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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)

ANNOUNCEMENT IN RELATION TO THE SIGNING OF A MEMORANDUM OF UNDERSTANDING

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

The Board is pleased to announce that NetDragon BVI, Foxteq and Vision Knight Capital entered into the MOU on 30 October 2013 for the purpose of exploring and conducting business in the online education and related application market.

GENERAL

Shareholders of the Company and/or investors should note that the proposed cooperation contemplated under the MOU may or may not materialise, as no definitive agreement(s) has been executed among the Parties and discussions are still in progress.

Accordingly, Shareholders and/or investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

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The Board is pleased to announce that NetDragon BVI, Foxteq and Vision Knight Capital entered into the MOU on 30 October 2013 for the purpose of exploring and conducting business in the online education and related application market.

PRINCIPAL TERMS OF THE MOU

Date: 30 October 2013

Parties: (i) NetDragon BVI, a direct wholly-owned subsidiary of the Company

(ii) Foxteq, an indirect wholly-owned subsidiary of Hon Hai

(iii) Vision Knight Capital, a private equity fund with a specific focus on, *inter alia*, internet and e-commerce sectors in the PRC

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Foxteq, Hon Hai and Vision Knight Capital are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The cooperation under the MOU

The cooperation contemplated under the MOU is intended to be established for the Parties to explore and to conduct business in the online education and related application market.

Subject to the finalisation of the definitive documents, the total amount of the investment for the cooperation shall be USD33,000,000. Pursuant to the MOU, the Parties agreed that the initial investment shall be paid up on or before 15 March 2014 or such other date as agreed among the Parties. The total amount of the initial investment, the Parties' respective contributions and the time for paying up the initial investment are subject to changes and finalisation upon the signing of the definitive documents, if any, among the Parties.

The following table sets out the Parties' respective contributions to the initial investment of the cooperation under the MOU:

Shareholders	Percentage of initial investment
NetDragon BVI	49%
Foxteq	45%
Vision Knight Capital	6%
Total	100%

INFORMATION ON THE COMPANIES AND REASONS FOR THE COOPERATION

The Group

The Group was established in 1999 and has been one of the leading online game and mobile Internet application developers and operators in the PRC.

Foxteq

Foxteq, a company incorporated in the Cayman Islands, is an indirect wholly-owned subsidiary of Hon Hai which is the world's leading contract manufacturer of 3C electronics.

Vision Knight Capital

Vision Knight Capital, founded in May 2011, is a private equity fund incorporated in the Cayman Islands focusing on the consumer/retail, internet and e-commerce sectors in the PRC.

Reasons for the cooperation

Taking into account of the terms and conditions of the MOU and through the cooperation to explore the online education and related application market, the Company expects to benefit from the combined strengths and synergy in the exploration generated from Foxteq and Hon Hai, being the world's leading contract manufacturer of 3C electronics and Vision Knight Capital, being a private equity fund with unique operational expertise in consumer/retail, internet and e-commerce sectors in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the MOU are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	NetDragon Websoft Inc., an exempted company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Foxteq”	Foxteq Holdings Inc., a company incorporated in the Cayman Islands, being an indirect wholly-owned subsidiary of Hon Hai
“Group”	the Company and its subsidiaries
“Hon Hai”	Hon Hai Precision Industry Co., Ltd., a company incorporated in Taiwan, the securities of which are listed on the stock exchange in Taiwan (stock code: 2317)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the memorandum of understanding dated 30 October 2013 entered into among NetDragon BVI, Foxteq and Vision Knight Capital in relation to, <i>inter alia</i> , the cooperation to explore and to conduct business in the online education and related application market
“NetDragon BVI”	NetDragon Websoft Inc., a limited liability company incorporated in the British Virgin Islands, being a direct wholly-owned subsidiary of the Company
“Parties”	parties to the MOU, namely NetDragon BVI, Foxteq and Vision Knight Capital
“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;
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vision Knight Capital”	Vision Knight Capital (China) Fund I, L.P. (嘉御(中國)投資基金I期), founded in May 2011, is a private equity fund incorporated in the Cayman Islands with specific focus on consumer/retail, internet and e-commerce sectors in the PRC

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

Hong Kong, 30 October 2013

As at the date of this announcement, the Board comprises four executive Directors, namely Liu Dejian, Liu Luyuan, Zheng Hui and Chen Hongzhan; one non-executive Director, namely Lin Dongliang; and three independent non-executive Directors, namely Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas.