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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)

ADOPTION OF SHARE AWARD SCHEME

The Board is pleased to announce that it has approved the adoption of the Share Award Scheme to recognise the contributions of certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

No Shareholders’ approval is required under the Articles for the adoption of the Share Award Scheme.

INTRODUCTION

The Board is pleased to announce that it has approved the adoption of the Share Award Scheme to recognise the contributions of certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Company has an existing Share Option Scheme, pursuant to which the grantee shall pay a consideration to the Company upon acceptance of the share option, while the Awarded Shares could be transferred to the Selected Employee under the Share Award Scheme. After the adoption of the Share Award Scheme, both the Share Option Scheme and the Share Award Scheme will provide the Company with greater flexibility in providing incentives to the Employees. In determining whether to engage the Share Option Scheme or the Share Award Scheme for certain Employee, the Board may exercise its discretion and take into consideration various factors including (without limitation), the general financial condition of the Group and the rank and performance of the relevant Employee.

No Shareholders’ approval is required under the Articles for the adoption of the Share Award Scheme.

SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE AWARD SCHEME

1. Purposes and Objectives

The specific objectives of the Share Award Scheme are to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

2. Duration

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

3. Administration

The Share Award Scheme shall be subject to the administration of the Board, the Committee and the Trustee in accordance with the rules of the Share Award Scheme and the terms of the Trust Deed.

4. Operation of the Share Award Scheme

The Board may select any Employee, other than any Excluded Employee, for participation in the Share Award Scheme and determine the Awarded Amount for the purchase of the Awarded Shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee. The Board is entitled to impose any conditions (including a period of continued service within the Group after the Reference Date), as it deems appropriate in its absolute discretion with respect to the entitlement of the Selected Employee to the Awarded Shares.

No Award shall be made by the Board and no instructions to acquire Shares shall be given to the Trustee under the Share Award Scheme where any Director is in possession of unpublished price-sensitive information in relation to the Group or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

As soon as practicable after the Reference Date and in any event no later than twenty-eight (28) Business Days after the Reference Date, the Board shall cause to be paid the Reference Amount from the Company's resources to the Trustee to be held on trust for the relevant Selected Employee for the purchase of the

Awarded Shares. Within twenty-eight (28) Business Days on which the trading of the Shares has not been suspended (or such longer period as the Trustee and the Committee may agree from time to time having regard to the circumstances of the purchase concerned) after receiving the Reference Amount, the Trustee shall apply the same towards the purchase the maximum number of board lots of Shares on the market at the prevailing market price. Any balance of the Reference Amount shall be returned by the Trustee to the Company forthwith after completion of the purchase. Each Selected Employee will be notified of the number of Awarded Shares by the Trustee as soon as the Trustee completes the purchase and allocation process.

According to the Hong Kong (IFRIC) Interpretation 11 for HKFRS 2 — Group and Treasury Share Transactions, the Company will record the amount paid in purchasing Awarded Shares as staff costs (a profit and loss item) in the Company's books according to the vesting criteria of the Awarded Shares.

All cash income and the sale proceeds of non-scrip distribution declared in respect of any Share (including any Awarded Shares not fully vested and Returned Shares) held upon trust by the Trustee will be applied towards (a) the payment of the fees, costs and expenses of the trust under the Trust Deed and (b) the remainder, if any, such other purpose as the Trustee and the Committee shall agree from time to time.

In the event that a Selected Employee is a Director, a substantial shareholder or a connected person of the Group, such awards shall constitute connected transactions under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

5. Vesting and Lapse

In respect of a Selected Employee who died or who retired by agreement with a member of the Group at any time prior to or on the Vesting Date, all the Awarded Shares of the relevant Selected Employee shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement with the relevant member of the Group.

In the event of the death of a Selected Employee, the Trustee shall hold the vested Awarded Shares upon trust and to transfer the same to the legal personal representatives of the Selected Employee and subject as aforesaid the Trustee shall hold the vested Awarded Shares or so much thereof as shall not be transferred or applied under the foregoing powers within (a) two (2) years of the

death of the Selected Employee (or such longer period as the Trustee and the Committee shall agree from time to time) or (b) the trust period as set out in the Trust Deed (whichever is shorter) upon trust to transfer the same to the legal personal representatives of the Selected Employee.

If the vested Awarded Shares would otherwise become bona vacantia, the vested Awarded Shares shall be forfeited and cease to be transferable and such vested Awarded Shares shall be held as Returned Shares for the purposes of the Share Award Scheme.

Subject to the foregoing, in the event that prior to or on the Vesting Date in respect of a Selected Employee, (i) the relevant Selected Employee ceases to be an Employee, or (ii) the Subsidiary by which a Selected Employee is employed ceases to be a subsidiary of the Company (or of a member of the Group), or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), the Award shall automatically lapse forthwith and the Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Share Award Scheme.

In the event that prior to or on the Vesting Date, (i) a Selected Employee is found to be an Excluded Employee or (ii) a Selected Employee fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares within the stipulated period, the relevant part of an Award made to such Selected Employee shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Share Award Scheme.

Notwithstanding any other provision provided in the Share Award Scheme, if there occurs an event of change of control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the Awarded Shares shall immediately vest on the date when such change of control event becomes or is declared unconditional and such date shall be deemed to be the Vesting Date.

6. Rights and Restrictions

A Selected Employee shall not have any interest or rights (including the right to vote or receive dividends) in the Awarded Shares prior to the Vesting Date and shall have no rights in the Residual Cash or any of the Returned Shares.

Any Selected Employee shall not transfer or dispose of any Awarded Shares within one (1) year from the Vesting Date for such Awarded Shares and shall not transfer or dispose of more than 50% of the Awarded Shares during the period of one (1) year after the first anniversary of the Vesting Date for such Awarded Shares.

7. Scheme Limit

The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

8. Termination

The Share Award Scheme shall terminate on the earlier of the 10th anniversary date of the Adoption Date and such date of early termination as determined by the Board.

Upon all the Awarded Shares of the Selected Employees granted under the Share Award Scheme having vested, the Residual Cash for the Selected Employees and such other funds remaining in the trust fund managed by the Trustee shall be remitted to the Company forthwith.

DEFINITIONS

“Adoption Date”	2nd September 2008, being the date on which the Share Award Scheme is adopted by the Company
“Articles”	the Articles of Association of the Company as may be amended from time to time
“Award”	an award of Shares purchased with the Awarded Amount by the Board or by the Trustee pursuant to the Share Award Scheme to a Selected Employee
“Awarded Amount”	in respect of a Selected Employee, the awarded amount as determined by the Board

“Awarded Shares”	in respect of a Selected Employee, such number of Shares purchased with the Awarded Amount and allocated by the Trustee from the total number of Shares purchased by the Trustee on the market out of cash paid by the Company by way of settlement to the Trustee or such number of Returned Shares awarded by the Board
“Business Day”	a day (other than Saturday) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong
“Board”	the board of Directors
“Committee”	the share award committee of the Company, comprising two independent non-executive directors of the Company, the Chief Financial Officer and Company Secretary of the Company from time to time
“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
“Director(s)”	the directors of the Company
“Employee(s)”	any employee (including without limitation any executive director) of any member of the Group
“Excluded Employee”	(i) at the time of the proposed grant of an Award, any Employee whose service in the Group does not exceed one year from the expiry date of his probationary period as stated in his employment contract with the Group, and (ii) any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Committee or the Trustee (as the case may be), compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Employee

“Group”	the Company, its subsidiaries and such entities which are considered as subsidiaries of the Company under the applicable accounting standard and policy
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRIC”	International Financial Reporting Interpretations Committee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Reference Amount”	the sum of (i) the Awarded Amount and (ii) the related purchase expenses (including for the time being, the brokerage fee, stamp duty, SFC transaction levy, Stock Exchange trading fee) and such other necessary expenses required for the completion of the purchase of all the Awarded Shares
“Reference Date”	in respect of a Selected Employee, the date of final approval by the Board of the total amount of the Awarded Amount for the purchase of Shares to be awarded to the relevant Selected Employee on a single occasion pursuant to the Share Award Scheme
“Residual Cash”	in respect of a Selected Employee, being cash remaining in the trust fund set up by the Trustee in respect of his Award (including interest income derived from deposits maintained with licensed banks in Hong Kong) which has not been applied in the acquisition or subscription of his Awarded Shares
“Returned Shares”	such Awarded Shares which are referable to a Selected Employee and which are not vested and/or forfeited in accordance with the terms of the Share Award Scheme
“Share Award Scheme”	the share award scheme adopted by the Company on the Adoption Date, a summary of the principal terms of which is set out in this Announcement
“Selected Employee(s)”	Employee(s) selected by the Board for participation in the Share Award Scheme

“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Share Option Scheme”	the existing share option scheme of the Company adopted on 12 June 2008
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in respect of the appointment of the Trustee for the administration of the Share Award Scheme
“Trustee”	Bank of Communications Trustee Limited, which is independent and not connected with the Company
“Vesting Date”	in respect of a Selected Employee, the date on which his entitlement to the Awarded Shares accrues in accordance with the conditions as imposed by the Board or is deemed to have accrued pursuant to the terms of the Share Award Scheme
“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, 3 September, 2008

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 Guo Wei, Charles, Mr. Lee Kwan Hung and Mr. Liu Sai Keung, Thomas.