

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TENANCY AGREEMENT

TENANCY AGREEMENT

On 24 April 2024, NetDragon (Fujian), as tenant, and Fuzhou 851, as landlord, entered into the 2024 Recreation Centre Tenancy Agreement for the lease in respect of the Recreation Centre for a term of three years.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16, the Group will recognize the right-of-use assets in its consolidated statement of financial position in respect to the lease of the Premises under the 2024 Recreation Centre Tenancy Agreement. Accordingly, the transaction under the 2024 Recreation Centre Tenancy Agreement will be regarded as acquisition of assets by the Group for the purpose of the Listing Rules.

Fuzhou 851 is wholly owned by DJM Holding Ltd., a controlling shareholder of the Company that is wholly owned by Liu Dejian, an executive Director. Therefore, Fuzhou 851 is a connected person of the Company under the Listing Rules. The transaction contemplated under the 2024 Recreation Centre Tenancy Agreement constitute connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the 2024 Recreation Centre Tenancy Agreement and the connected transactions as stipulated in the announcement of the Company dated 19 January 2024 were entered into or completed within a 12-month period with the same party, these transactions shall be aggregated and treated as if they were one transaction, and the aggregate figures of the Aggregate Transactions shall be used for calculating the applicable percentage ratios.

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 Aggregate Transactions are more than 0.1% and less than 5%, the entering into of the 2024 Recreation Centre Tenancy Agreement or the Aggregate Transactions are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement.

On 24 April 2024, NetDragon (Fujian) entered into the 2024 Recreation Centre Tenancy Agreement with Fuzhou 851.

A summary of the principal terms of the 2024 Recreation Centre Tenancy Agreement is as follows:

2024 RECREATION CENTRE TENANCY AGREEMENT

Date: 24 April 2024

Parties: (a) Fuzhou 851 as landlord; and
(b) NetDragon (Fujian) as tenant

Premises: The Recreation Centre with a total gross floor area of approximately 9,247.91 sq.m.

Term: For a period of three (3) years commencing from 25 April 2024 to 24 April 2027 (both days inclusive)

Rent: The annual rent of RMB11.7 million (equivalent to approximately HK\$12.9 million) (which shall not be adjusted during the term)

Payable Term: Monthly rent of approximately RMB971,000 (equivalent to approximately HK\$1,071,000) which shall be payable in advance on a quarterly basis five (5) working days prior to the end of each quarter

Purposes: General office purposes

REASONS AND BENEFITS FOR ENTERING INTO THE 2024 RECREATION CENTRE TENANCY AGREEMENT

The Directors are of the view that the entering into of the 2024 Recreation Centre 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. In view of the business growth of the Group, more office space is required. The 2024 Recreation Centre Tenancy Agreement will ensure sufficient space for the Group's business expansion.

The terms of the 2024 Recreation Centre Tenancy Agreement was determined after arm's length negotiations between the parties and with reference to the open market rent of comparable properties rental charged by Fuzhou 851 under the 2024 Recreation Centre Tenancy Agreement is fair and reasonable; and the terms of the 2024 Recreation Centre Tenancy 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 2024 Recreation Centre Tenancy 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 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

AGGREGATED VALUE OF RIGHT-OF-USE ASSETS

The aggregate values of the right-of-use assets to be recognised by the Group under the 2024 Recreation Centre Tenancy Agreement is estimated to be approximately RMB30.8 million, being the present value of the aggregate tenancy payments using the rate applicable at the commencement date of the 2024 Recreation Centre 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) gaming and application services, (ii) Mynd.ai business and (iii) property development business.

Fuzhou 851 is a wholly foreign-owned enterprise established in the PRC with limited liability, 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 wholly owned by DJM Holding Ltd., a controlling shareholder of the Company that is wholly owned by Liu Dejian, an executive Director. Therefore, Fuzhou 851 is a connected person of the Company under the Listing Rules. The transaction contemplated under the 2024 Recreation Centre Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Reference is made to the connected transactions as stipulated in an announcement of the Company dated 19 January 2024.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the 2024 Recreation Centre Tenancy Agreement and the connected transactions as stipulated in the announcement of the Company dated 19 January 2024 were entered into or completed within a 12-month period with the same party, these transactions shall be aggregated and treated as if they were one transaction, and the aggregate figures of the Aggregate Transactions shall be used for calculating the applicable percentage ratios.

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 Aggregate Transactions are more than 0.1% and less than 5%, the entering into of the 2024 Recreation Centre Tenancy Agreement or the Aggregate Transactions are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement.

Except for Dr. Liu Dejian, no Directors have a material interest in the transaction contemplated under the 2024 Recreation Centre Tenancy Agreement. Accordingly, Dr. Liu Dejian has abstained from voting on the Board resolution in relation to the transaction contemplated under the 2024 Recreation Centre Tenancy Agreement.

DEFINITIONS

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

“2024 Recreation Centre Tenancy Agreement”	a tenancy agreement dated 24 April 2024 and entered into between NetDragon (Fujian) and Fuzhou 851 in relation to the Recreation Centre
“Aggregate Transactions”	the transaction pursuant to the 2024 Recreation Centre Tenancy Agreement and the connected transactions as stipulated in the announcement of the Company dated 19 January 2024
“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
“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), Fuzhou 851 is a wholly foreign-owned enterprise established in the PRC with limited liability, which is wholly owned by DJM Holding Ltd., a controlling shareholder of the Company that is wholly owned by Liu Dejian, an executive Director, 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 (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 supplemental 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
“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”	Recreation Centre (飄渺莊), which is located at No.60 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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)
“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 RMB1 to HK\$1.1. 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, 24 April 2024

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Liu Dejian, Dr. Leung Lim Kin, Simon, Mr. Liu Luyuan and Mr. Chen Hongzhan; one non-executive Director, namely Mr. Lin Dongliang; and three independent non-executive Directors, namely Mr. Li Sing Chung Matthias, Mr. Lee Kwan Hung, Eddie and Mr. Liu Sai Keung, Thomas.