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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)

**SUPPLEMENTAL ANNOUNCEMENT
RELATING TO THE SHARE TRANSACTION**

Reference is made to the announcement of NetDragon Websoft Inc. (the “**Company**”) dated 22 April 2016 (the “**Announcement**”) in relation to the entering into of the Share Purchase Agreement. Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

As disclosed in the Announcement, to satisfy part of the Consideration, the Company will allot and issue the Consideration Shares. This supplemental announcement sets out further information on the vesting conditions and trust arrangements relating to the Consideration Shares.

Trust arrangements

Upon Completion, the Company will allot and issue the Consideration Shares and settle the Consideration Shares on the Trust to be formed under the Trust Document. The Consideration Shares will be held in a securities account in the name of the Trustee, namely Bank of Communications Trustee Limited. The Trustee shall hold the Consideration Shares upon trust exclusively for the First Vendor and the Employee Allottees subject to the terms and conditions set out in the Trust Document. When the Consideration Shares are being held in the securities account of the Trustee, the Trustee will be the legal registered holder of the Consideration Shares and the First Vendor and the Employee Allottees will be the beneficial owners of the Consideration Shares under the Trust. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Trustee is a party independent of the Company and its connected persons.

Vesting of the Consideration Shares

The Consideration Shares will be vested to the First Vendor and the Employee Allottees in accordance with the vesting schedule under the Share Purchase Agreement and the Trust Document. In addition to the vesting schedule and conditions as disclosed under the paragraph headed “*Vesting of the Consideration Shares*” in the Announcement, any unvested Consideration Shares shall be vested to the First Vendor and the Employee Allottees in the following circumstances:

- (a) in the event that the First Vendor or the Employee Allottee ceases to be an employee of the Group as a result of a change in control of the Group; and
- (b) in the event that the First Vendor or Employee Allottee ceases to be an employee of the Group as a result of the Group terminating the employment on any grounds other than due and lawful summary dismissal, or the incapacity or death of the First Vendor or Employee Allottee.

Nonetheless, in the event that the First Vendor or Employee Allottee ceases to be an employee of the Group (i) as a result of the Group terminating the employment by due and lawful summary dismissal; or (ii) as a result of the First Vendor or an Employee Allottee resigning before the fifth anniversary of the Completion Date, all unvested Consideration Shares will be forfeited.

Any unvested and/or forfeited Consideration Shares (the “**Returned Shares**”) will be transferred to the Company at the expiry of Trust in compliance with the relevant laws and regulations (including but not limited to the Listing Rules) and the Returned Shares shall be automatically cancelled upon purchase.

Prior to the vesting date, save and except for the right to receive the Deemed Dividend Interest, if any, the First Vendor and the Employee Allottees shall not have any interest or rights (including voting rights) in the Consideration Shares. Prior to the vesting date, any Consideration Shares shall be personal to the First Vendor and the Employee Allottees to whom it is made and shall not be assignable; and no instructions shall be given by the First Vendor and/or the Employee Allottees to the Trustee in respect of the Consideration Shares that have not been vested. The Trustee shall not exercise the voting rights in respect of any Consideration Shares held by it as nominee or under the Trust.

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

Hong Kong, 3 May 2016

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Liu Dejian, Dr. Leung Lim Kin Simon, 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.