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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
BY A SUBSIDIARY**

The Board is pleased to announce that on 28 December 2011, 91 Limited, a subsidiary of the Company, adopted the 91 Share Award Scheme for recognising the contributions made by certain Participants and to provide them with incentives in order to retain them for the continual operation and development of the 91 Group and to attract suitable personnel for the growth and further development of the 91 Group.

THE SHARE AWARD SCHEME

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The Company has an existing NetDragon Share Award Scheme, pursuant to which the Board may select any employee, other than any excluded employee as defined therein, of any member of the Group for participation in the NetDragon Share Award Scheme as selected employee. With the adoption of the 91 Share Award Scheme, both the NetDragon Share Award Scheme and the 91 Share Award Scheme together will provide greater incentives to those participants who are covered by both schemes.

SUMMARY OF THE PRINCIPAL TERMS

Purposes and Objectives

The purposes and objectives of the 91 Share Award Scheme are to recognise the contributions made by certain Participants and to provide them with incentives in order to retain them for the continual operation and development of the 91 Group and to attract suitable personnel for the growth and further development of the 91 Group.

Duration

Subject to any early termination as may be determined by the 91 Board pursuant to the Scheme Rules, the 91 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing from the Adoption Date.

Administration

The 91 Share Award Scheme shall be subject to the administration of the 91 Board and the Trustee in accordance with the Articles, the Scheme Rules and the Trust Deed.

Operation of the 91 Share Award Scheme

The Full 91 Board may, from time to time, at its sole and absolute discretion, select any Participant, other than the Excluded Participant, as a Selected Participant for participation in the 91 Share Award Scheme for the Award. In determining the number of the Awarded Shares to be granted to a Selected Participant, the Full 91 Board may take into consideration matters including (without limitation), the best interest of 91 Limited, the general financial condition of 91 Limited and the rank and performance of the relevant Selected Participant. The 91 Board is entitled to impose from time to time additional vesting conditions (including without limitation the period of continued service with a specified member of the Group after the Reference Date) as it deems appropriate in its sole and absolute discretion with respect to the entitlement of a Selected Participant to the Awarded Shares and Related Income.

91 Limited shall within ten (10) Business Days from the relevant Reference Date cause to be paid the Reference Amount from its resources, in accordance with the Articles and Cayman Islands law, to the Trustee sufficient for the acquisition of the Awarded Shares. Such Reference Amount is to be held on trust by the Trustee for the relevant Selected Participant for the acquisition of the Awarded Shares. The Trustee shall within thirty five (35) Business Days from the relevant Reference Date apply the Reference Amount to acquire the Awarded Shares subject to the Articles, firstly from the existing shareholders and if no or insufficient Shares may be acquired from the existing shareholders, secondly from 91 Limited for issue and allotment for the Awarded Shares. After completion of the acquisition, the Trustee shall hold such Awarded Shares until they are vested in the Selected Participant in accordance with the Scheme Rules, the Trust Deed and the vesting conditions as determined at the sole and absolute discretion of the 91 Board. Any balance of the Reference Amount (if any) shall be returned by the Trustee to 91 Limited within seven (7) Business Days after acquisition of the Awarded Shares.

Subject to the Articles and Cayman Islands law, in the event of other non-cash and non-scrip distribution made by 91 Limited in respect of the Awarded Shares which are held by the Trustee upon trust under the 91 Share Award Scheme, the Trustee shall dispose of such distribution and the net sale proceeds thereof shall be deemed as the income of the trust fund and shall be applied towards (a) the payment of the fees, costs and expenses in connection with the adoption, administration and/or termination of the Trust and the 91 Share Award Scheme in accordance with the provisions set out in the Trust Deed; and (b) the remainder, if any, to be returned to 91 Limited.

Vesting

The Awarded Shares and Related Income shall vest in the Selected Participant at no cost on the part of such Selected Participant on the Vesting Date subject to the terms of the 91 Share Award Scheme and the following conditions:

- (a) fulfillment of such vesting conditions (if any) as specified by the 91 Board in the offer letter issued by 91 Limited to the Selected Participant up to the reasonable satisfaction of the 91 Board;
- (b) the Selected Participant remaining under the employment of a member of the Group as determined by the 91 Board up to and including the Vesting Date and no notice of termination of employment of such Selected Participant is subsisting as at such date;

- (c) unless otherwise agreed between the 91 Board and the Trustee, the 91 Board shall have sent to the relevant Selected Participant (with a copy to the Trustee) at least seven (7) Business Days prior to the Vesting Date, a vesting notice confirming fulfilment of conditions in (a) and (b) above together with such prescribed transfer documents which require the Selected Participant to execute to effect the vesting and transfer of the Awarded Shares; and
- (d) the receipt by the Trustee prior to the Vesting Date of the prescribed transfer documents duly signed by the Selected Participant within the period stipulated in the vesting notice referred to in (c) above.

The Trustee shall transfer the relevant Awarded Shares and the Related Income to the relevant Selected Participant as soon as practicable after the Vesting Date and in any event not later than thirty five (35) Business Days after the Vesting Date.

In respect of a Selected Participant who dies or retires at his normal retirement date or earlier by agreement with the relevant member of the Group at any time prior to the Vesting Date, the 91 Board shall have the sole and absolute discretion as to whether such Awarded Shares and Related Income of the said Selected Participant shall be deemed to be vested on the date immediately prior to his death or retirement or early retirement (as the case may be).

In case the 91 Board determines that the Awarded Shares and Related Income of a deceased Selected Participant are deemed to be vested on the date immediately prior to his death but there is no claim of the vested interests by the legal personal representative of such deceased Selected Participant within two (2) years of the death of the Selected Participant (or such longer period as the Trustee and the 91 Board may agree from time to time) or during the Trust Period (whichever is shorter), or if such vested interest would otherwise become bona vacantia, such vested interests shall be forfeited and cease to be transferable and shall be held as Returned Shares for the purpose of the 91 Share Award Scheme.

In the event that the Group or any member of the Group is restructured, unless otherwise determined by the 91 Board, the status of a Selected Participant shall remain the same (unless such Selected Participant is deemed to be an Excluded Participant prior to or after the restructuring of the Group or the relevant member of the Group) and his interest and entitlement under the 91 Share Award Scheme shall not be considered as lapse and the unvested Awarded Shares of such Selected Participant shall vest in accordance with the 91 Share Award Scheme.

Lapse

In the event that any one or more of the following events shall occur on or before the relevant Vesting Date,

- (a) a Selected Participant ceases to be a Participant, whether by voluntary resignation or dismissal or otherwise or a notice of termination of employment of such Selected Participant has been served (whether by the Selected Participant or the relevant member of the Group (as the case may be)); or
- (b) an order for the winding-up of 91 Limited is made or a resolution is passed for the voluntary winding-up of 91 Limited (other than for the purposes of, and followed by, an amalgamation or reconstruction as permitted in the 91 Share Award Scheme or otherwise in such circumstances that substantially the whole of the undertaking, assets and liabilities of 91 Limited pass to a successor company); or
- (c) the Subsidiary by which a Selected Participant is employed ceases to be a subsidiary of 91 Limited or the Company (as the case may be),

each unvested Award to the relevant Selected Participant shall automatically lapse forthwith and all the unvested Awarded Shares and Related Income shall not be vested in the relevant Selected Participant but shall become and for all intents and purposes be deemed to become Returned Shares for the purposes of the 91 Share Award Scheme. The Selected Participant shall have no claims against 91 Limited or the Trustee for loss of the Awarded Shares and Related Income.

In the event that one or more of the following events shall occur on or before the relevant Vesting Date,

- (a) a Selected Participant is found to be an Excluded Participant; or
- (b) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares and Related Income within the stipulated period,

the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares and Related Income shall not be vested in the relevant Selected Participant but shall become and for all intents and purposes be deemed to become Returned Shares for the purposes of the 91 Share Award Scheme.

Rights and Restrictions

A Selected Participant shall not have any interest or rights (including the right to vote or receive dividends or cash income) in the Awarded Shares and Related Income until the Awarded Shares and Related Income are vested in the Selected Participant and shall have no interest or rights in any of the Returned Shares or the Residual Cash.

Scheme Limit

The maximum number of Shares which may be granted to the Participants under the 91 Share Award Scheme is 9,615,000 Shares or such number of Shares as determined by the 91 Board from time to time. The maximum number of Shares which may be vested in a Selected Participant under the 91 Share Award Scheme is one percent (1%) of the aggregate sum of the total issued Shares and the total issued preferred shares of 91 Limited as at the Reference Date or such number of Shares as determined by the 91 Board from time to time.

Termination

The 91 Share Award Scheme shall terminate on the earlier of:

- (a) the tenth (10th) anniversary date of the Adoption Date;
- (b) the date when an order for the winding-up of 91 Limited is made or a resolution is passed for the voluntary winding-up of 91 Limited (other than for the purposes of, and followed by, an amalgamation or reconstruction as permitted in the 91 Share Award Scheme or otherwise in such circumstances that substantially the whole of the undertaking, assets and liabilities of 91 Limited pass to a successor company); and
- (c) such date of early termination as determined by the 91 Board.

Upon termination, the Residual Cash and such other funds remaining in the trust fund managed by the Trustee shall be remitted to 91 Limited forthwith, after deducting the appropriate disposal expenses and costs.

DEFINITIONS

“91 Board”	the board of directors of 91 Limited, including such committee or such sub-committee or person(s) delegated with the power and authority by the board of directors of 91 Limited to administer the Share Award Scheme
“91 Group”	91 Limited and/or its Subsidiaries
“91 Limited”	an exempted company incorporated in the Cayman Islands with limited liability, being an indirect non-wholly owned subsidiary of the Company
“91 Share Award Scheme”	the share award scheme of 91 Limited approved and adopted by the 91 Board on the Adoption Date, a summary of the principal terms of which is set out in this announcement
“Adoption Date”	28 December 2011, being the date on which the 91 Share Award Scheme is approved and adopted by the 91 Board
“Articles”	the articles of association of 91 Limited, as amended, restated or supplemented from time to time
“Award”	an award of Shares (together with any Related Income) by the 91 Board to a Selected Participant pursuant to the terms of the 91 Share Award Scheme
“Award Amount”	the sum of money to be paid from the resources of 91 Limited to the Trustee pursuant to the terms of the 91 Share Award Scheme for the acquisition by the Trustee of the Awarded Shares either (i) from the selling shareholder at the price to be agreed between the selling shareholder and the Trustee or (ii) from the issue and allotment of Shares at the price to be agreed between 91 Limited and the Trustee, being in each case not less than par value per Share
“Awarded Shares”	such number of Shares to be awarded to a Selected Participant as determined by the Full 91 Board pursuant to the terms of the 91 Share Award Scheme
“Board”	the board of directors of the Company

“Business Day(s)”	a day (other than Saturday, Sunday and public holiday) on which licensed banks are open for business in Hong Kong
“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
“Excluded Participant(s)”	(i) at the time of the proposed grant of an Award, any Participant whose service in any member of the Group does not exceed one year from the expiry date of his probationary period as stated in his employment contract with such member of the Group, or (ii) any Participant who is resident in a place where, as determined by the 91 Board or the Trustee (as the case may be), the grant, vesting and/or settlement of the Awarded Shares and Related Income pursuant to the terms of the 91 Share Award Scheme at the time of the proposed grant, vesting and/or settlement is not permitted under the laws and regulations of such place, or where in the view of the 91 Board or the Trustee (as the case may be), compliance with the applicable laws and regulations of such place makes it necessary or expedient to exclude such Participant
“Full 91 Board”	a meeting of the 91 Board attended by all the directors of the 91 Board and the resolution of the 91 Board shall be passed by a majority of all directors of the 91 Board
“Group”	collectively the NetDragon Group and the 91 Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“NetDragon Group”	for the purpose of the Scheme Rules means the Company and/or its Subsidiaries but excluding the 91 Group
“NetDragon Share Award Scheme”	the share award scheme adopted by the Company on 2 September 2008

“Participant(s)”	(i) any senior management employee, including without limitation the director, executive, officer and manager-grade employee, whether full time or part time, employed by a member of the 91 Group from time to time; (ii) any consultant to the 91 Group and employed by the NetDragon Group; and (iii) any person who contributes to the operation and development of the 91 Group as from time to time determined by the 91 Board
“Reference Amount”	the sum of (i) the Award Amount, and (ii) the related purchase expenses (including for the time being, the stamp duty) and such other necessary expenses required for the completion of the purchase of the Awarded Shares for the relevant Selected Participant
“Reference Date”	in relation to a Selected Participant, the date of final approval by the Full 91 Board of the total amount of the Awarded Shares to be awarded to the relevant Selected Participant on a single occasion pursuant to the terms of the 91 Share Award Scheme and the Articles
“Related Income”	in relation to the Awarded Shares, means all incomes, whether in the form of cash or non-cash, derived from the relevant Awarded Shares, including but without limitation, any dividends, bonus shares and scrip shares received in connection with the relevant Awarded Shares, but excluding, for the avoidance of doubt, the Residual Cash
“Residual Cash”	the cash remaining in the trust fund set up by the Trustee in respect of the 91 Share Award Scheme, including interest income derived from deposits maintained with licensed banks in Hong Kong, cash income, sale proceeds and any Reference Amount which has not been applied in the acquisition of the Awarded Shares

“Returned Shares”	such Awarded Shares and Related Income held by the Trustee upon trust under the 91 Share Award Scheme and which are not vested or so held and/or are forfeited in accordance with the Scheme Rules and the Articles, or such Shares being deemed, in the 91 Board’s absolute discretion, to be Returned Shares in accordance with the terms of the 91 Share Award Scheme, the Articles and Cayman Islands law
“Scheme Rules”	the rules relating to the 91 Share Award Scheme, as amended, modified or supplemented from time to time
“Selected Participant(s)”	any Participant selected by the Full 91 Board for the Award in accordance with the Scheme Rules or (where the context so permits) the legal personal representative of such deceased Selected Participant
“Share(s)”	the ordinary shares of par value US\$0.0001 each in the share capital of 91 Limited (or of such other par value or nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of 91 Limited from time to time)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	(i) a company which is for the time being and from time to time a subsidiary (within the meaning given under section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)) of the Company or 91 Limited (as the case may be), whether incorporated in Hong Kong or elsewhere; and (ii) such entity which, under the applicable accounting standard and policy, are considered as the subsidiary of the Company or 91 Limited (as the case may be)
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	the trust deed to be entered into between 91 Limited and the Trustee (as restated, supplemented and amended from time to time) in respect of, <i>inter alia</i> , the constitution of the employee share trust pursuant to the 91 Share Award Scheme and the appointment of the Trustee for the administration of the 91 Share Award Scheme

“Trust Period”	shall have the meaning as set out in the Trust Deed
“Trustee”	Bank of Communications Trustee Limited, and any additional or replacement trustees, being the trustee or trustees for the time being of the Trust under the Trust Deed
“US\$”	United States dollars, the lawful currency of the United States of America
“Vesting Date”	in respect of a Selected Participant, the date as notified by the 91 Board to the Trustee on which the Selected Participant’s entitlement to the Awarded Shares and Related Income accrues in accordance with the terms and conditions as imposed by the 91 Board or is deemed to have accrued pursuant to the Scheme Rules

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

Hong Kong, 28 December 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.