b>	<b>128,091</b>	120,542	72,192
Interest income on pledged bank deposit	1,925	2,249	-
Exchange (loss) gain on pledged bank deposit, secured bank loan and redeemable convertible preferred shares	<b>(4,653)</b>	7,098	219
Net gain (loss) on derivative financial instruments	<b>38,360</b>	(243,611)	(3,961)
Finance Costs	<b>(12,725)</b>	(12,548)	(4,729)
<b>Profit (loss) before taxation</b>	<b>150,998</b>	(126,270)	63,721
Taxation	<b>(34,616)</b>	(30,912)	(7,848)
<b>Profit (loss) for the period</b>	<b>116,382</b>	(157,182)	55,873
Other comprehensive expenses: Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	<b>(112)</b>	(195)	(17)
<b>Total comprehensive income for the period</b>	<b>116,270</b>	(157,377)	55,856
Profit (loss) for the period attributable to:			
-Owners of the Company	<b>111,787</b>	(157,025)	55,771
-Non-controlling interests	<b>4,595</b>	(157)	102
	<b>116,382</b>	(157,182)	55,873
Total comprehensive income attributable to:			
- Owners of the Company	<b>111,675</b>	(157,220)	55,754
- Non-controlling interests	<b>4,595</b>	(157)	102
	<b>116,270</b>	(157,377)	55,856
<b>Earnings per share</b>	<b>RMB cents</b>	RMB cents	RMB cents
- Basic	<b>22.19</b>	(31.19)	10.88
- Diluted	<b>16.91</b>	(30.99)	10.87

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(AS AT 31 MARCH 2013)**

	31 March 2013 (Unaudited) RMB '000	31 December 2012 (Audited) RMB '000
<b>Non-current assets</b>		
Property, plant and equipment	380,602	345,415
Prepaid lease payments	198,114	139,678
Investment property	16,151	16,217
Intangible assets	2,205	2,626
Interests in associates	5,800	11,793
Interests in a jointly controlled entity	19,028	18,015
Available-for-sale investments	5,000	5,000
Loan receivables	9,812	9,969
Goodwill	12,534	12,534
Deferred tax assets	3,986	1,586
	<u>653,232</u>	<u>562,833</u>
<b>Current assets</b>		
Prepaid lease payments	2,902	2,902
Loan receivables	2,720	3,143
Trade receivables	77,568	61,427
Other receivables, prepayments and deposits	73,007	72,101
Held for trading investments	-	4,939
Amount due from related companies	3,452	3,637
Amount due from a jointly controlled entity	4,700	3,060
Pledged bank deposit	187,877	194,405
Bank deposits	428,233	394,081
Bank balances and cash	1,292,782	1,142,825
	<u>2,073,241</u>	<u>1,882,520</u>
<b>Current liabilities</b>		
Trade and other payables	252,914	222,137
Deferred income	25,612	24,778
Amounts due to related companies	291	121
Amount due to an associate	-	5,600
Secured bank loan	182,853	183,595
Other financial liability	5,022	10,679
Income tax payable	71,613	66,355
	<u>538,305</u>	<u>513,265</u>
<b>Net current assets</b>	<u>1,534,936</u>	<u>1,369,255</u>
<b>Total assets less current liabilities</b>	<u>2,188,168</u>	<u>1,932,088</u>
<b>Non-current liabilities</b>		
Redeemable convertible preferred shares	-	195,115
Conversion option derivative liability	-	314,829
Deferred tax liability	11,001	6,141
	<u>11,001</u>	<u>516,085</u>
<b>Net assets</b>	<u>2,177,167</u>	<u>1,416,003</u>
<b>Capital and reserves</b>		
Share capital	37,542	37,532

Share premium and reserves	<u>1,678,235</u>	<u>1,356,317</u>
Equity attributable to owners of the Company	<u>1,715,777</u>	<u>1,393,849</u>
Non-controlling interests	<u>461,390</u>	<u>22,154</u>
	<u><b>2,177,167</b></u>	<u><b>1,416,003</b></u>