

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute an offer of, nor is it intended to invite offers for, the shares or other securities of NetDragon Websoft Inc., nor have any such shares or securities been allotted with a view to any of them being offered for sale to members of the public. No new shares will be issued in connection with, or pursuant to, the publication of this announcement.

NetDragon Websoft Inc.

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8288)

PROPOSED VOLUNTARY WITHDRAWAL OF LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED,

PROPOSED LISTING OF THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF INTRODUCTION

AND

PROPOSED REDUCTION OF THE MINIMUM NOTICE PERIOD IN RESPECT OF THE PROPOSED WITHDRAWAL

Sponsor



First Shanghai Capital Limited

The Board would like to announce that an advance booking form for the proposed listing of the Shares on the Main Board of the Stock Exchange by way of introduction has been made to the Stock Exchange on 20 March 2008. The Company has also informed GEM of its intention to voluntarily withdraw the listing of the Shares on GEM conditional upon, amongst other things, approval by the Main Board Listing Committee in relation to the Proposed Introduction and obtaining the Shareholders' approval of the Proposed Withdrawal.

There is no assurance that permission will be obtained from the Main Board for the Proposed Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal and the Proposed Introduction are subject to the conditions set out below being fulfilled and thus may or may not become effective. Accordingly, the Proposed Withdrawal and the Proposed Introduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Directors would like to announce that First Shanghai Capital Limited, the Sponsor for the Proposed Introduction, has, on behalf of the Company, submitted an advance booking form to the Stock Exchange on 20 March 2008 for the proposed listing of the Shares on the Main Board of the Stock Exchange by way of introduction. The Company has also informed GEM of its intention to voluntarily withdraw the listing of the Shares on GEM subject to the conditions set out below.

The Directors would like to emphasise that the Proposed Withdrawal and the Proposed Introduction are at a preliminary stage and that the definitive timetable for the Proposed Withdrawal and the Proposed Introduction have not yet been finalised. There is no assurance that the Company will proceed with the Proposed Withdrawal and the Proposed Introduction.

The Proposed Withdrawal and the Proposed Introduction will not involve any fund raising.

In connection with the Proposed Withdrawal and the Proposed Introduction, the Board proposes to seek the approval of the Shareholders for, amongst other things, the Proposed Withdrawal, the proposed termination of the GEM Share Option Scheme and the proposed adoption of the Proposed Share Option Scheme.

A circular containing, amongst other things, details of the Proposed Withdrawal and the Proposed Introduction, the expected timetable, the proposed termination of the GEM Share Option Scheme, the proposed adoption of the Proposed Share Option Scheme and the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

The Company will make an announcement after the EGM to publish the results of the EGM and other information in relation to the Proposed Withdrawal and the trading arrangements of the Shares with respect to the Proposed Withdrawal and the Proposed Introduction.

A listing document in connection with the Proposed Introduction will also be despatched to the Shareholders if the Company proceeds with the Proposed Introduction.

CONDITIONS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

If the Company proceeds with the Proposed Withdrawal and the Proposed Introduction, the following conditions must be fulfilled:

- (i) the Main Board Listing Committee granting approval for the listing of, and permission to deal in, (a) the Shares in issue; and (b) any Shares which may be issued upon (1) the exercise of any options which may be granted under the GEM Share Option Scheme; and (2) the exercise of any options which may be granted under the Proposed Share Option Scheme;
- (ii) the passing of the ordinary resolutions by the Shareholders at the EGM to approve, amongst other things, the Proposed Withdrawal and the proposed reduction of the notice period for the Proposed Withdrawal;
- (iii) the publication of a notice of the Proposed Withdrawal after the approval of the Shareholders referred to in condition (ii) above on a date that is not less than five clear Business Days prior to the Effective Date (if and when a waiver from strict compliance with Rule 9.19(3) of the GEM Listing Rules is granted); and
- (iv) the obtaining of all other relevant consents which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction, and the fulfillment of all conditions which may be attached to such consents, if any.

In this regard, the EGM will be convened at an appropriate time to seek the approval of the Shareholders for, amongst other things, the Proposed Withdrawal, the proposed termination of the GEM Share Option Scheme and the proposed adoption of the Proposed Share Option Scheme.

There is no assurance that permission will be obtained from the Main Board for the Proposed Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal and the Proposed Introduction are subject to the conditions set out above being fulfilled and thus may or may not become effective. Accordingly, the Proposed Withdrawal and the Proposed Introduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

APPLICATION FOR A WAIVER FROM STRICT COMPLIANCE WITH RULE 9.19(3) OF THE GEM LISTING RULES

If the Company proceeds with the Proposed Withdrawal and the Proposed Introduction, immediately prior to the Proposed Introduction, the listing of the Shares on GEM will be withdrawn. Pursuant to Rule 9.19 of the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:

- (1) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (2) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing.

In connection with the Proposed Withdrawal, the Company will apply to GEM for a waiver from strict compliance with the minimum three months' notice required under Rule 9.19(3) of the GEM Listing Rules to a minimum of five clear Business Days.

The Directors consider that it is in the best interests of the Company and the Shareholders as a whole that the notice period for the Proposed Withdrawal be reduced so that the Proposed Withdrawal and the Proposed Introduction can be carried out as soon as practicable after obtaining the relevant approvals from the Shareholders at the EGM to avoid any market uncertainties. **The waiver may or may not be granted by GEM.**

REASONS FOR THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

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

The Directors believe that the listing of the Shares on the Main Board will help to enhance the profile of the Group and increase the trading liquidity of the Shares and recognitions by attracting larger institutional and retail investors. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Company. No change in the nature of business of the Group is contemplated by the Directors following the Proposed Introduction.

The Proposed Introduction will not involve issue of any new Shares by the Company.

GENERAL

First Shanghai Capital Limited has been appointed as the Sponsor with regard to the Proposed Withdrawal and the Proposed Introduction.

The Company will make further announcement(s) to keep the Shareholders and potential investors informed on the progress.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day that is not a Saturday, Sunday or a public holiday in Hong Kong
“Company”	NetDragon Websoft Inc., a company incorporated in the Cayman Islands with Limited Liability whose shares are listed on GEM
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Proposed Introduction become effective

“EGM”	an extraordinary general meeting of the Company to be convened to approve, amongst other things, the Proposed Withdrawal, the proposed termination of the GEM Share Option Scheme and proposed adoption of the Proposed Share Option Scheme
“First Shanghai Capital” or “Sponsor”	First Shanghai Capital Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity being the sponsor to the Company in respect of the Proposed Introduction
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“GEM Share Option Scheme”	the share option scheme adopted by the Company on 15 October 2007
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for the Main Board listing matters
“Proposed Introduction”	the proposed listing of the Shares on the Main Board by way of introduction pursuant to the Rules Governing the Listing of Securities on the Main Board
“Proposed Share Option Scheme”	the proposed share option scheme to be conditionally adopted at the EGM
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM
“Shares(s)”	share with nominal value of US\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America

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

Hong Kong, 20 March 2008

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Liu Dejian
Mr. Liu Luyuan
Mr. Zheng Hui
Mr. Chen Hongzhan

Non-executive Directors:

Mr. Lin Dongliang

Independent non-executive Directors:

Mr. Chao Guowei, Charles
Mr. Lee Kwan Hung
Mr. Liu Sai Keung, Thomas

This announcement for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of its posting and on the website of the Company at www.nd.com.cn.