

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.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities nor is it calculated to invite any such offer or invitation.



NetDragon Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

**MEMORANDUM OF UNDERSTANDING
IN RESPECT OF PROPOSED DISPOSAL OF 91 WIRELESS
AND
UPDATE ON 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 and Rule 13.09(2)(a) of the Listing Rules.

**MEMORANDUM OF UNDERSTANDING IN RESPECT OF PROPOSED
DISPOSAL OF 91 WIRELESS**

The Board wishes to announce that on 15 July 2013, the Company, NetDragon BVI and the Purchaser entered into the legally binding Memorandum of Understanding in relation to the Proposed Disposal.

The Purchaser agreed that it shall purchase such 91 Wireless Shares from the Other 91 Shareholders on the same terms and conditions as those agreed between NetDragon BVI and the Purchaser, if the Other 91 Shareholders are willing to sell their 91 Wireless Shares by the Long Stop Date.

The Memorandum of Understanding further provides for a Break-Up Fee payable by the Purchaser to NetDragon BVI within three days after the date of the Memorandum of Understanding.

The Memorandum of Understanding is legally binding on the Parties and each Party is subject to the legally binding rights and obligations as set out in the Memorandum of Understanding.

The Memorandum of Understanding can be terminated by either the Purchaser or NetDragon BVI if the Parties fail to enter into the Definitive Documentation on or before the Long Stop Date. Upon termination of the Memorandum of Understanding, the Parties shall be released from their obligations under the Memorandum of Understanding, except (i) for the provision governing the return of the Break-Up Fee; (ii) for other general provisions, including those relating to confidentiality and the governing law of the Memorandum of Understanding, which shall remain continue in full force; and (iii) that termination shall not prejudice any rights of the Parties which have accrued as at the date of termination.

UPDATE ON PROPOSED SPIN-OFF AND SEPARATE LISTING OF 91 WIRELESS ON THE GEM OF THE STOCK EXCHANGE

As at the date of this announcement, 91 Wireless was still in the course of obtaining the Listing Approval. It is contemplated that if the Proposed Disposal takes place, the Proposed Spin-off and the Proposed Listing will not be effective, and vice versa.

GENERAL

Shareholders and potential investors are reminded that the Proposed Disposal is subject to, among other things, the entering into of the Definitive Documentation, the terms of which are yet to be finalized. The Proposed Disposal is also subject to and conditional upon such conditions as may be agreed by the parties to the Definitive Documentation. The Memorandum of Understanding may or may not lead to the entering into of the Definitive Documentation and the Proposed Disposal may or may not proceed. There is no assurance as to whether and when (i) the Proposed Disposal will take place; and (ii) the Proposed Spin-off and the Proposed Listing will be effective. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

The Company will make further announcement(s) in relation to the Proposed Spin-off, the Proposed Listing and/or the Proposed Disposal as and when appropriate in accordance with the Listing Rules.

Reference is made to the Company's announcements dated 28 December 2012, 6 February 2013 and 8 February 2013 in relation to, inter alia, the possibility of the Proposed Spin-off and Proposed Listing. Terms defined in the announcement dated 8 February 2013 have the same meanings when used herein unless otherwise defined. 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 and Rule 13.09(2)(a) of the Listing Rules.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF PROPOSED DISPOSAL OF 91 WIRELESS

Proposed Disposal

The Board wishes to announce that on 15 July 2013, the Company, NetDragon BVI and the Purchaser entered into the legally binding Memorandum of Understanding in relation to the Proposed Disposal.

NetDragon BVI and the Purchaser agreed that they shall negotiate in good faith and use their respective reasonable endeavours to agree the terms of the Definitive Documentation, containing all the terms of the Proposed Disposal, by the Long Stop Date. The Parties further agreed that the form of the Definitive Documentation (including the method of acquisition of the 91 Wireless Shares and/or its business and assets by the Purchaser) will be negotiated and discussed in good faith between the Parties taking into account relevant legal and regulatory considerations and will be in such form as is customary for transactions of a type similar to that contemplated in the Memorandum of Understanding. In particular, the Definitive Documentation shall include the following terms:

- the aggregate purchase price of the entire issued share capital of 91 Wireless shall be US\$1.90 billion (equivalent to approximately HK\$14.74 billion);
- the Proposed Sale Price of the Sale Shares shall be US\$1.09 billion (equivalent to approximately HK\$8.46 billion) on the basis that the Sale Shares constitute approximately 57.41% of the issued share capital of 91 Wireless; and
- at Completion, the Purchaser shall pay the Proposed Sale Price minus the Break-Up Fee (which shall then be treated as part of the Proposed Sale Price of the Sale Shares) in immediately available funds to NetDragon BVI.

The Purchaser agreed that it shall purchase such 91 Wireless Shares from the Other 91 Shareholders on the same terms and conditions as those agreed between NetDragon BVI and the Purchaser, if the Other 91 Shareholders are willing to sell their 91 Wireless Shares by the Long Stop Date.

If the Definitive Documentation is entered into and the Purchaser has used its reasonable endeavours to procure satisfaction of the conditions precedent to Completion pursuant to the terms of the Definitive Documentation but Completion does not occur, the full amount of the Break-Up Fee shall be returned by NetDragon BVI to the Purchaser. Please refer to the paragraph headed “Break-Up Fee” below for further details.

The Company has agreed to enter into the Memorandum of Understanding to procure NetDragon BVI to perform its obligations under the Memorandum of Understanding.

Conduct of the Parties before signing of the Definitive Documentation

Pursuant to the Memorandum of Understanding, the Company and NetDragon BVI undertook to procure that between the date of the Memorandum of Understanding and signing of the Definitive Documentation:

- except for the application of the Proposed Listing, they will procure that 91 Wireless and each of its Subsidiaries shall not enter into any transaction, agreement or arrangement which may have the effect of frustrating the purpose or intent of the transactions described in the Memorandum of Understanding and that the Company shall not distribute the 91 Wireless Shares to the Shareholders and 91 Wireless shall not issue its listing document;
- each of 91 Wireless and its Subsidiaries shall conduct its business as a going concern in the ordinary and usual course as carried on prior to the date of the Memorandum of Understanding; and
- they will procure 91 Wireless and each of its Subsidiaries to furnish such information, supply such documents and do all acts and things as may be reasonably required by the Purchaser for the purpose of conducting its due diligence on the 91 Wireless Group.

The Parties also agreed that, except for the application of the Proposed Listing, neither the Company nor NetDragon BVI shall make any initial or further approach of, entertain any approach from, or enter into or continue any discussion, understanding, arrangement or agreement with, any person in relation to any sale or disposal of the Sale Shares or its interest in the 91 Wireless Group (in the form or rights to acquire shares or otherwise) or any other transaction that has the effect of frustrating the purpose or intent of the transactions contemplated by the Memorandum of Understanding without the prior consent of the Purchaser, including but not limited to the distribution of the 91 Wireless Shares by the Company to the Shareholders and issue of the listing document by 91 Wireless, for the period from the date of the Memorandum of Understanding to the earlier of (i) signing of the Definitive Documentation, and (ii) the Long Stop Date.

Break-Up Fee

The Memorandum of Understanding provides for a Break-Up Fee of US\$50 million (equivalent to approximately HK\$387.90 million) payable by the Purchaser to NetDragon BVI within three days after the date of the Memorandum of Understanding.

The Parties agreed upon the following with respect to the Break-Up Fee:

- if the Purchaser in its absolute discretion decides not to proceed with the transactions contemplated by the Memorandum of Understanding and provided that it notifies NetDragon BVI of such decision within seven days after the date of the Memorandum of Understanding, the full amount of the Break-Up Fee shall be returned by NetDragon BVI to the Purchaser within three days after the notification by the Purchaser to NetDragon BVI of such decision. The Memorandum of Understanding shall terminate upon the return of the Break-Up Fee and the Parties shall be released from their obligations under the Memorandum of Understanding, except (i) for the provision governing the return of the Break-Up Fee; (ii) for other general provisions, including those relating to confidentiality and the governing law of the Memorandum of Understanding, which shall remain continue in full force; and (iii) that termination shall not prejudice any rights of the Parties which have accrued as at the date of termination;
- in the event that the shareholders of 91 Wireless who hold more than 10% of the issued 91 Wireless Shares fail to enter into the Definitive Documentation with the Purchaser before the Long Stop Date, the full amount of the Break-Up Fee shall be returned by NetDragon BVI to the Purchaser within three days after the Long Stop Date;
- in the event that the shareholders of 91 Wireless who hold 90% or more of the issued 91 Wireless Shares enter into Definitive Documentation with the Purchaser before the Long Stop Date, the full amount of the Break-Up Fee shall be treated as the Purchaser's payment of part of the Proposed Sale Price of the Sale Shares; and

- if the Definitive Documentation is entered into and the Purchaser has used its reasonable endeavours to procure satisfaction of the conditions precedent to Completion pursuant to the terms of the Definitive Documentation but Completion does not occur for any reason which is not attributable to the fault of the Purchaser, including but not limited to the failure to obtain the approval by the Shareholders of the transaction(s) contemplated by the Memorandum of Understanding, the full amount of the Break-Up Fee shall be returned by NetDragon BVI to the Purchaser.

Legal effect

The Memorandum of Understanding is legally binding on the Parties and each Party is subject to the legally binding rights and obligations as set out in the Memorandum of Understanding.

The Memorandum of Understanding is subject to termination by either the Purchaser or NetDragon BVI if the Parties fail to enter into the Definitive Documentation on or before the Long Stop Date. Upon termination of the Memorandum of Understanding, the Parties shall be released from their obligations under the Memorandum of Understanding, except (i) for the provision governing the return of the Break-Up Fee; (ii) for other general provisions, including those relating to confidentiality and the governing law of the Memorandum of Understanding, which shall remain continue in full force; and (iii) that termination shall not prejudice any rights of the Parties which have accrued as at the date of termination.

Reasons for the Proposed Disposal

Taking into account of the terms and conditions of the Proposed Disposal, the Directors believe that the Proposed Disposal will enhance the earnings and broaden the capital base of the Company. Further disclosure will be made by the Company if and when the Definitive Documentation is entered into in accordance with the Listing Rules.

UPDATE ON PROPOSED SPIN-OFF AND SEPARATE LISTING OF 91 WIRELESS ON THE GEM OF THE STOCK EXCHANGE

As at the date of this announcement, 91 Wireless was still in the course of obtaining the Listing Approval. It is contemplated that if the Proposed Disposal takes place, the Proposed Spin-off and the Proposed Listing will not be effective, and vice versa. The Company will make further announcement as and when required under the Listing Rules.

GENERAL

Shareholders and potential investors are reminded that the Proposed Disposal is subject to, among other things, the entering into of the Definitive Documentation, the terms of which are yet to be finalized. The Proposed Disposal is also subject to and conditional upon such conditions as may be agreed by the parties to the Definitive Documentation. The Memorandum of Understanding may or may not lead to the entering into of the Definitive Documentation and the Proposed Disposal may or may not proceed. There is no assurance as to whether and when (i) the Proposed Disposal will take place; and (ii) the Proposed Spin-off and the Proposed Listing will be effective. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

The Company will make further announcement(s) in relation to the Proposed Spin-off, the Proposed Listing and/or the Proposed Disposal as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“91 Wireless”	91 Wireless Websoft Limited (91無綫網絡有限公司) (formerly known as 91 Limited or 九一無綫網絡有限公司), 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 Subsidiary(ies)
“91 Wireless Share(s)”	the ordinary share(s) of US\$0.0001 each in the share capital of 91 Wireless
“Board”	the board of Directors
“Break-Up Fee”	US\$50 million (equivalent to approximately HK\$387.90 million), payable by the Purchaser to NetDragon BVI within three days from the date of the Memorandum of Understanding, which may be returned to the Purchaser or retained by NetDragon BVI pursuant to the terms and conditions as set out in the Memorandum of Understanding

“Completion”	the completion of the transactions contemplated in the Definitive Documentation and where after such completion, the Purchaser will hold 90% or more of the issued 91 Wireless Shares and/or all business and assets of the 91 Wireless Group
“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
“Control”	when used with respect to an entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through ownership of voting securities, by contract or otherwise (for the avoidance of doubt, includes any “variable interest entity”), and the terms “Controlling” and “Controlled” have correlative meanings
“Director(s)”	Director(s) of the Company
“Definitive Documentation”	an agreement(s) between the Parties and Other 91 Shareholders and/or 91 Wireless where the legal effect of such agreement (assuming performance by parties to such agreement(s)) will allow the Purchaser to acquire and hold (i) 90% or more of the issued share capital of 91 Wireless (inclusive of the Sale Shares); and/or (ii) all business and assets of the 91 Wireless Group
“GEM”	the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited
“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
“Long Stop Date”	14 August 2013, being the thirtieth day from the date of the Memorandum of Understanding (as may be extended by mutual agreement of the Parties)

“Memorandum of Understanding”	the memorandum of understanding dated 15 July 2013 entered into by the Company, NetDragon BVI and the Purchaser in relation to the Proposed Disposal
“NetDragon BVI”	NetDragon Websoft Inc., a limited liability company incorporated in the British Virgin Islands, being a direct wholly-owned subsidiary of the Company
“Other 91 Shareholders”	shareholders of 91 Wireless other than NetDragon BVI
“Parties”	the parties to the Memorandum of Understanding, namely the Company, NetDragon BVI and the Purchaser (each being a “Party”)
“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
“Proposed Disposal”	the proposed disposal of the issued share capital of 91 Wireless pursuant to the Definitive Documentation
“Proposed Listing”	the proposed separate listing of 91 Wireless on the GEM
“Proposed Sale Price”	US\$1.09 billion (equivalent to approximately HK\$8.46 billion)
“Proposed Spin-off”	the proposed separate listing of 91 Wireless on the GEM, to be achieved by a distribution in specie of certain 91 Wireless Shares after the capitalisation issue as contemplated under the Proposed Listing
“Purchaser”	Baidu Holdings Limited, a wholly owned subsidiary of Baidu, Inc.. Each of Baidu, Inc. and Baidu Holdings Limited is a third party independent of the Company and its connected persons (as defined in the Listing Rules). Baidu, Inc. is a company listed on NASDAQ, which is a Chinese language internet search provider
“Sale Shares”	80,571,528 91 Wireless Shares, constituting all of the issued 91 Wireless Shares held by NetDragon BVI
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)

“Shares”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	means, with respect to 91 Wireless, (i) any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by 91 Wireless or (ii) any entity which is directly or indirectly Controlled by 91 Wireless
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

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

For the purpose of this announcement, unless otherwise indicated, the exchange rate at US\$1 = HK\$7.7579 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.

Hong Kong, 15 July 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.