

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



NetDragon Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

**CONTINUING CONNECTED TRANSACTION
PROMOTION AND OPERATION COOPERATION
FRAMEWORK AGREEMENT**

On 9 November 2012, the Company entered into the Promotion and Operation Cooperation Framework Agreement with 91 Limited, pursuant to which the Company has agreed to grant a worldwide rights to 91 Limited to (i) carry out research and development on all or part of the mobile Internet versions of the MMORPGs and other wireless products and their respective applications; and (ii) promote all mobile Internet versions of the MMORPGs and other wireless products and their respective applications.

As the IDG Investors are members of the IDG Group which is a substantial shareholder of the Company and are entitled to exercise 10% or more of voting power at a general meeting of 91 Limited, 91 Limited is regarded as a connected person of the Company under Rule 14A.11(5) of the Listing Rules. Accordingly, the Promotion and Operation Cooperation Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) as defined in the Listing Rules in respect of the aggregate amount of fee under the Promotion and Operation Cooperation Framework Agreement is less than 5%, the Promotion and Operation Cooperation Framework Agreement falls within the ambit of Rule 14A.34 of the Listing Rules and is subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

On 9 November 2012, the Company entered into the Promotion and Operation Cooperation Framework Agreement with 91 Limited, pursuant to which the Company has agreed to grant a worldwide rights to 91 Limited to (i) carry out research and development on all or part of the mobile Internet versions of the MMORPGs and other wireless products and their respective applications; and (ii) promote all mobile Internet versions of the MMORPGs and other wireless products and their respective applications.

THE PROMOTION AND OPERATION COOPERATION FRAMEWORK AGREEMENT

Date

9 November 2012

Parties

- (a) the Company, as grantor; and
- (b) 91 Limited, as grantee and a connected person of the Company.

Major terms

Pursuant to the Promotion and Operation Cooperation Framework Agreement, the Company has agreed to grant a worldwide rights to 91 Limited to (i) carry out research and development on all or part of the mobile Internet versions of the MMORPGs and other wireless products and their respective applications; and (ii) promote all mobile Internet versions of the MMORPGs and other wireless products and their respective applications of the Company through all channels and pay all fees as set out below to the Company.

The Company or an entity delegated by the Company, shall enter into separate promotion and operation cooperation agreement with 91 Limited or an entity delegated by 91 Limited, with respect to the promotion of each of the mobile Internet versions of specific MMORPGs and other wireless products and their respective applications. If the Company shall authorize 91 Limited to conduct research and development on one particular mobile Internet versions of MMORPGs and other wireless products and their respective applications, the separate promotion and operation cooperation agreement shall also set out contents of the research and development.

If particular products would be promoted or developed by a particular team, which might be spin-off in the future, and such team has already obtained the relevant promotion and operation qualifications in accordance with the relevant laws, rules

and regulations; upon mutual consent of the Company and 91 Limited, the particular team may enter into separate promotion and operation cooperation framework agreement with 91 Limited or an entity delegated by 91 Limited. Among other things and with regards to the content and principal of the Promotion and Operation Cooperation Framework Agreement, the separate promotion and operation cooperation agreement for a specific mobile Internet versions of MMORPGs and other wireless products and their respective applications shall not contravene and be principally consistent with the Promotion and Operation Cooperation Framework Agreement.

The Promotion and Operation Cooperation Framework Agreement shall be valid from 9 November 2012 to 8 November 2015. Unless otherwise agreed, all rights and obligations contemplated under the Promotion and Operation Cooperation Framework Agreement shall immediately terminate and be ineffective upon expiration or early termination by the parties. All payable fees prior to termination shall be settled by 91 Limited upon delivery of invoice from the Company, or otherwise, the Company shall have the right to terminate the Promotion and Operation Cooperation Framework Agreement in writing.

Fee Structure

The terms of the Promotion and Operation Cooperation Framework Agreement were determined after arm's length negotiation between the parties and with reference to the estimated total revenue of the respective mobile Internet versions of the MMORPGs and other wireless products and their respective applications to be recognized for each of the periods from 9 November 2012 to 8 November 2013, from 9 November 2013 to 8 November 2014 and from 9 November 2014 to 8 November 2015. 91 Limited shall pay all fees to the Company in the following manner:

- (i) a fixed fee calculated with reference to approximately 30% of the total revenue of the mobile Internet game and other wireless product and their respective application promoted by 91 Limited if the mobile Internet versions of the MMORPGs and other wireless products and their respective applications is being developed and promoted by 91 Limited, which would be set out in the separate promotion and operation cooperation agreement to be entered into between the Company and 91 Limited; and
- (ii) a fixed fee calculated with reference to approximately 50% of the total revenue of the mobile Internet game and other wireless product and their respective application promoted by 91 Limited if the mobile Internet versions of the MMORPGs and other wireless products and their respective applications is being developed by the Company, but being promoted by 91 Limited, which would be set out in the separate promotion and operation cooperation agreement to be entered into between the Company and 91 Limited.

The separate promotion and operation cooperation agreement to be entered into between the Company and 91 Limited shall specify:

- (i) 91 Limited shall provide a fee schedule of the previous month for verification by the Company prior to the 5th day of each calendar month;
- (ii) 91 Limited shall pay the respective fee after obtaining confirmation from the Company prior to the 15th day of each calendar month, through bank transfer, wire transfer or other ways of payment to the designated account; and
- (iii) the Company shall provide invoice to 91 Limited within five (5) days after the respective payment.

Allocation of sales commission of the relevant mobile Internet versions of the MMORPGs and other wireless products and their respective applications developed and promoted by 91 Limited prior to the entering into of the Promotion and Operation Cooperation Framework Agreement shall be subject to negotiation and separate written agreement.

Aggregate Annual Cap of the Promotion and Operation Cooperation Framework Agreement for the period from 9 November 2012 to 8 November 2013, period from 9 November 2013 to 8 November 2014 and period from 9 November 2014 to 8 November 2015

The Aggregate Annual Cap for the Promotion and Operation Cooperation Framework Agreement is based on the estimated number and estimated revenue of the mobile Internet versions of the MMORPGs and other wireless products and their respective applications as follows:

	Period from 9 November 2012 to 8 November 2013 (RMB)	Period from 9 November 2013 to 8 November 2014 (RMB)	Period from 9 November 2014 to 8 November 2015 (RMB)
Aggregate Annual Cap for the fee payable pursuant to the Promotion and Operation Cooperation Framework Agreement	20,000,000 (equivalent to approximately HK\$24,580,896)	30,000,000 (equivalent to approximately HK\$36,871,344)	40,000,000 (equivalent to approximately HK\$49,161,791)

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROMOTION AND OPERATION COOPERATION FRAMEWORK AGREEMENT

Currently, the Group is principally engaged in online game development and Mobile Internet Business, including game design, programming and graphics and online game operation. The Directors are optimistic about the rapidly expanding Mobile Internet Business and the Group will further develop its mobile Internet application products, including smart-phone software applications and games for mobile phones. 91 Limited has launched its mobile phone platforms to the market since the commencement of the Mobile Internet Business in 2008. Therefore, the Directors consider that the development and promotion of mobile Internet versions of MMORPGs and other wireless products and their respective applications is a cost-effective and appropriate means of development of the Mobile Internet Business.

Accordingly, the Board (including the independent non-executive Director(s)) is of the view that the Promotion and Operation Cooperation Framework Agreement was entered into in the ordinary and usual course of the business of the Group on normal commercial terms and is fair and reasonable and in the interests of the Shareholders as a whole.

BACKGROUND INFORMATION ON THE GROUP AND 91 LIMITED

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

91 Limited is an indirect non-wholly owned subsidiary of the Company and principally engaged in investment holding.

LISTING RULES IMPLICATIONS

As the IDG Investors are members of the IDG Group which is a substantial shareholder of the Company and are entitled to exercise 10% or more of the voting power at a general meeting of 91 Limited, 91 Limited is regarded as a connected person of the Company under Rule 14A.11(5) of the Listing Rules. Accordingly, the Promotion and Operation Cooperation Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) as defined in the Listing Rules in respect of the aggregate amount of fee under the Promotion and Operation Cooperation Framework Agreement is less than 5%, the Promotion and Operation Cooperation Framework Agreement falls within the ambit of Rule 14A.34 of the Listing Rules and is subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

Except for Liu Dejian and Chen Hongzhan, who are the executive Directors and directors of 91 Limited and Lin Dongliang, who is a general partner of a member of the IDG Group, no Director has material interest in the Promotion and Operation Cooperation Framework Agreement. Accordingly, Liu Dejian, Chen Hongzhan and Lin Dongliang have abstained from voting on the Board resolutions in relation to the Promotion and Operation Cooperation Framework Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“91 Limited”	91 Limited, a limited liability company incorporated in the Cayman Islands, being an indirect non-wholly owned subsidiary and a connected person of the Company
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“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
“IDG Group”	IDG Technology Venture Investments, L.P. and the IDG Investors, which in aggregate holds approximately 15.22% shareholding interest in the Company and therefore being the Company’s substantial shareholder under the Listing Rules
“IDG Investors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., and IDG-Accel China Investors L.P.
“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 Growth Enterprise Market of the Stock Exchange (“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 and for the purpose of this announcement, 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
“mobile Internet versions”	smart-phone software applications and software applications for iPad and other mobile phones appliances
“MMORRG(s)”	massively multiplayer online role-playing game and the related applications and software products, in which many players participate in the same role-playing game simultaneously and, including but not limited to, the relevant source codes, datum, documents, technical information, graphics, maps, figures, stories in all kinds of style, format and medium
“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, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Promotion and Operation Cooperation Framework Agreement”	the agreement entered into between the Company and 91 Limited dated 9 November 2012 in relation to which the Company agreed to grant a worldwide rights to 91 Limited to (i) carry out research and development on all or part of the mobile Internet versions of the MMORPGs and other wireless products and their respective applications; and (ii) promote all mobile Internet versions of the MMORPGs and other wireless products and their respective applications
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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 HK\$ is calculated at the conversion rate of HK\$1.00 to RMB0.81364. 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, 9 November 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.