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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)

**ISSUE OF SHARES FOR A PROPOSED EMPLOYEE INCENTIVE
PROGRAM BY A SUBSIDIARY
AND
ISSUE OF SHARE DIVIDEND BY A SUBSIDIARY
AND
CLOSING OF CONNECTED TRANSACTION
IN RELATION TO ISSUE OF PREFERRED SHARES BY A SUBSIDIARY**

Reference is made to the announcement of the Company dated 30 May 2011 (the “**Announcement**”) in relation to the Share Purchase involving issue of the Preferred Shares of 91 Limited under the Share Purchase Agreement. Unless defined otherwise, capitalized terms used herein shall have the same meanings ascribed to it in the Announcement.

**ISSUE OF SHARES FOR A PROPOSED EMPLOYEE INCENTIVE
PROGRAM BY A SUBSIDIARY**

To reward the employees of 91 Group Companies (the “**Employees**”) for their performance and contribution, 91 Limited issued 9,615,000 Ordinary Shares (the “**Shares**”) at par value of US\$0.0001 per share to Treasure New Limited on 8 August 2011.

Treasure New Limited is a company established under the laws of the British Virgin Islands with limited liability for the purpose of holding the Shares for the Employees and transferring the Shares to such Employees at such time as the officers of 91 Limited deemed as appropriate under an employee incentive program (the “**Employee Incentive Program**”) to be adopted. As at the date of this announcement, Treasure New Limited is wholly owned by NetDragon (BVI) and an indirect wholly owned subsidiary of the Company.

Details of the Employee Incentive Program have not yet been determined. The Company will publish an announcement with further details of the Employee Incentive Program when the Employee Incentive Program is set up.

The Investors have executed a purchaser's consent and waiver on 8 August 2011 (the "**Consent and Waiver**") agreeing and consenting to the issue of the Shares to Treasure New Limited for the Employee Incentive Program before the Closing.

ISSUE OF SHARE DIVIDEND BY A SUBSIDIARY

To reward NetDragon (BVI), the sole shareholder of 91 Limited before the Closing, for its contribution to the operation of the Mobile Internet Business by 91 Group Companies, the board of directors of 91 Limited has authorised to declare special dividends to NetDragon (BVI) by issuing 381,000 Ordinary Shares as fully paid (the "**Special Share Dividends**").

The Investors have executed the Consent and Waiver agreeing and consenting to the issue of the Special Share Dividends to NetDragon (BVI) before the Closing.

The Special Share Dividends have been declared and issued to NetDragon (BVI) on 8 August 2011.

STRUCTURE OF 91 LIMITED UPON THE ISSUANCE OF THE SHARES AND THE SPECIAL SHARE DIVIDENDS AND IMMEDIATELY PRIOR TO THE CLOSING

Upon the issuances of the Shares and the Special Share Dividends and immediately prior to the Closing, the authorized share capital of 91 Limited consists of (i) 96,500,000 Ordinary Shares, 71,151,000 and 9,615,000 of which have been issued to NetDragon (BVI) and Treasure New Limited, respectively, both being indirect wholly owned subsidiaries of the Company; and (ii) 15,500,000 Preferred Shares, none of which have been issued.

CLOSING OF CONNECTED TRANSACTION IN RELATION TO ISSUE OF PREFERRED SHARES BY A SUBSIDIARY

The Board is pleased to announce that all conditions precedent under the Share Purchase Agreement have been fulfilled or waived and the Closing took place on 13 August 2011.

Upon the Closing, 15,384,000 Preferred Shares have been issued and sold to the Investors, among which 11,856,450 Preferred Shares, 2,422,980 Preferred Shares and 1,104,570 Preferred Shares have been issued to IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., respectively, representing 12.33%, 2.52% and 1.15% of all issued and outstanding shares of 91 Limited.

Upon the Closing, 91 Limited is held as to 74.00%, 12.33%, 2.52%, 1.15% and 10.00% by NetDragon (BVI), IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P. and Treasure New Limited, respectively.

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

Hong Kong, 15 August 2011

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