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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)**

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF TENANCY AGREEMENT**

#### **INTRODUCTION**

The Existing Tenancy Agreement I dated 19 January 2012 entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building and the Existing Tenancy Agreement II dated 19 January 2012 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 Building will expire on 21 January 2015. On 22 September 2013, TQ Digital, Fuzhou 851 and NetDragon (Fujian) entered into a novation agreement pursuant to which Fuzhou 851 agreed to change the tenant of the Existing Tenancy Agreement I from TQ Digital to NetDragon (Fujian) until the expiry of the Existing Tenancy Agreement I on 21 January 2015. On 20 January 2015, NetDragon (Fujian) entered into the Renewal Tenancy Agreement with Fuzhou 851 to renew the Existing Tenancy Agreements.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Fuzhou 851 is owned as to approximately 12.63% and 87.37% 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 transaction contemplated under the Renewal Tenancy Agreement constitutes continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

Given that the transaction amounts under the Renewal Tenancy Agreement on annual basis fall within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into of the Renewal Tenancy Agreement is only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirement.

Reference is made to the announcement of the Company dated 19 January 2012 in relation to the continuing connected transactions under the Existing Tenancy Agreements. The Existing Tenancy Agreement I dated 19 January 2012 entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building and the Existing Tenancy Agreement II dated 19 January 2012 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 Building will expire on 21 January 2015. On 22 September 2013, TQ Digital, Fuzhou 851 and NetDragon (Fujian) entered into a novation agreement pursuant to which Fuzhou 851 agreed to change the tenant of the Existing Tenancy Agreement I from TQ Digital to NetDragon (Fujian) until the expiry of the Existing Tenancy Agreement I on 21 January 2015. On 20 January 2015, NetDragon (Fujian) entered into the Renewal Tenancy Agreement with Fuzhou 851 to renew the Existing Tenancy Agreements.

A summary of the principal terms of the Renewal Tenancy Agreement is as follows:

#### **RENEWAL TENANCY AGREEMENT**

Date:	20 January 2015
Parties:	(a) Fuzhou 851 as landlord; and (b) NetDragon (Fujian) as tenant
Premises:	Premises with a total gross floor area of approximately 7,572.65 sq.m. of the 851 Building and the 851 New Building
Term:	For a period of three years commencing from 22 January 2015 to 21 January 2018 (both days inclusive). NetDragon (Fujian) is required to serve a request three months in advance of the expiry date of the Renewed Tenancy Agreement to Fuzhou 851 requesting for tenancy renewal (if any)
Rent:	Total annual rent of RMB7,269,744 (equivalent to approximately HK\$9,210,000) (which shall not be adjusted during the term)
Payable Term:	Monthly rent of approximately RMB605,812 (equivalent to approximately HK\$767,000) which shall be payable in advance on a quarterly basis five (5) working days prior to the end of each quarter

Deposit: RMB1,704,000 (equivalent to approximately HK\$2,160,000) (payable within seven (7) working days upon the signing of the Renewal Tenancy Agreement and shall be refunded to NetDragon (Fujian) without interest within three working days upon the expiry or termination of the Renewal Tenancy Agreement provided that NetDragon (Fujian) has not breached any of the terms and conditions of the Renewal Tenancy Agreement)

Purposes: General office purposes

### **AGGREGATE ANNUAL CAP OF THE RENEWAL TENANCY AGREEMENT**

The Aggregate Annual Cap for the Renewal Tenancy Agreement based on the total annual rental payable under the Renewal Tenancy Agreement for each of the financial years ending 31 December 2015, 2016 and 2017 will not exceed RMB7,269,744 (equivalent to approximately HK\$9,210,000).

Fuzhou 851 and the Group have entered into the Recreation Centre Agreement, pursuant to which Fuzhou 851 agreed to provide various recreation facilities at a recreation centre at Fuzhou to the Group. For further information, please refer to the announcement of the Company dated 25 April 2012.

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

### **HISTORICAL TRANSACTION VALUE**

For each of the years ended 31 December 2013 and 31 December 2014, the total sum of rental paid by the Group to Fuzhou 851 under the Existing Tenancy Agreements amounted to RMB6,816,000 (equivalent to approximately HK\$8,630,000).

### **REASONS AND BENEFITS FOR ENTERING INTO THE RENEWAL TENANCY AGREEMENT**

The Directors are of the view that the entering into of the Renewal Tenancy Agreement (i) is necessary for continuing the operation and growth of the business of NetDragon (Fujian); and (ii) would allow ample office space to facilitate the future expansion and growth of the Group's business and is therefore beneficial to the Group.

The terms of the Renewal Tenancy Agreement were determined after arm's length negotiations between the parties and with reference to (i) the open market rent of comparable properties; and (ii) the previous rental payment made by the Group under the Existing Tenancy Agreements. The rental charged by Fuzhou 851 under the Renewal Tenancy Agreements is fair and reasonable; and the terms of the Renewal Tenancy Agreements are on normal commercial terms after arm's length negotiations.

Based on the above reasons, the Directors (including the independent non-executive Directors) consider that the Renewal Tenancy Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms (or terms no less favourable to the Group than terms available to independent third parties) and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION ON THE GROUP AND FUZHOU 851**

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

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 overseas.

### **IMPLICATIONS UNDER THE LISTING RULES**

Fuzhou 851 is owned as to approximately 12.63% and 87.37% 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 transaction contemplated under the Renewal Tenancy Agreement constitutes continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

Given that the transaction amounts under the Renewal Tenancy Agreement on annual basis fall within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into of the Renewal Tenancy Agreement is only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirement.

Except for Mr. Liu Dejian, no Directors have a material interest in the transaction contemplated under the Renewal Tenancy Agreement. Accordingly, Mr. Liu Dejian has abstained from voting on the Board resolution in relation to the transaction contemplated under the Renewal Tenancy Agreement.

## DEFINITIONS

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

“851 Building”	851 Building (851大樓), which is located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC
“851 New Building”	851 New Building (新851大樓), which is located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC and next to 851 Building
“Aggregate Annual Cap”	the aggregate annual cap for the transaction contemplated under the Renewal Tenancy Agreement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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
“Director(s)”	the director(s) of the Company
“Existing Tenancy Agreement I”	a tenancy agreement dated 19 January 2012 and entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building
“Existing Tenancy Agreement II”	a tenancy agreement dated 19 January 2012 and entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 Building
“Existing Tenancy Agreements”	together, the Existing Tenancy Agreement I and the Existing Tenancy Agreement II

“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 12.63% and 87.37% by DJM Holding Ltd., a substantial shareholder of the Company and Liu Dejian, an executive Director, respectively and is a connected person of the Company under the Listing Rules
“Glory More”	Glory More Limited, a company incorporated in Hong Kong with limited liability on 31 January 2008 which is wholly and beneficially owned by NetDragon (BVI)
“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
“NetDragon (BVI)”	NetDragon Websoft Inc., a company incorporated in BVI on 8 January 2003, which is wholly and beneficially owned by 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), a company established in the PRC with limited liability on 25 May 1999, and through the Structure Contracts, TQ Digital and TQ Online are able to control NetDragon (Fujian) and accordingly, is regarded as a subsidiary of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

“Recreation Centre Agreement”	the recreation centre service agreement entered into between Fuzhou 851 and TQ Digital on 25 April 2012, details of which are set out in the announcement of the Company dated 25 April 2012
“Renewal Tenancy Agreement”	a renewal tenancy agreement dated 20 January 2015 and entered into between TQ Digital and Fuzhou 851 in relation to the 851 New Building and the 851 Building
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Structure Contracts”	the structure contracts entered into among the Group’s subsidiaries and affiliates, particulars of which are set out in “Structure Contracts” of the prospectus dated 27 May 2008 issued by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“sq.m.”	square metres
“TQ Digital”	Fujian TQ Digital Inc (福建天晴數碼有限公司), a wholly-foreign owned enterprise established in the PRC on 28 February 2003, which is wholly and beneficially owned by NetDragon (BVI)
“TQ Online”	Fujian TQ Online Interactive Inc. (福建天晴在綫互動科技有限公司), a wholly-foreign owned enterprise established in the PRC on 18 March 2008, which is wholly and beneficially owned by Glory More
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	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 RMB0.78975. This conversion rate is for purpose of illustration only and does 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, 20 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.*