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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)

DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 6 May 2010 and the circular of the Company dated 19 May 2010, in relation to the acquisitions of the Property and the Owned Land. As stated in the said announcement and circular, it was the intention of the executive Directors to develop the Property and the Owned Land as (i) an education centre for online game design and animation experts; (ii) an interactive convention centre for online game and animation products; and (iii) the Group's new head office and staff quarters.

The Board would like to announce that in furtherance to develop the Property and the Owned Land, TQ Online, an indirectly wholly-owned subsidiary of the Company, had entered into (i) the First Construction Contract on 25 October 2010 with Minnan Construction for the first instalment of the construction of the TQ Building on the Property and the Owned Land at a cash consideration of RMB82,927,234 (equivalent to approximately HK\$96,445,000); and (ii) the Second Construction Contract on 25 October 2010 with Minnan Construction for the second instalment of the construction of the TQ Building on the Property and the Owned Land at a cash consideration of RMB40,950,643 (equivalent to approximately HK\$47,626,000).

If the acquisitions of the Property and the Owned Land and the transactions contemplated under the Construction Contracts were aggregated for the purpose of Chapter 14 of the Listing Rules, the applicable percentage ratio as set out in the Listing Rules would be more than 5% but less than 25%. Accordingly, the acquisitions of the Property and the Owned Land and the transactions contemplated under the Construction Contracts, in aggregate, will constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 6 May 2010 and the circular of the Company dated 19 May 2010, in relation to the acquisitions of the Property and the Owned Land. As stated in the said announcement and circular, it was the intention of the executive Directors to develop the Property and the Owned Land as (i) an education centre for online game design and animation experts; (ii) an interactive convention centre for online game and animation products; and (iii) the Group's new head office and staff quarters.

In furtherance to develop the Property and the Owned Land, TQ Online, an indirectly wholly-owned subsidiary of the Company, had entered into (i) the First Construction Contract on 25 October 2010 with Minnan Construction for the first instalment of the construction of the TQ Building on the Property and the Owned Land at a cash consideration of RMB82,927,234 (equivalent to approximately HK\$96,445,000); and (ii) the Second Construction Contract on 25 October 2010 with Minnan Construction for the second instalment of the construction of the TQ Building on the Property and the Owned Land at a cash consideration of RMB40,950,643 (equivalent to approximately HK\$47,626,000).

CONSTRUCTION CONTRACTS

The Construction Contracts comprise of the First Construction Contract and the Second Construction Contract.

A summary of the principal terms of each of the Construction Contracts is as follows:-

The First Construction Contract

Date:	25 October 2010
Parties:	Minnan Construction, as contractor and an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules) TQ Online, as contractee
Consideration:	RMB82,927,234 (equivalent to approximately HK\$96,445,000)

Payment of the consideration: Prepayment: conditional on the approval of the design and upon the application by Minnan Construction, TQ Online will pay Minnan Construction 2% of the consideration as the prepayment;

Progress payment: Minnan Construction will issue a construction progress report each month. Conditional on the said construction progress report being confirmed by the supervising engineer and TQ Online, TQ Online shall make the progress payment according to the actual monthly construction progress against the total construction progress with the 2% prepayment being deducted. The total amount of the progress payment and prepayment paid by TQ Online shall not exceed 95% of the consideration; and

Guarantee deposit: the remaining balance of 5% of consideration will be treated as the guarantee deposit provided by Minnan Construction for the post-completion guaranty of the construction work. The term of guaranty will be three years commencing on the completion date of the construction and the guarantee deposit will be released to Minnan Construction in three instalments during the term of guaranty.

Construction period: 500 days commencing on 26 October 2010

Subject of Construction: The TQ Building on the Property and the Owned Land, the construction of which includes the construction work except the construction of external wall and screen wall, aluminum windows and doors, and manganese alloy roofing system

The Second Construction Contract

Date: 25 October 2010

Parties: Minnan Construction, as contractor and an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules)

TQ Online, as contractee

Consideration: RMB40,950,643 (equivalent to approximately HK\$47,626,000)

Payment of the consideration:	<p>Prepayment: conditional on the approval of the design and upon the application by Minnan Construction, TQ Online will pay Minnan Construction 2% of the consideration as the prepayment;</p> <p>Progress payment: Minnan Construction will issue a construction progress report each month. Conditional on the said construction progress report being confirmed by the supervising engineer and TQ Online, TQ Online shall make the progress payment according to the actual monthly construction progress against the total construction progress with the 2% prepayment being deducted. The total amount of the progress payment and prepayment paid by TQ Online shall not exceed 95% of the consideration; and</p> <p>Guarantee deposit: the remaining balance of 5% of consideration will be treated as the guarantee deposit provided by Minnan Construction for the post-completion guaranty of the construction work. The term of guaranty will be three years commencing on the completion date of the construction and the guarantee deposit will be released to Minnan Construction in three instalments during the term of guaranty.</p>
Construction period:	370 days commencing on the completion of the piles construction of the TQ Building
Subject of Construction:	The TQ Building on the Property and the Owned Land, the construction of which includes the construction of external wall and screen wall, aluminum windows and doors, and manganese alloy roofing system

INFORMATION OF MINNAN CONSTRUCTION

Minnan Construction, a limited liability company incorporated in PRC, was selected by way of open auction. According to the information and documents provided by Minnan Construction during the open auction, Minnan Construction, as a construction company, was established in 2002 and had 2,868 employees as the dated of 8 October 2010.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Minnan Construction and its respective associates are independent third parties of the Company and its connected persons within the meaning of the Listing Rules.

BASIS OF CONSIDERATION

Since the Construction Contracts were reached by way of open auction, the Directors consider that the terms of Construction Contracts, including the considerations thereof, are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE CONSTRUCTION CONTRACTS

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

It was the current intention of the executive Directors to develop the Property and the Owned Land as (i) an education centre for online game design and animation experts; (ii) an interactive convention centre for online game and animation products; and (iii) the Group's new head office and staff quarters. The executive Directors consider that the education centre could provide the Group experts in online game design and animation, which in turn, enhances the productivity and innovation capacity of the Group. The interactive convention centre could also provide a solid platform to promote the Group's online games as well as other online game and animation products. In addition, due to years of development, the Group has been looking for properties as its new head office and staff quarters to cope with its expansion and development. The construction of the TQ Building under the Construction Contracts provide appropriate premises for such purposes.

Further, the TQ Building would be one of buildings in the Project, a major development project for the construction of Haixi district implemented by the PRC government and arranged by the government of the Changle City of Fuzhou in Fujian Province. The Project was aimed to invite companies to set up headquarters in the Haixi district in order to bring up the district's importance and economy. The executive Directors consider that the construction of the TQ Building would be suitable to serve the above mentioned purposes for the Group to participate in the Project as the representative company in the online game industry in the Fujian Province. It could further strengthen the corporate image of the Group as well as to cope with the Group's future expansion plan.

Moreover, the Directors believed that the Construction Contracts would enhance the value of the Property and the Owned Land as a whole which would be more suitable for the potential expansion of the Group's business in the industry.

In addition, it is the present intention of the executive Directors that the Group may continue to acquire land in the adjacent area of the Property and the Owned Land in the future for implementation of the Group's participation in the Project. However,

except for acquisitions of the Property and the Owned Land, details of which are set forth in the announcement of the Company dated 6 May 2010 and the circular of the Company dated 19 May 2010, no other binding agreement was entered into by the Group regarding the further acquisition of lands which would constitute a capital commitment of the Group discloseable under the Listing Rules. The Company will comply with the requirements under the Listing Rules by issuing the relevant announcement and circular (if applicable) as and when appropriate.

LISTING RULES IMPLICATIONS

If the acquisitions of the Property and the Owned Land and the transactions contemplated under the Construction Contracts were aggregated for the purpose of Chapter 14 of the Listing Rules, the applicable percentage ratio as set out in the Listing Rules would be more than 5% but less than 25%. Accordingly, the acquisitions of the Property and the Owned Land and the transactions contemplated under the Construction Contracts, in aggregate, will constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

“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
“Construction Contracts”	the First Construction Contract and the Second Construction Contract
“Director(s)”	the director(s) of the Company
“First Construction Contract”	the construction contract entered into on 25 October 2010 by TQ Online and Minnan Construction for the contracting of the construction of the first instalment of the TQ Building on the Property and the Owned Land
“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 Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minnan Construction”	Fujian Province Minnan Construction Engineering Co., Ltd (福建省閩南建築工程有限公司), an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules)
“Owned Land”	a parcel of land located at Dahe Village, Hunan Town, Changle City, Fujian Province, the PRC (中國福建省長樂市湖南鎮大鶴村) with a site area of approximately 197,664 sq. m. which is currently owned by the Group, details of which are set forth in the announcement of the Company dated 6 May 2010 and the circular of the Company dated 19 May 2010
“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)
“Project”	the project of Haixi Animation Creativity City (海西動漫創意之都), a major development project for the construction of Haixi district implemented by the PRC government and arranged by the government of the Changle City of Fuzhou in Fujian Province
“Property”	buildings, land and water coastal area located at Dahe Village, Hunan Town, Changle City, Fujian Province, the PRC (中國福建省長樂市湖南鎮大鶴村) which was acquired by the Group through the acquisition of Fujian TianDi Animation Technologies Co., Ltd. (福建天棣動漫科技有限公司), details of which are set forth in the announcement of the Company dated 6 May 2010 and the circular of the Company dated 19 May 2010
“RMB”	Renminbi, the lawful currency of the PRC
“Second Construction Contract”	the construction contract entered into on 25 October 2010 by TQ Online and Minnan Construction for the contracting of the construction of the second instalment of the TQ Building on the Property and the Owned Land
“Share(s)”	the ordinary share(s) of USD0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. m.”	square metres
“TQ Building”	TQ Building (天晴樓) of the Project to be constructed on the Property and the Owned Land
“TQ Online”	Fujian TQ Online Interactive Inc. (福建天晴在綫互動科技有限公司), a wholly foreign owned enterprise established in the PRC on 18 March 2008, which is indirectly wholly-owned subsidiary of the Company.
“USD”	US Dollar, the lawful currency of the United State of America

For the purpose of this announcement, conversion of RMB into HK\$ is calculated at the conversion rate of HK\$0.85984 to RMB1.00. This conversion rate is for purpose of illustration only and does 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, 25 October 2010

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