

**NETDRAGON WEBSOFT INCORPORATED:
FADS COME AND FADS GO ...
AND THIS NET DRAGON MAY RUN OUT OF FIRE**

One of the biggest successes in obtaining a listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd over the past year or so was, without question, that of NetDragon Websoft Incorporated (Code: 8288).

The **TARGET** () use of the word, ‘*successes*’, refers only to the Offer Price and the rise from that price level as soon as the Company’s shares were traded on The GEM on Friday, November 2, 2007.

But the question is, of course: Is the Company worth its salt?

Last Wednesday, Management of NetDragon Websoft announced that, for the 3 months, ended September 30, 2007, it had made dramatic strides in both the amount of revenue obtained and its Net Profit Attributable to Shareholders for that quarter:

Turnover Up 526 percent, Year-On-Year
Net Profit Attributable to Shareholders ... Up 803 percent, Year-On-Year

Page 8 of the Third Quarterly Report showed that about 67 percent of Company’s revenue for the 3 months to September 30, 2007, came from sales of just one of the games, produced by this online game company.

For the first 9 months of the Current Financial Year, sales, derived from this one game, accounted for about 69.10 percent of the aggregate Turnover of about 453.33 million renminbi.

NetDragon Websoft pitched its story on October 23, 2007, when it launched its **Initial Public Offering** (IPO) of 95.60 million, New Shares of one cent (US) per Share at the Offer Price of \$HK13.18 per Share.

At the time of the publication of the Company’s Prospectus, therefore, Management, no doubt, had more than an inkling of its dramatic gains, as outlined last Wednesday in its Third Quarterly Report.

On November 1, 2007, it was announced that the Placing Shares – there was no Open Public Offer of shares to investors of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC), only International Placements – had been ‘*very significantly over-subscribed.*’

The Net Proceeds from the International Placements were about \$HK1,173.90 million.

The number of placees was only 304 International Investors, the announcement stated.

Then, 8 days later, it was announced that the Over-Allotment Option, offered to Bear Stearns Asia Ltd (), the Global Coordinator and Bookrunner, had been exercised in full.

The Over-Allotment Option of 16.20 million Shares brought an additional \$HK205 million into the coffers of NetDragon Websoft, bringing the aggregate amount of cash in this cash-raising exercise to \$HK1,378.90 million.

At the time of the IPO, 13 existing shareholders determined to sell 12.40 million of their shares, allowing these corporate entities/investors to cash out about \$HK163.43 million.

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