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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)**

### **CONNECTED TRANSACTION ISSUE OF PREFERRED SHARES BY A SUBSIDIARY**

On 30 May 2011, 91 Limited, an indirect wholly owned subsidiary of the Company, entered into the Share Purchase Agreement with the Investors for the issue and sale of 15,384,000 Preferred Shares for a total consideration of US\$3,999,840 (approximately HK\$31.2 million). The Preferred Shares sold will represent all of the issued preferred shares of 91 Limited and account for approximately 17.9% of all the outstanding shares of 91 Limited upon the full conversion of the Preferred Shares. The total consideration will be fully satisfied by the Investors at the Closing through (i) wire transfer of immediately available fund to a bank account designated by 91 Limited; (ii) cancellation of indebtedness owed to the Investors; or (iii) any combination of the foregoing. Pursuant to the Share Purchase Agreement, (i) NetDragon (BVI), the Investors, 91 Limited and the 91 Group Companies will enter into the Shareholders' Agreement; and (ii) NetDragon (BVI), the Investors and 91 Limited will enter into the Co-Sale Agreement, for the purposes of governing, among others, the rights and obligations of the shareholders of 91 Limited and setting out the arrangements between them with respect to the ownership, management and operations of 91 Limited and the 91 Group Companies.

Since the Investors are members of the IDG Group whereas the IDG Group is a substantial shareholder of the Company, the Investors are considered as connected persons of the Company. Accordingly, the transactions contemplated under the Share Purchase Agreement constitute a connected transaction. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Purchase are less than 5%, the transactions contemplated under the Share Purchase Agreement are subject to the reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

On 30 May 2011, 91 Limited, an indirect wholly owned subsidiary of the Company, entered into the Share Purchase Agreement with the Investors for the issue and sale of 15,384,000 Preferred Shares for a total consideration of US\$3,999,840 (approximately HK\$31.2 million). The Preferred Shares sold will represent all of the issued preferred shares of 91 Limited and account for approximately 17.9% of all the outstanding shares of 91 Limited upon the full conversion of the Preferred Shares.

## **THE SHARE PURCHASE AGREEMENT**

**Date:** 30 May 2011

**Parties:**

- (a) 91 Limited, as an indirect wholly owned subsidiary of the Company and being the issuer of the Preferred Shares
- (b) IDG-Accel China Growth Fund L.P., as one of the Investors
- (c) IDG-Accel China Growth Fund-A L.P., as one of the Investors
- (d) IDG-Accel China Investors L.P. , as one of the Investors
- (e) Talent Zone, as a wholly owned subsidiary of 91 Limited and being one of the 91 Group Companies

- (f) Fuzhou BoYuan Wireless, as a wholly owned subsidiary of Talent Zone and being one of the 91 Group Companies
- (g) Fujian Bo Rui, being considered as a wholly owned subsidiary of Fuzhou BoYuan Wireless through the Control Documents and as one of the 91 Group Companies

To the best knowledge, information and belief of the Directors, and after having made reasonable enquiries, IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. are members of or connected with the IDG Group. As of the date of this announcement, the IDG Group is interested in approximately 14.83% in the Company and is deemed to be a substantial shareholder of the Company. Accordingly, the Investors are considered as connected persons of the Company pursuant to the Listing Rules.

**Capital structure:**

Immediately prior to the Closing, the authorised share capital of 91 Limited will consist of (i) 96,500,000 Ordinary Shares, 70,770,000 of which have been issued to NetDragon (BVI); and (ii) 15,500,000 Preferred Shares, none of which has been issued.

**Share Purchase:**

91 Limited will issue the Preferred Shares and sell to the Investors for a total consideration of US\$3,999,840 (approximately HK\$31.2 million).

The Preferred Shares will be issued and sold to the Investors in the following manner:-

- (i) 11,856,450 of the Preferred Shares, which represents approximately 77.1% of the issued preferred shares of 91 Limited and approximately 13.8% of all the outstanding shares of 91 Limited upon the full conversion of the Preferred Shares, will be issued and sold to IDG-Accel China Growth Fund L.P. at a total consideration of approximately US\$3.1 million (approximately HK\$24.0 million);

- (ii) 2,422,980 of the Preferred Shares, which represents approximately 15.8% of the issued preferred shares of 91 Limited and approximately 2.8% of all the outstanding shares of 91 Limited upon the full conversion of the Preferred Shares, will be issued and sold to IDG-Accel China Growth Fund-A L.P. at a total consideration of approximately US\$0.6 million (approximately HK\$4.9 million); and
- (iii) 1,104,570 of the Preferred Shares, which represents approximately 7.2% of the issued preferred shares of 91 Limited and approximately 1.3% of all the outstanding shares of 91 Limited upon the full conversion of the Preferred Shares, will be issued and sold to IDG-Accel China Investors L.P. at a total consideration of approximately US\$0.3 million (approximately HK\$2.2 million).

The consideration of the Share Purchase was determined among the parties, taking into account factors including the performance of the Mobile Internet Business and the prospects of the Mobile Internet Business to be conducted by 91 Limited and the 91 Group Companies.

**Settlement of the consideration:**

The total consideration of US\$3,999,840 (approximately HK\$31.2 million) will be settled by the Investors at the Closing through (i) wire transfer of immediately available fund to a bank account designated by 91 Limited; (ii) cancellation of indebtedness owed to the Investors; or (iii) any combination of the foregoing. As of the date of this announcement, the Investors have advanced 91 Limited an aggregate amount of US\$1,500,000, the loan of which is interest-free, unless otherwise defaulted, and without any pledges. It is intended that the Investors will utilise such indebtedness to partially set off the consideration under the Share Purchase Agreement.

**Conditions precedent:**

The Investors' obligations to purchase the 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 by the Investors at the Closing:-

- (a) The representations and warranties made by 91 Limited and the 91 Group Companies under the Share Purchase Agreement shall be true and correct when made and shall be true and correct in all material aspects as of the Closing Date.
- (b) All covenants, agreements and conditions contained in the Share Purchase Agreement to be performed by 91 Limited and the 91 Group Companies on or prior to the Closing shall have been performed or complied with.
- (c) 91 Limited and the 91 Group Companies have performed and complied with all agreements, obligations and conditions contained in the Share Purchase Agreement and ancillary agreements that are required to be performed or complied with by them on or before the Closing.
- (d) No event or events shall have occurred, or could reasonably be expected to occur, that, individually or in the aggregate, have, or could reasonably be expected to have, a material adverse effect on 91 Limited or any 91 Group Company.
- (e) All corporate and other proceedings required in carrying out the transactions contemplated by the Share Purchase Agreement, and all instruments and other documents relating to such transactions, shall be reasonably satisfactory in form and substance to the Investors, and the Investors shall have been furnished with such instruments and documents as they shall have reasonably requested.

- (f) Each of 91 Limited and the 91 Group Companies shall have obtained any and all consents, permits and waivers necessary or appropriate for the performance by 91 Limited and such 91 Group Company of its obligations pursuant to the Share Purchase Agreement, the Shareholders' Agreement and the Co-Sale Agreement.
- (g) the Amended Articles of Association shall have been approved and duly adopted by all necessary corporate action of the board of directors and the members of 91 Limited and shall be in full force and effect.
- (h) Each of the relevant parties shall have executed and delivered all of the Share Purchase Agreement, the Shareholders' Agreement and the Co-Sale Agreement.
- (i) 91 Limited shall have delivered to counsel to the Investors typical completion documents, including the updated register of members, register of directors, certificate of good standing and officers' certificates.
- (j) 91 Limited's PRC counsel shall have issued customary legal opinions to the reasonable satisfaction of the Investors.
- (k) Effective upon the Closing, the board of directors of 91 Limited shall consist of five (5) members, of which two (2) being appointed by the Investors and three (3) being appointed by the holders of a majority of Ordinary Shares.
- (l) 91 Limited shall have entered into and delivered to the Investors the Management Rights Letter in a form reasonable satisfactory to the Investors.
- (m) Each member of the board of directors of 91 Limited shall have entered into an Indemnification Agreement with 91 Limited upon the Closing in a form reasonable satisfactory to the Investors.

- (n) Each of Fuzhou BoYuan Wireless and Fujian Bo Rui and other relevant parties shall have entered into the Control Documents.
- (o) Each of the key management team and technology personnel of 91 Limited and the 91 Group Companies shall have entered into standard employee confidentiality and invention assignment agreement and non-competition agreement with 91 Limited or the relevant 91 Group Company in a form reasonable satisfactory to the Investors.
- (p) Assets in an aggregate sum of RMB5.0 million (approximately HK\$6.0 million), which are considered by 91 Limited and the Investors to be essential for the Mobile Internet Business should be transferred from the Group to 91 Limited and the relevant 91 Group Company before the Closing as requested by the Investors shall have been completed to the reasonable satisfaction of the Investors.
- (q) The establishment of Fuzhou BoYuan Wireless and Fujian Bo Rui has been properly reflected in the amendment to the registration with the competent local branch of State Administration of Foreign Exchange in respect of the Company pursuant to the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies.
- (r) The requisite majority of Shareholders of the Company, being the holding company of 91 Limited, (or if required under the Listing Rules or the Hong Kong Code on Takeovers and Mergers) the Independent Shareholders shall in general meeting pass all resolutions required under the Listing Rules (if any) to approve the transactions of the Company contemplated under the Share Purchase Agreement.

- (s) The Company shall obtain all requisite consents from the Stock Exchange or the Securities of Futures Commission of Hong Kong, if required, for the transactions contemplated under the Share Purchase Agreement.

91 Limited's obligation to sell and issue the Preferred Shares at the Closing is subject to the fulfillment on or before the Closing of the following conditions unless waived by the Company, except for (d) and (e) below which may not be waived by any parties to the Share Purchase Agreement:-

- (a) The representations and warranties made by the Investors in the Closing under the Share Purchase Agreement shall be true and correct when made and shall be true and correct in all material aspects as of the Closing Date.
- (b) The Amended Articles of Association shall have been approved and duly adopted by all necessary corporate action of the board and the members of 91 Limited and shall be in full force and effect.
- (c) The Investors shall have executed and delivered all of the Share Purchase Agreement, the Shareholders' Agreement and the Co-Sale Agreement.
- (d) The requisite majority of Shareholders of the Company, being the holding company of 91 Limited, (or if required under the Listing Rules or the Hong Kong Code on Takeovers and Mergers) the Independent Shareholders shall in general meeting pass all resolutions required under the Listing Rules (if any) to approve the transactions of the Company contemplated under the Share Purchase Agreement.
- (e) The Company shall obtain all requisite consents from the Stock Exchange or the Securities of Futures Commission of Hong Kong, if required, for the transactions contemplated under the Share Purchase Agreement.



## PRINCIPAL TERMS OF THE PREFERRED SHARES

Issue date:	the Closing Date
Issuer:	91 Limited, an indirect wholly owned subsidiary of the Company
Number of Preferred Shares:	15,384,000
Issue Price:	US\$0.26 per Preferred Share
Preferred dividends:	The Preferred Shares will rank in priority to receive non-accumulative dividends declared by 91 Limited in preference and priority to any Ordinary Shares in the capital of 91 Limited
Liquidation Preference:	In the event of liquidation events, holders of the Preferred Shares shall be entitled to receive in preference and priority to the holders of Ordinary Shares or any other class of shares of 91 Limited any distribution of any of the proceeds or assets of 91 Limited
Conversion rights:	<p>Holder of the Preferred Shares will have the right to convert the Preferred Shares in whole or in part of the outstanding amount into fully paid and non-assessable Ordinary Shares determined by the Conversion Rate, subject to the adjustment as follows:</p> <ul style="list-style-type: none"><li>(i) issue of additional Ordinary Shares in a manner as set out in the Amended Articles of Association without a consideration or with consideration per share less than the applicable Conversion Price of a series of Preferred Shares in effect on the date of and immediately prior to such issue;</li><li>(ii) combination or sub-division of Preferred Shares;</li><li>(iii) combination or sub-division of Ordinary Shares; and</li><li>(iv) reclassification, exchange and substitution.</li></ul>

Preferred Shares shall automatically be converted into fully paid and non-assessable Ordinary Shares immediately upon the Qualified IPO or the receipt by 91 Limited of a written request for such conversion for holders of a majority of a series of the Preferred Shares then outstanding or the effective date for conversion specified in such request

Redemption: 91 Limited will, following receipt at any time after the fifth but not later than the tenth anniversary of the date on which the first Preferred Share was issued of a written request signed by holders of at least two-third of the Preferred Shares then outstanding, redeem all outstanding Preferred Shares at the Redemption Price

Voting: Except as otherwise expressly provided in the Amended Articles of Association or as required by law, the holders of the Preferred Shares shall have the right to receive notice of and to attend general meeting of 91 Limited and vote on all matters on which holders of Ordinary Shares shall be entitled to vote

## **SHAREHOLDERS' AGREEMENT AND CO-SALE AGREEMENT**

Pursuant to the Share Purchase Agreement, (i) NetDragon (BVI), the Investors, 91 Limited and the 91 Group Companies will enter into the Shareholders' Agreement; and (ii) NetDragon (BVI), the Investors and 91 Limited will enter into the Co-Sale Agreement.

### **Shareholders' Agreement**

The Shareholders' Agreement will be entered into amongst NetDragon (BVI), the Investors, 91 Limited and the 91 Group Companies regarding, among others, the rights and obligations of the shareholders of 91 Limited and setting out the arrangements between them with respect to the ownership, management and operations of 91 Limited.

## **The Co-Sale Agreement**

In consideration of the Investors entering into the Share Purchase Agreement, NetDragon (BVI), being a direct wholly owned subsidiary of the Company, will enter into the Co-Sale Agreement with the Investors and 91 Limited, pursuant to which the Investors shall have the right of first refusal and right of co-sale in the event that NetDragon (BVI), as the holder of the Ordinary Shares, intend to sell or transfer all or any part of such Ordinary Shares. Under the Co-Sale Agreement, NetDragon (BVI) will covenant not to transfer its Ordinary Shares to any party (other than its affiliates) without the prior written consent of the Investors. NetDragon (BVI) may transfer the Ordinary Shares to its affiliates without the Investors' consent provided that such transferee shall agree in writing that it shall be bound by the terms of the Co-Sale Agreement as applicable to NetDragon (BVI).

## **REASONS AND BENEFITS FOR ENTERING INTO THE SHARE PURCHASE AGREEMENT, CO-SALE AGREEMENT**

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

The Group has established teams of program development, art design and business operation since the commencement of the Mobile Internet Business in 2008. The Group has launched a series of softwares of image management, instant messaging, wealth management, information management, entertainment and social networking services, to provide more abundant games and entertainment services for users.

The Group is optimistic about expanding the Mobile Internet Business in the PRC. The Directors believe that enriching product portfolio of different series of products, including applications, contents and services, are favorable factors for the development of the Mobile Internet Business.

The IDG Group is principally engaged in venture capital investments in start-up to growth stage companies with PRC-related businesses.

The Directors consider that the collaboration with the IDG Group in the Mobile Internet Business can provide the Group opportunities to expand the Mobile Internet Business of 91 Limited and the 91 Group Companies, vertically and horizontally from the IDG Group's existing huge network of invested companies, through merger, acquisition and cooperation.

In addition, due to years of cooperation, the Group and the IDG Group have been understanding the philosophy of each other, which in turn, enhance and accelerate the formation of strategy and vision for the future development of this expanding Mobile Internet Business. Furthermore, the Directors believe that a long-term and stable relationship of the Group and the IDG Group will also stabilise the business operation and the future development of 91 Limited and the 91 Group Companies. The executive Directors also consider that the collaboration with the IDG Group will help to minimise and limit the risk exposure of the Group to the Mobile Internet Business.

Accordingly, the Board (including the Independent Non-executive Directors) is of the view that the terms of the transactions contemplated under the Share Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE SHARE PURCHASE ON THE GROUP**

Upon the Closing, the Group is expected to record a gain on the deemed disposal by the issue and sale of the Preferred Shares amounting to approximately RMB26.1 million (approximately HK\$31.1 million) after deducting the professional fees and all related expenses, which gain is subject to adjustment and review by auditors of the Company. The net liabilities value of 91 Limited and the 91 Group Companies will also be decreased by approximately RMB1.1 million (approximately HK\$1.3 million) to net asset value of approximately RMB3.9 million (approximately HK\$4.6 million), which increase is subject to adjustment and review by auditors of the Company. The consideration of the issue and sale of the Preferred Shares is planned to be used in strengthening the core development team, expanding the Mobile Internet Business through acquisition or cooperation with renowned international corporations, strengthening the brand image and funding operating expenses of 91 Limited and the 91 Group Companies.

91 Limited and the 91 Group Companies will continue to be the subsidiaries of the Company following the Closing.

### **INFORMATION ON THE GROUP AND THE 91 GROUP COMPANIES**

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

NetDragon (BVI) is a wholly owned subsidiary of the Company and principally engaged in investment holding.

91 Limited is a wholly owned subsidiary of NetDragon (BVI), in turn an indirect wholly owned subsidiary of the Company and principally engaged in investment holding.

Talent Zone Holdings Limited is a wholly owned subsidiary of 91 Limited, in turn an indirect wholly owned subsidiary of the Company and principally engaged in investment holding.

Fuzhou BoYuan Wireless Websoft Technology Ltd. is a wholly owned subsidiary of Talent Zone, in turn an indirect wholly owned subsidiary of the Company and principally engaged in provision of consulting services to Fujian Bo Rui through Control Documents.

Fujian Bo Rui Websoft Technology Ltd. is an enterprise established under the laws of the PRC, the equity interests are all held by NetDragon (Fujian) and through the Control Documents, Fuzhou BoYuan Wireless is able to control Fujian Bo Rui and accordingly, Fujian Bo Rui will be regarded as a subsidiary of Fuzhou BoYuan Wireless. Fujian Bo Rui is principally engaged in the Mobile Internet Business.

91 Limited and the 91 Group Companies have commenced operations since April 2011 and incurred a total accumulated operating loss of approximately RMB1.2 million as at the date of this announcement.

## **INFORMATION ON THE INVESTORS**

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 Patrick J. McGovern. 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 James W. Breyer. IDG-Accel China Investors L.P. is principally engaged in venture capital investment in start-up or growth stage companies with PRC-related businesses.

## LISTING RULES IMPLICATION

IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. are interested in approximately 14.83% in the Company and are deemed to be acting in concert. As substantial shareholders of the Company, the Investors are connected persons of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Share Purchase Agreement constitute a connected transaction. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Purchase are less than 5%, the transactions contemplated under the Share Purchase Agreement are subject to the reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Except for Mr. Lin Dongliang, who is a member of the general partners of IDG Technology Venture Investments of the IDG Group, no Directors have a material interest in the transactions contemplated under the Share Purchase Agreement. Accordingly, Mr. Lin Dongliang has abstained from voting on the Board resolution in relation to the transactions contemplated under the Share Purchase Agreement.

## DEFINITIONS

“91 Group Company(ies)”	Talent Zone, Fuzhou BoYuan Wireless and Fujian Bo Rui
“91 Limited”	91 Limited, a limited liability company incorporated in the Cayman Islands, being an indirect wholly owned subsidiary of the Company
“Amended Articles of Association”	the amended and restated articles of association of 91 Limited to be adopted pursuant to the Share Purchase Agreement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Closing”	the closing of the Share Purchase Agreement
“Closing Date”	the date of the Closing, within five days after all conditions of the Share Purchase Agreement or such other date as 91 Limited and the Investors shall agree
“Company”	NetDragon Websoft Inc., an exempted company incorporated in the Cayman Islands with limited liability, and the securities of which are listed on the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Control Documents”	(i) the exclusive technical consultancy and service agreement; (ii) the equity interest pledged agreement; (iii) agreement for the exclusive right to acquire equity interest and assets; and (iv) the equity holders’ voting rights proxy agreement, to be entered into amongst NetDragon (Fujian), Fuzhou BoYuan Wireless and/or Fujian Bo Rui, which are contracts cloning the Structure Contracts and pursuant to which, Fuzhou BoYuan Wireless will be able to control Fujian Bo Rui and thereby Fujian Bo Rui will be regarded as a subsidiary of Fuzhou BoYuan Wireless
“Conversion”	the exercise of the conversion rights under the Amended Articles of Association to convert the Preferred Shares into Ordinary Shares
“Conversion Price”	US\$0.26 per share, subject to adjustment
“Conversion Rate”	the number of the Ordinary Shares into which each Preferred Share of a series may be converted into, determined by dividing the Issue Price for the relevant series of Preferred Shares by the Conversion Price for such series
“Co-Sale Agreement”	the co-sale agreement to be entered into amongst NetDragon (BVI), the Investors and 91 Limited pursuant to which the Investors shall have the right of first refusal and right of co-sale in the event that NetDragon (BVI), as a holder of the Ordinary Shares, intend to sell or transfer all or any part of such Ordinary Shares
“Director(s)”	the director(s) of the Company
“Fujian Bo Rui”	Fujian Bo Rui Websoft Technology Ltd. (福建博瑞網絡科技有限公司), an enterprise established under the laws of the PRC, the equity interests of which are all held by NetDragon (Fujian) and through the Control Documents, Fuzhou BoYuan Wireless is able to control Fujian Bo Rui and accordingly, Fujian Bo Rui will be regarded as a subsidiary of Fuzhou BoYuan Wireless

“Fuzhou BoYuan Wireless”	Fuzhou BoYuan Wireless Websoft Technology Ltd. (福州博遠無綫網絡科技有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly owned subsidiary of Talent Zone
“Group”	the Company, its subsidiaries and such entities which are considered as subsidiaries of the Company under the applicable accounting standard and policy
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Patrick J. McGovern, and being a member of the IDG Group
“IDG-Accel China Growth Fund-A L.P.”	IDG-Accel China Growth Fund-A L.P., a limited partnership and ultimately owned as to 35.0% by each of Zhou Quan and Patrick J. McGovern, and being a member of the IDG Group
“IDG-Accel China Investors L.P.”	IDG-Accel China Investors L.P., a limited partnership and ultimately owned as to 100% by James W. Breyer, and being a member of the IDG Group
“IDG Group”	IDG Technology Venture Investments, L.P., IDG Technology Venture Investments III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., which in aggregate hold approximately 14.83% of the Shares and therefore being the Company’s substantial shareholder under the Listing Rules
“Indemnification Agreement”	the indemnification agreement to be executed by 91 Limited in favour of each of the directors of 91 Limited, providing such directors, among others, the indemnification to the maximum extent permitted by law
“Independent Shareholders”	Shareholders other than the Investors and their respective associates



“Investors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.
“Liquidation Preference”	US\$0.26 per Preferred Share, subject to adjustment from time to time, plus five per cent per annum cumulative rate of return
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Rights Letter”	the management rights letter to be executed by 91 Limited in favour of the Investors providing them contractual management rights in the operation of 91 Limited similar to rights of directors of 91 Limited
“Mobile Internet Business”	the business of mobile Internet application product developments (including program development and art design) and mobile Internet advertising business operations
“NetDragon (BVI)”	NetDragon Websoft Inc., a limited liability company incorporated in the British Virgin Islands, being a wholly owned subsidiary of 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) 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 and through the Structure Contracts, TQ Digital and TQ Online are able to control NetDragon (Fujian) and accordingly, regarded as a subsidiary of the Company
“Ordinary Share(s)”	the ordinary share(s) with a par value of US\$0.0001 per share in the share capital of 91 Limited
“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, Macau, Special Administrative Region of the PRC and Taiwan)

“Preferred Shares”	15,384,000 new series A preferred shares of US\$0.0001 each in the share capital of 91 Limited to be issued pursuant to the Share Purchase Agreement
“Qualified IPO”	the closing of 91 Limited first share offer in a firm commitment underwritten initial public offering that results in such securities being listed or registered on a qualified stock exchange, with pre-offering market capitalization and aggregate net proceeds to 91 Limited as agreed by the Investors
“Redemption Price”	US\$0.26 per Preferred Share (subject to recapitalization adjustment) plus (i) cumulative rate of return of five percent (5%) per annum, and (ii) any declared but unpaid dividends on such Preferred Share
“Share(s)”	the ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Share Purchase”	the purchase of the Preferred Shares by the Investors pursuant to the Share Purchase Agreement
“Share Purchase Agreement”	the series A preferred shares purchase agreement entered into amongst 91 Limited, the 91 Group Companies and the Investors on 30 May 2011 pursuant to which the Investors agreed to purchase and 91 Limited agreed to issue the Preferred Shares
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into amongst NetDragon (BVI), the Investors, 91 Limited and the 91 Group Companies pursuant to the Share Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structure Contracts”	contain contracts entered into among the subsidiaries and affiliates of the Company, particulars of which are set out in the “Structure Contracts” in the latest published annual report of the Company
“substantial shareholders”	having the meaning ascribed thereto in the Listing Rules

“Talent Zone”	Talent Zone Holdings Limited, a limited liability company incorporated in Hong Kong, a wholly owned subsidiary of 91 Limited
“TQ Digital”	Fujian TQ Digital Inc (福建天晴數碼有限公司), formerly known as Fujian TQ Digital Ind (福建天晴數碼有限公司) and Fuzhou TQ Digital Ind (福州天晴數碼有限公司), a wholly foreign owned enterprise established in the PRC on 28 February 2003, which is indirectly wholly and beneficially owned by the Company
“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 indirectly wholly and beneficially owned by the Company
“United Sates”	United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

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

Hong Kong, 30 May 2011

*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.*