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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)

FURTHER ANNOUNCEMENT

CONVERSION OF THE PREFERRED SHARES TO ORDINARY SHARES BY HOLDERS OF PREFERRED SHARES IN THE CAPITAL OF 91 WIRELESS WEBSOFT LIMITED

INTRODUCTION

References are made to (i) the announcements of the Company dated 30 May 2011 and 15 August 2011 in relation to the subscription of Series A Preferred Shares by the Series A Investors; (ii) the announcements of the Company dated 14 September 2011 and 21 September 2011 in relation to the issue of convertible promissory notes to the IDG Investors; and (iii) the announcements of the Company dated 9 December 2011, 15 December 2011, 30 December 2011, 10 February 2012, 20 February 2012, 8 October 2012, 19 October 2012, 9 January 2013 and 10 January 2013 in relation to the subscription of the Series B Preferred Shares by certain Series B Investors.

During the period from 9 December 2011 to 10 January 2013, 91 Wireless had issued in total (i) 15,384,000 Series A Preferred Shares to certain Series A Investors and (ii) 31,054,278 Series B Preferred Shares to the Series B Investors. Pursuant to the 91 Wireless Articles, each holder of the Preferred Shares shall 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 applicable Conversion Rate, subject to the adjustments as stated in the 91 Wireless Articles.

CONVERSION

On 21 March 2013, all the holders of the Series A Preferred Shares made a request to 91 Wireless that each issued and outstanding Preferred Share be converted into fully paid non-assessable Ordinary Shares at the then Conversion Rate for each such Preferred Share pursuant to the 91 Wireless Articles. All the holders of the Series A Preferred Shares and the Series B Preferred Shares agreed the taking of the aforesaid actions by 91 Wireless.

In order to effect the Conversion, on 27 March 2013, 91 Wireless entered into the Series A Repurchase Agreement with the Series A Investors and the Series B Repurchase Agreement with the Series B Investors. The principal terms of each of the Series A Repurchase Agreement and the Series B Repurchase Agreement are as follows:

Series A Repurchase Agreement

1. The Series A Investors irrevocably agree to the repurchase and cancellation by 91 Wireless of 15,384,000 Series A Preferred Shares in exchange for the allotment and issue by 91 Wireless to the Series A Investors of 15,384,000 Ordinary Shares.
2. Each of the Series A Investors irrevocably waives all and any rights of pre-emption, rights of co-sale, right of first refusal and all other restrictions whatsoever on the repurchase of, or in respect of, the Series A Preferred Shares to which they may be entitled under the 91 Wireless Articles or otherwise.

Series B Repurchase Agreement

1. The Series B Investors irrevocably agree to the repurchase and cancellation by 91 Wireless of 31,054,278 Series B Preferred Shares in exchange for the allotment and issue by 91 Wireless to the Series B Investors of 31,054,278 Ordinary Shares.
2. Each of the Series B Investors irrevocably waives all and any rights of pre-emption, rights of co-sale, right of first refusal and all other restrictions whatsoever on the repurchase of, or in respect of, the Series B Preferred Shares to which they may be entitled under the 91 Wireless Articles or otherwise.

The completion of the Conversion took place on 27 March 2013. 91 Wireless had issued 46,438,278 Ordinary Shares for the purpose of Conversion. The capital structure of 91 Wireless as at the date hereof is as follows:-

Shareholders	Number of Ordinary Shares	Approximate Ownership Percentage
NetDragon (BVI)	78,167,778	55.70%
BOCOM Trustee	2,483,034 ^(Note 2)	1.77%
Shares transferred to participants of the 91 Share Award Scheme	2,015,716 ^(Note 2)	1.44%
SMP Trustees (NZ) Limited	1,570,000	1.12%
Euro Victory Limited	6,114,500	4.36%
Cantrust (Far East) Limited	3,507,850	2.50%
IDG-Accel China Growth Fund L.P.	8,151,310	5.81%
IDG-Accel China Growth Fund-A L.P.	1,665,799	1.19%
IDG-Accel China Investors L.P.	759,391	0.54%
Stonewell Resources Limited	4,807,500	3.43%
Vertex Asia Investments Pte. Ltd.	8,012,500	5.71%
IP Cathay II, L.P.	4,006,250	2.85%
DT Capital China Growth Fund, L.P.	4,006,250	2.85%
NetDragon (BVI)	2,403,750 ^(Note 1)	1.71%
IDG-Accel China Growth Fund L.P.	3,087,617	2.20%
IDG-Accel China Growth Fund-A L.P.	630,984	0.45%
IDG-Accel China Investors L.P.	287,649	0.20%
Sino Coast Developments Limited	1,640,900 ^(Note 2)	1.17%
Pacific Century Diversified Limited	5,813,902	4.14%
Grandwin Enterprises Limited	601,438	0.43%
Individual Investor	<u>601,438</u>	<u>0.43%</u>
Total	<u>140,335,556</u>	<u>100%</u>

Note 1: the total number of Ordinary Shares represented by the conversion of NetDragon (BVI)'s holding of Series B Preferred Shares.

Note 2: On 25 March 2013, BOCOM Trustee transferred 38,400 Ordinary Shares to Sino Coast Developments Limited and 377,750 Ordinary Shares to participants of the 91 Share Award Scheme pursuant to the 91 Share Award Scheme.

Financial impact of the Conversion on the financial statements of the Company

The resulting Ordinary Shares issued are recorded by 91 Wireless as additional share capital at the nominal value of the Ordinary Shares issued, and the excess of the total carrying amount of the redeemable convertible preferred shares over the nominal value of the Ordinary Shares issued is recorded in the share premium account of 91 Wireless.

THE POST CONVERSION SHAREHOLDERS' AGREEMENT

On 27 March 2013 the Post Conversion Shareholders' Agreement were entered into among 91 Wireless, the 91 Group Companies, the Ordinary Shareholder, the Series A Investors and the Series B Investors regarding, among others, the rights and obligations of the shareholders of 91 Wireless and setting out the arrangements between them with respect to the ownership, management and operations of 91 Wireless. The parties to the Post Conversion Shareholders' Agreement represent approximately 88.81% of the shareholding interest in 91 Wireless. Under the Post Conversion Shareholders' Agreement, the Series A Investors, the Series B Investors and the Ordinary Shareholder agreed to, among other things, the following:-

(i) Preferred Dividends

Notwithstanding any provision in the Post Conversion Articles, all dividends or other distribution declared by the board of directors of 91 Wireless on Ordinary Shares in any calendar year shall, with respect to such aggregate dividends payable on outstanding Ordinary Shares held by all the Series A Investors, the Series B Investors and the Ordinary Shareholder together as a class (the "Pooled Dividends") be pooled together and distributed among the Series A Investors, the Series B Investors and the Ordinary Shareholder as follows:

- (a) the Series B Investors shall be entitled on a pro rata basis to receive dividends out of the Pooled Dividends on their issued and outstanding Ordinary Shares (that were formerly Series B Preferred Shares prior to being converted to Ordinary Shares) in preference and priority to any payment of any dividends or distribution to the Series A Investors and the Ordinary Shareholder in such calendar year (the "Series B Dividends");
- (b) after the payment of Series B Dividends out of the Pooled Dividends, the Series A Investors shall be entitled on a pro rata basis to receive dividends out of the Pooled Dividends on their issued and outstanding Ordinary Shares in preference and priority to any payment of any dividends or distribution to the Ordinary Shareholder in such calendar year (the "Series A Dividends");
- (c) after the payment of Series A Dividends out of the Pooled Dividends, the Ordinary Shareholder shall be entitled to receive the remaining balance of the Pooled Dividends.

(ii) **Liquidation Preference**

Notwithstanding any provision in the Post Conversion Articles, in the event of any liquidation event of 91 Wireless, either voluntary or involuntary, the aggregate proceeds or assets of 91 Wireless legally available to be distributed on outstanding Ordinary Shares held by all the Series A Investors, the Series B Investors and the Ordinary Shareholder together as a class (the “Pooled Liquidation Proceeds”) shall be pooled together and distributed among the Series A Investors, the Series B Investors and the Ordinary Shareholder as follows:

- (a) the Series B Investors shall be entitled on a pro rata basis to receive, prior and in preference to any distribution of any of the Pooled Liquidation Proceeds to the Series A Investors and the Ordinary Shareholder, an amount per Ordinary Share (that were formerly Series B Preferred Shares prior to being converted to Ordinary Shares) held by them equal to the sum of (i) the Series B Liquidation Preference specified for such Ordinary Share; and (ii) all declared but unpaid dividends (if any) on each such Ordinary Share held by the Series B Investors;
- (b) if the Pooled Liquidation Proceeds legally available for distribution to the Series B Investors are insufficient to permit the payment to the Series B Investors of the full amounts specified in the preceding paragraph (a), then the entire Pooled Liquidation Proceeds legally available for distribution shall be distributed with equal priority and pro rata among the Series B Investors in proportion to the full amounts they would otherwise be entitled to receive pursuant to the preceding paragraph (a);
- (c) the Series A Investors shall be entitled to receive on a pro rata basis, prior and in preference to any distribution of Pooled Liquidation Proceeds to the Ordinary Shareholder and only after full payment of the Series B Liquidation Preference to the Series B Investors, an amount per Ordinary Share held by them equal to the sum of (i) the Series A Liquidation Preference; and (ii) all declared but unpaid dividends (if any) on each such Ordinary Share held by the Series A Investors;
- (d) if the Pooled Liquidation Proceeds legally available for distribution to the Series A Investors are insufficient to permit the payment to the Series A Investors of the full amounts specified in the preceding paragraph (c), then the entire Pooled Liquidation Proceeds legally available for distribution shall be distributed with equal priority and pro rata among the Series A Investors in proportion to the full amounts they would otherwise be entitled to receive pursuant to the preceding paragraph (c).

Notwithstanding any provision in the Post Conversion Articles, the Series A Investors, the Series B Investors and the Ordinary Shareholder agree and covenant with each other to use their respective powers (including, without limitation, as shareholders) to procure that after the payment to the Series A Investors and the Series B Investors of the full preferential amounts specified in the above, the entire remaining Pooled Liquidation Proceeds legally available for distribution by 91 Wireless to the Series A Investors, the Series B Investors and the Ordinary Shareholder shall be distributed with equal priority and pro rata in proportion to the number of the Ordinary Shares held by them.

In addition, pursuant to the terms and conditions of the Post Conversion Shareholders' Agreement:-

1. the Prior Shareholders' Agreement is superseded by the Post Conversion Shareholders' Agreement;
2. all the Management Right Letters shall be terminated and be no longer of any force or effect as of the date of the Post Conversion Shareholders' Agreement;
3. the provision of consent by the Ordinary Shareholder in respect of, or the voting by the Ordinary Shareholder on, matters requiring the consent of, or the votes of, the Series B Investors shall only take into account the Ordinary Shares represented by the conversion of the Ordinary Shareholder's holding of Series B Preferred Shares and the Ordinary Shares held by the Ordinary Shareholder prior to the Conversion shall not be counted in the calculation of such consents of votes.
4. upon the occurrence of the initial public offering of 91 Wireless on an internationally recognized stock exchange, the Post Conversion Shareholders' Agreement shall terminate and all the terms and conditions contained therein shall cease to have any effect whatsoever on any party thereto.

THE POST CONVERSION CO-SALE AGREEMENT

On 27 March 2013, 91 Wireless, the Ordinary Shareholder, the Series A Investors, the Series B Investors entered into the Post Conversion Co-Sale Agreement regarding the right of first refusal and co-sale to be granted to eligible investors in the event that the Ordinary Shareholder, as the holder of the Ordinary Shares, intend to sell or transfer all or any part of such Ordinary Shares in the capital of 91 Wireless. Under the Post Conversion Co-Sale Agreement, the Eligible Investor will be granted a right of first refusal and co-sale in the event that the Ordinary Shareholder is proposing to transfer the Seller Shares. The Ordinary Shareholder may transfer the Ordinary Shares to its affiliates provided that in case the consideration of the transfer by the Ordinary Shareholder 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 (i) the holders of at least two-thirds of the Ordinary Shares held by the Series A Investors and (ii) the holders of at least three-fourths of the Ordinary Shares held by the Series B Investors and that such transferee shall agree in writing that it shall be bound by the terms of the Post Conversion Co-Sale Agreement as applicable to the Ordinary Shareholder.

In addition, pursuant to the terms and conditions of the Post Conversion Co-sale Agreement,

1. the Prior Co-sale Agreement is superseded by the Post Conversion Co-sale Agreement;
2. the provision of consent by the Ordinary Shareholder in respect of, or the voting by the Ordinary Shareholder on, matters requiring the consent of, or the votes of, the Series B Investors shall only take into account the Ordinary Shares represented by the conversion of the Ordinary Shareholder's holding of Series B Preferred Shares and the Ordinary Shares held by the Ordinary Shareholder prior to the Conversion shall not be counted in the calculation of such consents of votes
3. the Post Conversion Co-sale Agreement shall terminate and all the terms and conditions contained therein shall cease to have any effect whatsoever on any party thereto immediately upon the termination of the Post Conversion Shareholders' Agreement.

DEFINITIONS

“91 Group Companies”	Talent Zone Holdings Limited, 福州博遠無線網絡科技有限公司 (Fuzhou BoYuan Wireless Websoft Technology Ltd.) and 福建博瑞網絡科技有限公司 (Fujian Bo Rui Websfot Technology Ltd.)
“91 Share Award Scheme”	the share award scheme of 91 Wireless approved and adopted by the board of directors of 91 Wireless on 28 December 2011, a summary of the principal terms of which is set out in the announcement dated 28 December 2011
“91 Wireless”	91 Wireless Websoft Limited (91無線網絡有限公司) (formerly known as 91 Limited and the change of name was passed by a special resolution dated 10 January 2013), a limited liability company incorporated in the Cayman Islands, being an indirect non-wholly owned subsidiary of the Company
“91 Wireless Articles”	the third amended and restated articles of association of 91 Wireless adopted by special resolution passed on 10 January 2013, being the then existing articles of association of 91 Wireless prior to the Conversion
“Board”	the board of Directors
“BOCOM Trustee”	Bank of Communications Trustee Limited, the trustee of the 91 Share Award Scheme
“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
“Conversion”	the exercise of the conversion rights by the holders of the Preferred Shares under the 91 Wireless Articles to covert the Series A Preferred Shares or Series B Preferred Shares (as the case may be) into the Ordinary Shares

“Conversion Price”	US\$1.2480499 per Series B Preferred Share issued on or before 31 December 2012, or US\$2.494022185 per Series B Preferred Share issued on or after 1 January 2013, or US\$0.26 per Series A Preferred Share, subject to adjustment
“Conversion Rate”	the number of the Ordinary Share into which Series A Preferred Share or Series B Preferred Share may be converted into, determined by dividing the issue price for the Series A Preferred Share or the Series B Preferred Share (as the case may be) by the Conversion Price
“Director(s)”	the director(s) of the Company
“Eligible Investor”	any of the Series A Investor or Series B Investor (and its permitted assignees) who or which, the time in question, holds at least 1,000,000 of the Ordinary Shares (subject to adjustment) provided, however, that the Ordinary Shareholder is an Eligible Investor only in respect of its Ordinary Shares that were formerly Series B Preferred Shares in the capital of 91 Wireless prior to being converted to the Ordinary Shares
“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 Ho Chi Sing
“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 Ho Chi Sing
“IDG-Accel China Investors L.P.”	IDG-Accel China Investors L.P., a limited partnership and ultimately owned as to 100% by Ho Chi Sing

“IDG Investors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., and IDG-Accel China Investors L.P.
“Individual Investor”	one of the Series B Investors who is an individual
“January 2013 Investors”	collectively Pacific Century Diversified Limited, Grandwin Enterprises Limited and the Individual Investor
“Management Rights Letters”	the management rights letters executed by 91 Wireless prior to Conversion in favour of certain Series A Investors and the Series B Investors providing them contractual management rights in the operation of 91 Wireless similar to rights of directors of 91 Wireless
“NetDragon (BVI)”	NetDragon Websoft Inc., a limited liability company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company and a shareholder of 91 Wireless
“Ordinary Share(s)”	the ordinary share(s) with a par value of US\$0.0001 per share in the share capital of 91 Wireless
“Ordinary Shareholder”	NetDragon (BVI)
“Post Conversion Articles”	the fourth amended and restated articles of association of 91 Wireless adopted by special resolution passed on 26 March 2013
“Post Conversion Co-sale Agreement”	the amended and restated right of first refusal and co-sale agreement dated 27 March 2013 entered into among 91 Wireless, the Ordinary Shareholder, the Series A Investors and the Series B Investors
“Post Conversion Shareholders’ Agreement”	the shareholders’ agreement dated 27 March 2013 entered into amongst 91 Wireless, 91 Group Companies, the Ordinary Shareholder, the Series A Investors and the Series B Investors.

“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)”	the Series A Preferred Share(s) and/or the Series B Preferred Share(s), as the context may require
“Prior Co-sale Agreement”	the amended and restated right of first refusal and co-sale agreement dated 10 January 2013 entered into among 91 Wireless, the Ordinary Shareholder, the Series A Investors and the Series B Investors
“Prior Shareholders’ Agreement”	the shareholders’ agreement dated 10 January 2013 entered into amongst 91 Wireless, 91 Group Companies, the Ordinary Shareholder, the Series A Investors and the Series B Investors.
“Pre-January 2013 Investors”	all the Series B Investors other than January 2013 Investors.
“Qualified IPO”	the closing of 91 Wireless 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 Wireless as agreed by the Series A Investors, the Series B Investors and the New Series B Investors
“Seller Shares”	the Ordinary Shares owned as of the date of the Post Conversion Co-sale Agreement by the Ordinary Shareholder (subject to adjustment)
“Series A Investors”	IDG Investors and Stonewell Resources Limited
“Series A Liquidation Preference”	US\$0.26 per Series A Preferred Shares (subject to adjustment) plus 5% per annum cumulative rate of return
“Series A Preferred Shares”	series A preferred shares in the capital of 91 Wireless

“Series A Repurchase Agreement”	an agreement dated 27 March 2013 entered into between the Company and the Series A Investors in relation to the repurchase and cancellation of the Series A Preferred Shares in exchange for the issue of the Ordinary Shares to the Series A Investors
“Series B Investors”	Vertex Asia Investments Pte. Ltd, IP Cathay II, L.P., DT Capital China Growth Fund, L.P., Net Dragon (BVI), the IDG Investors, Sino Coast Developments Limited, Pacific Century Diversified Limited, Grandwin Enterprises Limited and the Individual Investor
“Series B Liquidation Preference”	US\$1.2480499 per Ordinary Share held by the Pre-January 2013 Investors (subject to adjustment) or US\$2.494022185 per Ordinary Share held by the January 2013 Investors, (subject to adjustment), plus 12% per annum cumulative rate of return
“Series B Preferred Shares”	series B preferred shares in the capital of 91 Wireless
“Series B Repurchase Agreement”	an agreement dated 27 March 2013 entered into between the Company and the Series B Investors in relation to the repurchase and cancellation of the Series B Preferred Shares in exchange for the issue of the Ordinary Shares to the Series B Investors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	United States of America

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

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

Hong Kong, 28 March 2013

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.