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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)

**(1) CONTINUING CONNECTED TRANSACTION —
CONDUCTING ADAPTATION WORK ON
MOBILE INTERNET GAMES**

**(2) CONTINUING CONNECTED TRANSACTION —
PROMOTION AND DISTRIBUTION OF MOBILE INTERNET GAMES
AND MOBILE INTERNET APPS**

**(3) CONNECTED TRANSACTION —
ACQUISITION OF THE ACQUISITION ASSETS**

Reference is made to the announcement of the Company dated 9 November 2012 in relation to the Old Cooperation Agreement. In order for 91 Wireless Group to concentrate on the development of its mobile Internet apps business, on 1 February 2013, the Company entered into the New Cooperation Agreement with 91 Wireless to supersede the Old Cooperation Agreement. Pursuant to the New Cooperation Agreement, (i) the Group has agreed to grant a non-exclusive right to 91 Wireless Group in relation to carrying out the Adaptation Works on the Mobile Internet Games owned by the Group; (ii) the 91 Wireless Group shall have the right to promote and distribute the Mobile Internet Games and Mobile Internet Apps owned by the Group; and (iii) 91 Wireless Group shall sell the Acquisition Assets to the Group at a consideration of approximately RMB4.2 million (equivalent to approximately HK\$5.2 million).

As the IDG Investors are members of the IDG Group which is a substantial shareholder of the Company and is entitled to exercise 10% or more of voting power at a general meeting of 91 Wireless, 91 Wireless is regarded as a connected person of the Company under Rule 14A.11(5) of the Listing Rules. Accordingly, each of the (i) Adaptation Transaction; and (ii) Promotion Transaction 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 each of (i) the Adaptation Annual Cap and (ii) the Promotion Annual Cap is less than 5%, each of the (i) Adaptation Transaction and (ii) Promotion Transaction falls within the ambit of Rule 14A.34 of the Listing Rules and is subject to reporting and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

In addition, the Acquisition Transaction constitutes a 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 Acquisition Transaction is less than 5%, the Acquisition Transaction falls within the ambit of Rule 14A.32 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 9 November 2012 in relation to the Old Cooperation Agreement. In order for 91 Wireless Group to concentrate on the development of its mobile Internet apps business, on 1 February 2013, the Company entered into the New Cooperation Agreement with 91 Wireless to supersede the Old Cooperation Agreement.

Pursuant to the Old Cooperation Agreement, the Company has agreed to grant a worldwide rights to 91 Wireless to (i) carry out research and development on all or part of the mobile Internet versions of games and other wireless products and their respective applications; and (ii) promote and distribute all mobile Internet versions of the games and other wireless products and their respective applications. With reference to a certain percentage of the total revenue of the Mobile Internet Game which is developed and/or promoted by 91 Wireless Group, a fixed fee shall be payable by 91 Wireless to the Company under the Old Cooperation Agreement. Under the New Cooperation Agreement, 91 Wireless will not retain any ownership as to the Acquisition Assets and will sell the Acquisition Assets to the Group. In addition, save for the Adaptation Works, 91 Wireless Group shall cease the research and development of all mobile Internet versions of the games. The Group shall pay to the 91 Wireless Group a service fee in relation to the Adaptation Works and 91 Wireless Group shall pay a fixed fee to the Group, being 30% to 40% of the total revenue generated from the Promotion Transaction.

THE NEW COOPERATION AGREEMENT

Date

1 February 2013

Parties

- (a) the Company; and
- (b) 91 Wireless, a connected person of the Company.

Major terms

Pursuant to the New Cooperation Agreement, the major terms are as follows:

1. Adaptation Transaction

The Group has agreed to grant a non-exclusive right to 91 Wireless Group in relation to carrying out the Adaptation Works on the Mobile Internet Games during the effective period of the New Cooperation Agreement. The Group can provide all or part of the Adaptation Works to be carried out by 91 Wireless Group, and the Group and 91 Wireless Group shall enter into a separate agreement in respect thereof. The fees to be charged for the Adaptation Works shall be determined with reference to the market price.

2. Promotion Transaction

91 Wireless Group shall have the right to promote and distribute the Mobile Internet Games and Mobile Internet Apps, which are owned or to be owned by the Group, if the cooperation terms offered by 91 Wireless Group are equivalent to the terms offered by other platform operators. Depending on the popularity of the Mobile Internet Games and Mobile Internet Apps, the Group shall decide whether the Mobile Internet Games and Mobile Internet Apps shall also be promoted and distributed by other platform providers.

3. *Acquisition Transaction*

91 Wireless Group has also agreed to sell the Acquisition Assets at a consideration of RMB4.2 million (equivalent to approximately HK\$5.2 million) to the Group. The Group and 91 Wireless Group shall complete the acquisition of the Acquisition Assets, including the relevant source codes and copyright within 30 days upon effective date of New Cooperation Agreement. The Acquisition Assets include:-

Name	Patent Number
1 “Hengha Warring States” mobile game software (referred to as: Hengha Warring States) V1.0	2012SR075720
2 “Tribal wars” mobile game software (referred to as: Tribal Wars) V1.0	2012SR010398
3 “Fingertip Warring States” mobile game software (referred to as: Fingertip Warring States) V1.0	2012SR084266
4 “Warring States” mobile game software (referred to as: Warring States) V1.0	2012SR021017
5 “Legend of the Emperor” mobile game software (referred to as: Legend of the Emperor) V1.0	2012SR103674
6 “91 Farm” mobile game software (referred to as: 91 Farm) V1.0	2011SR006233
7 “Defense Online” mobile game software (referred to as: Defense Online) V1.0	2011SR012696
8 “91 Pasture” mobile game software (referred to as: 91 Pasture) V1.0	2011SR006207
9 “Chao Hero” mobile game software (referred to as: Chao Hero) V1.0	2012SR096426
10 “Doomsday Ares” mobile game software (referred to as: Doomsday Ares) V1.0	2012SR132873

4. *Effective Period*

The New Cooperation Agreement shall be valid from 1 February 2013 to 31 December 2015, and both parties have agreed to terminate the Old Cooperation Agreement entered into between the Company and 91 Wireless dated 9 November 2012 with effect from 1 February 2013.

Fee Structure

The terms of the New Cooperation Agreement were determined after arm's length negotiation between the parties and the fee structures in respect of each of the (i) Adaptation Transaction; and (ii) Promotion Transaction are as follows:

1. Adaptation Transaction

In relation to the Adaptation Works to be provided by 91 Wireless Group, the service fee payable by the Group to the 91 Wireless Group will be calculated based on the number and remuneration of employees engaged as well as the estimated time required for similar Adaptation Works of other mobile Internet applications. With prior consent from the other party, both parties can adjust the service fee from time to time;

2. Promotion Transaction

91 Wireless Group shall pay the Group a fixed fee, being 30%-40% of the total revenue generated from the Promotion Transaction. 91 Wireless Group shall be entitled to the remaining 60%-70%, which shall be specified in the separate promotion and operation cooperation agreement to be entered into between the Group and 91 Wireless Group; and

3. Acquisition Transaction

The transfer price of the Acquisition Assets, determined with reference to the valuation of the Acquisition Assets provided by an independent professional valuer, was approximately RMB4.2 million (equivalent to approximately HK\$5.2 million). The Group shall pay to the 91 Wireless Group such transfer price within 30 days upon effective date of the New Cooperation Agreement.

Adaptation Annual Cap and Promotion Annual Cap

Pursuant to the New Cooperation Agreement, each of the (i) Adaptation Annual Cap; and (ii) Promotion Annual Cap is as follows:

	For the period ending 31 December 2013 (RMB)	For the year ending 31 December 2014 (RMB)	For the year ending 31 December 2015 (RMB)
Adaptation Annual Cap	11,422,000 (equivalent to approximately HK\$14,112,000)	11,993,000 (equivalent to approximately HK\$14,817,000)	12,593,000 (equivalent to approximately HK\$15,559,000)

The above Adaptation Annual Caps are determined based on (i) the estimated number of the Mobile Internet Games on which Adaptation Works are required to be carried out; and (ii) the estimated time required for, and estimated number and remuneration of employees to be engaged in, carrying out the Adaptation Works in each period.

	For the period ending 31 December 2013 (RMB)	For the year ending 31 December 2014 (RMB)	For the year ending 31 December 2015 (RMB)
Promotion Annual Cap	12,459,000 (equivalent to approximately HK\$15,393,000)	14,451,000 (equivalent to approximately HK\$17,854,000)	13,879,000 (equivalent to approximately HK\$17,148,000)

The above Promotion Annual Caps are determined based on the estimated number of the Mobile Internet Games and Mobile Internet Apps to be distributed and promoted by 91 Wireless in each period and the total revenue generated therefrom.

FINANCIAL EFFECTS OF THE ACQUISITION TRANSACTION

91 Wireless Group originally owned the Acquisition Assets. As a result of the sell of the Acquisition Assets to the Group, 91 Wireless Group is expected to receive an estimated gain amounting to approximately RMB4.2 million (equivalent to approximately HK\$5.2 million), which is subject to adjustment and review by auditors of the Company, and the Directors currently intend to utilize the net proceeds in the Group's working capital.

Subject to adjustment and review by auditors, it is estimated that, the unaudited total net assets value of the Group as at 31 December 2012 was approximately RMB1,425.2 million (equivalent to approximately HK\$1,760.8 million) and the unaudited net liabilities value of 91 Wireless Group as at 31 December 2012 was approximately RMB266.2 million (equivalent to approximately HK\$328.9 million), respectively. Given that the cost of revenue cannot be accessed by the categories of revenue, the unaudited net profit before and after taxation cannot be provided. The unaudited revenue attributable to the Acquisition Assets for the year ended 31 December 2012 were approximately RMB4.1 million and approximately RMB32.3 million (equivalent to approximately HK\$5.1 million and HK\$39.9 million), respectively.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW COOPERATION 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 Wireless Group has launched its mobile phone platforms to the market since the commencement of the Mobile Internet Business in 2008. The Directors consider that upon completion of the New Cooperation Agreement, 91 Wireless Group is able to focus on the development of its mobile Internet apps business and better allocation of resources for the Group and 91 Wireless Group with respect to their respective businesses.

Accordingly, the Board (including the independent non-executive Directors) is of the view that the New Cooperation 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, 91 WIRELESS AND 91 WIRELESS GROUP

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

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

91 Wireless Group is principally engaged in mobile Internet apps business.

LISTING RULES IMPLICATIONS

As the IDG Investors are members of the IDG Group which is a substantial shareholder of the Company and is entitled to exercise 10% or more of voting power at a general meeting of 91 Wireless, 91 Wireless is regarded as a connected person of the Company under Rule 14A.11(5) of the Listing Rules. Accordingly, each of the (i) Adaptation Transaction; and (ii) Promotion Transaction 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 each of the (i) Adaptation Annual Cap; and (ii) Promotion Annual Cap is less than 5%, each of the (i) Adaptation Transaction, and (ii) Promotion Acquisition Transaction falls within the ambit of Rule 14A.34 of the Listing Rules and are subject to reporting and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

In addition, the Acquisition Transaction constitutes a 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 Acquisition Transaction is less than 5%, the Acquisition Transaction falls within the ambit of Rule 14A.32 of the Listing Rules and is subject to the reporting and announcement requirements 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 Wireless and Lin Dongliang, who is a general partner of a member of the IDG Group, no Director has material interest in the New Cooperation Agreement. Accordingly, Liu Dejian, Chen Hongzhan and Lin Dongliang have abstained from voting on the Board resolutions in relation to the New Cooperation Agreement.

DEFINITIONS

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

“91 Wireless”	91 Wireless Websoft Limited (91無綫網絡有限公司) (formerly known as 91 Limited and the change of name was passed by a special resolution dated 10 January 2013), a limited liability company incorporated in the Cayman Islands, being an indirect non wholly-owned subsidiary and a connected person of the Company
“91 Wireless Group”	91 Wireless and its group companies which shall include, as at the date hereof, (i) Talent Zone; (ii) Fujian Bo Rui; (iii) Fuzhou BoYuan Wireless; (iv) 江蘇博望網絡科技有限公司 (Jiangsu Bowang Websoft Technology Ltd.); (v) Prestige Plus Holdings Limited (增譽控股有限公司); (vi) Alpha Great International Limited (強領國際有限公司); (vii) Keen City Holdings Limited (鷹威控股有限公司); (viii) BoYuan (Hong Kong) Wireless Websoft Technology Ltd. (博遠(香港)無綫網絡科技有限公司); (ix) I-Wave Wireless Limited (愛威無線有限公司); and (x) Fujian Bo Dong and such other entities deemed to be subsidiaries or associated companies of the Company, each of which is or is regarded as a subsidiary of the Company
“Acquisition Assets”	copyrights of certain Mobile Internet Games owned by 91 Wireless Group, of which details have been set forth in the section headed “The New Cooperation Agreement — Major terms”
“Acquisition Transaction”	the acquisition of the Acquisition Assets by the Group from 91 Wireless Group pursuant to the New Cooperation Agreement

“Adaptation Annual Cap”	the maximum service fee payable by the Group to the 91 Wireless Group in relation to the Adaptation Transaction
“Adaptation Transaction”	the grant of a non-exclusive right to 91 Wireless Group by the Group in relation to carrying out the Adaptation Works on the Mobile Internet Games owned by the Group pursuant to the New Cooperation Agreement
“Adaptation Works”	adaptation works for converting the computer game and Mobile Internet Games into a version which is compatible with, and can be operated on, the mobile Internet platform(s) owned by 91 Wireless Group and other third parties. Such works include, without limitation, (i) converting a computer game into mobile Internet version; (ii) altering the existing version of a mobile Internet game or application through the assistance of other software application or minor modifications, and /or altering the existing version of a mobile Internet game or application into a version which can embed advertisements or be compatible with the fee collection platform(s) operated by 91 Wireless Group and other third parties; (iii) changing the language of the games into Chinese; and (iv) making any other modifications as 91 Wireless Group consider suitable for sale or distribution on the platform owned by 91 Wireless Group
“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

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDG Group”	IDG Technology Venture Investments L.P. and the IDG Investors, which in aggregate holds approximately 15.50% 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 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 apps business”	including but not limited to, mobile Internet advertising business, operation of mobile Internet applications, and operation of mobile Internet games developed by third parties
“Mobile Internet Games”	mobile Internet games which include mobile Internet versions of games or other applications and softwares
“Mobile Internet Business”	the business of mobile Internet application product operation and development (including program development and art design)
“mobile Internet versions”	smart-phone software applications and software applications for tablets and other mobile phones appliances

“New Cooperation Agreement”	the promotion and cooperation framework agreement entered into between the Company and 91 Wireless dated 1 February 2013, in relation to which (i) the Group has agreed to grant a non-exclusive right to 91 Wireless Group in relation to carrying out the Adaptation Works on the mobile Internet games or computer games as well as all the mobile Internet applications and softwares owned by the Group; (ii) the 91 Wireless Group shall have the right to promote and distribute the mobile Internet games and Mobile Internet Apps owned by the Group; and (iii) 91 Wireless Group shall sell the Acquisition Assets to the Group at a consideration of RMB4.2 million (equivalent to approximately HK\$5.2 million)
“Old Cooperation Agreement”	the promotion and cooperation framework agreement entered into between the Company and 91 Wireless dated 9 November 2012, details of which are set forth in the announcement of the Company dated 9 November 2012
“Promotion Annual Cap”	the maximum fee payable by the 91 Wireless Group to the Group to relation to the Promotion Transaction
“Promotion Transaction”	the carrying out by 91 Wireless Group of the promotion and distribution of Mobile Internet Games and Mobile Internet Apps owned by the Group on the mobile Internet platform of 91 Wireless Group and other similar platforms owned by third parties pursuant to the New Cooperation Agreement
“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
“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 RMB0.8094. The conversion rates are for purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, converted at these or any other rates at all.

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

Hong Kong, 1 February 2013

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.