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NetDragon Websoft Holdings Limited

網龍網絡控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF RECREATION CENTRE AGREEMENT

INTRODUCTION

The Existing Recreation Centre Agreement dated 24 April 2015 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the provision of Recreation Centre Service to the Group and its staff will expire on 24 April 2018. On 24 April 2018, NetDragon (Fujian) entered into the Renewal Recreation Centre Agreement with Fuzhou 851 to renew the Existing Recreation Centre Agreement, 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 2018 to 24 April 2021 at an annual fee of RMB9,500,000. (equivalent to approximately HK\$11,780,000).

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 Recreation Centre 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 Recreation Centre Agreement on annual basis fall within the threshold prescribed in Rule 14A.76(2) of the Listing Rules, the entering into of the Renewal Recreation Centre 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 24 April 2015 in relation to the continuing connected transaction under the Existing Recreation Centre Agreement. The Existing Recreation Centre Agreement dated 24 April 2015 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the provision of Recreation Centre Service to the Group and its staff will expire on 24 April 2018. On 24 April 2018, NetDragon (Fujian) entered into the Renewal Recreation Centre Agreement with Fuzhou 851 to renew the Existing Recreation Centre Agreement, 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 2018 to 24 April 2021 at an annual fee of RMB9,500,000. (equivalent to approximately HK\$11,780,000).

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

RENEWAL RECREATION CENTRE AGREEMENT

Date:	24 April 2018
Parties:	(a) Fuzhou 851, as the service provider (b) NetDragon (Fujian), as the service consumer
Nature of transaction:	The provision of Services at the Recreation Centre by Fuzhou 851 to the Group and its staff
Term:	For a period of three years commencing from 25 April 2018 to 24 April 2021 (both days inclusive)
Service fee:	RMB9,500,000 (equivalent to approximately HK\$11,780,000) per year and payable on a monthly basis

AGGREGATE ANNUAL CAP OF THE TENANCY AGREEMENT

The Aggregate Annual Cap for the Renewal Recreation Centre Agreement based on the total annual service fee payable under the Renewal Recreation Centre Agreement for each of the financial years ending 31 December 2018, 2019 and 2020 will not exceed RMB9,500,000 (equivalent to approximately HK\$11,780,000).

Fuzhou 851 and the Group have entered into the Tenancy Agreement, pursuant to which Fuzhou 851 as landlord agreed to lease certain premises at Fuzhou to the Group. For further information, please refer to the announcement of the Company dated 19 January 2018. Since the nature of the transaction contemplated under the Tenancy Agreement (being leasing of premises) is different from the transaction

contemplated under the Renewal Recreation Centre Agreement (being provision of the Services), the transactions contemplated under the Tenancy Agreement and the Renewal Recreation Centre Agreement will not be aggregated and Rule 14A.81 of the Listing Rules will not apply.

Save as the Renewal Recreation Centre Agreement and Tenancy 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 three years ended 31 December 2015, 31 December 2016 and 31 December 2017, the total sum of service fee paid by the Group to Fuzhou 851 under the Existing Recreation Centre Agreement amounted to RMB6,367,000, RMB7,000,000 and RMB7,000,000 respectively (equivalent to approximately HK\$7,898,000, HK\$8,683,000 and HK\$8,683,000).

REASONS AND BENEFITS FOR ENTERING INTO THE RENEWAL RECREATION CENTRE AGREEMENT

The Directors are of the view that the entering into the Renewal Recreation Centre Agreement would (i) promote the staff incentives and loyalties to the Group, (ii) provide another channel for communication and inter-action among different staff as well as promote the Group's strategy of staff health-care through different exercises provided by facilities at the Recreation Centre and (iii) mitigate the Group's administrative costs through a lump sum monthly payment instead of re-imburements for each of the Group's staff for every single transaction at the Recreation Centre.

The terms of the Renewal Recreation Centre Agreement were determined after arm's length negotiations between the parties and with reference to (i) the service fee charged of comparable services; and (ii) the previous service fee paid by the Group under the Existing Recreation Centre Agreement. Based on the provision of variety of recreational facilities with larger recreational area, the service fee charged by Fuzhou 851 under the Renewal Recreation Centre Agreement is fair and reasonable; and the terms of the Renewal Recreation Centre Agreement 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 Recreation Centre Agreement was 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 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF 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 the 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 Recreation Centre Agreement constitutes continuing connected transaction on the part of the Company under Chapter 14A the Listing Rules.

Given that the transaction amounts under the Renewal Recreation Centre Agreement on annual basis fall within the threshold prescribed in Rule 14A.76(2) of the Listing Rules, the entering into the Renewal Recreation Centre 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 Recreation Centre Agreement. Accordingly, Mr. Liu Dejian has abstained from voting on the Board resolution in relation to the transaction contemplated under the Renewal Recreation Centre Agreement.

DEFINITIONS

“Annual Cap”	the annual cap for the transactions contemplated under the Renewal Recreation Centre Agreement
“Board”	the board of Directors
“Company”	NetDragon Websoft Holdings Limited, 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 Recreation Centre Agreement”	a recreation centre service agreement dated 24 April 2015 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the provision of Recreation Centre Service to the Group and its staff
“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
“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 (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 Fujian TQ Online Interactive Inc. are able to control NetDragon (Fujian) and accordingly, is regarded as a subsidiary of the Company
“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, the 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 renewal recreation centre agreement dated 24 April 2018 and entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the provision of Recreation Centre Service to the Group and its staff
“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
“Tenancy Agreement”	the tenancy agreement entered into between Fuzhou 851 and the Group on 19 January 2018, details of which are set out in the announcement of the Company dated 19 January 2018
“%”	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 RMB0.80615. 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 Holdings Limited
Liu Dejian
Chairman

Hong Kong, 24 April 2018

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Liu Dejian, Dr. Leung Lim Kin Simon, 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.