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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)**

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION —  
PROPOSED DISPOSAL OF 91 WIRELESS GROUP BY WAY OF MERGER,  
UPDATE ON PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
91 WIRELESS ON THE GEM OF THE STOCK EXCHANGE  
AND RESUMPTION OF TRADING**

The Company is pleased to announce that on 14 August 2013, (i) the Merger Agreement was entered into among 91 Wireless, Baidu HK and Merger Sub; and (ii) the Deeds of Undertaking were entered into by the Company and NetDragon BVI and by the Other 91 Shareholders, respectively.

### **THE MERGER AGREEMENT**

Pursuant to the terms and subject to the conditions of the Merger Agreement, Merger Sub will merge with and into 91 Wireless at the Effective Time, with 91 Wireless surviving the Merger and becoming a wholly owned subsidiary of Baidu HK as a result of the Merger.

According to the Memorandum of Understanding, the Merger Consideration was determined at an aggregate amount of US\$1,900 million (equivalent to approximately HK\$14,740 million). Subject to the completion of the Disposal, a special dividend of approximately US\$52.06 million (equivalent to approximately HK\$403.91 million) will be distributed to the existing shareholders of 91 Wireless on pro rata basis. As such, the Merger Consideration is adjusted to US\$1,847.94 million (equivalent to approximately HK\$14,336.09 million). Subject to the Merger becoming effective, Eligible 91 Shareholders will be entitled to receive the Merger Consideration in an aggregate amount based on their respective

shareholdings in 91 Wireless at the Per Share Merger Consideration in the amount of US\$13.168 in cash per 91 Wireless Share. The Merger Consideration and the Per Share Merger Consideration were arrived at after arm's length negotiations between NetDragon BVI and Baidu HK and taking into account factors including but not limited to the value of the members of 91 Wireless Group registered and operated outside of the territory of the PRC, compensation for the termination of the Proposed Spin-off and Proposed Listing, compensation for the non-competition undertakings provided by NetDragon BVI and the Company under the ND Deed of Undertaking and the compensation in relation to the potential special dividend distribution of the Company following the consummation of the Merger.

As at the Effective Time, the Company will cease to hold any interest in 91 Wireless and each member of the 91 Wireless Group shall cease to be a subsidiary of the Company.

The aggregate consideration receivable by the Company under the Merger will be about US\$1,060.97 million (equivalent to approximately HK\$8,230.87 million).

## **DEEDS OF UNDERTAKING**

### **ND Deed of Undertaking**

In contemplation of the Merger, the Company and NetDragon BVI have entered into the ND Deed of Undertaking on 14 August 2013, pursuant to which, among other things, the Company and NetDragon BVI have jointly and severally undertaken to Baidu HK and Merger Sub, subject to the terms and conditions therein and the Undertaking Conditions, to vote, or to cause the registered holder of the Relevant 91 Wireless Shares to vote, in favour of the approval of the Merger Agreement and the transactions contemplated under the Merger Agreement at the extraordinary general meeting of 91 Wireless.

### **Deeds of Undertaking of the Other 91 Shareholders**

In contemplation of the Merger, the Other 91 Shareholders have respectively entered into the Deeds of Undertaking on 14 August 2013, pursuant to which, among other things, each of the Other 91 Shareholders has undertaken to Baidu HK and Merger Sub, subject to the terms and conditions therein, to vote, or to cause the registered holder of their respective 91 Wireless Shares to vote, in favour of the approval of the Merger Agreement and the transactions contemplated under the Merger Agreement at the extraordinary general meeting of 91 Wireless.

## **LISTING RULES IMPLICATION**

As the applicable percentage ratios as defined in the Listing Rules in respect of the Merger exceed 75%, the Merger constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, the IDG Investors are members of the IDG Group which is a substantial shareholder of the Company and is entitled to exercise 10% or more of voting power at a general meeting of 91 Wireless, 91 Wireless is regarded as a connected person of the Company under Rule 14A.11(5) of the Listing Rules. Accordingly, the Merger constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the approval by the Independent Shareholders at the EGM by way of poll. The EGM will be held by the Company at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Merger Agreement, the ND Deed of Undertaking and the transactions contemplated thereunder, including the Merger. As at the date of this announcement, Mr. Liu Dejian together with his associates hold approximately 49.04% shareholding interests in the Company. Except for (i) shareholding interests held through the Company; and (ii) Mr. Liu Dejian's approximately 0.36% shareholding interests in 91 Wireless, none of them has any other shareholding interests in 91 Wireless. Other than the IDG Investors, no other Shareholders are required to abstain from voting on the resolution(s) to approve the Merger Agreement, the ND Deed of Undertaking and the transactions contemplated thereunder at the EGM. Accordingly, the controlling shareholders of the Company, including Mr. Liu Dejian, are entitled to vote at the EGM.

The Independent Board Committee has been established to give recommendation to the Independent Shareholders in respect of the Merger. An independent financial adviser has been appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, further details of the Merger Agreement and the Deeds of Undertaking, financial information of the Group and the 91 Wireless Group, unaudited pro forma financial information of the Remaining Group, the recommendation from the Independent Board Committee, the letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders relating to the Merger Agreement, the ND Deed of Undertaking and the transactions contemplated

thereunder, any other information as required under the Listing Rules and the notice of the EGM will be dispatched by the Company to the Shareholders on or before 30 August 2013.

#### **UPDATE ON PROPOSED SPIN-OFF AND PROPOSED LISTING ON THE GEM OF THE STOCK EXCHANGE**

As stated in the Company's announcement dated 15 July 2013, it is contemplated that if the Disposal takes place, the Proposed Spin-off and the Proposed Listing will not be effective. Pursuant to the terms and conditions of the Merger Agreement, 91 Wireless shall forthwith terminate the Proposed Listing upon Closing. As the Merger Agreement is subject to a number of Conditions Precedent, there is no assurance as to whether and when (i) the Merger will take place and (ii) the Proposed Spin-off and the Proposed Listing will be effected. The Company will make further announcement(s) in relation to the Proposed Spin-off and Proposed Listing as and when appropriate in accordance with the Listing Rules.

**The Shareholders and the potential investors should note that the Merger Agreement, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

#### **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 15 August 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 19 August 2013.

## **INTRODUCTION**

Reference is made to the Company's announcement dated 15 July 2013 in relation to, among other things, the Memorandum of Understanding. The Company is pleased to announce that on 14 August 2013, (i) the Merger Agreement was entered into among 91 Wireless, Baidu HK and Merger Sub; and (ii) the Deeds of Undertaking were entered into by the Company and NetDragon BVI and by the Other 91 Shareholders, respectively.

## THE MERGER AGREEMENT

**Date:**

14 August 2013

**Parties:** (i) 91 Wireless;  
(ii) Baidu HK; and  
(iii) Merger Sub.

To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries, Baidu HK, Merger Sub and their respective ultimate beneficial owners are third parties independent of and not connected with the Company, 91 Wireless and their respective connected persons.

The following is a summary of the principal terms and conditions of the Merger Agreement:

(a) **The Merger**

Subject to the terms and subject to the conditions of the Merger Agreement and in accordance with the CICL, Baidu HK and 91 Wireless shall enter into a business combination transaction pursuant to which Merger Sub will merge with and into 91 Wireless at the Effective Time, with 91 Wireless surviving the Merger and becoming a wholly owned subsidiary of Baidu HK. As at the Effective Time, the corporate existence of Merger Sub will cease and 91 Wireless will continue as the surviving corporation of the Merger (the “**Surviving Corporation**”). At the Effective Time, the Company will cease to hold any interest in 91 Wireless and each member of the 91 Wireless Group shall cease to be a subsidiary of the Company.

**(b) Consideration**

According to the Memorandum of Understanding, the Merger Consideration was determined at an aggregate amount of US\$1,900 million (equivalent to approximately HK\$14,740 million). Subject to the completion of the Disposal, a special dividend of approximately US\$52.06 million (equivalent to approximately HK\$403.91 million) will be distributed to the existing shareholders of 91 Wireless on pro rata basis. As such, the Merger Consideration is adjusted to an aggregate amount of US\$1,847.94 million (equivalent to approximately HK\$14,336.09 million). Subject to the Merger becoming effective, each Eligible 91 Shareholder will be entitled to receive the Merger Consideration based on their respective shareholdings in 91 Wireless.

The Merger Consideration and the Per Share Merger Consideration of US\$13.168 in cash per 91 Wireless Share were arrived at after arm's length negotiations between NetDragon BVI and Baidu HK and taking into account factors including but not limited to the value of the members of 91 Wireless Group registered and operated outside of the territory of the PRC, compensation for the termination of the Proposed Spin-off and Proposed Listing, compensation for the non-competition undertakings provided by NetDragon BVI and the Company under the ND Deed of Undertaking and the compensation in relation to the potential special dividend distribution of the Company following the consummation of the Merger.

As at the date of this announcement, (i) 140,335,556 91 Wireless Shares were issued and outstanding, and (ii) 80,571,528 91 Wireless Shares were held by NetDragon BVI, which constituted approximately 57.41% of the issued share capital of 91 Wireless. Accordingly, the aggregate consideration receivable by the Company under the Merger will be approximately US\$1,060.97 million (equivalent to approximately HK\$8,230.87 million).

Subject to the completion of the exchange procedures set out in section headed "The Merger Agreement — (c) Exchange procedures", based on the terms of the Merger Agreement, the consideration receivable by the Company from the Paying Agent under the Merger, after the Effective Time, shall be equal to the product of:

$$(A1) \times (B1) - (C1) - (D1) - (E1)$$

Where,

- (A1) = Per Share Merger Consideration
- (B1) = 91 Wireless Shares (other than the Dissenting Shares) held by NetDragon BVI as shown against the name of NetDragon BVI in the register of members of 91 Wireless
- (C1) = Break-Up Fee, which has been paid in full to NetDragon BVI on 18 July 2013
- (D1) = the Onshore Closing Payment Amount, which will be paid to NetDragon (Fujian) in accordance with the Equity Interests Transfer Agreements
- (E1) = Escrowed Amount, which shall be paid to the Escrow Agent and released to NetDragon BVI after expiry of eighteen (18) months from the Effective Time pursuant to the terms and conditions set out in the ND Deed of Undertaking and an escrow agreement to be entered into among Baidu HK and NetDragon BVI

Other shareholders of 91 Wireless are entitled to the Per Share Merger Consideration of US\$13.168 on similar terms as NetDragon BVI, except that the Management Shareholders will receive the Management Deferred Payment Amount only on the first and second anniversary of the Effective Time respectively pursuant to the terms and conditions of the Management Deferred Payment Agreement.

The Directors (excluding the independent non-executive Directors, whose view shall be given after obtaining the advice from independent financial adviser) consider that the Merger Consideration is fair and reasonable by reference to the market value and the industrial growth of 91 Wireless Group.

**(c) Exchange procedures**

Promptly after the Effective Time and in any event no later than the Business Day following the Effective Time, Baidu HK shall deposit with the Paying Agent cash in an amount sufficient to pay the Merger Consideration, save for (i) the Break-up Fee; (ii) the Onshore Closing Payment Amount; and (iii) the Escrowed Amount. Each shareholder of 91 Wireless will receive from the Paying Agent the payment of the relevant Merger Consideration he/she is entitled to for the Merger upon the surrender to the Paying Agent, among other things, the letter of transmittal and the certificates of the 91 Wireless Shares (and/or such other documents as may be required pursuant to the instructions of the Paying Agent).

**(d) Conditions Precedent**

- (1) The obligations of the parties to the Merger Agreement to consummate the Merger are subject to the satisfaction or waiver (where permissible) of the following conditions:
- (i) the approval on the Merger Agreement, the Plan of Merger and the Merger by the shareholders of 91 Wireless in the manner referred to in paragraph (e) headed “91 Wireless shareholders’ approval” below;
  - (ii) no provision of any applicable Law or Order prohibiting the consummation of the Merger or making the Merger illegal; and
  - (iii) all actions by or in respect of or filings with any Governmental or Regulatory Authority required to permit the consummation of the Merger having been taken, made or obtained.

As at the date of this announcement, 91 Wireless does not have the intention to waive the satisfaction of Conditions Precedent (1)(i) to (iii) above.

- (2) The obligations of Baidu HK and Merger Sub to consummate the Merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:
- (i) the representations and warranties of 91 Wireless contained in the Merger Agreement or in any certificate or other writing delivered by 91 Wireless (A) that are qualified by materiality or Material Adverse Effect remaining true at and as of the Closing Date as if made at and as of such date, and (B) that are not qualified by materiality or Material Adverse Effect remaining true in all material respects at and as of the Closing Date as if made at and as of such time;
  - (ii) 91 Wireless having performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the Closing;
  - (iii) 91 Wireless having delivered to Baidu HK a certificate, dated the Closing Date, signed by chief executive officer of 91 Wireless, certifying as to the satisfaction of the conditions specified in the above sub-paragraphs (i) and (ii);
  - (iv) no Material Adverse Effect having occurred or having been continuing since the date of the Merger Agreement;



- (v) each of the parties to the Transaction Documents, other than Baidu HK and Merger Sub, having executed and delivered such Transaction Documents to Baidu HK;
- (vi) NetDragon (Fujian), the Baidu Nominees and Fujian BoRui having duly entered into the Equity Interests Transfer Agreements and 91 Wireless having delivered to Baidu HK and Merger Sub documents evidencing the filing with the relevant Governmental or Regulatory Authority in relation thereto;
- (vii) 91 Wireless having delivered to Baidu HK and Merger Sub the employment agreements, confidentiality agreements, non-compete agreements and intellectual property assignment agreements with the key employees of 91 Wireless Group in substantially the forms to the reasonable satisfaction of Baidu HK;
- (viii) the business contracts as set out in the Merger Agreement, (A) having duly terminated to the reasonable satisfaction of Baidu HK; and (B) having been duly amended, in substantially the forms to the reasonable satisfaction of Baidu HK;
- (ix) 91 Wireless having delivered to Baidu HK and Merger Sub reasonable evidence to the satisfaction of Baidu HK of the termination of the Post Conversion Co-sale Agreement and the Post Conversion Shareholders' Agreement which shall take effect immediately upon the Effective Time;
- (x) 91 Wireless having delivered to Baidu HK and Merger Sub the audited financial statements for the two years ended 31 December 2012 and the unaudited management accounts for the 3-month period ended 31 March 2013;
- (xi) 91 Wireless having delivered to Baidu HK and Merger Sub an opinion from its PRC legal advisers in substantially the form provided in the Merger Agreement;
- (xii) 91 Wireless having delivered to Baidu HK and Merger Sub an opinion from its Cayman Islands legal advisers in substantially the form provided in the Merger Agreement;
- (xiii) 91 Wireless having delivered to Baidu HK and Merger Sub duly signed resignations, effective as of the Effective Time, of the directors of 91 Wireless designated by Baidu HK; and

(xiv) holders of at least 90% of the issued share capital of 91 Wireless having entered into the Deeds of Undertaking in substantially the form provided in the Merger Agreement.

Condition Precedent (2)(ix) cannot be waived by the parties to the Merger Agreement. As at the date of this announcement, 91 Wireless does not have the intention to waive the satisfaction of Conditions Precedent (2)(i) to (viii) and (x) to (xiii) above, while Condition Precedent (2)(xiv) has been fulfilled as shareholders of at least 90% of the issued share capital of 91 Wireless have entered into the Deeds of Undertaking on 14 August 2013.

(3) The obligations of 91 Wireless to consummate the Merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

- (i) the representations and warranties of Baidu HK and Merger Sub contained in the Merger Agreement or in any certificate or other writing delivered by Baidu HK and Merger Sub (A) that are qualified by materiality or Material Adverse Effect remaining true at and as of the Closing Date as if made at and as of such date, and (B) that are not qualified by materiality or Material Adverse Effect remaining true in all material respects at and as of the Closing Date as if made at and as of such time;
- (ii) Baidu HK and Merger Sub having performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by them on or prior to the Closing, the Effective Time and/or thereafter as provided in the Merger Agreement;
- (iii) the approval by the Shareholders of the resolution in relation to, inter alia, the Merger Agreement, the ND Deed of Undertaking and all transactions contemplated thereunder at the EGM having been obtained; and
- (iv) the Company having complied with and to the satisfaction of the Stock Exchange and other relevant regulatory authorities all requirements under the Listing Rules and/or the SFO in relation to the Merger and other transactions contemplated thereunder.

Conditions Precedent (3)(iii) to (iv) cannot be waived by the parties to the Merger Agreement. As at the date of this announcement, 91 Wireless does not have the intention to waive the satisfaction of Conditions Precedent (3)(i) to (ii) above.

(e) **91 Wireless shareholders' approval**

In accordance with the CICL and the memorandum and articles of association of 91 Wireless, the approval on the Merger Agreement, the Plan of Merger and the Merger will be subject to the affirmative consent of holders of 91 Wireless Shares representing at least three-fourths (3/4th) of the 91 Wireless Shares at the shareholders' meeting of 91 Wireless (the "**Requisite Company Vote**").

(f) **Termination of Application of the Proposed Listing**

Upon Closing, 91 Wireless shall forthwith terminate its application for the Proposed Listing.

(g) **Termination of the Merger Agreement**

The Merger Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time whether the Requisite Company Vote has been obtained:

- (1) by mutual written agreement of 91 Wireless and Baidu HK;
- (2) by either 91 Wireless or Baidu HK, if:
  - (i) the Merger has not been consummated on or before 31 December 2013 (the "**End Date**"); provided that the right to terminate the Merger Agreement shall not be available to any party whose breach of any provision of the Merger Agreement results in the failure of the Merger to be consummated by such time;
  - (ii) there shall be any Law or Order that (A) makes consummation of the Merger illegal or otherwise prohibited or (B) enjoins 91 Wireless or Baidu HK from consummating the Merger and such injunction shall have become final and non-appealable; or
  - (iii) the Post Conversion Co-sale Agreement and the Post Conversion Shareholders' Agreement have not been effectively terminated in accordance with their respective terms by the End Date; or
- (3) by Baidu HK, if an Adverse Recommendation Change shall have occurred, or if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of 91 Wireless set forth in the Merger Agreement shall have occurred that would cause the condition set forth in sub-paragraph (2)(i) of the section headed "The Merger Agreement — (d) Conditions Precedent" not to be satisfied, and such condition is incapable of being satisfied by the End Date; or

- (4) by 91 Wireless, if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Baidu HK or Merger Sub set forth in the Merger Agreement shall have occurred that would cause the condition set forth in the sub-paragraph (3)(i) of the section headed “The Merger Agreement — (d) Conditions Precedent” not to be satisfied, and such condition is incapable of being satisfied by the End Date; or
- (5) by 91 Wireless, if the Shareholders’ approval at the EGM for approving, among other, the Merger Agreement, the ND Deed of Undertaking and all transactions contemplated thereunder shall not have been obtained.

If the Merger Agreement is terminated as a result of the (i) willful failure of either party to fulfill a condition to the performance of the obligations of the other party, (ii) failure to perform a covenant of the Merger Agreement or (iii) breach by either party hereto of any representation or warranty or agreement contained in the Merger Agreement, such party shall be fully liable for any and all damages incurred or suffered by the other party as a result of such failure or breach.

## **THE DEEDS OF UNDERTAKING**

### **ND Deed of Undertaking**

In contemplation of the Merger, the Company and NetDragon BVI have entered into the ND Deed of Undertaking on 14 August 2013, pursuant to which, among other things, the Company and NetDragon BVI have jointly and severally undertaken to Baidu HK and Merger Sub, subject to the terms and conditions therein:

- (a) at the extraordinary general meeting of 91 Wireless, (i) to vote, or to cause the registered holder of the Relevant 91 Wireless Shares to vote, in favor of (A) the approval of the Merger Agreement and the transactions contemplated under the Merger Agreement, and (B) any related matter for the completion of the transactions contemplated under the Merger Agreement; and (ii) not to, or to cause the registered holder of the Relevant 91 Wireless Shares not to, vote in favour of, and will vote against, any resolutions approving (A) any transaction which is similar in nature or has the same effect as the transactions contemplated under the Merger Agreement, (B) the issue and distribution of shares or securities by 91 Wireless Group and its controlled entities or (C) application for listing on any internationally recognized stock exchange or issue of listing document by 91 Wireless, without the prior written consent of Baidu HK and Merger Sub.

- (b) for a period up to and including 31 March 2015, on an after taxation basis, to indemnify each of the Indemnified Parties against and agree to hold each of such Indemnified Parties harmless from any and all the Damages incurred and suffered by any Indemnified Parties or any of their respective successors and permitted assignees arising out of the Indemnified Events, provided that (i) the Company and NetDragon BVI shall not be liable for any such claim unless the aggregate amount of Damages exceeds US\$1 million, in which case the Company and NetDragon BVI shall be liable for all such Damages within such threshold, and (ii) the amount of the aggregate Damages shall be subject to the maximum amount of US\$300 million;
- (c) not to and procure the subsidiaries and/or controlled entities of the Company and NetDragon BVI not to, for a period of two (2) years from the consummation of the Merger, carry on or acquire, hold or be otherwise beneficially interested in 50% or more equity interests in any business which is in competition with the business of the Surviving Group, namely the Restricted Business;
- (d) provided that Baidu HK uses its reasonable endeavours to procure satisfaction of the Conditions Precedent but Closing does not occur for any reason which is not attributable to the fault of Baidu HK, to return promptly or procure the return of the full amount of the Break-Up Fee to Baidu HK and in any event within three days after the End Date; and upon Closing, the Break-Up Fee will be treated as part of the consideration that NetDragon BVI is entitled to receive for the Merger;
- (e) to procure the satisfaction of the Conditions Precedent set forth in sub-paragraph (d)(2) of the sub-section headed “The Merger Agreement” by 91 Wireless; and
- (f) during the period commencing from the date when the Merger Agreement taking effect and continuing until the Effective Time or the termination of the Merger Agreement, whichever is earlier, not to, without the prior written consent from Baidu HK and Merger Sub, (A) transfer, charge, encumber, grant any option over or otherwise dispose of any Relevant 91 Wireless Shares; (B) accept any offer made by a third party in respect of the Relevant 91 Wireless Shares; (C) other than pursuant to the Merger, enter into any Dealings Agreement or permit any Dealings Agreement to be entered into or incur any such obligation; or (D) purchase, sell or otherwise deal in the Relevant 91 Wireless Shares.

The Company and NetDragon BVI have also acknowledged and agreed that the Escrowed Amount shall be deposited, promptly after the Effective Time and in any event no later than the Business Day following the Effective Time, by Baidu HK into the Escrow Account. Notwithstanding the foregoing, the Company and NetDragon BVI further agreed that, in the event that the Indemnified Parties shall be liable for any Damages arising out of or in connection with the basis of determination of the Merger Consideration as set out in the Merger Agreement, Baidu shall be entitled to receive such amount out of the Escrowed Amount in order to compensate Baidu HK for suffering such Damages, provided that any money remaining in the Escrow Account at the expiry of eighteen (18) months from the Effective Time shall be released to NetDragon BVI.

The undertakings set forth in the sub-paragraphs (a), (b) and (c) above are subject to (A) the resolutions relating to the Merger Agreement, the ND Deed of Undertaking, other Transaction Documents and the transactions contemplated thereunder being approved by the Shareholders at the EGM; and (B) the Company having complied with and to the satisfaction of the Stock Exchange and the Securities and Futures Commission all requirements under the Listing Rules and the SFO in relation to the Merger and other transactions contemplated therein (conditions (A) and (B) collectively, the “**Undertaking Conditions**”).

### **Deed of Undertaking of the Other 91 Shareholders**

In contemplation of the Merger, the Other 91 Shareholders have respectively entered into the Deeds of Undertaking on 14 August 2013, pursuant to which, among other things, each of the Other 91 Shareholders has undertaken to Baidu HK and Merger Sub, subject to the terms and conditions therein, voting undertaking similar to that of the ND Deed of Undertaking.

The principal terms and conditions of the Deeds of Undertaking entered into by the Other 91 Shareholders are similar to those of the ND Deed of Undertaking, except that (i) the scope of Indemnified Parties, Indemnified Events, and the minimum and maximum amounts of indemnity are different; (ii) less undertakings are given by the Other 91 Shareholders, such as no undertaking as to Break-up Fee, non-competition, the escrow arrangement; and (iii) in respect of procurement of the satisfaction of Conditions Precedent, the Other 91 Shareholders only undertake to procure the termination of the Post Conversion Co-sale Agreement and the Post Conversion Shareholders’ Agreement; and (iv) the undertakings of the Other 91 Shareholders are not subject to the Undertaking Conditions.

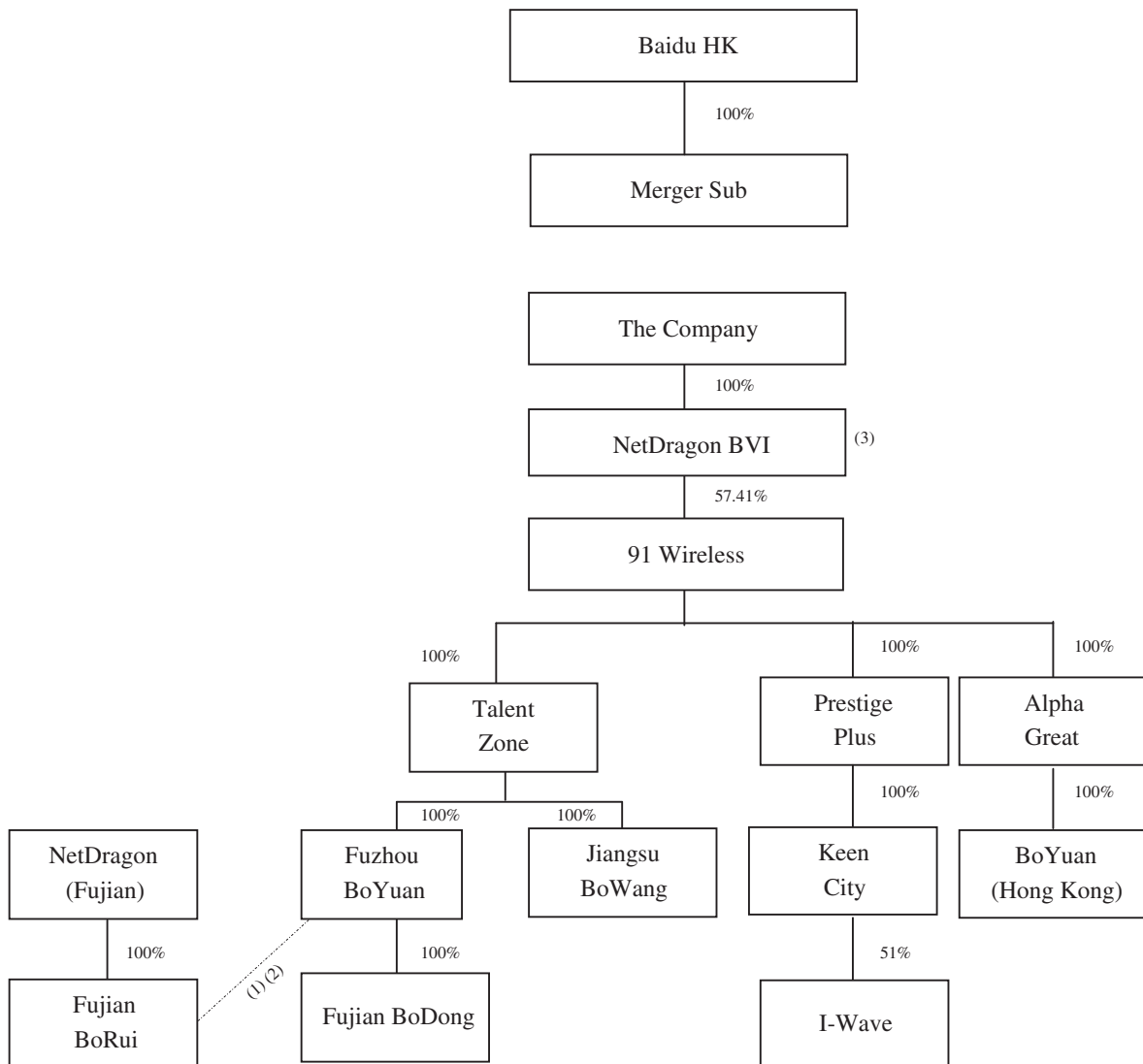
## BAIDU UNDERTAKING

Upon receipt of the ND Deed of Undertaking and the Deeds of Undertaking of the Other 91 Shareholders, Baidu HK has entered into the Baidu Undertaking on 14 August 2013, pursuant to which Baidu HK has undertaken to each of the Company, NetDragon BVI and the Other 91 Shareholders to perform the payment obligation of the Merger Agreement subject to the terms and conditions in the Merger Agreement.

## CORPORATE STRUCTURE OF THE GROUP BEFORE AND AFTER THE MERGER

The following sets out a simplified corporate structure of the Group before and after the Merger:

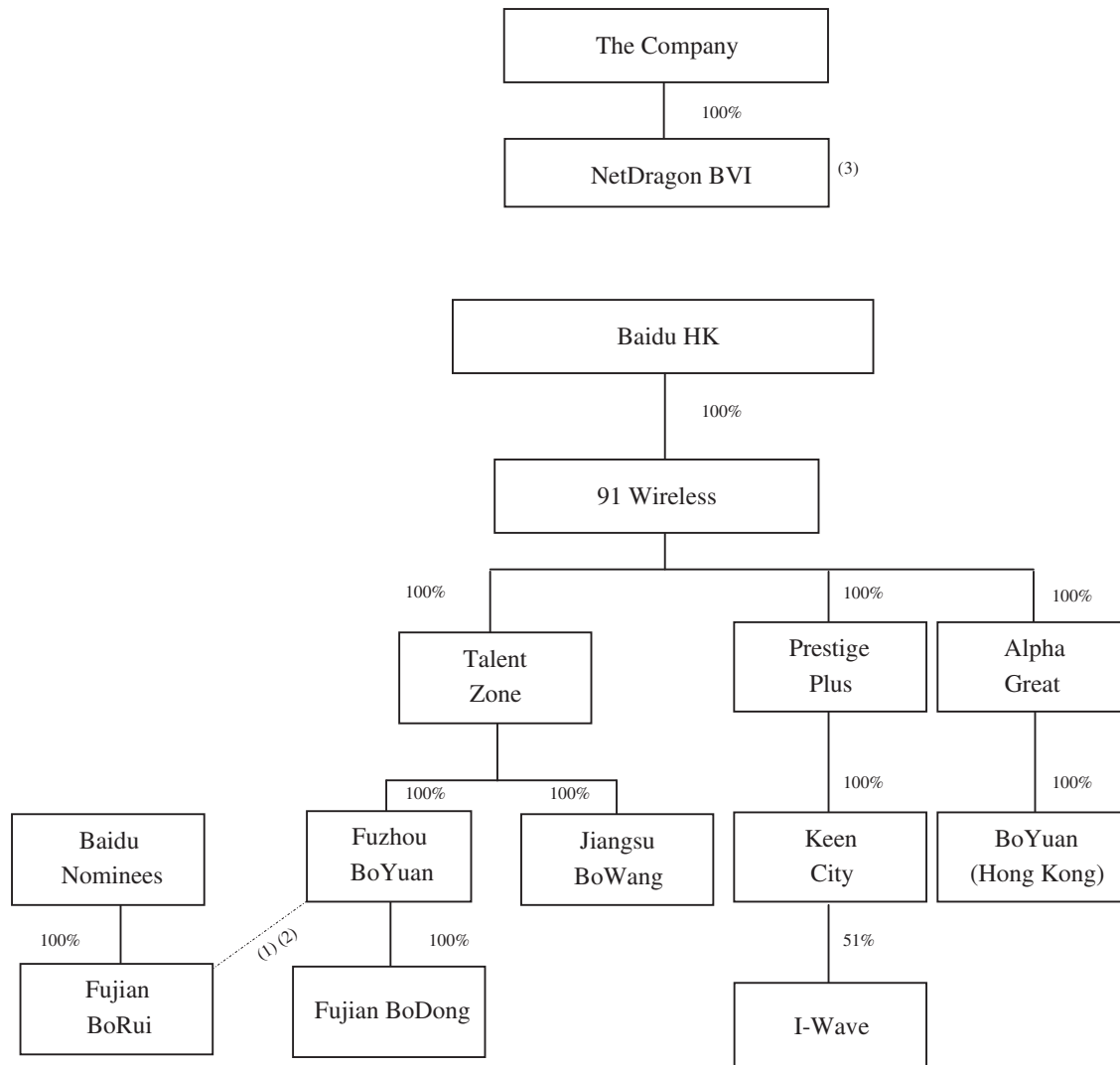
(1) *As at the date of this announcement:*



Notes:

1. A solid line denotes direct legal and beneficial ownership and a dotted line denotes a contractual relationship.
2. The Structured Contracts, taken as a whole, permit the financial results of Fujian BoRui to be consolidated with 91 Wireless as if it were a subsidiary of 91 Wireless and the economic benefit of its businesses to flow to 91 Wireless and Fuzhou BoYuan.
3. Other members of the Group, which are principally engaged in game development and game operation, have been excluded in the above diagram for illustrative purpose.

(2) Immediately after Closing:





*Notes:*

1. A solid line denotes direct legal and beneficial ownership and a dotted line denotes a contractual relationship.
2. A revised set of Structured Contracts, taken as a whole, permit the financial results of Fujian BoRui to be consolidated with 91 Wireless as if it were a subsidiary of 91 Wireless and the economic benefit of its businesses to flow to 91 Wireless and Fuzhou BoYuan.
3. Other members of the Group, which are principally engaged in game development and game operation, have been excluded in the above diagram for illustrative purpose.

## **INFORMATION ON THE 91 WIRELESS GROUP**

91 Wireless is a company incorporated in the Cayman Islands on 4 January 2011 with limited liability, and is an indirect non wholly-owned subsidiary of the Company. 91 Wireless was owned as to 57.41% by the Group as at the date of this announcement. The principal business of the 91 Wireless Group includes (i) mobile advertising and promotional services; and (ii) mobile value-added services, which represented the mobile Internet business limb of the Group. Following the Merger, 91 Wireless will have no other shareholder other than Baidu HK.

As disclosed in the Group's annual report for the year ended 31 December 2012, the Group developed a series of smartphone applications under the name "91" for a wide range of smartphone platforms. Among these applications, the most representative ones were 91 Assistant\* (91助手) and HiMarket\* (安卓市場), both of which were third party mobile apps stores.

*\* for identification purposes only*

The unaudited consolidated results of the 91 Wireless Group for each of two years ended 31 December 2012 were as follows:

	<b>For the year ended 31 December 2012</b> <i>(RMB million)</i>	<b>For the year ended 31 December 2011</b> <i>(RMB million)</i>
Turnover	285 (equivalent to about HK\$361.95 million)	49 (equivalent to about HK\$62.23 million)
Operating profit/(loss)	84 (equivalent to about HK\$106.68 million)	(14) (equivalent to about HK\$(17.78) million)
Net loss before tax and extraordinary items	232 (equivalent to about HK\$294.64 million)	37 (equivalent to about HK\$46.99 million)
Net loss after tax and extraordinary items	260 (equivalent to about HK\$330.20 million)	37 (equivalent to about HK\$46.99 million)

As at 31 December 2012, the unaudited consolidated net liabilities of the 91 Wireless Group amounted to approximately RMB269.2 million (equivalent to about HK\$341.88 million). The net liabilities position was mainly contributed by the conversion option derivative liabilities of RMB331.2 million as at 31 December 2012. Conversion option derivative liabilities balances represented the fair value of the conversion option derivatives of the preferred shares of 91 Wireless. The 91 Wireless Group accounts were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

#### **INFORMATION ON BAIDU HK AND MERGER SUB PROVIDED BY BAIDU HK**

Baidu HK is one of the wholly owned subsidiaries of Baidu, Inc.. Baidu, Inc. is a company listed on NASDAQ, which offers a Chinese language search platform on the Baidu.com website. Its products and services can be accessed through PCs and mobile devices.

Merger Sub is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 1 August 2013 for the purpose of implementing the Merger in accordance with the requirements of the CACL and is a wholly-owned subsidiary of Baidu HK. Save for entering into the Merger Agreement and the transactions contemplated thereunder, Merger Sub has not carried on any business since its date of incorporation.

## **FINANCIAL EFFECT OF THE MERGER**

Based on the total consideration receivable by the Company under the Merger, it is estimated that the net proceeds from the Merger before tax is approximately US\$1,059.61 million (equivalent to approximately HK\$8,220.34 million) after deducting any related transaction costs.

Upon completion of the Disposal, it is estimated that, the Group will record a gain before tax of approximately HK\$8,214.65 million. Such estimated gain shall be equal to the product of:

$$(A) - (B) + (C) + (D) - (E)$$

Where:

(A) = net proceeds from the Merger

(B) = unaudited consolidated net assets value of 91 Wireless Group of approximately RMB601.22 million (equivalent to approximately HK\$763.55 million)

(C) = other non-cash items of approximately RMB461.3 million (equivalent to approximately HK\$585.85 million) arising from the non-controlling interests of 91 Wireless Group as if the Disposal had been completed on 31 March 2013

(D) = adjustment for the special dividend declared to all shareholders of 91 Wireless prior to the completion of the Disposal of US\$52.06 million (equivalent to approximately HK\$403.91 million)

(E) = adjustment for the special dividend declared to NetDragon BVI prior to the completion of the Disposal of US\$29.89 million (equivalent to approximately HK\$231.90 million)

## **REASONS FOR AND BENEFITS OF THE MERGER**

The Group is principally engaged in online game development and mobile Internet business, including game design, programming and graphics, and online game operation. The mobile Internet business of the Group experienced fast growth during the year ended 31 December 2012, the turnover of which increased from RMB48.70 million in 2011 to RMB285.00 million in 2012.

The Directors (excluding the independent non-executive Directors, whose view shall be given after obtaining advice from the independent financial adviser) are of the view that the Merger represents a good opportunity for the Group to realise its investment and development in 91 Wireless Group at a fair and reasonable price and enables the Group to further strengthen its current cash-flow and liquidity positions to increase the general working capital and cash resources for the other businesses of the Group and any future potential investment opportunities that may arise from time to time.

The Directors (excluding the independent non-executive Directors, whose view shall be given after obtaining advice from the independent financial adviser) consider that the terms of the Merger Agreement and the ND Deed of Undertaking are determined after arm's length negotiations between the parties and on normal commercial terms. The Directors (excluding the independent non-executive Directors, whose view shall be given after obtaining advice from the independent financial adviser) further consider that the terms of the Merger Agreement and the ND Deed of Undertaking are fair and reasonable and the Merger is in the interests of the Company and the Shareholders as a whole.

#### **Use of proceeds**

The Directors intend to apply the net proceeds of US\$1,059.61 million (equivalent to approximately HK\$8,220.34 million) from the Merger for the following purposes:

- (a) 50% will be used as special dividend to the Shareholders;
- (b) 20% will be used for further investment in the Group's existing business, such as expanding the game business including mobile games, launching new games, upgrading the game content of various existing online games, expanding the Group's overseas market, providing additional capital to enhance the research and development of game and the operational capability of the Group's existing operations;
- (c) 10% will be used for potential merger and acquisition opportunities in the mobile game business and other attractive opportunities;
- (d) 10% will be used to capture the new high growth opportunities such as educational and SME software by expanding the existing team and strengthening the Group's commitment to research and development and sales and marketing of such high growth businesses;
- (e) 10% will be applied as working capital and for the general corporate purposes of the Group.

## **BUSINESS OF THE REMAINING GROUP**

After Closing, the Remaining Group will be principally engaged in game development, including game design, programming and graphics, and game operation. It is expected that new games, mainly massively multiplayer online role-playing games, will continually to be developed. The Remaining Group's integrated game development process in general involves game design, programming, graphics and testing. Further, the Remaining Group will continue to introduce new expansion packs to enrich its existing games, such as provision of additional in-game virtual items and premium features.

In addition, as disclosed in the Company's annual report for the year ended 31 December 2012, the Group is also interested in a professional company focusing on research and development of online education platform and operation of education products. The Group intends to expand the Internet education platform it developed to provide open education resources mainly to users located in Fujian Province, the PRC.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as defined in the Listing Rules in respect of the Merger exceed 75%, the Merger constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, the IDG Investors are members of the IDG Group which is a substantial shareholder of the Company and is entitled to exercise 10% or more of voting power at a general meeting of 91 Wireless, 91 Wireless is regarded as a connected person of the Company under Rule 14A.11(5) of the Listing Rules. Accordingly, the Merger constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the approval by the Independent Shareholders at the EGM by way of poll. The EGM will be held by the Company at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Merger Agreement, the ND Deed of Undertaking and the transactions contemplated thereunder, including the Merger. As at the date of this announcement, Mr. Liu Dejian together with his associates hold approximately 49.04% shareholding interests in the Company. Except for (i) shareholding interests held through the Company; and (ii) Mr. Liu Dejian's approximately 0.36% shareholding interests in 91 Wireless, none of them has any other shareholding interests in 91 Wireless. Other than the IDG Investors, no other Shareholders are required to abstain from voting on the resolution(s) to approve the Merger Agreement, the ND Deed of Undertaking and the transactions contemplated thereunder at the EGM. Accordingly, the controlling shareholders of the Company, including Mr. Liu Dejian, are entitled to vote at the EGM.

The Independent Board Committee has been established to give recommendation to the Independent Shareholders in respect of the Merger. An independent financial adviser has been appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, further details of the Merger Agreement and the Deeds of Undertaking, financial information of the Group and the 91 Wireless Group, unaudited pro forma financial information of the Remaining Group, the recommendation from the Independent Board Committee, the letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders relating to the Merger Agreement and the transactions contemplated thereunder, other information as required under the Listing Rules and the notice of the EGM will be dispatched by the Company to the Shareholders on or before 30 August 2013.

## **UPDATE ON PROPOSED SPIN-OFF AND SEPARATE LISTING OF 91 WIRELESS ON THE GEM OF THE STOCK EXCHANGE**

As stated in the Company's announcement dated 15 July 2013, it is contemplated if the disposal of the 91 Wireless Group takes place, the Proposed Spin-off and the Proposed Listing will not be effective. Pursuant to the terms and conditions of the Merger Agreement, 91 Wireless shall forthwith terminate the Proposed Listing upon Closing. As the Merger Agreement is subject to a number of conditions precedent, there is no assurance as to whether and when (i) the Merger will take place and (ii) the Proposed Spin-off and the Proposed Listing will be effected. The Company will make further announcement(s) in relation to the Proposed Spin-off and Proposed Listing as and when appropriate in accordance with the Listing Rules.

**The Shareholders and the potential investors should note that the Merger Agreement, which is subject to a number of conditions precedent, may or may not be completed. The Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Shares.**

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 15 August 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 19 August 2013.

## DEFINITIONS

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

“91 Wireless”	91 Wireless Websoft Limited (91無綫網絡有限公司) (formerly known as 91 Limited or 九一無綫網絡有限公司), a limited liability company incorporated in the Cayman Islands, being an indirect non wholly-owned subsidiary and a connected person of the Company
“91 Wireless Group”	91 Wireless and group companies, namely Talent Zone, Prestige Plus, Alpha Great, Keen City, BoYuan (Hong Kong), I-Wave, Jiangsu BoWang, Fuzhou BoYuan and Fujian BoDong. For the purpose of this announcement, group companies also include Fujian BoRui
“91 Wireless Share(s)”	the ordinary share(s) of US\$0.0001 each in the share capital of 91 Wireless
“Adverse Recommendation Change”	the failure to make, withdraw or modify by the 91 Wireless Group, in a manner which will be adverse to Baidu HK, the resolution of the board of directors of 91 Wireless to recommend the shareholders of 91 Wireless to vote in favour of the Merger Agreement and the Plan of Merger thereunder are in the interest of the shareholders of 91 Wireless (or recommend an acquisition proposal or take any action or make any statement inconsistent with the said resolution)
“Alpha Great”	Alpha Great International Limited (強領國際有限公司), a BVI company incorporated in the BVI on 25 October 2011, a subsidiary of 91 Wireless
“associate”	has the meaning ascribed to it under the Listing Rules
“Baidu HK”	Baidu (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly owned subsidiary of Baidu, Inc.. Each of Baidu, Inc. and Baidu (Hong Kong) Limited is a third party independent of the Company and its connected persons. Baidu, Inc. is a company listed on NASDAQ, which offers a Chinese language internet search platform on the Baidu.com website

“Baidu Nominees”	nominees designated by Baidu HK as the transferees of the entire equity interests in Fujian BoRui from NetDragon (Fujian)
“Baidu Undertaking”	the deed of undertaking entered into by Baidu HK on 14 August 2013, the details of which are set out in the section headed “Baidu Undertaking”
“BoYuan (Hong Kong)”	BoYuan (Hong Kong) Wireless Websoft Technology Limited (博遠 (香港) 無綫網絡科技有限公司), a company incorporated in Hong Kong on 18 November 2011, a subsidiary of 91 Wireless
“Board”	the board of Directors
“Break-Up Fee”	US\$50 million (equivalent to approximately HK\$387.90 million), which was paid to NetDragon BVI on 18 July 2013 pursuant to the Memorandum of Understanding
“Business Day”	a day, other than Saturday, Sunday or other day on which commercial banks in Cayman Islands, Hong Kong and the PRC are authorized or required by applicable law to close
“BVI”	the British Virgin Islands
“Closing”	closing of the Merger Agreement
“Closing Date”	the date of the Closing
“CICL”	the Companies Law (2012 Revision) (as amended) of the Cayman Islands
“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
“Conditions Precedent”	the conditions precedent to the Merger Agreement, as more particularly described in the section headed “The Merger Agreement - (d) Conditions Precedent” above
“connected person”	have the meaning ascribed to it under the Listing Rules



“controlling shareholders”	have the meaning ascribed to it under the Listing Rules
“Damages”	damage, loss, liability and expense (including reasonable attorneys’ fees and expenses in connection with any action, suit or proceeding whether involving a third-party claim or a claim solely between the parties)
“Dealings Agreement”	any agreement or arrangement or any obligation incurred (i) to do any of the acts referred to in sub-paragraphs (f) (A) or (B) of the section headed “The Deeds of Undertaking — ND Deed of Undertaking”; (ii) in relation to, or operating by reference to, the Relevant 91 Wireless Shares; or (iii) which, in relation to the Relevant 91 Wireless Shares, would or could be reasonably expected to restrict or impede the Merger
“Deed(s) of Undertaking”	the ND Deed of Undertaking and the Deeds of Undertaking entered into by the Other 91 Shareholders on 14 August 2013, the details of which are set out in the section headed “The Deeds of Undertaking — Deed of Undertaking of the Other 91 Shareholders”
“Disposal”	the disposal of the issued share capital of 91 Wireless pursuant to the Transaction Documents
“Dissenting Shares”	91 Wireless Shares that are issued and outstanding immediately prior to the Effective Time and that are held by shareholders of 91 Wireless who shall have validly exercised and not effectively withdrawn or lost their rights to dissent from the Merger in accordance with the CICL
“Director(s)”	Director(s) of the Company
“Effective Time”	the time on which the Merger becomes effective as set out in the Plan of Merger in accordance with CICL
“EGM”	the extraordinary general meeting of the Company to be convened for the approval of, among other matters, the Merger, the Merger Agreement, the ND Deed of Undertaking and the transactions contemplated thereunder

“Eligible 91 Shareholders”	the shareholders of 91 Wireless other than the holders of the Dissenting Shares
“End Date”	have the meaning ascribed thereto in the section headed “The Merger Agreement - (g) Termination of the Merger Agreement” above
“Equity Interests Transfer Agreements”	the agreements to be entered into by NetDragon (Fujian), the Baidu Nominees, and Fujian BoRui, pursuant to which 100% equity interests of Fujian BoRui shall be transferred to the Baidu Nominees, the form of which is annexed to the Merger Agreement
“Escrow Account”	an account maintained by the Escrow Agent
“Escrow Agent”	an escrow agent to be mutually agreed by Baidu HK, NetDragon BVI and the Company
“Escrowed Amount”	US\$10 million (equivalent to approximately HK\$77.58 million), which Baidu HK shall pay to the Escrow Agent and to be released to NetDragon BVI pursuant to the terms and conditions set out in the Deed of Undertaking executed by NetDragon BVI and an escrow agreement to be entered into among Baidu HK and NetDragon BVI
“Fujian BoDong”	福建博動文化傳播有限公司 (Fujian BoDong Cultural and Communications Co., Ltd.*), an enterprise established in the PRC on 27 December 2011, a subsidiary of 91 Wireless
“Fujian BoRui”	福建博瑞網絡科技有限公司 (Fujian BoRui Websoft Technology Co., Ltd.), an enterprise established in the PRC on 18 March 2011, a subsidiary of 91 Wireless
“Fuzhou BoYuan”	福州博遠無線網絡科技有限公司 (Fuzhou BoYuan Wireless Websoft Technology Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC on 6 September 2010, a subsidiary of 91 Wireless
“GEM”	the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited

*\* for identification purposes only*

“Governmental or Regulatory Authority”	any nation or government or any province or state or any other political subdivision thereof, or any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization and any stock exchange (including the Stock Exchange)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“I-Wave”	I-Wave Wireless Limited (愛威無線有限公司), a company incorporated in Hong Kong on 29 June 2012, a subsidiary of 91 Wireless
“IDG Group”	IDG Technology Venture Investments, L.P. and the IDG Investors, which in aggregate holds approximately 15.38% shareholding interest in the Company and therefore being the Company’s substantial shareholder under the Listing Rules
“IDG Investors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.
“Indemnified Parties”	Baidu HK and Merger Sub, and, after the Effective Time, the Surviving Corporation, their respective successors and permitted assignees, and their respective officers, directors and employees
“Indemnified Events”	(1) any breach on the part of 91 Wireless of any provision of the Merger Agreement; (2) any of the undertakings, covenants, warranties and representations provided by 91 Wireless in respect of 91 Wireless Group as set out under the Merger Agreement being untrue, inaccurate or misleading in any respect or having been breached in any respect; and (3) any breach by NetDragon BVI or the Company of the ND Deed of Undertaking

“Independent Board Committee”	the committee of the independent non-executive Directors, comprising Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas, established to give recommendation to the Independent Shareholders in respect of the Merger
“Independent Shareholders”	Shareholders other than those who have material interest in the Merger Agreement and the transactions contemplated thereunder
“Jiangsu BoWang”	江蘇博望網絡科技有限公司 (Jiangsu BoWang Websoft Technology Ltd.*), a wholly foreign-owned enterprise incorporated in the PRC on 25 June 2012, a subsidiary of 91 Wireless
“Keen City”	Keen City Holdings Limited (鷹威控股有限公司), a company incorporated in Hong Kong on 15 September 2011, a subsidiary of 91 Wireless
“Law”	any constitutional provision, stature or other law, rule, regulation, official policy or interpretation of any Government or Regulatory Authority
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Shareholders”	the list of employees of the 91 Wireless Group as set out in the Management Deferred Payment Agreement
“Management Deferred Payment Amount”	25% of the Merger Consideration to which the Management Shareholders are entitled, which shall become payable to Management Shareholders at the first and second anniversary of the Effective Time, in accordance with the terms and conditions of the Management Deferred Payment Agreement
“Management Deferred Payment Agreement”	the agreement to be entered into by and among Baidu HK, 91 Wireless and Management Shareholders on or prior to Closing, reflecting the payment arrangement of the Management Deferred Payment Amount

*\* for identification purposes only*

“Material Adverse Effect”	a material adverse effect on the condition (financial or otherwise), results of operations, business, properties or prospects of the 91 Wireless Group taken as a whole, or on the ability of any of the companies of the 91 Wireless Group to carry out their respective obligations under the Transaction Documents
“Memorandum of Understanding”	the memorandum of understanding dated 15 July 2013 entered into by the Company, NetDragon BVI and Baidu Holdings Limited in relation to the proposed disposal of the 91 Wireless Group by the Company
“Merger”	the merger of Merger Sub into 91 Wireless upon and subject to the terms and conditions of the Merger Agreement
“Merger Agreement”	the agreement and plan of merger dated 14 August 2013 entered into among 91 Wireless, Baidu HK and Merger Sub
“Merger Consideration”	US\$1,847.94 million (equivalent to approximately HK\$14,366.09 million)
“Merger Sub”	Baidu (Hong Kong) Sub Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 1 August 2013 and is a wholly-owned subsidiary of Baidu HK
“ND Deed of Undertaking”	the Deed of Undertaking on 14 August 2013, entered into by NetDragon BVI and the Company, the details of which are set out in the section headed “The Deeds of Undertaking — ND Deed of Undertaking”
“NetDragon BVI”	NetDragon Websoft Inc., a limited liability company incorporated in the British Virgin Islands, being a direct wholly-owned subsidiary of the Company and a shareholder of 91 Wireless
“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 on 25 May 1999, a deemed subsidiary of the Group

“Onshore Closing Payment Amount”	approximately US\$93.11 million, paid in RMB equivalent in the amount of RMB570 million agreed by Baidu HK and 91 Wireless, being the consideration payable to NetDragon (Fujian) for acquiring the entire equity interests in Fujian BoRui
“Order”	any injunction, judgment, decree, order, ruling, assessment or writ of any Governmental or Regulatory Authority
“Other 91 Shareholders”	shareholders of 91 Wireless other than NetDragon BVI, who are willing to enter into the Deeds of Undertaking in contemplation of the Merger
“Paying Agent”	the paying agent to be mutually agreed by Baidu HK and 91 Wireless, who acts as the payment agent for all payments of the Merger Consideration
“Per Share Merger Consideration”	US\$13.168 in cash per 91 Wireless Share without interest
“Plan of Merger”	the plan of merger as appended in the Merger Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prestige Plus”	Prestige Plus Holdings Limited (增譽控股有限公司), a BVI business company incorporated under the laws of the British Virgin Islands on 20 September 2011, a subsidiary of 91 Wireless
“Proposed Listing”	the proposed listing of 91 Wireless on the GEM
“Proposed Spin-off”	the proposed listing of 91 Wireless on the GEM, by way of a distribution in specie of certain 91 Wireless Shares after the capitalization issue as contemplated under the Proposed Listing
“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, NetDragon BVI, the Series A Investors and the Series B Investors

“Post Conversion Shareholders’ Agreement”	the amended and restated shareholders’ agreement dated 27 March 2013, entered into among 91 Wireless, Talent Zone, Fuzhou BoYuan, Fujian BoRui, NetDragon BVI, the Series A Investors and the Series B Investors
“Relevant 91 Wireless Shares”	80,571,528 91 Wireless Shares, the registered holder of which is NetDragon BVI
“Requisite Company Vote”	have the meaning ascribed thereto in the section headed “The Merger Agreement — (e) 91 Wireless shareholders’ approval” above
“Remaining Group”	the Group following the Effective Time
“Restricted Business”	(1) the development, distribution and provision of smartphone app(s) that are of a similar nature to 91 助手(91 Assistant*), 91桌面 (91 Launcher*), 91 熊貓看書 (91 Panda Reader*) and 安卓市場 (HiMarket*); and (2) the distribution and operation of third-party smartphone games which are similar in nature to such smartphone games under 91 助手 (91 Assistant*) and 安卓市場 (HiMarket*)
“Series A Investors”	IDG Investors and Stonewell Resources Limited
“Series B Investors”	Vertex Asia Investments Pte. Ltd, IP Cathay II, L.P., DT Capital China Growth Fund, L.P., NetDragon BVI, the IDG Investors, Sino Coast Developments Limited, Pacific Century Diversified Limited, Grandwin Enterprises Limited and an individual investor
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Shares”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*\* for identification purposes only*

“Structured Contracts”	(1) the cooperation framework agreement dated 30 May 2011 between Fujian BoRui and Fuzhou BoYuan; (2) the technical consultancy and service agreement dated 30 May 2011 between Fujian BoRui and Fuzhou BoYuan; (3) the equity interest pledge agreement in respect of the equity interest of Fujian BoRui dated 30 May 2011 between Fujian BoRui, Fuzhou BoYuan and NetDragon (Fujian); (4) the agreement for the exclusive right to acquire equity interest and assets of Fujian BoRui between Fujian BoRui, Fuzhou BoYuan and NetDragon (Fujian); and (5) the voting rights proxy agreement in respect of the equity interest of Fujian BoRui dated 30 May 2011) between Fujian BoRui, Fuzhou BoYuan and NetDragon (Fujian)
“Structured Contracts Termination Agreement”	the agreement to terminate the Structured Contracts, the form of which is annexed to the Merger Agreement
“Surviving Corporation”	have the meaning ascribed thereto in the section headed “The Merger Agreement” above
“Surviving Group”	Surviving Corporation, its subsidiaries and/or controlled entities
“Talent Zone”	Talent Zone Holdings Limited, a limited liability company incorporated in Hong Kong on 19 February 2010, a subsidiary of 91 Wireless
“Transaction Documents”	collectively, the Merger Agreement, the Plan of Merger, the Equity Interests Transfer Agreements, the Structured Contracts Termination Agreement and the Management Deferred Payment Agreement
“Undertaking Conditions”	the conditions to certain undertakings and obligations of the Company and NetDragon BVI under the ND Deed of Undertaking, having meaning ascribed thereto in the section headed “The Deeds of Undertaking — ND Deed of Undertaking”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC



“US\$” or “USD”

United States dollars, the lawful currency of the United States of America

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

*\* for identification purposes only*

*For the purpose of this announcement, unless otherwise indicated, the exchange rates at US\$1 = HK\$7.7579 and RMB1 = HK\$1.27 have been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.*

*As at the date of this announcement, the Board comprises four executive Directors, namely Liu Dejian, Liu Luyuan, Zheng Hui and Chen Hongzhan; one non-executive Director, namely Lin Dongliang; and three independent non-executive Directors, namely Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas.*

Hong Kong, 16 August 2013