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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  
OF  
RENEWAL AND NEW  
CONTINUING CONNECTED TRANSACTION**

**CONTINUING CONNECTED TRANSACTIONS**

The Existing Recreation Centre Agreement dated 24 April 2009 entered into between TQ Digital and Fuzhou 851 in relation to the provision of Services at the Recreation Centre to the Group and its staff has expired on 24 April 2012.

On 25 April 2012, TQ Digital entered into the Renewal Recreation Centre Agreement with Fuzhou 851, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to the Group and its staff (excluding 91 Group and its staff) for a period from 25 April 2012 to 24 April 2015 at an annual fee of RMB5,000,000 (equivalent to approximately HK\$6,166,000).

On 25 April 2012, Fujian Bo Rui entered into the New Recreation Centre Agreement with Fuzhou 851, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to 91 Group and its staff for a period from 25 April 2012 to 24 April 2015 at an annual fee of RMB1,500,000 (equivalent to approximately HK\$1,850,000).

Fuzhou 851 is owned as to approximately 27.69% and 72.31% by DJM Holding Ltd., a substantial shareholder of the Company and Liu Dejian, an executive Director, respectively and therefore, Fuzhou 851 is a connected person of the Company under the Listing Rules. The entering into of the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement constitutes continuing connected transactions of the Company and should be aggregated under the Listing Rules.

Given that the transaction amounts under the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement (which are aggregated under Rule 14A.25 of the Listing Rules) on annual basis, being RMB6,500,000 (equivalent to approximately HK\$8,016,000), fall within the threshold prescribed under Rule 14A.34 of the Listing Rules, the entering into the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement is only subject to the reporting, announcement and annual review requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 27 April 2009 in relation to the Existing Recreation Centre Agreement dated 24 April 2009 entered into between TQ Digital and Fuzhou 851 in relation to the provision of Services at the Recreation Centre to the Group and its staff which has expired on 24 April 2012. On 25 April 2012, each of TQ Digital and Fujian Bo Rui entered into the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement, respectively, with Fuzhou 851.

A summary of the principal terms of the Recreation Centre Agreements is as follows:

#### **1. Renewal Recreation Centre Agreement**

Date:	25 April 2012
Parties:	(a) Fuzhou 851, as the service provider (b) TQ Digital, as the service consumer
Nature of transaction:	The provision of Services at the Recreation Centre by Fuzhou 851 to the Group and its staff (excluding 91 Group and its staff)
Term:	For a period of three years commencing from 25 April 2012 to 24 April 2015 (both days inclusive)
Service fee:	RMB5,000,000 (equivalent to approximately HK\$6,166,000) per year and payable on a monthly basis

## 2. New Recreation Centre Agreement

Date:	25 April 2012
Parties:	(a) Fuzhou 851, as the service provider (b) Fujian Bo Rui, as the service consumer
Nature of transaction:	The provision of Services at the Recreation Centre by Fuzhou 851 to the 91 Group and its staff
Term:	For a period of three years commencing from 25 April 2012 to 24 April 2015 (both days inclusive)
Service fee:	RMB1,500,000 (equivalent to approximately HK\$1,850,000) per year and payable on a monthly basis

### **AGGREGATE ANNUAL CAP OF THE TENANCY AGREEMENTS**

The service fee under the Recreation Centre Agreements is arrived at on an arm's length basis after considering the number of staff of the Group (excluding 91 Group), as to the Renewal Recreation Centre Agreement, and staff of 91 Group, as to the New Recreation Centre Agreement, and service fees charged by other recreation centres at Fuzhou and Xiamen. The Board further considers the service fee charged under the Recreation Centre Agreements is comparable to those charged by such other recreation centres at Fuzhou and Xiamen and therefore, the service fee charged under the Recreation Centre Agreements is fair and reasonable.

The Aggregate Annual Cap for the Recreation Centre Agreements based on the total annual service fee payable under the Recreation Centre Agreements for each of the financial years ending 31 December 2012, 2013 and 2014 will not exceed RMB6,500,000 (equivalent to approximately HK\$8,016,000).

Fuzhou 851 and the Group entered into the Tenancy Agreements, pursuant to which Fuzhou 851 as landlord agreed to lease certain premises at Fuzhou to the Group. Since the nature of the transactions contemplated under the Tenancy Agreements (being leasing of premises) is different from the transactions contemplated under the Recreation Centre Agreements (being provision of the Services), the transactions contemplated under the Tenancy Agreements and the Recreation Centre Agreements will not be aggregated and Rule 14A.25 of the Listing Rules will not apply.

Save as the Tenancy Agreements and the Recreation Centre Agreements, there are no other existing continuing connected transactions with Fuzhou 851 and its associates which are discloseable under the Listing Rules.

## **REASONS AND BENEFITS FOR ENTERING INTO THE RECREATION CENTRE AGREEMENTS**

The Directors are of the view that the entering into the Recreation Centre Agreements would continue to provide the Services at the Recreation Centre to the Group's staff as a welfare of promoting their incentives and loyalties to the Group. In addition, encouraging their participation at the Recreation Centre would also provide another channel for communication and inter-action among different staff as well as promote the strategy of staff health-care through different exercises provided by facilities at the Recreation Centre. Entering into the Recreation Centre Agreements would also continue to mitigate the Group's administrative costs through a lump sum monthly payment instead of re-imburements for each of the staff for every single transaction at the Recreation Centre.

The Directors, including the independent non-executive Directors, consider that the Recreation Centre Agreements were entered into in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Information on the Group, 91 Group and Fuzhou 851**

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

91 Group is principally engaged in mobile Internet business, including software products, mobile games and mobile phone applications platform.

Fuzhou 851 is a sino-foreign equity joint venture enterprise established in the PRC, whose principal businesses are the development and manufacturing of health products for consumers in the PRC and the overseas.

### **Listing Rules implication**

Fuzhou 851 is owned as to approximately 27.69% and 72.31% by DJM Holding Ltd., a substantial shareholder of the Company, and Liu Dejian, an executive Director, respectively and therefore, Fuzhou 851 is a connected person of the Company under the Listing Rules. The entering into of the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement constitutes continuing connected transactions of the Company and should be aggregated under the Listing Rules.

Given that the transaction amounts under the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement (which are aggregated under Rule 14A.25 of the Listing Rules) on annual basis, being RMB6,500,000 (equivalent to approximately HK\$8,016,000), fall within the threshold prescribed under Rule

14A.34 of the Listing Rules, the entering into the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement is only subject to the reporting, announcement and annual review requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

“91 Group”	91 Limited and its subsidiaries, including Talent Zone, Fuzhou BoYuan Wireless and Fujian Bo Rui
“91 Limited”	91 Limited, a limited liability company incorporated in the Cayman Islands, being an indirect subsidiary of the Company
“Annual Cap”	the annual cap for the transactions contemplated under the Recreation Centre Agreements
“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
“Director(s)”	the director(s) of the Company
“Existing Recreation Centre Agreement”	the recreation centre service agreement entered into between Fuzhou 851 and TQ Digital on 24 April 2009, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to the Group and its staff for a period from 25 April 2009 to 24 April 2012 at an annual fee of RMB6,000,000 (equivalent to approximately HK\$6,810,000), details of which are set forth in the announcement of the Company dated 27 April 2009
“Fujian Bo Rui”	Fujian Bo Rui Websoft Technology Ltd. (福建博瑞網絡科技有限公司), an enterprise established under the laws of PRC, the equity interests of which are all held by NetDragon (Fujian) and through a series of control documents, Fuzhou BoYuan Wireless is able to control Fujian Bo Rui and accordingly, Fujian Bo Rui is regarded as a subsidiary of Fuzhou BoYuan Wireless

“Fuzhou BoYuan Wireless”	Fuzhou BoYuan Wireless Websoft Technology Ltd. (福州博遠無綫網絡科技有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly owned subsidiary of Talent Zone
“Fuzhou 851”	Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc. (福州楊振華851生物工程技術研究開發有限公司), a sino-foreign equity joint venture enterprise established in the PRC, and whose equity interest in the registered capital is owned as to approximately 27.69% and 72.31% by DJM Holding Ltd., a substantial shareholder of the Company and Liu Dejian, an executive Director, respectively and therefore, is a connected person of the Company under the Listing Rules
“GEM”	the Growth Enterprise Market of the Stock Exchange
“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
“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, the Main Board excludes GEM
“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, excluding Hong Kong, Macau, Special Administrative Region of the PRC and Taiwan)

“Recreation Centre”	a recreation centre, namely 飄渺莊 (Piao Miao Zhuang) situate at 中國福建省福州市鼓樓區溫泉支路60號 (No. 60 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC)
“Renewal Recreation Centre Agreement”	the recreation centre service agreement entered into between Fuzhou 851 and TQ Digital on 25 April 2012, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to the Group and its staff (excluding 91 Group and its staff) for a period from 25 April 2012 to 24 April 2015 at an annual fee of RMB5,000,000 (equivalent to approximately HK\$6,166,000)
“NetDragon(BVI)”	NetDragon Websoft Inc., a limited liability company incorporated in the British Virgin Islands, being a direct wholly-owned subsidiary of the Company
“NetDragon (Fujian)”	Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) formerly known as Fuzhou NetDragon Websoft Co., Ltd. (福州網龍計算機網絡信息技術有限公司), a company established in the PRC with limited liability and through the Structure Contracts, TQ Digital and TQ Online are able to control NetDragon (Fujian) and accordingly, regarded as a subsidiary of the Company
“New Recreation Centre Agreement”	the recreation centre service agreement entered into between Fuzhou 851 and Fujian Bo Rui on 25 April 2012, pursuant to which Fuzhou 851 agreed to provide the Services at the Recreation Centre to 91 Group and its staff for a period from 25 April 2012 to 24 April 2015 at an annual fee of RMB1,500,000 (equivalent to approximately HK\$1,850,000)
“Recreation Centre Agreements”	the Renewal Recreation Centre Agreement and the New Recreation Centre Agreement
“RMB”	Reminbi, the lawful currency of the PRC

“Services”	usage of various recreation facilities, including gym, outdoor and indoor swimming pools, sauna, changing room, activity room (for yoga and other activities), climbing wall, snooker area, basketball field, badminton court and squash court at the Recreation Centre
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Talent Zone”	Talent Zone Holdings Limited, a limited liability company incorporated in Hong Kong, a wholly-owned subsidiary of 91 Limited
“Tenancy Agreements”	the tenancy agreements entered into between Fuzhou 851 and the Group on 22 January 2012, details of which are set out in the announcement of the Company dated 22 January 2012
“TQ Digital”	Fujian TQ Digital Inc (福建天晴數碼有限公司), formerly known as Fujian TQ Digital Ind (福建天晴數碼有限公司) and Fuzhou TQ Digital Ind (福州天晴數碼有限公司), a wholly foreign owned enterprise established in the PRC on 28 February 2003, which is wholly and beneficially owned by NetDragon (BVI)
“%”	per cent.

*For the purpose of this announcement, conversion of RMB into Hong Kong dollars is calculated at the conversion rate of HK\$1.00 to RMB0.81089. This conversion rate is for purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, converted at this or any other rates at all.*

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

Hong Kong, 25 April 2012

*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 Guo Wei, Charles, Mr. Lee Kwan Hung and Mr. Liu Sai Keung, Thomas.*