



NetDragon Websoft Inc.

網龍網絡有限公司

**NetDragon Announces Signing of Merger Agreement
between Baidu and 91 Wireless**

HONG KONG, 14 August 2013 — NetDragon Websoft Inc. (“NetDragon” or “the Company”, HKEx: 777) announced that its subsidiary, 91 Wireless Websoft Limited (“91 Wireless”), has entered into an Agreement and Plan of Merger (“merger agreement” or “transaction”) with Baidu (Hong Kong) Limited (“Baidu”, a wholly owned subsidiary of Baidu, Inc. (BIDU:NASDAQ GS)) today. Upon the completion of transaction, 91 Wireless shall terminate its application for the proposed listing of 91 Wireless Shares on the GEM of the Hong Kong Stock Exchange. The transaction is subject to approval by NetDragon’s shareholders at an extraordinary general meeting.

According to the memorandum of understanding dated 15 July 2013, the aggregate merger consideration (“consideration”) amounts to US\$1,900 million (approximately HK\$14,740 million). The consideration was arrived at after comprehensive negotiations with Baidu from various perspectives. Having taken into account the conditional declaration of a special dividend of approximately US\$52.06 million by 91 Wireless to its existing shareholders, the consideration has been adjusted to approximately US\$1,847.94 million (approximately HK\$14,336.13 million).

Given that NetDragon holds an approximately 57.41% interest in 91 Wireless, it is estimated that the net proceeds from the transaction is approximately US\$1,060.90 million (approximately HK\$8,230.36 million). The directors of the NetDragon currently intend to apply the net proceeds for the following purposes:

- (a) 50% will be used as special dividend to existing NetDragon shareholders;
- (b) 20% will be used for further investments in the Company’s existing business, such as expanding the mobile game business, launching new games, upgrading the game content of various existing online games, expanding the Company’s overseas market, providing additional capital to enhance research and development on online games and the operational capability of the Company’s existing operations;
- (c) 10% will be used for potential merger and acquisition opportunities in the mobile game business and other attractive opportunities;
- (d) 10% will be used to capture new high growth opportunities such as educational and SME software by expanding the existing team and strengthening the Company’s commitment to R&D and sales & marketing of these high growth businesses; and
- (e) 10% will be applied as working capital and for the general corporate purposes of the Company.

After the completion of the transaction, NetDragon will continue to develop its online game business and will step up investment in the field of mobile games and incubate high growth opportunity projects by enhancing its internal R&D capabilities with enriched financial resources. With strengthened cash-flow and liquidity, NetDragon will also consider any investment opportunities that would be beneficial to the enhancement of shareholder value and the Company’s development. Further, there is great potential in pursuing long term cooperation with Baidu to leverage its leading position in Internet scene to support NetDragon's existing game business. NetDragon and Baidu will explore partnership in areas such as user behavior analysis, product and

content development, cloud-based services for users and corporate clients, among others, where there will be mutual benefits in China and overseas.

Mr. Liu Dejian, Chairman and Executive Director of NetDragon, said, “With the new financial resources, our proven track record in incubating online gaming and high growth opportunity projects and our strong team of R&D talents and professionals, we will consolidate our leading position in the online game segment, and most importantly, explore new opportunities with high growth potential. I am convinced that after the transaction, NetDragon will advance to a new stage of development with a brilliant outlook, and that the management of NetDragon will continue to create optimal value for the Company’s shareholders.”

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About NetDragon Websoft Inc.

NetDragon Websoft Inc. (HKSE: 0777) is a leading innovator and creative force in online gaming and mobile internet industries. Established in 1999, we are a vertically-integrated developer & operator of MMORPGs and a cutting-edge R&D powerhouse. We launched our first self-made online game *Monster & Me* in 2002, followed by multiple titles, including *Eudemons Online*, *Conquer Online* and *Heroes of Might & Magic Online*. We are also China's pioneer in overseas expansion, directly operating titles in overseas markets since 2003 in English, Spanish, Arabic and other languages. NetDragon has proven track record in incubating online gaming and mobile Internet projects over the years, including the no. 1 Chinese online game portal - 17173.com, and various well-known mobile Internet platforms such as 91 Assistant, HiMarket, 91 Launcher, 91 Panda Reader, sj.91.com and www.hiapk.com.

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