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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)**

**DISCLOSEABLE TRANSACTION IN RELATION TO DEEMED  
DISPOSAL OF A SUBSIDIARY AND CONNECTED TRANSACTIONS  
IN RELATION TO ISSUE OF SERIES A PREFERRED SHARES**

On 6 January 2015 (after trading hours), Best Assistant Education, an indirect non wholly-owned subsidiary of the Company, entered into the Series A Agreement with the Series A Investors for the allotment and issue of an aggregate of 180,914,513 Series A Preferred Shares for a total consideration of US\$52,500,000 (equivalent to approximately HK\$409.5 million). The Series A Preferred Shares, when allotted and issued, will represent 100% of all issued preferred shares of Best Assistant Education and account for approximately 12.22% of all the outstanding shares of Best Assistant Education upon full conversion of all of the Series A Preferred Shares. The total consideration will be fully satisfied by Series A Investors in cash upon the Closing.

**LISTING RULE IMPLICATIONS**

As at the date of the announcement, the Company indirectly holds 86.15% of the issued share capital of Best Assistant Education. Following the Closing, the Company's interest in Best Assistant Education will be reduced from 86.15% to approximately 77.96%, assuming all of the Series A Preferred Shares are fully converted. As such the transactions contemplated under the Series A Agreement will constitute a deemed disposal of the Group's interest in Best Assistant Education on the part of the Company under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the transactions under the Series A Agreement is more than 5% but less than 25%, the transaction contemplated under the Series A Agreement constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is only subject to the reporting and announcement requirements of the Listing Rules.

As at the date of this announcement, IDG Group owns approximately 15.67% of the issued share capital of the Company, therefore IDG Group is a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, DJM owns approximately 37.83% of the issued share capital of the Company, therefore DJM is a substantial shareholder of the Company. As DJM is a substantial shareholder of the Company which is also owned as to approximately 95.36% by Mr. Liu Dejian, the Chairman and an executive Director, therefore DJM is a connected person of the Company under Chapter 14A of the Listing Rules.

The subscription of Series A Preferred Shares by each of DJM and IDG Group under the Series A Agreement will constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the the subscription of Series A Preferred Shares by each of DJM and IDG Group are less than 5%, the transactions contemplated under the Series A Agreement are subject to the reporting and announcement requirements and exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Group will continue to expand its Online Education Business in the PRC, the Directors are of the view that it is necessary for Fujian Huayu to enter into the control documents with Fujian Tianquan and Fujian NetDragon to separate the financial results of Best Assistant Education Group Companies with that of the Group's other businesses. The Company will apply for waiver from the Stock Exchange in respect of such control documents if the entering into of such control documents constitute connected transactions of the Company under Chapter 14A.

## **INTRODUCTION**

On 6 January 2015 (after trading hours), Best Assistant Education, an indirect non wholly-owned subsidiary of the Company, entered into the Series A Agreement with the Series A Investors for the allotment and issue of an aggregate of 180,914,513 Series A Preferred Shares for a total consideration of US\$52.5 million (equivalent to approximately HK\$409.5 million). The Series A Preferred Shares, when allotted and issued, will represent 100% of all issued Preferred Shares of Best Assistant Education and account for approximately 12.22% of all the outstanding shares of Best Assistant Education upon full conversion of all of the Series A Preferred Shares.

The total consideration will be fully satisfied by Series A Investors in cash upon the Closing. Details of the Series A Agreement are set out as follows:

## **THE SERIES A AGREEMENT**

Date: 6 January 2015

Parties: (a) Best Assistant Education, an indirect non wholly-owned subsidiary of the Company and being the issuer of the Series A Preferred Shares;

(b) Best Assistant Education Major Subsidiaries;

(c) Ordinary Shareholders; and

(d) Series A Investors.

Save as to (i) NetDragon (BVI), a wholly-owned subsidiary of the Company; (ii) IDG Group; (iii) DJM; and (iv) Creative Sky, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Series A Investors and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

Capital structure: Immediately prior to the signing of the Series A Agreement, Best Assistant Education has an authorised share capital of US\$2,000,000 divided into 2,000,000,000 Ordinary Shares of US\$0.001 each, of which (i) 1,120,000,000 Ordinary Shares have been issued to NetDragon (BVI), representing 86.15% of the issued share capital of Best Assistant Education; and (ii) 180,000,000 Ordinary Shares have been issued to Idea Gain, representing 13.85 % of the issued share capital of Best Assistant Education.

Subscription: Best Assistant Education will allot and issue and the Series A Investors will subscribe the Series A Preferred Shares for a total consideration of US\$52.5 million (equivalent to approximately HK\$409.5 million).

The Series A Preferred Shares will be allotted and issued to the Series A Investors in the following manner:-

- (i) 53,116,501 of the Series A Preferred Shares, which will represent approximately 29.36% of the issued Preferred Shares and approximately 3.59% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to IDG-Accel China Growth Fund L.P. at a total consideration of US\$15,414,000 (equivalent to approximately HK\$120,229,200);
- (ii) 10,854,871 of the Series A Preferred Shares, which will represent approximately 6.00% of the issued Preferred Shares and approximately 0.73% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to IDG-Accel China Growth Fund-A L.P. at a total consideration of US\$3,150,000 (equivalent to approximately HK\$24,570,000);
- (iii) 4,948,443 of the Series A Preferred Shares, which will represent approximately 2.74% of the issued Preferred Shares and approximately 0.33% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to IDG-Accel China Investors L.P. at a total consideration of US\$1,436,000 (equivalent to approximately HK\$11,200,800);
- (iv) 34,459,907 of the Series A Preferred Shares, which will represent approximately 19.05% of the issued Preferred Shares and approximately 2.33% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to Vertex at a total consideration of US\$10 million (equivalent to approximately HK\$78 million);

- (v) 20,675,944 of the Series A Preferred Shares, which will represent approximately 11.43% of the issued Preferred Shares and approximately 1.40% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to Alpha Animation at a total consideration of US\$6.0 million (equivalent to approximately HK\$46.8 million);
- (vi) 13,783,963 of the Series A Preferred Shares, which will represent approximately 7.62% of the issued Preferred Shares and approximately 0.93% of all the outstanding shares of Best Assistant Education upon the full conversion of all the Series A Preferred Shares, will be issued to Catchy Holdings Limited at a total consideration of US\$4 million (equivalent to approximately HK\$31.2 million);
- (vii) 34,459,907 of the Series A Preferred Shares, which will represent approximately 19.05% of the issued Preferred Shares and approximately 2.33% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to NetDragon (BVI) at a total consideration of US\$10 million (equivalent to approximately HK\$78 million);
- (viii) 2,987,605 of the Series A Preferred Shares, which will represent approximately 1.65% of the issued Preferred Shares and approximately 0.20% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to DJM at a total consideration of US\$866,980 (equivalent to approximately HK\$6,762,444); and

- (ix) 5,627,372 of the Series A Preferred Shares, which will represent approximately 3.11% of the issued Preferred Shares and approximately 0.38% of all the outstanding shares of Best Assistant Education upon the full conversion of all of the Series A Preferred Shares, will be issued to Creative Sky at a total consideration of US\$1,633,020 (equivalent to approximately HK\$12,737,556).

The total consideration of the subscription of the Series A Preferred Shares was determined among the parties after arm's length negotiations, taking into account factors including (i) the rights attached to the Series A Preferred Shares; (ii) the performance of the Online Education Business; and (iii) the prospects of the Online Education Business conducted and to be conducted by Best Assistant Education Group Companies. The Group will satisfy the subscription amounts in respect of the Series A Preferred Shares issued and allotted to NetDragon (BVI) through its internal resources.

Settlement of the consideration:

The total consideration of US\$52.5 million (equivalent to approximately HK\$409.5 million) will be settled by the Series A Investors in cash upon the Closing.

Conditions precedent:

The obligations of the Series A Investors to purchase the Series A Preferred Shares at the Closing is subject to the fulfillment on or before the Closing of each of the following conditions, unless waived in writing (except condition (d) herein below which may not be waived by any parties to the Series A Agreement) by the Series A Investors at the Closing:-

- (a) the Covenantors' representations and warranties under the Series A Agreement shall be true, correct and complete as of the date of the Series A Agreement and as of the Closing Date, with the same force and effect as if they were made on and as of such date;

- (b) each Covenantor shall have performed and complied with all agreements, obligations and conditions that are required by the Transaction Documents to be performed or complied with by it on or before the Closing Date;
- (c) all corporate and other proceedings in connection with the transactions contemplated under the Series A Agreement and other Transaction Documents and all documents and instruments incidental to such transactions shall have been completed to the reasonable satisfaction of the Series A Investors;
- (d) All consents which are required to be obtained by each Covenantor, including but not limited to approvals from shareholders and the board of directors of each Best Assistant Education Group Company, consents from third parties, consents from the Stock Exchange or Securities and Futures Commission of Hong Kong (if necessary), in connection with the consummation of the transactions contemplated under the Series A Agreement and the other Transaction Documents shall have been duly obtained prior to and be effective as of the Closing and evidence thereof shall have been delivered to the Series A Investors;
- (e) the Restructuring shall have been completed before the Closing in accordance with the section below headed “*Restructuring of Best Assistant Education Group Companies*” to the reasonable satisfaction of the Series A Investors;
- (f) the board of directors of Best Assistant Education shall have been constituted in accordance with the Shareholders’ Agreement;

- (g) there shall have been no events or events which would have a material adverse effect on Best Assistant Education Group Companies or their businesses, operations, assets or financial conditions. None of the Best Assistant Education Group Companies has taken any step, action or measure (or omitted to take the same), which has or could be reasonably expected to have, individually or in aggregate a material adverse effect;
- (h) the Amended Memorandum and Articles of Association shall have been approved and duly adopted by all necessary corporate action of the board of directors and the members of Best Assistant Education and shall be in full force and effect;
- (i) each of the relevant parties shall have duly executed and delivered the Shareholders' Agreement;
- (j) each of the Investor Directors of Best Assistant Education shall have received an Indemnification Agreement from Best Assistant Education duly executed and delivered by the relevant parties;
- (k) certain key employees of Best Assistant Education shall have entered into an employment agreement and a confidentiality, non-compete, non-solicitation and invention assignment agreement, each in the form and substance satisfactory to the Series A Investors;
- (l) the control documents entered into by and among Fujian Tianquan, Fujian NetDragon and Fujian Huayu shall have been duly executed by them. Prior to the Closing or on the Closing Date, any and all of equity interests of Fujian Huayu pledged to Fujian Tianquan in accordance with such control documents shall have been applied for registration with the competent government authorities;



- (m) Best Assistant Education shall and the Covenantors shall cause Best Assistant Education to effect an amendment of the Best Assistant Share Award Scheme to include the affirmative vote of at least one of the Investor Directors in all consents required from the Board;
- (n) Best Assistant Education and/or any Best Assistant Education Major Subsidiary shall have executed a cooperation agreement with Fujian 101 and/or any other 101 Group Companies in relation to (i) the grant of top priority in the manufacturing and sales of the products manufactured by any of the 101 Group Companies; (ii) the pricing principles for purchasing the products by Best Assistant Education and Best Assistant Education Major Subsidiaries from the 101 Group Companies; and (iii) general principles of the independent business operation of Best Assistant Education and Best Assistant Education Major Subsidiaries, in form and substance reasonably satisfactory to the Series A Investors;
- (o) Best Assistant Education's PRC counsel and Cayman Islands counsel shall have issued customary legal opinions each dated as of Closing and in form and substance reasonably satisfactory to the Series A Investors; and
- (p) the Covenantors shall have executed and delivered to each Series A Investor at the Closing a certificate that the conditions have been fulfilled and with ancillary documents attached.

Best Assistant Education's obligation to issue the Series A Preferred Shares at the Closing is subject to the fulfillment or waiver on or before the Closing of the following conditions:-

- (a) the representations and warranties made by the Series A Investors in the Closing under the Series A Agreement shall be true, correct and complete as of signing and as of Closing, with the same force and effect as if they were made on and as of such date;
- (b) each of the Series A Investors shall have performed and complied with all agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or completed on or before the Closing; and
- (c) Each of Series A Investors shall have executed and delivered all of the Transaction Documents to which it is a party.

#### **PRINCIPAL TERMS OF THE SERIES A PREFERRED SHARES**

|                                      |   |
|--------------------------------------|---|
| Issue date:                          | the Closing Date  |
| Issuer:                              | Best Assistant Education, an indirect non-wholly owned subsidiary of the Company  |
| Number of Series A Preferred Shares: | 180,914,513 Series A Preferred Shares   |
| Issue Price:                         | US\$0.2902 per Series A Preferred Share   |
| Preferred dividends:                 | The Series A Preferred Shares will rank in priority to receive non-cumulative dividends declared by Best Assistant Education in preference and priority to any Ordinary Shares or any of the class of shares of Best Assistant Education, in the capital of Best Assistant Education. |

Liquidation Preference: In the event of any liquidation event, holders of the Series A Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the proceeds or assets of Best Assistant Education, to holders of the Ordinary Shares or any of the class of shares of Best Assistant Education, an amount equal to three hundred percent (300%) of the Issue Price for each Series A Preferred Share held by them and all declared but unpaid dividends (if any) on each such Series A Preferred Share (“**Series A Preference Amount**”), provided that, if the assets and funds thus distributed among the Series A Preferred Shareholders shall be insufficient or the full payment of Series A Preference Amount to all the Series A Preferred Shareholders, then the entire assets and funds of Best Assistant Education legally available for distribution shall be distributed ratably among the Series A Preferred Shareholders in proportion to the aggregate Series A Preference Amount each such Series A Preferred Shareholder is otherwise entitled to receive.

Conversion rights: Holder of the Series A Preferred Shares will have the right to convert each Series A Preferred Share into that number of fully paid and non-assessable Ordinary Share determined by the Conversion Price, subject to the adjustment as a result of the followings:

- (i) If at any time after the Closing, Best Assistant Education shall issue or sell new shares for a consideration per share less than the then-effective Conversion Price, then such Conversion Price shall be reduced, as of the date of such issue or sale to an amount equal to the consideration per share received by Best Assistant Education for such issue or deemed issue of the new shares; provided that if such issuance or deemed issuance was without consideration, then Best Assistant Education shall be deemed to have received an aggregate of US\$0.0001 of consideration for all such new shares issued or deemed to be issued;

- (ii) the number of Ordinary Shares proportionately changes as a result of a share split, share division, share combination, share dividend, reorganization, merger, consolidation, reclassification, exchange, substitution, recapitalization or similar event, then the Conversion Price shall be proportionately adjusted; and
- (iii) issuance of options to subscribe Ordinary Shares (save as to issuance of options issued to employees, advisors, directors or other parties pursuant to the share option schemes approved by the Board).

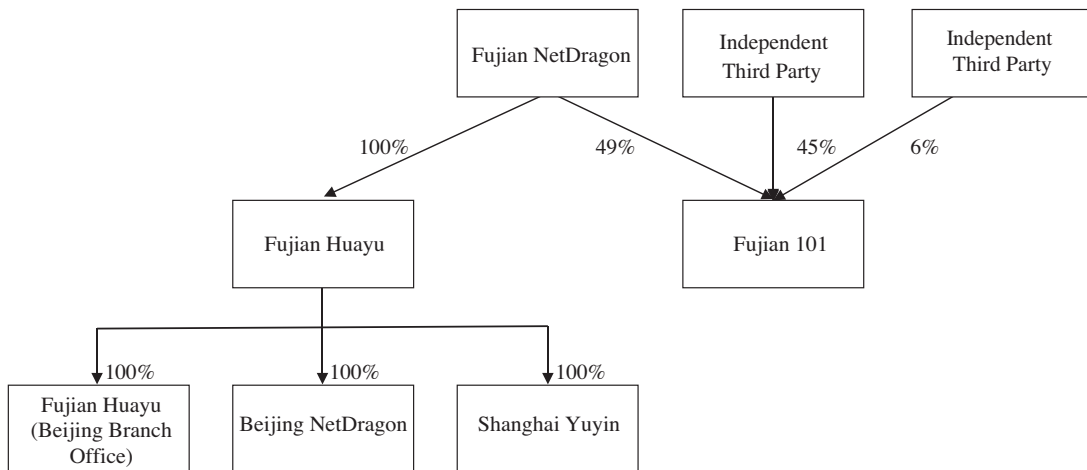
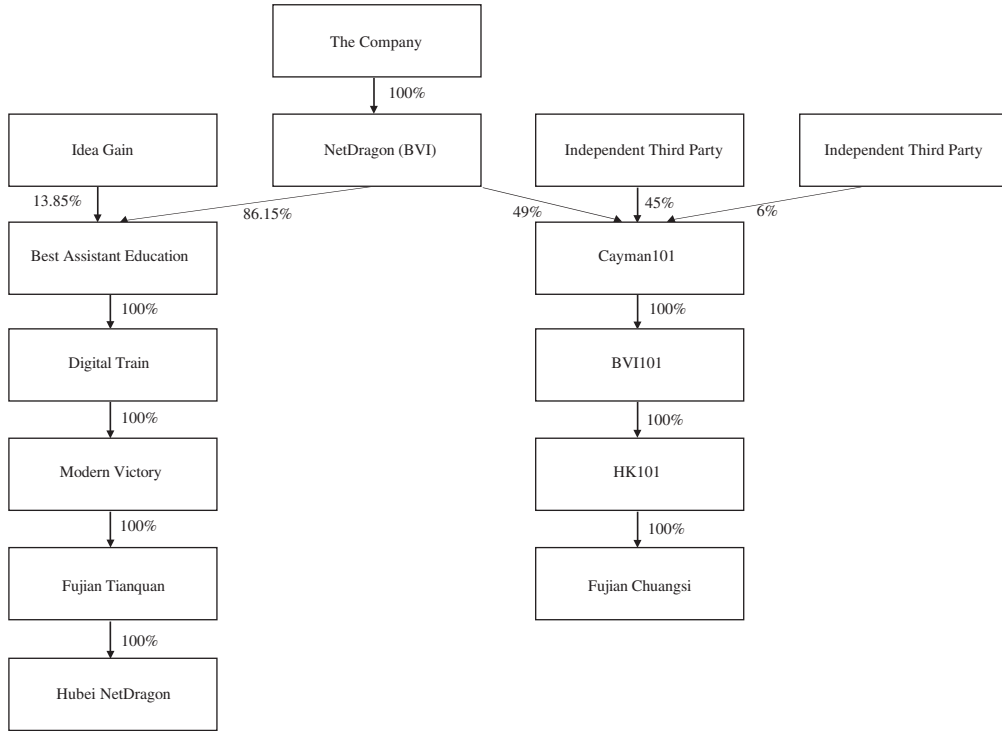
Series A Preferred Shares shall (i) automatically be converted into fully paid and non-assessable Ordinary Shares based on the then-effective Conversion Price upon the closing of the Qualified IPO; or (ii) at any time from the holders of the Series A Preferred Shares then outstanding based on the then-effective Conversion Price.

Voting:

The holders of the Series A Preferred Shares shall have the right to one (1) vote for each Ordinary Share into which each outstanding Series A Preferred Share held could then be converted. Except otherwise provided in the Amended Memorandum and Articles of Association or as required by applicable laws, holders of Series A Preferred Shares shall vote together with the Ordinary Shareholders, and not as a separate class or series, on all matters put before the shareholders of Best Assistant Education.

## RESTRUCTURING OF BEST ASSISTANT EDUCATION GROUP COMPANIES

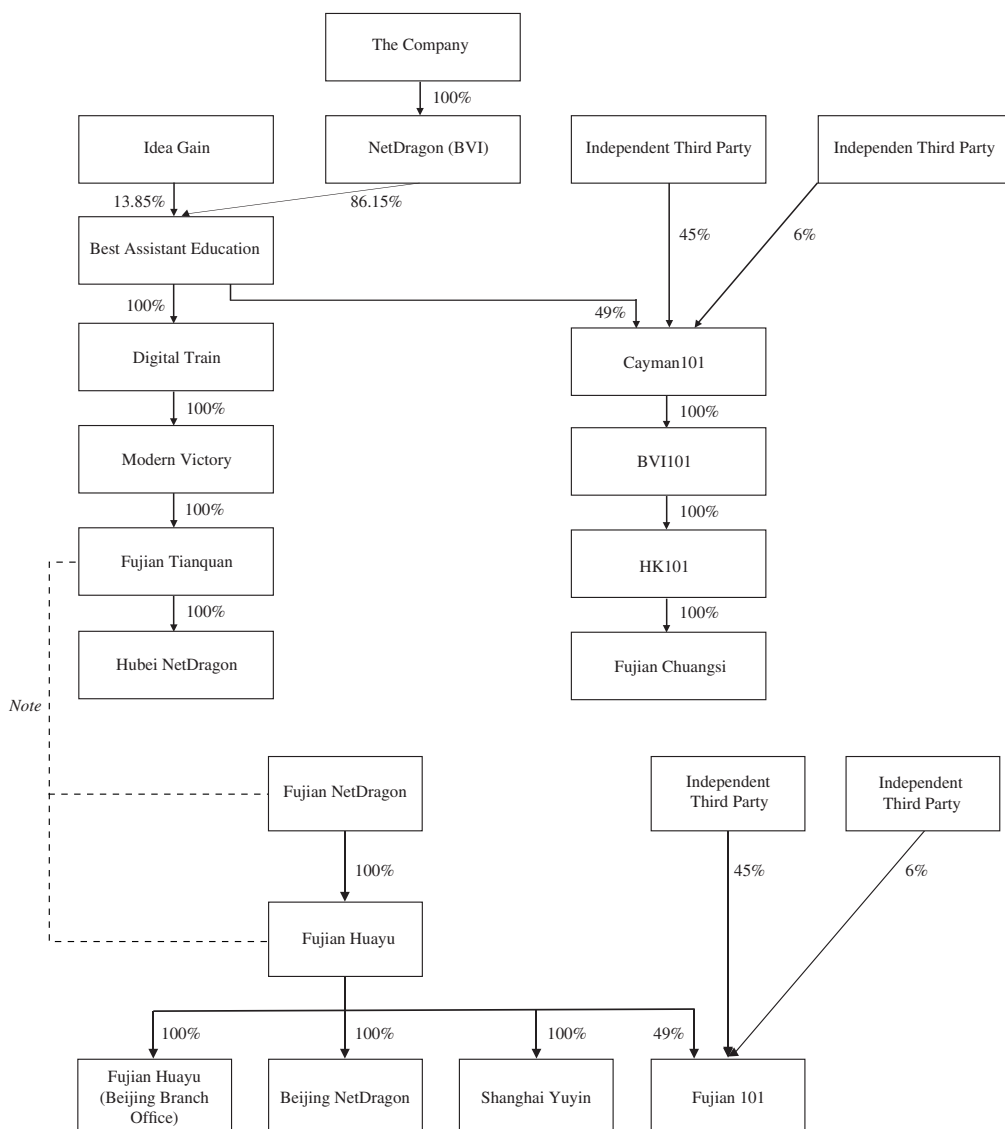
The following set out the group chart of Best Assistant Education Group Companies as at the date of this announcement:



For the purpose of Restructuring, the following transfers should be completed prior to the Closing:

1. 49% of the equity interests in Cayman 101 shall be transferred to Best Assistant Education at nil consideration; and
2. 49% of the equity interests in Fujian 101 shall be transferred to Fujian Huayu at nil consideration.

The following set out the group chart of Best Assistant Education Group Companies immediately after the Restructuring but before the Closing:



*Note: Upon the entering into of the control documents by and among Fujian Tianquan, Fujian NetDragon and Fujian Huayu and completion of registration requirements with the relevant government authorities (if applicable), Fujian Tianquan will be able to control Fujian Huayu.*

## CHANGE IN SHAREHOLDING STRUCTURE OF BEST ASSISTANT EDUCATION

The following illustrates Best Assistant Education's shareholding structure in terms of Ordinary Shares, assuming there is no further change to the share capital of Best Assistant Education; (i) as at the date of this announcement; (ii) immediately upon the Closing and assuming full conversion of all of the Series A Preferred Shares; and (iii) immediately upon the Closing and assuming full conversion of all of the Series A Preferred Shares and all Ordinary Shares are issued pursuant to the Best Assistant Share Award Scheme to staff or consultants other than connected persons of the Company:

| Shareholders of Best Assistant Education                             | As at the date of this announcement |  | Immediately upon the Closing and assuming full conversion of all of the Series A Preferred Shares |  | Immediately upon the Closing and assuming full conversion of all of the Series A Preferred Shares and all Ordinary Shares are issued pursuant to the Best Assistant Share Award Scheme to staff or consultants other than connected persons of the Company |  |
|--|-------------------------------------|--|---|--|--|--|
|  | Number of Ordinary Shares           | Approximate percentage of shareholding (%) | Number of Ordinary Shares   | Approximate percentage of shareholding (%) | Number of Ordinary Shares  | Approximate percentage of shareholding (%) |
|  |                                     |  |   |  |  |  |
| NetDragon (BVI)  | 1,120,000,000                       | 86.15                                      | 1,154,459,907   | 77.96                                      | 1,154,459,907  | 70.16                                      |
| Idea Gain  | 180,000,000                         | 13.85                                      | 180,000,000   | 12.15                                      | 180,000,000  | 10.94                                      |
| IDG-Accel China Growth Fund L.P.                                     | —                                   | —  | 53,116,501  | 3.59                                       | 53,116,501   | 3.23                                       |
| IDG-Accel China Growth Fund-A L.P.                                   | —                                   | —  | 10,854,871  | 0.73                                       | 10,854,871   | 0.66                                       |
| IDG-Accel China Investors L.P.                                       | —                                   | —  | 4,948,443   | 0.33                                       | 4,948,443  | 0.30                                       |
| Vertex   | —                                   | —  | 34,459,907  | 2.33                                       | 34,459,907   | 2.09                                       |
| Alpha Animation  | —                                   | —  | 20,675,944  | 1.40                                       | 20,675,944   | 1.25                                       |
| Catchy Holdings Limited  | —                                   | —  | 13,783,963  | 0.93                                       | 13,783,963   | 0.84                                       |
| DJM  | —                                   | —  | 2,987,605   | 0.20                                       | 2,987,605  | 0.18                                       |
| Creative Sky   | —                                   | —  | 5,627,372   | 0.38                                       | 5,627,372  | 0.35                                       |
| Staff or consultants (pursuant to Best Assistant Share Award Scheme) | —                                   | —  | —   | —  | 164,546,057  | 10.00                                      |
| <b>Total no. of Ordinary Shares in issue</b>                         | <b><u>1,300,000,000</u></b>         | <b><u>100%</u></b>                         | <b><u>1,480,914,513</u></b>   | <b><u>100%</u></b>                         | <b><u>1,645,460,570</u></b>  | <b><u>100%</u></b>                         |

Assuming (i) all of the Series A Preferred Shares held by the Series A Investors are fully converted into Ordinary Shares; and (ii) all Ordinary Shares are issued pursuant to the Best Assistant Share Award Scheme to staff or consultants, other than connected persons (as defined in the Listing Rules) of the Company, the valuation of Best Assistant Education will amount to approximately US\$477.5 million (equivalent to approximately HK\$3,724.5 million).

## **REASONS AND BENEFITS FOR ENTERING INTO THE SERIES A AGREEMENT**

Currently, the Group is principally engaged in online game and mobile Internet application development and operations in the PRC.

The Group is optimistic about the rapidly expanding Online Education Business in the PRC. The Directors are of the view that the transactions contemplated under the Series A Agreement will enlarge the shareholding base of Best Assistant Education, build on our reputation and recognition among our strategic partners and boost the morale of the staff of our Group.

The executive Directors consider that it is now the opportunity for the Group to actively expand the Online Education Business of Best Assistant Education Group Companies in the PRC.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the Series A Agreement are negotiated on an arm's length basis, agreed on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE ISSUE OF SERIES A PREFERRED SHARES ON THE GROUP**

Upon the Closing, it is expected and estimated that the Group will record a cash inflow on the deemed disposal by the issue of the Series A Preferred Shares amounting to approximately US\$52.2 million (approximately HK\$407.16 million) after deducting the professional fees and all related expenses, which the inflow is subject to adjustment and review by auditors of the Company.



Pursuant to the Series A Agreement, the consideration of the allotment and issue of the Series A Preferred Shares is planned to be used for the registered capital of Fujian Tianquan, business expansion, capital expenditures and general working capital of Best Assistant Education Group Companies in accordance with the budget and business plan as approved by the Series A Investors.

Best Assistant Education Group Companies will continue to be the subsidiaries of the Company following the Closing.

## **FINANCIAL INFORMATION OF BEST ASSISTANT EDUCATION GROUP COMPANIES**

Set out below is the unaudited combined financial information of Best Assistant Education Group Companies prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2012 and 2013 and the six months ended 30 June 2014:

|                                | <b>For the<br/>year ended<br/>31 December<br/>2012</b> | <b>For the<br/>year ended<br/>31 December<br/>2013</b> | <b>For the six<br/>months ended<br/>30 June 2014</b> |
|--------------------------------|--|--|--|
|                                | <i>(RMB)</i>   | <i>(RMB)</i>   | <i>(RMB)</i>   |
| Revenue                        | 0  | 0  | 160,000  |
| Loss before and after taxation | (174,000)  | (1,541,000)  | (7,404,000)  |
| Net Assets                     | 150,000  | 1,392,000  | 8,796,000  |

## **FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS**

The Group has not conducted any fund raising activity in the past twelve months.

## **INFORMATION ON THE GROUP AND BEST ASSISTANT EDUCATION GROUP COMPANIES**

The Group is principally engaged in online game and mobile Internet application development and operations in the PRC.

NetDragon (BVI) is a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company and principally engaged in investment holding.

Best Assistant Education is a company incorporated in the Cayman Islands with limited liability, a subsidiary of NetDragon (BVI) and principally engaged in investment holding.

Cayman 101 is a company incorporated in the Cayman Islands with limited liability and its entire issued share capital is held directly as to 49% by NetDragon (BVI), 45% and 6% by two Independent Third Parties. Cayman 101 is principally engaged in investment holding.

BVI 101 is a company incorporated in the British Virgin Islands with limited liability and its entire issue share capital are held by Cayman 101. BVI 101 is principally engaged in investment holding.

HK 101 is a company incorporated in Hong Kong with limited liability and its entire issued shares are held by BVI 101. HK 101 is principally engaged in investment holding.

Fujian 101 is a company established in the PRC with limited liability and prior to the Restructuring its entire share capital is held by Fujian NetDragon and two Independent Third Parties as to 49%, 45% and 6% respectively. Fujian 101 is principally engaged in Online Education Business in the PRC.

Fujian Chuangsi is a company established in the PRC with limited liability and its entire equity interests is held by HK 101. Fujian Chuangsi principally engaged in Online Education Business in the PRC.

Digital Train is a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Best Assistant Education and principally engaged in investment holding.

Modern Victory is a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Digital Train and principally engaged in investment holding.

Fujian Tianquan is a company established in the PRC with limited liability, a wholly-owned subsidiary of Modern Victory and is principally engaged in Online Education Business in the PRC.

Fujian Huayu is a company established in the PRC with limited liability. Its equity interests are wholly-owned by Fujian NetDragon. The Best Assistant Structure Contracts has been terminated for restructuring purpose and the Group continued to exert its control on and receive economic benefits of the business and operations of Fujian Huayu through the ND Structure Contracts. As the Group will continue to expand its Online Education Business in the PRC, the Directors are of the view that it is necessary for Fujian Huayu to enter into the control documents with Fujian Tianquan and Fujian NetDragon to separate the financial results of Best Assistant Education Group Companies with that of the Group's other businesses. The Company will apply for waiver from the Stock Exchange in respect of such control documents if the entering into of such control documents constitute connected transactions of the Company under Chapter 14A.

Fujian Huayu together with its branch office, Fujian Huayu (Beijing Branch Office) are principally engaged in Online Education Business in the PRC.

Shanghai Yuyin is a company established in the PRC with limited liability. Its equity interests are wholly-owned by Fujian Huayu. Shanghai Yuyin is principally engaged in Online Education Business in the PRC.

Beijing NetDragon is a company established in the PRC with limited liability. Its equity interests are wholly-owned by Fujian Huayu. Beijing NetDragon is principally engaged in Online Education Business in the PRC.

Hubei NetDragon is a company established in the PRC with limited liability. Its equity interests are wholly-owned by Fujian Huayu. Hubei NetDragon is principally engaged in Online Education Business in the PRC.

## **INFORMATION ON THE SERIES A INVESTORS**

To the best knowledge, information and belief of the Directors:-

IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are limited partnerships and controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.0% by each of Zhou Quan and Chi Sing Ho. IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are principally engaged in venture capital investment in start-up or growth stage companies with PRC-related businesses.

IDG-Accel China Investors L.P. is a limited partnership controlled by its sole general partner, IDG-Accel China Investor Associates Ltd, which in turn is held as to 100% by Chi Sing Ho. IDG-Accel China Investors L.P. is principally engaged in venture capital investment in start-up or growth stage companies with PRC-related businesses.

Vertex is a company incorporated under the laws of Singapore as a limited private company. The principal activities of Vertex are investment in companies with disruptive, emerging and high growth opportunities, primarily in Asia. Vertex is wholly owned by Vertex Venture Holdings Ltd, an investment company based in Singapore.

Alpha Animation, a company incorporated in Hong Kong with limited liability and its entire share capital is owned by Guangdong Alpha Animation Limited (廣東奧飛動漫文化股份有限公司), a company whose issued shares are listed on the Shenzhen Stock Exchange. Alpha Animation is principally engaged in the wholesaling and retailing of plastic toys and organizing product exhibitions.

Catchy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and its entire issued shares is owned by an Independent Third Party. Catchy Investments Limited is principally engaged in investment holding.

NetDragon (BVI), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

DJM, a company incorporated in the British Virgin Islands with limited liability and is owned as to 95.36% by Mr. Liu Dejian and 4.64% by Mr. Zheng Hui respectively. DJM Holding Ltd. is principally engaged in investment holding.

Creative Sky, a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is beneficially owned by employees who are not connected persons of the Group. Creative Sky is principally engaged in investment holding.

## **LISTING RULES IMPLICATION**

As at the date of the announcement, the Company indirectly holds 86.15% of the issued share capital of Best Assistant Education. Following the Closing, the Company's interest in Best Assistant Education will be reduced from 86.15% to approximately 77.96%, assuming all of the Series A Preferred Shares are fully converted. As such the transactions contemplated under the Series A Agreement will constitute a deemed disposal of the Group's interest in Best Assistant Education on the part of the Company under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the transactions under the Series A Agreement is more than 5% but less than 25%, the transactions contemplated under the Series A Agreement constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is only subject to the reporting and announcement requirements of the Listing Rules.

As at the date of this announcement, IDG Group owns approximately 15.67% of the issued share capital of the Company, therefore IDG Group is a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, DJM owns approximately 37.83% of the issued share capital of the Company, therefore DJM is a substantial shareholder of the Company. As DJM is a substantial shareholder of the Company which is also owned as to approximately 95.36% by Mr. Liu Dejian, the Chairman and an executive Director, therefore DJM is a connected person of the Company under Chapter 14A of the Listing Rules.

The subscription of Series A Preferred Shares by each of DJM and IDG Group under the Series A Agreement will constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the the subscription of Series A Preferred Shares by each of DJM and IDG Group are less than 5%, the transactions contemplated under the Series A Agreement are subject to the reporting and announcement requirements and exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) Mr. Lin Dongliang is a member of the general partners of IDG Technology Venture Investments of IDG Group; (ii) Mr. Liu Dejian and Mr. Zheng Hui are both shareholders of DJM; and (iii) Mr. Liu Luyuan are parties acting in concert with Mr. Liu Dejian and Mr. Zheng Hui, therefore Mr. Liu Dejian, Mr. Liu Luyuan, Mr. Zheng Hui and Mr. Lin Dongliang have abstained from voting on the Board resolution approving the Series A Agreement and the transactions thereunder. Apart from Mr. Liu Dejian, Mr. Liu Luyuan, Mr. Zheng Hui and Mr. Lin Dongliang, no other Director is required to abstain from voting on the Board resolution approving the Series A Agreement and the transactions thereunder.

As the Group will continue to expand the Online Education Business in the PRC, the Directors are of the view that it is necessary for Fujian Huayu to enter into the control documents with Fujian Tianquan and Fujian NetDragon to separate the financial results of Best Assistant Education Group Companies with that of the Group's other businesses. The Company will apply for waiver from the Stock Exchange in respect of such control documents if the entering into of such control documents constitute connected transactions of the Company under Chapter 14A.

## DEFINITIONS

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| “101 Group Companies”                            | Cayman 101, BVI 101, HK 101, Fujian Chuangsi and Fujian 101   |
| “Amended Memorandum and Articles of Association” | the amended and restated memorandum and articles of association of Best Assistant Education to be adopted pursuant to the Series A Agreement  |
| “Alpha Animation”                                | Alpha Animation and Culture (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of Guangdong Alpha Animation and Culture Co., Ltd. (廣東奧飛動漫文化股份有限公司), a company whose issued shares are listed on the Shenzhen Stock Exchange |
| “associates”                                     | has the meaning ascribed thereto in the Listing Rules   |
| “Beijing NetDragon”                              | Beijing NetDragon Tianchuan Venture Capital Co. Ltd. (北京網龍天川創業投資有限公司), a company established in the PRC with limited liability and its equity interests are wholly-owned by Fujian Huayu  |
| “Best Assistant Education”                       | Best Assistant Education Online Limited, a company incorporated in the Cayman Islands with limited liability, being an indirect subsidiary of the Company   |
| “Best Assistant Education Major Subsidiaries”    | together Digital Train, Modern Victory, Fujian Tianquan, Fujian Huayu, Shanghai Yuyin, Beijing Netdragon and Hubei Netdragon  |

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| “Best Assistant Education Group Companies” | together Best Assistant Education, Best Assistant Education Major Subsidiaries and 101 Group Companies  |
| “Best Assistant Share Award Scheme”        | the share award scheme of Best Assistant Education adopted on 7 August 2012 and as amended from time to time, which reserves a number of Ordinary Shares of up to 10% of the issued share capital of Best Assistant Education on a fully diluted and as-converted basis immediately after the Closing   |
| “Best Assistant Structure Contracts”       | the structure contracts which were entered into between Fujian Tianquan, Fujian Huayu and Fujian NetDragon to enable (i) the Group to recognize and receive the economic benefits of Fujian Huayu; and (ii) Fujian Tianquan to have control over and to acquire the equity interests and/or assets of Fujian Huayu when permitted by the relevant PRC laws and regulations. |
| “Board”                                    | the board of Directors of the Company   |
| “Business Day”                             | mean any day that is not a Saturday, Sunday, public holiday or other day on which commercial banks are required or authorized by law to be closed in the Cayman Islands, New York, Hong Kong or the PRC   |
| “BVI 101”                                  | 101 Education Technology Co. Ltd., a company incorporated in the British Virgin Islands with limited liability and its entire issued shares are wholly-owned by Cayman 101  |
| “Cayman 101”                               | 101 Education Technology Co. Ltd., a company incorporated in the Cayman Islands with limited liability and its entire issued shares are held directly as to 49% by NetDragon (BVI), 45% and 6% by two Independent Third Parties   |
| “Closing”                                  | the closing of the Series A Agreement   |

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| “Closing Date”             | the date of the Closing, within five Business Days after all conditions to the Closing (except for such conditions that will be satisfied at the Closing, but nonetheless subject to the reasonable satisfaction or waiver thereof at the Closing) have been satisfied or waived or such other time as Best Assistant Education and the Series A Investors shall mutually agree |
| “Company”                  | NetDragon Websoft Inc., an exempted company incorporated in the Cayman Islands with limited liability, and the issued Shares of which are listed on the Stock Exchange  |
| “Controlling Shareholders” | has the meaning ascribed thereto in the Listing Rules   |
| “Conversion Price”         | subject to adjustment, shall initially be the issue price of US\$0.2902 per Series A Preferred Share  |
| “connected persons”        | has the meaning ascribed to it under the Listing Rules  |
| “Covenantors”              | together Best Assistant Education, Best Assistant Education Major Subsidiaries and the Ordinary Shareholders  |
| “Creative Sky”             | Creative Sky International Limited, a company incorporated in the British Virgin Islands with limited liability and its issued shares are beneficially owned by employees of the Group who are not connected persons of the Company   |
| “Digital Train”            | Digital Train Limited is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Best Assistant Education   |
| “Director(s)”              | the director(s) of the Company  |
| “DJM”                      | DJM Holding Ltd., a company incorporated in the British Virgin Islands with limited liability and is owned as to 95.36% by Mr. Liu Dejian and 4.64% by Mr. Zheng Hui respectively. Both Mr. Liu and Mr. Zheng are executive Directors   |



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| “Fujian 101”                           | Fujian 101 Education Technology Co. Ltd. (福建一零一教育科技有限公司), a company established in the PRC with limited liability and prior to the Restructuring, its equity interests is held by Fujian NetDragon and two Independent Third Parties as to 49%, 45% and 6 % respectively. Upon completion of the Restructuring, the equity interests of Fujian 101 are held by Fujian Huayu and two Independent Third Parties as to 49%, 45% and 6 % respectively |
| “Fujian Chuangsi”                      | Fujian Chuangsi Education Technology Co. Ltd. (福建創思教育科技有限公司), a company established in the PRC with limited liability and its equity interests is wholly-owned by HK 101  |
| “Fujian Huayu”                         | Fujian Huayu Education Technology Co. Ltd. (福建華漁教育科技有限公司), a company established in the PRC with limited liability and its equity interests is wholly-owned by Fujian NetDragon   |
| “Fujian Huayu (Beijing Branch Office)” | Fujian Huayu Education Technology Co. Ltd. (Beijing Branch Office) (福建華漁教育科技有限公司北京分公司), a branch office of Fujian Huayu   |
| “Fujian NetDragon”                     | 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 on 25 May 1999, a deemed subsidiary of the Group   |
| “Fujian Tianquan”                      | Fujian Tianquan Education Technology Limited (福建天泉教育科技有限公司), a company established in the PRC with limited liability and its equity interests is wholly-owned by Modern Victory   |
| “Group”                                | the Company, its subsidiaries and such entities which are considered as subsidiaries of the Company under the applicable accounting standard and policy   |
| “HK 101”                               | 101 Education Technology (Hong Kong) Co. Limited, a company incorporated in Hong Kong with limited liability and its entire issued shares are held by BVI 101   |

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| “HK\$”                               | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                          | the Hong Kong Special Administrative Region of the PRC   |
| “Hubei NetDragon”                    | Hubei Netdragon Chutian Education Technology Co., Ltd. (湖北網龍楚天教育科技有限公司), a company established in the PRC with limited liability and its equity interests are wholly-owned by Fujian Tianquan  |
| “Idea Gain”                          | Idea Gain Limited, a company incorporated in the British Virgin Islands with limited liability which is owned by Cornell PTC Limited which holds its shareholding in Best Assistant Education on trust for employees of the Group who are not connected persons of the Company |
| “IDG-Accel China Growth Fund L.P.”   | IDG-Accel China Growth Fund L.P., a limited partnership and ultimately owned as to 35.0% by each of Zhou Quan and Chi Sing Ho  |
| “IDG-Accel China Growth Fund-A L.P.” | IDG-Accel China Growth Fund-A L.P., a limited in partnership and ultimately owned as to 35.0% by each of Zhou Quan and Chi Sing Ho   |
| “IDG-Accel China Investors L.P.”     | IDG-Accel China Investors L.P., a limited partnership and ultimately owned as to 100% by Chi Sing Ho   |
| “IDG Group”                          | together IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.   |
| “Indemnification Agreement”          | the indemnification agreement to be entered into by Best Assistant Education in favour of the Investor Directors, providing such nominated director, among others, the indemnification to the maximum extent permitted by law  |
| “Investor Directors”                 | the directors of Best Assistant Education appointed by IDG Group, Vertex and Alpha Animation   |
| “Listing Rules”                      | the Rules Governing the Listing of Securities on the Stock Exchange  |

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| “Modern Victory”            | Modern Victory Holdings Limited, a company incorporated in Hong Kong with limited liability and its entire issued shares are held by Digital Train   |
| “ND Structure Contracts”    | the structure contracts which were entered into between (a) Fujian TQ Digital Inc. (“TQ Digital”), Fujian NetDragon and its equity holders; (b) Fujian TQ Online Interactive Inc. (“TQ Online”), Fujian NetDragon and its equity holders to enable (i) the Group to recognize and receive the economic benefits of Fujian NetDragon; and (ii) TQ Digital and TQ Online to have control over and to acquire the equity interests and/or assets of Fujian NetDragon when permitted by the relevant PRC laws and regulations. |
| “NetDragon (BVI)”           | NetDragon Websoft Inc., a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Company  |
| “Online Education Business” | The development of K-12, vocational, non-academic credential and lifelong educational products through the “hardware+platform+software” strategy   |
| “Ordinary Share(s)”         | the ordinary share(s) with a par value of US\$0.001 per share in the share capital of Best Assistant Education   |
| “Ordinary Shareholders”     | the existing ordinary shareholders of Best Assistant Education, together NetDragon (BVI) and Idea Gain   |
| “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)  |

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| “Qualified IPO”      | means a firm underwritten public offering of the Ordinary Shares of Best Assistant Education or any other Best Assistant Education Group Companies in the U.S. or Hong Kong by a major underwriter that has been registered under the Securities Act (in the case of an initial public offering in the U.S.), (i) with a minimum pre-money market capitalization of US\$1 billion and net proceeds to Best Assistant Education in excess of US\$100 million (excluding underwriting discounts, commissions and expenses), or (ii) subject to approval of the Ordinary Shareholders holding at least 50% of the issued and outstanding Ordinary Shares and the approval of holders of more than 50% of the voting power of issued and outstanding Series A Preferred Shares, the pre-money market capitalization of such public offering is less than US\$1 billion or net proceeds to Best Assistant Education is less than US\$100 million (excluding underwriting discounts, commissions and expenses), or (iii) in a similar public offering of Ordinary Shares in a jurisdiction and on a recognized securities exchange outside the U.S. or Hong Kong acceptable to a majority of the Series A Preferred Shareholders; provided that such public offering in terms of market capitalization, offering proceeds and regulatory approval is reasonably equivalent to the aforementioned public offering in the U.S. or Hong Kong |
| “RMB”                | Renminbi, the lawful currency of the PRC  |
| “Series A Agreement” | the Series A preferred share purchase agreement dated 6 January 2015 and entered into amongst Best Assistant Education, Best Assistant Education Group Companies, the Ordinary Shareholders and the Series A Investors  |
| “Series A Investors” | together IDG Group, Vertex, Alpha Animation, Catchy Holdings Limited, NetDragon (BVI), DJM and Creative Sky   |

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| “Series A Preferred Shares”       | 180,914,513 Series A preferred shares of Best Assistant Education to be issued to the Series A Investors pursuant to the Series A Agreement   |
| “Series A Preferred Shareholders” | holders of Series A Preferred Shares  |
| “Series A Transaction”            | the purchase of the Series A Preferred Shares by the Series A Investors pursuant to the Series A Agreement and the transactions contemplated thereunder   |
| “Shanghai Yuyin”                  | Shanghai Yuyin Education Technology Co., Ltd. (上海漁音教育科技有限公司), a company established in the PRC with limited liability and its equity interest is wholly-owned by Fujian Huayu   |
| “Share(s)”                        | the ordinary share(s) of US\$0.01 each in the share capital of the Company  |
| “Shareholders”                    | holders of the Shares of the Company  |
| “Shareholders’ Agreement”         | a shareholders’ agreement to be entered into between Best Assistant Education, Best Assistant Education Major Subsidiaries, the Ordinary Shareholders and the Series A Investors in relation to among other matters, the management of Best Assistant Education Group Companies |
| “Stock Exchange”                  | The Stock Exchange of Hong Kong Limited   |
| “substantial shareholder”         | has the meaning ascribed to it under the Listing Rules  |

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| “Transaction Documents” | together the Series A Agreement, the Amended Memorandum and Articles of Association, the Shareholders’ Agreement, the Indemnification Agreement and the control documents to be entered into by and among Fujian Tianquan, Fujian NetDragon and Fujian Huayu and other agreements and documents otherwise required for implementing the transactions by any of foregoing |
| “United States”         | United States of America   |
| “US\$”                  | United States dollars, the lawful currency of the United States of America   |
| “Vertex”                | Vertex Asia Fund Pte. Ltd., a company incorporated under the laws of Singapore as a private limited company and is wholly-owned by Vertex Venture holdings Ltd., an investment company in Singapore  |

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

Hong Kong, 6 January 2015

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