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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)**

**DISCLOSEABLE TRANSACTION  
ISSUE OF PREFERRED SHARES BY A SUBSIDIARY**

On 9 December 2011, 91 Limited, a subsidiary of the Company, entered into the Series B Agreement with the Series B Investors for the issue and sale of an aggregate of 16,025,000 Series B Preferred Shares for a total consideration of US\$20,000,000. Excluding the Preferred Shares to be issued under the Note Issuance Transaction (the conversion of which has not yet be determined as of the date of this announcement), the Series B Preferred Shares sold will represent approximately 51.02% of all issued Preferred Shares of 91 Limited and account for approximately 14.28% of all the outstanding shares of 91 Limited upon the full conversion of the Series B Preferred Shares. The total consideration will be fully satisfied by the Series B Investors through wire transfer of immediately available fund to a bank account designated by 91 Limited. Pursuant to the Series B Agreement, (i) Ordinary Shareholders, Series A Investors, Series B Investors, 91 Limited and the 91 Group Companies will enter into the Shareholders' Agreement; and (ii) Ordinary Shareholders, Series A Investors, Series B 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.

The Series B Transaction constitutes a transaction pursuant to Rule 14.04(1)(a) of the Listing Rules and the applicable percentage ratios (as defined in the Listing Rules) in respect thereof, when aggregated with the Series A Transaction and the Note Issuance Transaction pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%. Accordingly, the Series B Transaction, when aggregated with the Series A Transaction and the Note Issuance Transaction, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 9 December 2011, 91 Limited, a subsidiary of the Company, entered into the Series B Agreement with the Series B Investors for the issue and sale of an aggregate of 16,025,000 Series B Preferred Shares for a total consideration of US\$20,000,000. Excluding the Preferred Shares to be issued under the Note Issuance Transaction (the conversion of which has not yet been determined as of the date of this announcement), the Series B Preferred Shares sold will represent approximately 51.02% of all the issued Preferred Shares of 91 Limited and account for approximately 14.28% of all the outstanding shares of 91 Limited upon the full conversion of the Series B Preferred Shares.

## **THE SERIES B AGREEMENT**

Date: 9 December 2011

Parties:

- (a) 91 Limited, as a subsidiary of the Company and being the issuer of the Series B Preferred Shares
- (b) Talent Zone, as a wholly owned subsidiary of 91 Limited and being one of the 91 Group Companies
- (c) Fuzhou BoYuan Wireless, as a wholly owned subsidiary of Talent Zone and being one of the 91 Group Companies
- (d) 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
- (e) Vertex Asia Growth Ltd
- (f) IP Cathay II, L.P.
- (g) DT Capital China Growth Fund, L.P.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Series B Investors and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

Capital structure:

Immediately prior to the Closing, the authorised share capital of 91 Limited will consist of (i) 164,000,000 Ordinary Shares, 71,151,000 of which have been issued to NetDragon (BVI) and 9,615,000 of which have been issued to TNL; (ii) 15,500,000 Series A Preferred Shares, 15,384,000 of which have been issued to Series A Investors; and (iii) 20,500,000 Series B Preferred Shares, none of which has been issued. In addition, pursuant to the Note Issuance Transaction, 91 Limited has issued convertible promissory notes in an aggregate principal amount of US\$5,000,000 to Series A Investors. Details of the Note Issuance Transaction are set forth in the announcements of the Company dated 14 September 2011 and 21 September 2011 and the conversion under the Note Issuance Transaction has not yet been determined as of the date of this announcement.

Share Purchase:

91 Limited will issue the Series B Preferred Shares and sell to the Series B Investors for a total consideration of US\$20,000,000 (approximately HK\$156 million).

Excluding the Preferred Shares to be issued under the Note Issuance Transaction (the conversion of which has not yet be determined as of the date of this announcement), the Series B Preferred Shares will be issued and sold to the Series B Investors in the following manner:-

- (i) 8,012,500 of the Series B Preferred Shares, which will represent approximately 25.51% of the issued Preferred Shares and approximately 7.14% of all the outstanding shares of 91 Limited upon the full conversion of such Series B Preferred Shares, will be issued and sold to Vertex Asia Growth Ltd at a total consideration of US\$10 million (approximately HK\$78 million);

(ii) 4,006,250 of the Series B Preferred Shares, which will represent approximately 12.76% of the issued Preferred Shares and approximately 3.57% of all the outstanding shares of 91 Limited upon the full conversion of such Series B Preferred Shares, will be issued and sold to IP Cathay II, L.P. at a total consideration of US\$5 million (approximately HK\$39 million).

(iii) 4,006,250 of the Series B Preferred Shares, which will represent approximately 12.76% of the issued Preferred Shares and approximately 3.57% of all the outstanding shares of 91 Limited upon the full conversion of such Series B Preferred Shares, will be issued and sold to DT Capital China Growth Fund, L.P. at a total consideration of US\$5 million (approximately HK\$39 million).

The consideration of the sale and purchase of the Series B Preferred Shares 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 conducted and to be conducted by 91 Limited and the 91 Group Companies.

Settlement of the consideration:

The total consideration of US\$20,000,000 (approximately HK\$156 million) will be settled by the Series B Investors through wire transfer of immediately available fund to a bank account designated by 91 Limited.

Conditions precedent:

The obligations of the Series B Investors to purchase the Series B 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 Series B Investors at the Closing (except for conditions (s) and (t) below which may not be waived by any parties to the Series B Agreement):-

- (a) The representations and warranties made by 91 Limited and the 91 Group Companies under the Series B 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 Series B 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 in all material aspects as of the Closing Date.
- (c) 91 Limited and the 91 Group Companies have performed and complied with all agreements, obligations and conditions contained in the Series B Agreement and ancillary agreements that are required to be performed or complied with by them in all material aspects 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 Series B Agreement, and all instruments and other documents relating to such transactions, shall be reasonably satisfactory in form and substance to the Series B Investors, and the Series B 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 such 91 Limited or 91 Group Company of its obligations pursuant to the Transaction Documents.

- (g) the Second Amended Memorandum and 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 Series B Agreement and the Shareholders' Agreement.
- (i) 91 Limited shall have delivered to counsel to the Series B 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 and Cayman counsel shall have issued customary legal opinions to the reasonable satisfaction of the Series B Investors.
- (k) Effective upon the Closing, the board of directors of 91 Limited shall consist of five (5) members, of which one (1) being appointed by the Series A Investors, one (1) being appointed by the Series B 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 Series B Investors the Management Rights Letter in a form reasonable satisfactory to the Series B Investors.
- (m) The Series B director of 91 Limited shall have entered into an Indemnification Agreement with 91 Limited upon the Closing in a form reasonable satisfactory to Vertex Asia Growth Ltd.
- (n) The shareholders of Fujian Bo Rui shall have completed the equity pledge registration with the relevant administration of industry and commerce with respect to the pledge of all equity interests in Fujian Bo Rui held by such shareholders to Fuzhou Bo Yuan Wireless to secure the performance of the obligations under the Control Documents.

- (o) The establishment of Fuzhou BoYuan Wireless and Fujian Bo Rui (if applicable) and issuance and sale of Series A Preferred Shares shall have been properly reflected in the amendment to the registration with the competent local branch of State Administration of Foreign Exchange pursuant to the relevant laws, rules and regulations.
- (p) Fujian Bo Rui shall have completed the applications for (i) the Value-added Telecommunications Operation License (增值電信業務經營許可証) for its provision of information services via mobile network; (ii) the License for Online Transmission of Audio-Visual Programs (信息網絡傳播視聽節目許可証) for its audiovisual services; (iii) the Internet Publication License (互聯網出版許可証) for its operation of mobile games and online digital reading services; and (iv) the expansion of online music entertainment into the business cope of its Online Culture Operation Permit (網絡文化經營許可証).
- (q) Fuzhou Bo Yuan Wireless shall have obtained the updated Financial Registration License.
- (r) A management committee resolutions shall have been adopted, enabling all or substantially all of the profits of Fujian Bo Rui to be transferred to Fuzhou Bo Yuan Wireless.
- (s) The Company shall have obtained (where applicable and required) the approval of the Shareholders as required by the Listing Rules in relation to the Transaction Documents and the Series B Transaction.
- (t) The Company shall have obtained all requisite consents from the Stock Exchange or the Securities of Futures Commission of Hong Kong, if required, for the Series B Transaction.

91 Limited's obligation to sell and issue the Series B Preferred Shares at the Closing is subject to the fulfillment on or before the Closing of the following conditions:-

- (a) The representations and warranties made by the Series B Investors in the Closing under the Series B Agreement shall be true and correct when made and shall be true and correct in all material aspects as of the date of the Closing.
- (b) The Second Amended Memorandum and 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 Series B Investors shall have executed and delivered all of the Transaction Documents.

#### **PRINCIPAL TERMS OF THE SERIES B PREFERRED SHARES**

Issue date:	the Closing Date
Issuer:	91 Limited, a subsidiary of the Company
Number of Preferred Shares:	16,025,000
Issue Price:	US\$1.2480499 per Series B Preferred Share
Preferred dividends:	The Series B Preferred Shares will rank in priority to receive non-cumulative dividends declared by 91 Limited in preference and priority to the Series A Preferred Shares, which will rank in priority to receive non-accumulative dividends in preference and priority to any Ordinary Shares, in the capital of 91 Limited

Liquidation Preference: In the event of any liquidation event, holders of the Series B Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the proceeds or assets of 91 Limited, to holders of the Series A Preferred Shares, the Ordinary Shares or any of the class of shares of 91 Limited, an amount per share for each Series B Preferred Share held by them equal to the sum of the Series B Liquidation Preference and all declared but unpaid dividends (if any) on each such Series B Preferred Share

Conversion rights: Holder of the Series B Preferred Shares will have the right to convert each Series B Preferred Share into that number of fully paid and non-assessable Ordinary Share determined by the Conversion Rate, subject to the adjustment as a result of the followings:

- (i) issue of additional Ordinary Shares in a manner as set out in the Second Amended Memorandum and Articles of Association without a consideration or with consideration per share less than the applicable Conversion Price of Series B Preferred Shares in effect on the date of and immediately prior to such issue;
- (ii) combination or sub-division of Preferred Shares;
- (iii) combination or sub-division of Ordinary Shares;  
and
- (iv) reclassification, exchange and substitution.

Preferred Shares shall automatically be converted into fully paid and non-assessable Ordinary Shares immediately upon (i) the Qualified IPO; or (ii) the receipt by 91 Limited of a written request for such conversion for the holders of a majority of Series A Preferred Shares then outstanding or the effective date for conversion specified in such request; or (iii) the receipt by 91 Limited of a written request for such conversion at any time from the holders of more than two-thirds of the Series B Preferred Shares then outstanding

Redemption: 91 Limited will, following receipt at any time after the fourth anniversary of the original issue date of the Series B Preferred Shares of a written request signed by holders of more than two-thirds of the Series B Preferred Shares then outstanding and subject to the Second Amended Memorandum and Articles of Association, redeem all outstanding Series B Preferred Shares at the Redemption Price

Voting: Except as otherwise expressly provided in the Second Amended Memorandum and Articles of Association or as required by law, the holders of the Series B 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 the Series A Preferred Shares and the Ordinary Shares shall be entitled to vote

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

Pursuant to the Series B Agreement, (i) Ordinary Shareholders, Series A Investors, Series B Investors, 91 Limited and the 91 Group Companies will enter into the Shareholders' Agreement; and (ii) Ordinary Shareholders, Series A Investors, Series B Investors and 91 Limited will enter into the Co-Sale Agreement.

### **Shareholders' Agreement**

The Shareholders' Agreement will be entered into amongst Ordinary Shareholders, Series A Investors, Series B 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 Series B Investors entering into the Series B Agreement, Ordinary Shareholders, will enter into the Co-Sale Agreement with the Series A Investors, the Series B Investors, and 91 Limited, pursuant to which the Series B Investors shall have the right of first refusal and right of co-sale in the event that any Ordinary Shareholder, intend to sell or transfer all or any part of such Ordinary Shares. Under the Co-Sale Agreement, the Ordinary Shareholders will covenant not to transfer its Ordinary Shares to any party (other than its affiliates) without the prior

written consent of the holders of two-thirds of the outstanding Series B Preferred Shares. The Ordinary Shareholders may transfer the Ordinary Shares to its affiliates without the Series B Investors' consent provided that in case the consideration of the transfer by the Ordinary Shareholders (taken the Ordinary Shareholders as a whole) prior to the Qualified IPO, individually or in the aggregate together with any previous transfer, exceeds US\$10,000,000, such transfer shall be subject to the consent of the holders of two-thirds of the outstanding Series B Preferred Shares and that such transferee shall be bound by the terms of the Co-Sale Agreement as applicable to the Ordinary Shareholders.

## **REASONS AND BENEFITS FOR ENTERING INTO THE SERIES B 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 the 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, wealth management, information management, entertainment and social networking services, to provide more abundant games and entertainment services for users.

The Group is optimistic about the rapidly expanding 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 executive Directors consider that it is now opportune for the Group to actively expand the Mobile Internet Business of 91 Limited and the 91 Group Companies. While previous fund raising exercises provide 91 Limited and the 91 Group Companies with sufficient funding and capital to maintain the current operation and to expand the Mobile Internet Business, the funding received from the Series B Investors provide us with sufficient resources to cope with working capital requirements for 91 Limited, 91 Group Companies and future investments during the expansion process.

Accordingly, the Board is of the view that the terms of the transactions contemplated under the Series B Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE ISSUANCE OF SERIES B PREFERRED SHARES ON THE GROUP**

Upon the Closing, it is expected and estimated that the Group will record a gain on the deemed disposal by the issue and sale of the Series B Preferred Shares amounting to approximately RMB123.3 million (approximately HK\$151.3 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 asset value of 91 Limited is expected and estimated to be increased by approximately RMB126.7 million (approximately HK\$155.5 million) to approximately RMB150.8 million (approximately HK\$185.2 million), which increase is subject to adjustment and review by auditors of the Company. The consideration of the issue and sale of the Series B Preferred Shares is planned to be used in strengthening the capital base to cope with the working capital requirements during expansion.

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

## **FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS**

On 13 August 2011, 91 Limited issued Series A Preferred Shares to the Series A Investors pursuant to the Series A Agreement, among which 11,856,450 Series A Preferred Shares, 2,422,980 Series A Preferred Shares and 1,104,570 Series A Preferred Shares were issued to IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., respectively, which will represent 10.57%, 2.16% and 0.98% of all issued and outstanding shares of 91 Limited upon Closing. On 21 September, 91 Limited issued the convertible promissory notes in the amount of US\$3,853,500, US\$787,500 and US\$359,000 to IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG Accel Investors L.P., respectively pursuant to the Note Issuance Transaction. Save as disclosed, the Group has not conducted any fund raising activity in the past twelve months.

## **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.

TNL is a wholly owned subsidiary of the Company and principally engaged in investment holding.

91 Limited is an indirect subsidiary of the Company and principally engaged in investment holding.

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

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

Fujian Bo Rui 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.

## **INFORMATION ON THE SERIES B INVESTORS**

Vertex Asia Growth Ltd is an exempted company established under the laws of Cayman Islands, the principal activities of which are those relating to investments in high growth potential companies primarily in Asia.

IP Cathay II, L.P. is an exempted limited partnership established under the laws of Cayman Islands, the principal activities of which are to seek income and gain through the acquisition, holding and distribution or other disposition of portfolio securities, with a focus on portfolio securities issued by companies that conduct business in the PRC, Hong Kong or Taiwan.

DT Capital China Growth Fund, L.P. is an exempted limited partnership established under the laws of Cayman Islands, the principal activities of which are making investments in consumer, technology, healthcare and energy/alternative energy industries in the PRC market.

## LISTING RULES IMPLICATION

The Series B Transaction constitutes a transaction pursuant to Rule 14.04(1)(a) of the Listing Rules and the applicable percentage ratios (as defined in the Listing Rules) in respect thereof, when aggregated with the Series A Transaction and the Note Issuance Transaction pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%. Accordingly, the Series B Transaction, when aggregated with Series A Transaction and the Note Issuance Transaction, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## 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 subsidiary of the Company
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“Closing”	the closing of the Series B Agreement
“Closing Date”	the date of the Closing, within five days after all conditions to the Closing have been satisfied or waived or such other date as 91 Limited and the Series B 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
“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 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 Second Amended Memorandum and Articles of Association to convert the Series B Preferred Shares into the Ordinary Shares
“Conversion Price”	US\$1.2480499 per share, subject to adjustment
“Conversion Rate”	the number of the Ordinary Shares into which Series B Preferred Shares may be converted into, determined by dividing the issue price for the Series B Preferred Shares by the Conversion Price
“Co-Sale Agreement”	the amended and restated right of first refusal and co-sale agreement to be entered into between the Ordinary Shareholders, Series A Investors, Series B Investors and 91 Limited
“Director(s)”	the director(s) of the Company
“Eligible Investors”	any Series A Investor and Series B Investor (and their respective permitted assignees), who or which, at the time in question, holding at least 1,000,000 outstanding Preferred Shares
“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 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. (福州博遠無線網絡科技有限公司), 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“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
“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
“Indemnification Agreement”	the indemnification agreement to be executed by 91 Limited in favour of the director nominated by the Series B Investors to the board of director of 91 Limited, providing such nominated director, among others, the indemnification to the maximum extent permitted by law
“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 Series B 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

“Note Issuance Transaction”	the issuance of convertible promissory notes by 91 Limited in the aggregate principal amount of US\$5,000,000 to Series A Investors pursuant to the note purchase agreement dated 14 September 2011 entered into between 91 Limited and the Series A Investors, details of which are set forth in the announcements of the Company dated 14 September 2011 and 21 September 2011
“Ordinary Share(s)”	the ordinary share(s) with a par value of US\$0.0001 per share in the share capital of 91 Limited
“Ordinary Shareholders”	NetDragon (BVI) and TNL
“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 Share(s)”	Series A Preferred Share(s) and/or Series B Preferred Share(s)
“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 Series A Investors and Series B Investors
“Redemption Price”	US\$1.2480499 per Series B Preferred Share plus (i) cumulative rate of return of twelve percent (12%) per annum, and (ii) any declared but unpaid dividends on such Series B Preferred Share
“RMB”	Renminbi, the lawful currency of the PRC
“Second Amended Memorandum and Articles of Association”	the amended and restated memorandum and articles of association of 91 Limited to be adopted pursuant to the Series B Agreement

“Series A Agreement”	the series A preferred share purchase agreement entered into amongst 91 Limited, the 91 Group Companies and the Series A Investors on 30 May 2011 pursuant to which the Series A Investors agreed to purchase and 91 Limited agreed to issue the Series A Preferred Shares, details of which are set forth in the announcements of the Company dated 30 May 2011 and 15 August 2011
“Series A Investors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.
“Series A Preferred Shares”	15,384,000 series A preferred shares of 91 Limited issued to the Series A Investors pursuant to the Series A Preferred Share Agreement
“Series A Transaction”	the purchase of the Series A Preferred Shares by the Series A Investors pursuant to the Series A Agreement and the transactions contemplated thereunder
“Series B Agreement”	the series B preferred share purchase agreement entered into amongst 91 Limited, the 91 Group Companies and the Series B Investors
“Series B Investors”	Vertex Asia Growth Ltd, IP Cathay II, L.P. and DT Capital China Growth Fund, L.P.
“Series B Liquidation Preference”	US\$1.2480499 per Series B Preferred Share, subject to adjustment from time to time, plus 12% per cent per annum cumulative rate of return
“Series B Preferred Shares”	16,025,000 series B preferred shares of 91 Limited to be issued to the Series B Investors pursuant to the Series B Agreement
“Series B Transaction”	the purchase of the Series B Preferred Shares by the Series B Investors pursuant to the Series B Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares of the Company

“Shareholders’ Agreement”	the shareholders’ agreement to be entered into amongst Ordinary Shareholders, Series A Investors, Series B Investors, 91 Limited and the 91 Group Companies pursuant to the Series B 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
“Talent Zone”	Talent Zone Holdings Limited, a limited liability company incorporated in Hong Kong, a wholly owned subsidiary of 91 Limited
“TNL”	Treasure New Limited, a limited liability company incorporated in the British Virgin Islands, an indirect wholly owned subsidiary of the Company
“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
“Transaction Documents”	Series B Agreement, Co-sale Agreement and Shareholders’ Agreement
“United States”	United States of America

“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, 9 December 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.*