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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)

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF 91 WIRELESS
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

This announcement is made by the Company pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO, Rule 13.09(2)(a) of the Listing Rules and PN15.

Reference is made to the announcements of the Company dated 28 December 2012 and 6 February 2013 in relation to the Proposed Spin-off and the separate listing of 91 Wireless on the GEM. The Company submitted a spin-off proposal to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off of 91 Wireless. On 6 February 2013, the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off, subject to the condition that the Group's audited financial information for the year ended 31 December 2012 will not significantly differ from the Group's unaudited financial information to the extent that the Remaining NetDragon Group cannot meet the minimum profit requirement under Rule 8.05 of the Listing Rules. The Proposed Spin-off is subject to the requirements under PN15 and other relevant provisions of the Listing Rules.

On 8 February 2013, 91 Wireless submitted a listing application form (Form 5A) to the Stock Exchange for an application for the listing of, and permission to deal in, the 91 Wireless Shares on the GEM. It is currently expected that the listing of the 91 Wireless Shares will be by way of introduction pursuant to the GEM Listing Rules.

91 Wireless Group, which is the subject of the Proposed Spin-off, will comprise certain existing subsidiaries of the Company which are principally engaged in mobile Internet business, while the Remaining NetDragon Group will engage in online game development and operation.

In accordance with the requirements of PN15, the Board proposes to give due regard to the interests of Shareholders with an assured entitlement to 91 Wireless Shares by way of a distribution in specie of a certain number of the 91 Wireless Shares if the Proposed Spin-off proceeds. Details of such assured entitlement have not yet been finalized. The Company will make further announcement(s) in this regard as and when appropriate.

Following completion of the Proposed Spin-off, the Company's percentage holding in the issued share capital of 91 Wireless will be reduced, and 91 Wireless will remain a subsidiary of the Company. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off if and when appropriate.

The listing of the 91 Wireless Shares pursuant to the Proposed Spin-off is subject to, among other things, the Listing Approval and the final decisions of the Board and of the board of directors of 91 Wireless. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the separate listing of the 91 Wireless Shares will take place or as to when it may take place. If the Proposed Spin-off does not proceed for any reason, the proposed distribution in specie of 91 Wireless Shares will not be made. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

INTRODUCTION

Reference is made to the announcements of the Company dated 28 December 2012 and 6 February 2013 in relation to, inter alia, the possibility of the Proposed Spin-off and the separate listing of 91 Wireless on the GEM. This announcement is made by the Company pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO, Rule 13.09(2)(a) of the Listing Rules and PN15.

The Company submitted a spin-off proposal to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off of 91 Wireless. On 6 February 2013, the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off, subject to the condition that the Group's audited financial information for the year ended 31 December 2012 will not significantly differ from the Group's unaudited financial information to the extent that the Remaining NetDragon Group cannot meet the minimum profit requirement under Rule 8.05 of the Listing Rules. The Proposed Spin-off is subject to the requirements under PN15 and other relevant provisions of the Listing Rules.

PROPOSED SPIN-OFF

On 8 February 2013, 91 Wireless submitted a listing application form (Form 5A) to the Stock Exchange for an application for the listing of, and permission to deal in, the 91 Wireless Shares on the GEM. It is currently proposed that the listing of the 91 Wireless Shares will be by way of introduction pursuant to the GEM Listing Rules.

BACKGROUND INFORMATION OF 91 WIRELESS GROUP AND THE REMAINING NETDRAGON GROUP

91 Wireless was incorporated in the Cayman Islands on 4 January 2011, and is an indirect non wholly-owned subsidiary of the Company. 91 Wireless Group is principally engaged in mobile Internet business.

Upon completion of the Proposed Spin-off, the Remaining NetDragon Group will continue to be engaged in online game development and operation.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The executive Directors consider that the Proposed Spin-off is in the interests of the Company and 91 Wireless and their respective shareholders as a whole, and detailed reasons are set forth as follows:

- (a) The Proposed Spin-off would create two pure play companies so as to offer the Shareholders with an opportunity to participate in the future developments of both the Remaining NetDragon Group and 91 Wireless Group and flexibility to invest in both or either of the groups;
- (b) The Proposed Spin-off would enable a more focused development and better allocation of resources for the Remaining NetDragon Group and 91 Wireless Group with respect to their respective businesses;
- (c) The Company would benefit from the financial independence of 91 Wireless whereby the Company would be able to focus resources on its other operations;
- (d) The Proposed Spin-off would provide separate fund-raising platforms for the Remaining NetDragon Group and 91 Wireless Group with respect to their respective operations and future expansion; and
- (e) 91 Wireless Group, with an enhanced profile, can attract more strategic business partners and investors.

ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT

In accordance with the requirements as set out in PN15, the Board proposes to give due regard to the interests of the Shareholders by providing qualifying Shareholders with an assured entitlement to 91 Wireless Shares by way of a distribution in specie of 91 Wireless Shares if the Proposed Spin-off proceeds. Details of such assured entitlement have not yet been finalized. The Company will make further announcements(s) in this regard as and when appropriate.

LISTING RULE APPLICATION

Following completion of the Proposed Spin-off, the Company's percentage holding in the issued share capital of 91 Wireless will be reduced, and 91 Wireless will remain a subsidiary of the Company. As and when applicable, the Company will comply with the applicable requirement of Chapter 14 of the Listing Rules.

The listing of the 91 Wireless Shares pursuant to the Proposed Spin-off is subject to, among other things, the Listing Approval and the final decisions of the Board and of the board of directors of 91 Wireless. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the separate listing of the 91 Wireless Shares will take place or as to when it may take place. If the Proposed Spin-off does not proceed for any reason, the proposed distribution in specie of 91 Wireless Shares will not be made. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

Further announcement(s) will be made by the Company in relation to the Proposed Spin-off if and when appropriate.

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), 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 subsidiaries
“91 Wireless Shares”	ordinary shares in the share capital of 91 Wireless
“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
“GEM”	the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Approval”	the approval by the Stock Exchange for the listing or, and permission to deal in, the 91 Wireless Shares on the GEM
“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 business”	including but not limited to, mobile Internet advertising business, operation of smartphone applications and smartphone games
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PN15”	Practice Note 15 of 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
“Propose Spin-off”	the proposed by way of a separate listing of 91 Wireless Shares on the GEM
“Remaining NetDragon Group”	the Company and its subsidiaries (excluding the 91 Wireless Group)
“RMB”	Renminbi, the lawful currency of the PRC
”SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“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

“subsidiary(ies)”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 32 of the laws of Hong Kong), as amended and supplemented from time to time
“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.

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

Hong Kong, 8 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.