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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)

CONTINUING CONNECTED TRANSACTIONS

On 28 December 2011, TQ Digital entered into the Tenancy Agreement I with Fujian Bo Rui in relation to the leasing of Property I at a monthly rental of RMB81,500 for the period from 1 January 2012 to 31 December 2014.

On 28 December 2011, TQ Digital entered into the Tenancy Agreement II with Fuzhou BoYuan Wireless in relation to the leasing of Property II at a monthly rental of RMB54,000 for the period from 1 January 2012 to 31 December 2014.

Fujian Bo Rui, through the Control Documents, is regarded as a subsidiary of Fuzhou BoYuan Wireless. Fuzhou BoYuan Wireless is an indirect wholly owned subsidiary of 91 Limited. 91 Limited is an indirect subsidiary of the Company, of which the Series A Investors are interested in (i) 15,384,000 series A preferred shares; and (ii) the convertible promissory notes in an aggregate principal amount of US\$5,000,000 under the Note Issuance Transaction. In general, holders of the preferred shares in 91 Limited shall have the right to receive notice of and to attend general meeting of 91 Limited and vote on all matters on which holders of the ordinary shares in 91 Limited shall be entitled to vote. Excluding shares of 91 Limited which may be issued pursuant to the Note Issuance Transaction, the series A preferred shares of the Series A Investors account for approximately 13.71% of all the outstanding shares of 91 Limited upon the full conversion of the preferred shares. In addition to their interests in 91 Limited and as of the date of this announcement, the Series A Investors are interested in approximately 14.87% of the shareholding interests of the Company and is deemed to be a substantial shareholder of the Company. Accordingly, 91 Limited is considered as a connected

person of the Company under Rule 14A.11(5) of the Listing Rules and each of Fujian Bo Rui and Fuzhou BoYuan Wireless is considered as a connected person of the Company under Rule 14A.11(6) of the Listing Rules. The entering into the Tenancy Agreement I and the Tenancy Agreement II constitutes continuing connected transactions of the Company and should be aggregated under the Listing Rules.

Given that the applicable percentage ratios under the Tenancy Agreement I and Tenancy Agreement II (which are aggregate under Rule 14A.25 of the Listing Rules) on annual basis fall within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into the Tenancy Agreement I and Tenancy Agreement II 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.

The Board announces that on 28 December 2011, TQ Digital entered into (i) the Tenancy Agreement I with Fujian Bo Rui in relation to the leasing of Property I; and (ii) the Tenancy Agreement II with Fuzhou BoYuan Wireless in relation to the leasing of Property II.

A summary of the principal terms of the Tenancy Agreements is as follows:

1. TENANCY AGREEMENT I

Date:	28 December 2011
Parties:	(a) TQ Digital as landlord (b) Fujian Bo Rui as tenant
Premises:	Premises with a total gross floor area of approximately 1,087.5 sq.m. consisting of office premises and which is situated at 中國福建省福州市鼓樓區溫泉支路56號東門大樓的2樓及3樓的部份辦公室 (Level 2 and portion of Level 3, Dongmen Building, No. 56 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC) with a 房權證 (real estate ownership certificate): 榕晉J字第W1527 (Rong Jin J Zhi Di W1527)
Term:	For a period of three years commencing from 1 January 2012 to 31 December 2014 (both days inclusive)

Rent: Total annual rental of RMB978,000 (equivalent to approximately HK\$1,204,000) or monthly rental of RMB81,500 (equivalent to approximately HK\$100,000) (which shall not be adjusted during the term)

Payable Term: First payment, equivalent to three months' rental, payable within five working days from the date of the Tenancy Agreement I; subsequent payments, equivalent to three months' rental each, are payable in advance within five working days before the commencement of each subsequent quarter

Deposit: RMB500,000 (equivalent to approximately HK\$615,000) (payable within three working days upon the signing of the Tenancy Agreement I and shall be refunded to Fujian Bo Rui without interest within three working days upon the expiry or termination of the Tenancy Agreement I provided that Fujian Bo Rui has not breached any of the terms and conditions of the Tenancy Agreement I

Purposes: General office purposes

2. TENANCY AGREEMENT II

Date: 28 December 2011

Parties: (a) TQ Digital as landlord
(b) Fuzhou BoYuan Wireless as tenant

Premises: Premises with a total gross floor area of approximately 725 sq.m. consisting of office premises and which is situated at 中國福建省福州市鼓樓區溫泉支路56號東門大樓的3樓的部份辦公室 (Portion of Level 3, Dongmen Building, No. 56 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC) with a 房權證 (real estate ownership certificate): 榕晉J字第W1527 (Rong Jin J Zhi Di W1527)

Term:	For a period of three years commencing from 1 January 2012 to 31 December 2014 (both days inclusive)
Rent:	Total annual rental of RMB648,000 (equivalent to approximately HK\$798,000) or monthly rental of RMB54,000 (equivalent to approximately HK\$66,000) (which shall not be adjusted during the term)
Payable Term:	First payment, equivalent to three months' rental, payable within five working days from the date of the Tenancy Agreement II; subsequent payments, equivalent to three months' rental each, are payable in advance within five working days before the commencement of each subsequent quarter
Deposit:	RMB200,000 (equivalent to approximately HK\$246,000) (payable within three working days upon the signing of the Tenancy Agreement II and shall be refunded to Fuzhou BoYuan Wireless without interest within three working days upon the expiry or termination of the Tenancy Agreement II provided that Fuzhou BoYuan Wireless has not breached any of the terms and conditions of the Tenancy Agreement II
Purposes:	General office purposes

AGGREGATE ANNUAL CAP OF THE TENANCY AGREEMENTS

The Aggregate Annual Cap for the Tenancy Agreements based on the total annual rental payable under the Tenancy Agreements for each of the financial years ending 31 December 2012, 2013 and 2014 will not exceed RMB1,626,000 (equivalent to approximately HK\$2,002,000).

Save as the Tenancy Agreements, there are no other existing continuing connected transactions with Fujian Bo Rui and/or Fuzhou BoYuan Wireless and its associates which should be aggregated with the Tenancy Agreements and are discloseable under the Listing Rules.

REASONS AND BENEFITS FOR ENTERING INTO THE TENANCY AGREEMENTS

The Directors are of the view that the entering into Tenancy Agreements would (i) allow the full utilisation of Property I and Property II; and (ii) allow ample office space to facilitate the future expansion and growth of the business of 91 Limited. The terms of the Tenancy Agreements were determined after arm's length negotiations between the parties and with reference to the open market rent of comparable properties. Since Assets Appraisal Limited, an independent valuer, is of the opinion that (i) the market rental value of the properties under Tenancy Agreement I as at 15 November 2011 was in the amount of RMB81,500 (equivalent to approximately HK\$100,000) per month, whereas (ii) the market rental value of the properties under Tenancy Agreement II as at 15 November 2011 was in the amount of RMB54,000 (equivalent to approximately HK\$66,000), the rental charged by TQ Digital under the Tenancy Agreements is fair and reasonable; and the terms of the Tenancy Agreements are on normal commercial terms after arm's length negotiations.

The Directors, including the independent non-executive Directors, consider that the Tenancy Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP, FUJIAN BO RUI AND FUZHOU BOYUAN WIRELESS

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

Fujian Bo Rui is an enterprise established under the laws of the PRC, the equity interests are all held by NetDragon (Fujian) and through the Control Documents, Fuzhou BoYuan Wireless is able to control Fujian Bo Rui and accordingly, Fujian Bo Rui will be regarded as a subsidiary of Fuzhou BoYuan Wireless. Fujian Bo Rui is principally engaged in the Mobile Internet Business.

Fuzhou BoYuan Wireless is an indirect wholly owned subsidiary of 91 Limited, in turn an indirect subsidiary of the Company, and principally engaged in provision of consulting services to Fujian Bo Rui through the Control Documents.

LISTING RULES IMPLICATION

Fujian Bo Rui, through the Control Documents, is regarded as a subsidiary of Fuzhou BoYuan Wireless. Fuzhou BoYuan Wireless is an indirect wholly owned subsidiary of 91 Limited. 91 Limited is an indirect subsidiary of the Company, of which the Series A Investors are interested in (i) 15,384,000 series A preferred shares; and (ii) the convertible promissory notes in an aggregate principal amount of US\$5,000,000 under the Note Issuance Transaction. In general, holders of the preferred shares in 91 Limited shall have the right to receive notice of and to attend general meeting of 91 Limited and vote on all matters on which holders of the ordinary shares in 91 Limited shall be entitled to vote. Excluding shares of 91 Limited which may be issued pursuant to the Note Issuance Transaction, the series A preferred shares of the Series A Investors account for approximately 13.71% of all the outstanding shares of 91 Limited upon the full conversion of the preferred shares. In addition to their interests in 91 Limited and as of the date of this announcement, the Series A Investors are interested in approximately 14.87% of the shareholding interests of the Company and is deemed to be a substantial shareholder of the Company. Accordingly, 91 Limited is considered as a connected person of the Company under Rule 14A.11(5) of the Listing Rules and each of Fujian Bo Rui and Fuzhou BoYuan Wireless is considered as a connected person of the Company under Rule 14A.11(6) of the Listing Rules. The entering into the Tenancy Agreement I and the Tenancy Agreement II constitutes continuing connected transactions of the Company and should be aggregated under the Listing Rules.

Given that the applicable percentage ratios under the Tenancy Agreement I and Tenancy Agreement II (which are aggregate under Rule 14A.25 of the Listing Rules) on annual basis fall within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into the Tenancy Agreement I and Tenancy Agreement II 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.

Except for Mr. Lin Dongliang, who is a member of the general partners of IDG Technology Venture Investments of the Series A Investors, no Directors have a material interest in the transactions contemplated under the Tenancy Agreements. Accordingly, Mr. Lin Dongliang has abstained from voting on the Board resolution in relation to the transactions contemplated under the Tenancy Agreements.

DEFINITIONS

“91 Limited”	91 Limited, a limited liability company incorporated in the Cayman Islands, being an indirect subsidiary of the Company, which is with an authorised share capital consisting of (i) 164,000,000 ordinary shares, 71,151,000 of which have been issued to NetDragon (BVI) and 9,615,000 of which have been issued to TNL; (ii) 15,500,000 series A preferred shares, 15,384,000 of which have been issued to Series A Investors (details of which are set forth in the announcements of the Company dated 30 May 2011 and 15 August 2011); (iii) 20,500,000 series B preferred shares, 16,025,000 of which have been issued or agreed to be issued to Series B Investors (details of which are set forth in the announcements of the Company dated 9 December 2011 and 15 December 2011); and (iv) pursuant to the Note Issuance Transaction, 91 Limited has issued convertible promissory notes in an aggregate principal amount of US\$5,000,000 to Series A Investors (details of the Note Issuance Transaction are set forth in the announcements of the Company dated 14 September 2011 and 21 September 2011 and the conversion under the Note Issuance Transaction has not yet been determined as of the date of this announcement).
“Aggregate Annual Cap”	the aggregate annual cap for the transactions contemplated under the Tenancy Agreements
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	NetDragon Websoft Inc., an exempted company incorporated in the Cayman Islands with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange

“Control Documents”	(i) the exclusive technical consultancy and service agreement; (ii) the equity interest pledged agreement; (iii) agreement for the exclusive right to acquire equity interest and assets; and (iv) the equity holders’ voting rights proxy agreement, entered into amongst NetDragon (Fujian), Fuzhou BoYuan Wireless and/or Fujian Bo Rui, which are contracts cloning the Structure Contracts and pursuant to which, Fuzhou BoYuan Wireless will be able to control Fujian Bo Rui and thereby Fujian Bo Rui will be regarded as a subsidiary of Fuzhou BoYuan Wireless
“Director(s)”	the director(s) of the Company
“Fujian Bo Rui”	Fujian Bo Rui Websoft Technology Ltd. (福建博瑞網絡科技有限公司), an enterprise established under the laws of the PRC, the equity interests of which are all held by NetDragon (Fujian) and through the Control Documents, Fuzhou BoYuan Wireless is able to control Fujian Bo Rui and accordingly, Fujian Bo Rui is regarded as a subsidiary of Fuzhou BoYuan Wireless
“Fuzhou BoYuan Wireless”	Fuzhou BoYuan Wireless Websoft Technology Ltd. (福州博遠無綫網絡科技有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly owned subsidiary of 91 Limited
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Glory More”	Glory More Limited, a company incorporated in Hong Kong with limited liability on 31 January 2008 which is wholly and beneficially owned by NetDragon (BVI)
“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
“Mobile Internet Business”	the business of mobile Internet application product developments (including program development and art design) and mobile Internet advertising business operations
“NetDragon (BVI)”	NetDragon Websoft Inc., a company established in BVI on 8 January 2003, which is wholly and beneficially owned by the Company
“NetDragon (Fujian)”	Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司), formerly known as Fuzhou NetDragon Websoft Co., Ltd. (福州網龍計算網絡信息技術有限公司), a company established in the PRC with limited liability on 25 May 1999, and through the Structure Contracts, TQ Digital and TQ Online is able to control NetDragon (Fujian) and accordingly, is regarded as a subsidiary of the Company
“Note Issuance Transaction”	the issuance of convertible promissory notes by 91 Limited in the aggregate principal amount of US\$5,000,000 to Series A Investors pursuant to the note purchase agreement dated 14 September 2011 entered into between 91 Limited and the Series A Investors, details of which are set forth in the announcements of the Company dated 14 September 2011 and 21 September 2011
“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)
“Property I”	premises with a total gross floor area of approximately 1,087.5 sq.m. consisting of office premises and which is situated at 中國福建省福州市鼓樓區溫泉支路56號東門大樓的2樓及3樓的部份辦公室 (Level 2 and portion of Level 3, Dongmen Building, No. 56 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC) with a 房權證 (real estate ownership certificate): 榕晉J字第W1527 (Rong Jin J Zhi Di W1527)
“Property II”	premises with a total gross floor area of approximately 725 sq.m. consisting of office premises and which is situated at 中國福建省福州市鼓樓區溫泉支路56號東門大樓的3樓的部份辦公室 (Portion of Level 3, Dongmen Building, No. 56 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC) with a 房權證 (real estate ownership certificate): 榕晉J字第W1527 (Rong Jin J Zhi Di W1527)
“RMB”	Reminbi, the lawful currency of the PRC
“Series A Investors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.
“Series B Investors”	Vertex Asia Growth Ltd, IP Cathay II, L.P. and DT Capital China Growth Fund, L.P.
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Structured Contracts”	the structure contracts entered into among the Group’s subsidiaries and affiliates, particulars of which are set out in “Structure Contracts” of the Listing Document
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“sq.m.”	square metres

“Tenancy Agreement I”	a tenancy agreement dated 28 December 2011 entered into between TQ Digital and Fujian Bo Rui in relation to the leasing of Property I
“Tenancy Agreement II”	a tenancy agreement dated 28 December 2011 entered into between TQ Digital and Fuzhou BoYuan Wireless in relation to the leasing of Property II
“Tenancy Agreements”	Tenancy Agreement I and Tenancy Agreement II
“TNL”	Treasure New Limited, a limited liability company incorporated in the British Virgin Islands, an indirect wholly owned subsidiary of the Company
“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)
“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 wholly and beneficially owned by Glory More
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this announcement, conversion of RMB into Hong Kong dollars is calculated at the conversion rate of HK\$0.81244 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, 28 December 2011

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 Guo Wei, Charles, Mr. Lee Kwan Hung and Mr. Liu Sai Keung, Thomas.