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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Existing Tenancy Agreement I dated 22 January 2009 entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building and the Existing Tenancy Agreement II dated 22 January 2009 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 Building will expire on 21 January 2012. On 19 January 2012, TQ Digital entered into the Renewal Tenancy Agreement I with Fuzhou 851 to renew the Existing Tenancy Agreement I and NetDragon (Fujian) entered into the Renewal Tenancy Agreement II with Fuzhou 851 to renew the Existing Tenancy Agreement II.

Fuzhou 851 is owned as to approximately 27.69% and 72.31% by DJM Holding Ltd., a substantial shareholder of the Company and Liu Dejian, an executive Director, respectively and therefore, Fuzhou 851 is a connected person of the Company under the Listing Rules. The entering into of the Renewal Tenancy Agreement I and the Renewal Tenancy Agreement II constitutes continuing connected transactions of the Company and should be aggregated under the Listing Rules.

Given that the transaction amounts under the Renewal Tenancy Agreement I and Renewal Tenancy Agreement II (which are aggregated 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 of the Renewal Tenancy Agreement I and Renewal Tenancy Agreement II is only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirement.

Reference is made to the announcement of the Company dated 22 January 2009 in relation to the Existing Tenancy Agreements. The Existing Tenancy Agreement I dated 22 January 2009 entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building and the Existing Tenancy Agreement II dated 22 January 2009 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 Building will expire on 21 January 2012. On 19 January 2012, TQ Digital entered into the Renewal Tenancy Agreement I with Fuzhou 851 to renew the Existing Tenancy Agreement I and NetDragon (Fujian) entered into the Renewal Tenancy Agreement II with Fuzhou 851 to renew the Existing Tenancy Agreement II.

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

1. RENEWAL TENANCY AGREEMENT I

Date:	19 January 2012
Parties:	(a) Fuzhou 851 as landlord (b) TQ Digital as tenant
Premises:	A premises with a total gross floor area of approximately 5,678.65 sq.m. of the 851 New Building
Term:	For a period of three years commencing from 22 January 2012 to 21 January 2015 (both days inclusive)
Rent:	Total annual rent of RMB5,112,000 (equivalent to approximately HK\$6,281,000) (which shall not be adjusted during the term)
Payable Term:	Monthly rent of approximately RMB426,000 (equivalent to approximately HK\$523,000) which shall be payable in advance on a quarterly basis five (5) working days prior to the end of each quarter

Deposit: RMB1,278,000 (equivalent to approximately HK\$1,570,000) (payable within three working days upon the signing of the Renewal Tenancy Agreement I and shall be refunded to TQ Digital without interest within three working days upon the expiry or termination of the Renewal Tenancy Agreement I provided that TQ Digital has not breached any of the terms and conditions of the Renewal Tenancy Agreement I)

Purposes: General office purposes

2. RENEWAL TENANCY AGREEMENT II

Date: 19 January 2012

Parties: (a) Fuzhou 851 as landlord
(b) NetDragon (Fujian) as tenant

Premises: A premises with a total gross floor area of approximately 1,894 sq.m. consisting of (i) certain offices on the first floor and its ancillary facilities; and (ii) office premises on the second and third floors of the 851 Building

Term: For a period of three years commencing from 22 January 2012 to 21 January 2015 (both days inclusive)

Rent: Total annual rent of RMB1,704,000 (equivalent to approximately HK\$2,094,000) (which shall not be adjusted during the term)

Payable Term: Monthly rent of approximately RMB142,000 (equivalent to approximately HK\$174,000) which shall be payable in advance on a quarterly basis five (5) working days prior to the end of each quarter

Deposit: RMB426,000 (equivalent to approximately HK\$523,000) (payable within three working days upon the signing of the Renewal Tenancy Agreement II and shall be refunded to NetDragon (Fujian) without interest within three working days upon the expiry or termination of the Renewal Tenancy Agreement II provided that NetDragon (Fujian) has not breached any of the terms and conditions of the Renewal Tenancy Agreement II)

Purposes: General office purposes

AGGREGATE ANNUAL CAP OF THE TENANCY AGREEMENTS

The Aggregate Annual Cap for the Renewal Tenancy Agreements based on the total annual rental payable under the Renewal Tenancy Agreements for each of the financial years ending 31 December 2012, 2013 and 2014 will not exceed RMB6,816,000 (equivalent to approximately HK\$8,375,000).

Fuzhou 851 and the Group has entered into the Recreation Centre Agreement, pursuant to which Fuzhou 851 agreed to provide various recreation facilities at a recreation centre at Fuzhou to the Group.

Save as the Renewal Tenancy Agreements and 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 RENEWAL TENANCY AGREEMENTS

The Directors are of the view that the entering into of the Renewal Tenancy Agreements (i) is necessary for continuing the operation and growth of the business of TQ Digital and NetDragon (Fujian); and (ii) would allow ample office space to facilitate the future expansion and growth of the Group's business and is therefore beneficial to the Group.

The terms of the Renewal Tenancy Agreements were determined after arm's length negotiations between the parties and with reference to the open market rent of comparable properties. Since Asset Appraisal Limited, an independent valuer, is of the opinion that (i) the market rental value of the properties under Renewal Tenancy Agreement I as at 15 November 2011 was in the amount of RMB426,000 (equivalent to approximately HK\$523,000) per month, whereas (ii) the market rental value of the properties under Renewal Tenancy Agreement II as at 15 November 2011 was in the

amount of RMB142,000 (equivalent to approximately HK\$174,000), the rental charged by Fuzhou 851 under the Renewal Tenancy Agreements is fair and reasonable; and the terms of the Renewal Tenancy Agreements are on normal commercial terms after arm's length negotiations.

The Directors, including the independent non-executive Directors, consider that the Renewal 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 AND FUZHOU 851

The Group is principally engaged in online game development and mobile Internet business, 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 overseas.

LISTING RULES IMPLICATION

Fuzhou 851 is owned as to approximately 27.69% and 72.31% by DJM Holding Ltd., a substantial shareholder of the Company and Liu Dejian, an executive Director, respectively and therefore, Fuzhou 851 is a connected person of the Company under the Listing Rules. The entering into of the Renewal Tenancy Agreement I and the Renewal Tenancy Agreement II constitutes continuing connected transactions of the Company and should be aggregated under the Listing Rules.

Given that the transaction amounts under the Renewal Tenancy Agreement I and Renewal Tenancy Agreement II (which are aggregated 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 of the Renewal Tenancy Agreement I and Renewal Tenancy Agreement II is only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirement.

Except for Liu Dejian, no Directors have a material interest in the transactions contemplated under the Renewal Tenancy Agreements. Accordingly, Liu Dejian has abstained from voting on the Board resolution in relation to the transactions contemplated under the Renewal Tenancy Agreements.

DEFINITIONS

“851 Building”	851 Building (851大樓), which is located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC
“851 New Building”	851 New Building (新851大樓), which is located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC and next to the 851 Building
“Aggregate Annual Cap”	the aggregate annual cap for the transactions contemplated under the Renewal 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 Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Tenancy Agreement I”	a tenancy agreement dated 22 January 2009 entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building
“Existing Tenancy Agreement II”	a tenancy agreement dated 22 January 2009 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 Building
“Existing Tenancy Agreements”	Existing Tenancy Agreement I and Existing Tenancy Agreement II
“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 27.69% and 72.31% by DJM Holding Ltd., a substantial shareholder of the Company and Liu Dejian, an executive Director, respectively and is a connected person of the Company under the Listing Rules

“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 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
“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 are able to control NetDragon (Fujian) and accordingly, is regarded as a subsidiary of the Company
“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 Agreement”	the recreation centre service agreement entered into between Fuzhou 851 and TQ Digital on 24 April 2009, details of which are set out in the announcement of the Company dated 27 April 2009

“Renewal Tenancy Agreement I”	a renewal tenancy agreement dated 19 January 2012 entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building
“Renewal Tenancy Agreement II”	a renewal tenancy agreement dated 19 January 2012 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 Building
“Renewal Tenancy Agreements”	Renewal Tenancy Agreement I and Renewal Tenancy Agreement II
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Structure 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 dated 27 May 2008 issued by the Company
“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
“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\$1.00 to RMB0.81386. 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, 19 January 2012

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.