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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 ESTABLISHMENT OF A  
WHOLLY FOREIGN OWNED ENTERPRISE  
AND RELATED COOPERATION WITH  
FOXTEQ HOLDINGS INC.  
AND VISION KNIGHT CAPITAL (CHINA) FUND I, L.P.**

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.

Reference is made to the announcement of the Company dated 30 October 2013 in relation to the signing of a memorandum of understanding (“**MOU Announcement**”). Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as defined in the MOU Announcement.

The Board is pleased to announce that on 24 January 2014, NetDragon BVI, entered into an agreement with Foxteq and Vision Knight Capital, pursuant to which the Parties agree to collaborate in the exploration and business operation in the online education and related application market through the establishment of the WFOE, Fujian 101 and the Structure Contracts arrangement (“**Agreement**”).

## **GENERAL**

**The Agreement is conditional upon, among other things, approval of or consent to invest in the PRC from the Ministry of Economic Affairs Investment Commission in Taiwan and therefore, the Cooperation contemplated under the Agreement may or may not materialise.**

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

## **INTRODUCTION**

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## **THE AGREEMENT**

Date: 24 January 2014

Parties: (i) NetDragon BVI  
(ii) Foxteq  
(iii) Vision Knight Capital

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

## **The cooperation under the Agreement**

Pursuant to the Agreement, WFOE, Fujian 101 and the Structure Contracts arrangement will be established for the exploration and business operation in the online education and related application market.

### 1. The establishment of the WFOE

It is agreed that the WFOE shall be established as a limited liability company in accordance with the Company Law of the PRC and such other applicable laws. The WFOE shall be wholly owned by HK 101. The initial registered capital of the WFOE shall be in the sum of USD8,000,000 payable by cash and the total investment amount of the WFOE shall be USD20,000,000.

The following table sets out the Parties' respective contributions to the initial registered capital of the WFOE:

<b>Shareholders</b>	<b>Amount of initial registered capital</b>	<b>Percentage of initial registered capital</b>
NetDragon BVI	USD3,920,000	49%
Foxteq	USD3,600,000	45%
Vision Knight Capital	USD480,000	6%
Total	USD8,000,000	100%

It is contemplated that the sum of USD8,000,000 is the initial investment amount for the Cooperation and further sum will be invested upon the development of the WFOE and the Cooperation.

## 2. The establishment of Fujian 101

It is also agreed that Fujian 101 shall be established as a limited liability company in the PRC in accordance with the Company Law of the PRC and such other applicable laws. The registered capital of Fujian 101 shall be RMB10,000,000 and the respective equity structure of Fujian 101 shall be as follows:

<b>Shareholders</b>	<b>Registered capital</b>	<b>Shareholding</b>
A PRC company or a natural person as nominated by NetDragon BVI	RMB4,900,000	49%
A PRC company or a natural person as nominated by Foxteq	RMB4,500,000	45%
A PRC company or a natural person as nominated by Vision Knight Capital	RMB600,000	6%
Total	RMB10,000,000	100%

## 3. The Structure Contracts arrangement

The Parties agree to collaborate in the Cooperation and in furtherance of the objective, Fujian 101 and the WFOE shall enter into a series of Structure Contracts in accordance with the prevailing laws and regulations in the PRC.

## 4. Conditions of the Agreement

The Agreement is conditional upon the satisfaction of conditions precedent as set out in the Agreement, which include the passing by the directors of NetDragon BVI, Foxteq and Vision Knight Capital of a resolution approving the Agreement respectively; the obtaining of approval of or consent to invest in the PRC from the Ministry of Economic Affairs Investment Commission in Taiwan by Foxteq on or before 31 May 2014; and the obtaining of all necessary approval or consent from any regulatory authority overseeing and monitoring the activities of the Parties.

## **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 Agreement 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 Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

### **GENERAL**

**The Agreement is conditional upon, among other things, approval of or consent to invest in the PRC from the Ministry of Economic Affairs Investment Commission in Taiwan and therefore, the Cooperation contemplated under the Agreement may or may not materialise.**

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

## **DEFINITIONS**

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

- “BVI 101” a company to be incorporated in the British Virgin Islands, the intended sole shareholder of HK 101 and the entire issued shares of BVI 101 shall be held by Cayman 101
- “Cayman 101” a company to be incorporated in the Cayman Islands, the intended sole shareholder of BVI 101 and the issued share capital of Cayman 101 shall be held directly as to 49% by NetDragon BVI, 45% by Foxteq and 6% by Vision Knight Capital
- “Cooperation” the cooperation to explore and conduct business in the online education and related application market by the Parties pursuant to the Agreement
- “Effective Date” the date on which the Agreement is signed by all the Parties
- “Fujian 101” 福建一零一教育科技有限公司 (Fujian 101 Education Technology Co. Ltd.), the name of which is subject to the approval and/or modifications (if any) from the relevant governmental authority, a limited liability company to be established in the PRC and the issued share capital of which shall be held as to 49% by a PRC company or a natural person nominated by NetDragon BVI, 45% by a PRC company or a natural person nominated by Foxteq and 6% by a PRC company or a natural person nominated by Vision Knight Capital
- “HK 101” a company to be incorporated in Hong Kong, the intended sole shareholder of the WFOE and the entire issued shares of HK 101 shall be held by BVI 101
- “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)

“Parties” or “Party”	NetDragon BVI, Foxteq and Vision Knight Capital and each of them is individually referred to as “Party”
“PRC”	the People’s Republic of China, for the purpose of the Agreement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structure Contracts”	a series of structure contracts intended to be entered into between Fujian 101 and the WFOE as mentioned in the Agreement
“USD”	United States dollar, the legal currency of the United States of America
“WFOE”	a wholly foreign owned enterprise to be established in the PRC and the entire equity interests of which shall be held by HK 101

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

Hong Kong, 24 January 2014

*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.*