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NetDragon
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)

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

INTRODUCTION

The Existing Tenancy Agreement dated 19 January 2018 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 New Building will be expired on 21 January 2021. On 19 January 2021, NetDragon (Fujian) entered into the Renewal Tenancy Agreement with Fuzhou 851 to renew the Existing Tenancy Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Fuzhou 851 is owned as to approximately 11.61% and 88.39% 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 connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the Renewal Tenancy Agreement are more than 0.1% and less than 5%, 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 2018 in relation to the continuing connected transaction under the Existing Tenancy Agreement. The Existing Tenancy Agreement dated 19 January 2018 entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 New Building will be expired on 21 January 2021. On 19 January 2021, NetDragon (Fujian) entered into the Renewal Tenancy Agreement with Fuzhou 851 to renew the Existing Tenancy Agreement.

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

RENEWAL TENANCY AGREEMENT

Date:	19 January 2021
Parties:	(a) Fuzhou 851 as landlord; and (b) NetDragon (Fujian) as tenant
Premises:	Premises with a total gross floor area of approximately 5,678.65 sq.m. of the 851 New Building
Term:	For a period of three years commencing from 22 January 2021 to 21 January 2024 (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 RMB7,155,099 (equivalent to approximately HK\$8,550,000) (which shall not be adjusted during the term)
Payable Term:	Monthly rent of approximately RMB596,258 (equivalent to approximately HK\$712,000) 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\$2,036,000) (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

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.

AGGREGATED VALUE OF RIGHT-OF-USE ASSETS

According to HKFRS 16 "Leases" which has come into effect on 1 January 2019, the Group is required to recognise the value of the right-of-use assets on its statement of financial position in connection with the Renewal Tenancy Agreement, this transaction will be regarded as acquisition of assets by the Group pursuant to the Listing Rules. The aggregate values of the right-of-use assets to be recognised by the Group under the Renewal Tenancy Agreement was estimated to be approximately RMB19,316,000, being the present value of the aggregate tenancy payments using the rate applicable at the commencement date of the Renewal Tenancy Agreement in accordance with HKFRS 16 as discounted using a discount rate which is equivalent to the incremental borrowing rate. Right-of-use assets are depreciated on a straight-line basis over the lease terms. The above figure is unaudited and may be subject to adjustment in the future.

INFORMATION ON THE GROUP AND FUZHOU 851

The Group is principally engaged in (i) online and mobile games development, including games design, programming and graphics and online and mobile games operation, (ii) education business, (iii) mobile solution, products and marketing business and (iv) property project business.

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 11.61% and 88.39% 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 connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the Renewal Tenancy Agreement are more than 0.1% and less than 5%, 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 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
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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 Tenancy Agreement”	a tenancy agreement dated 19 January 2018 and entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 New Building

“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 11.61% and 88.39% 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)

“Renewal Tenancy Agreement”	a renewal tenancy agreement dated 19 January 2021 and entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the 851 New 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 RMB 0.83686. 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
Holdings Limited**
Liu Dejian
Chairman

Hong Kong, 19 January 2021

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, Eddie and Mr. Liu Sai Keung, Thomas.