

**NETDRAGON WEBSOFT INCORPORATED:  
TAKING THE WINGS OFF THIS LITTLE 'BUTTERFLY'**

The situation at publicly listed [NetDragon Websoft Incorporated \(\)](#) (Code: 777, Main Board, The Stock Exchange of Hongkong Ltd) is much worse than Management would like shareholders to realise.

Of that, there can be little question.

When the Unaudited Consolidated Income for the Third Quarter of NetDragon Websoft is scanned, one notes some very worrying aspects about this company's earnings for the 3 months, ended September 30, 2008.

And it seems very probable that the financial situation at this company will continue to deteriorate, as far as the Bottom Line for the full Financial Year, ending December 31, 2008, is concerned.

This goes along with **TARGET**'s earlier prognoses about this company (Please refer to **TARGET** Intelligence Report, Volume X, Number 210, published on Friday, November 7, 2008, Pages 9 and 10, and **TARGET** Intelligence Report, Volume IX, Number 217, published on November 16, 2007).

The Third Quarterly Report of NetDragon Websoft, published on Monday, November 17, indicates, inter alia, the following:

Turnover:	Down 28.69 percent, Year-On-Year
Gross Profit:	Down 34.28 percent, Year-On-Year
Net Profit Attributable to Shareholders:	Down 54.58 percent, Year-On-Year
Earnings Per Share (Basic):	Down 62.46 percent, Year-On-Year

On a Turnover of about 136.62 million renminbi (2007: 191.58 million renminbi), NetDragon Websoft managed to turn in a Gross Profit of about 119.28 million renminbi (2007: 181.48 million renminbi).

The Net Profit Attributable to Shareholders was about 50.88 million renminbi (2007: 112.04 million renminbi).

However, the composition of the Bottom Line included '*Other Revenue and Gains*', amounting to about 34.33 million renminbi (2007: 1.94 million renminbi).

Note 4 at Page 4 of the Third Quarterly Report states that 20.36 million renminbi was the result of '*Fair Value Gain on Derivative Financial Instruments*'.

Page 10 of the Report elaborates on this matter by stating, among other things:

*'The increase in other revenue and gains was mainly attributable to (i) the net increase in the fair value of the forward foreign currency contract of approximately RMB20.4 million was recognised; and (ii) the increase in the contribution of advertising income. The increase in fair value of the forward foreign currency contract for nine months period and cumulated changes of RMB20.8 million was solely attributable to the changes of market conditions that give rise to market risk ...'.*

It is clear that ... [CLICK TO ORDER FULL ARTICLE](#)

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