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NetDragon Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTION
AND
CHANGE OF SHAREHOLDERS IN FUZHOU TIANLIANG**

CONTINUING CONNECTED TRANSACTION

The Board announces that on 24 April 2009, TQ Digital entered into the Recreation Centre Agreement with Fuzhou 851, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to the Group and its staff for a period from 25 April 2009 to 24 April 2012 at a monthly fee of RMB500,000 (equivalent to approximately HK\$567,500).

Fuzhou 851 is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., a substantial shareholder of the Company, Liu Dejian, an executive Director, and Yang Zhenhua, the mother of Liu Dejian, respectively, and is a connected person of the Company under the Listing Rules. The entering into the Recreation Centre Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Given that the transaction amount under the Recreation Centre Agreement on annual basis, being RMB6,000,000 (equivalent to approximately HK\$6,810,000), fall within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into the Recreation Centre Agreement is only subject to the reporting, announcement and annual review requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CHANGE OF SHAREHOLDERS IN FUZHOU TIANLIANG

As stated in the Listing Document, the Group and Fuzhou Tianliang entered into the Service Agreement on 15 October 2007 which constituted a continuing connected transaction under the Listing Rules. The Board has just been informed by Fuzhou Tianliang that the Original Shareholders have transferred all their interests in Fuzhou Tianliang to Miss Lin. Miss Lin confirmed that she is acting under the instructions of the Controlling Shareholders regarding her interests in Fuzhou Tianliang and therefore, she is deemed to be a connected person to the Company under the Listing Rules. The Directors confirm that there are no changes to the terms of the Service Agreement. The Directors further confirm that the Group will continue to comply with the conditions to the waiver granted by the Stock Exchange regarding the Service Agreement, details of which are set out in “Relationship with the Controlling Shareholders and non-competition undertakings — Continuing connected transaction exempt from independent Shareholders’ approval requirement but subject to reporting and announcement requirements — Waiver from the Stock Exchange in respect of the Discloseable Continuing Connected Transaction” of the Listing Document.

CONTINUING CONNECTED TRANSACTION

Recreation Centre Agreement

The Board announces that on 24 April 2009, TQ Digital entered into the Recreation Centre Agreement with Fuzhou 851, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to the Group and its staff for a period from 25 April 2009 to 24 April 2012 at a monthly fee of RMB500,000 (equivalent to approximately HK\$567,500).

A summary of the principal terms of the Recreation Centre Agreement is as follows:

Date:	24 April 2009
Parties:	(a) Fuzhou 851, as the service provider (b) TQ Digital, as the service consumer
Nature of transaction:	The provision of Services at the Recreation Centre by Fuzhou 851 to the Group and its staff on an exclusive basis
Term:	For a period of three years commencing from 25 April 2009 to 24 April 2012 (both days inclusive)

Service fee: RMB500,000 (equivalent to approximately HK\$567,500) per month and payable on a monthly basis

Annual Cap

The service fee under the Recreation Centre Agreement is arrived at on an arm's length basis after considering the number of staff of the Group and service fees charged by other recreation centres at Fuzhou and Xiamen. The Board further considers the service fee charged under the Recreation Centre Agreement is comparable to those charged by such other recreation centres at Fuzhou and Xiamen and therefore, the service fee charged under the Recreation Centre Agreement is fair and reasonable.

The Annual Cap based on the total annual service fee payable under the Recreation Centre Agreement for each of the financial years ending 31 December 2009, 2010 and 2011 on annual basis will not exceed RMB6,000,000 (equivalent to approximately HK\$6,810,000), being the monthly service fee of RMB500,000 (equivalent to approximately HK\$567,500) multiplied by 12 months.

Fuzhou 851 and the Group entered into the Tenancy Agreements, pursuant to which Fuzhou 851 as landlord agreed to lease certain premises at Fuzhou to the Group. Since (i) the nature of the transaction contemplated under the Tenancy Agreements (being leasing of premises) is different from the transactions contemplated under the Recreation Centre Agreement (being provision of the Services) and (ii) the Recreation Centre Agreement is not related to the Tenancy Agreements, the transactions contemplated under the Tenancy Agreements and the Recreation Centre Agreement will not be aggregated and Rule 14A.25 of the Listing Rules will not apply.

Save as the Tenancy Agreements and the Recreation Centre Agreement, there are no other existing continuing connected transactions with Fuzhou 851 and its associates which are discloseable under the Listing Rules.

Reasons and benefits for entering into the Recreation Centre Agreement

Fuzhou 851 provided the Services at the Recreation Centre to the Group and its staff free of charge before the effective date of the Recreation Centre Agreement. Fuzhou 851 recently requested to charge the Group and its staff for their usage of the Recreation Centre according to the market rate. The negotiation on the terms of the Recreation Centre Agreement was commenced between Fuzhou 851 and the Group accordingly.

The Directors are of the view that providing the Services at the Recreation Centre to the Group's staff is another welfare of the Group promoting their incentives and

loyalties to the Group. By encouraging their participation at the Recreation Centre would also provide another channel for communication and inter-action among different staff as well as promote the Group's strategy of staff health-care through different exercises provided by facilities at the Recreation Centre. In addition, entering into the Recreation Centre Agreement would mitigate the Group's administrative costs through a lump sum monthly payment instead of re-imburements for each of the Group's staff for every single transaction at the Recreation Centre.

The Directors, including the independent non-executive Directors, consider that the Recreation Centre Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Information on the Group and Fuzhou 851

The Group is principally engaged in online game development, including game design, programming and graphics, and online game operation.

Fuzhou 851 is a sino-foreign equity joint venture enterprise established in the PRC, whose principal businesses are the development and manufacturing of health products for consumers in the PRC and the overseas.

Listing Rules implication

Fuzhou 851 is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., a substantial shareholder of the Company, Liu Dejian, an executive Director and Yang Zhenhua, the mother of Liu Dejian, respectively and is a connected person of the Company under the Listing Rules. The entering into the Recreation Centre Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Given that the transaction amounts under the Recreation Centre Agreement on annual basis fall within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into the Recreation Centre Agreement is only subject to the reporting, announcement and annual review requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

CHANGE OF SHAREHOLDERS IN FUZHOU TIANLIANG

On 15 October 2007, the Group entered into the Service Agreement for provision of repair and maintenance of computer system service and after-sales service with Fuzhou Tianliang, details of which are set out in “Relationship with the Controlling Shareholders and non-competition undertakings — Continuing connected transaction exempt from independent Shareholders’ approval requirement but subject to reporting and announcement requirements — Agreement for provision of repair and maintenance of computer system service and after-sales service (技術維護及遊戲售後服務外包合同) between TQ Digital, NetDragon (Fujian) and Fuzhou Tianliang” of the Listing Document.

The Board has been informed by Fuzhou Tianliang that the Original Shareholders have transferred all their interests in Fuzhou Tianliang to Miss Lin. Despite the fact that the revised business license of Fuzhou Tianliang regarding its change of shareholders was issued at the end of March 2009, the Board was only informed of such change formally in or around the mid of April 2009. In addition, Miss Lin confirmed that she is acting under the instructions of the Controlling Shareholders regarding her interests in Fuzhou Tianliang and therefore, she is deemed to be a connected person to the Company under the Listing Rules.

The Directors confirm that there are no changes to the terms of the Service Agreement. The Directors further confirm that the Group will continue to comply with the conditions to the waiver granted by the Stock Exchange regarding the Service Agreement, details of which are set out in “Relationship with the Controlling Shareholders and non-competition undertakings — Continuing connected transaction exempt from independent Shareholders’ approval requirement but subject to reporting and announcement requirements — Waiver from the Stock Exchange in respect of the Discloseable Continuing Connected Transaction” of the Listing Document.

DEFINITIONS

“Annual Cap”	the annual cap for the transactions contemplated under the Recreation Centre Agreement
“Board”	the board of Directors
“Company”	NetDragon Websoft Inc., an exempted company incorporated in the Cayman Islands with limited liability, and the securities of which are listed on the Stock Exchange

“Controlling Shareholders”	the Group’s controlling shareholders (having the meaning ascribed thereto in the Listing Rules), being DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, Liu Dejian, Zheng Hui, Liu Luyuan, Eagle World International Inc. and Flowson Company Limited
“Director(s)”	the director(s) of the Company
“Fuzhou 851”	Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc. (福州楊振華851生物工程技術研究開發有限公司), a sino-foreign equity joint venture enterprise established in the PRC, and whose equity interest in the registered capital is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., a substantial shareholder of the Company, Liu Dejian, an executive Director, and Yang Zhenhua, the mother of Liu Dejian, respectively and is a connected person of the Company under the Listing Rules
“Fuzhou Tianliang”	Fuzhou Tianliang Network Technology Company Limited (福州天亮網絡技術有限公司), a company established in the PRC with limited liability on 19 April 2006, which is currently wholly owned by Miss Lin
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company, its subsidiaries and such entities which are considered as subsidiaries of the Company under the applicable accounting standard and policy
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Document”	the listing document of the Company dated 27 May 2008 in relation to the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM, which excludes the options market and which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Miss Lin”	林航 (Lin Hang), being the sole shareholder of Fuzhou Tianliang
“NetDragon (BVI)”	NetDragon Websoft Inc., a company established in BVI on 8 January 2003, which is wholly and beneficially owned by the Company
“Original Shareholders”	Chen Hongzhan, an executive Director, Zheng Hui, an executive Director and Wu Jialiang, one of the Group’s senior management, who previously owned Fuzhou Tianliang as to 30%, 30% and 40%, respectively
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau, Special Administrative Region of the PRC and Taiwan)
“Recreation Centre”	a recreation centre, namely 縹緲莊 (Piao Miao Zhuang) situate at 中國福建省福州市鼓樓區溫泉支路60號 (No.60 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, The PRC)
“Recreation Centre Agreement”	the recreation centre service agreement entered into between Fuzhou 851 and TQ Digital on 24 April 2009, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to the Group and its staff for a period from 25 April 2009 to 24 April 2012 at a monthly fee of RMB500,000 (equivalent to approximately HK\$567,500)
“RMB”	Reminbi, the lawful currency of the PRC
“Services”	usage of various recreation facilities, including gym, outdoor and indoor swimming pools, sauna, changing room, activity room (for yoga and other activities), climbing wall, snooker area, basketball field, badminton court and squash court at the Recreation Centre

“Service Agreement”	the agreement for provision of repair and maintenance of computer system service and after-sales service entered into between the Group and Fuzhou Tianliang on 15 October 2007, details of which are set out in “Relationship with the Controlling Shareholders and non-competition undertakings — Continuing connected transaction exempt from independent Shareholders’ approval requirement but subject to reporting and announcement requirements — Agreement for provision of repair and maintenance of computer system service and after-sales service (技術維護及遊戲售後服務外包合同) between TQ Digital, NetDragon (Fujian) and Fuzhou Tianliang” of the Listing Document
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Tenancy Agreements”	the tenancy agreements entered into between Fuzhou 851 and the Group on 22 January 2009, details of which are set out in the announcement of the Company dated 22 January 2009
“TQ Digital”	Fujian TQ Digital Inc (福建天晴數碼有限公司), formerly known as Fujian TQ Digital Ind (福建天晴數碼有限公司) and Fuzhou TQ Digital Ind (福州天晴數碼有限公司), a wholly foreign owned enterprise established in the PRC on 28 February 2003, which is wholly and beneficially owned by NetDragon (BVI)
“%”	per cent.

For the purpose of this announcement, conversion of RMB into HK\$ is calculated at the conversion rate of HK\$1.135 to RMB1.00. This conversion rate is for purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, converted at this or any other rates at all.

By order of the Board
NetDragon Websoft Inc.
Liu Dejian
Chairman

Hong Kong, 27 April 2009

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Dejian, Mr. Liu Luyuan, Mr. Zheng Hui and Mr. Chen Hongzhan; one non-executive Director, namely Mr. Lin Dongliang and three independent non-executive Directors, namely Mr. Chao Guowei, Charles, Mr. Lee Kwan Hung and Mr. Liu Sai Keung, Thomas.