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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in NetDragon Websoft Holdings Limited (the “Company”), you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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NetDragon
NetDragon Websoft Holdings Limited
網龍網絡控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

**(1) PROPOSALS FOR GENERAL MANDATES
TO ISSUE AND BUY BACK SHARES,
(2) RE-ELECTION OF RETIRING DIRECTORS AND CONTINUOUS
APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR
WHO HAS SERVED FOR MORE THAN NINE YEARS,
(3) TERMINATION OF 2018 SHARE OPTION SCHEME
AND ADOPTION OF 2024 SHARE OPTION SCHEME,
(4) TERMINATION OF 2008 SHARE AWARD SCHEME AND
ADOPTION OF 2024 SHARE AWARD SCHEME,
(5) FINAL DIVIDEND
AND
(6) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 6 June 2024 at 3:00 p.m. is set out on pages 69 to 74 of this circular. A form of proxy for use at the annual general meeting is enclosed herewith. Whether or not you intend to attend and vote at the annual general meeting in person, you are requested to complete and return the accompanying proxy form to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for holding the annual general meeting (or any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person in the annual general meeting (or any adjournment thereof) if you so wish.

24 April 2024

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DEFINITIONS

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

“2008 Share Award Scheme”	the 2008 share award scheme of the Company adopted pursuant to a resolution passed by the Board on 2 September 2008 which was amended by a resolution passed on 31 August 2018;
“2018 Share Option Scheme”	the 2018 Share Option Scheme of the Company adopted pursuant to a resolution passed by the then Shareholders on 24 May 2018;
“2024 Share Award Scheme”	the 2024 share award scheme proposed to be adopted by the Company at the AGM for the benefit of the employees and directors of the Group, the details of which are set out in Appendix III of this circular;
“2024 Share Option Scheme”	the 2024 share option scheme proposed to be adopted by the Company at the AGM for the benefit of the employees and directors of the Group and other eligible participants, the details of which are set out in Appendix II of this circular;
“AGM”	the annual general meeting of the Company to be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 6 June 2024 at 3:00 p.m. or any adjournment thereof (as the case may be), notice of which is set out on pages 69 to 74 of this circular;
“Articles of Association”	the articles of association of the Company currently in force;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Awarded Share(s)”	in respect of a Selected Participant, such number of Shares awarded to him/her by the Board under the 2024 Share Award Scheme;
“Board”	the board of Directors;
“Buy-back Mandate”	the proposed general and unconditional mandate to be granted to the Directors at the AGM to buy-back up to 10% of the issued Shares (excluding any treasury Shares, if any) as at the date of the passing of such resolution;
“BVI”	the British Virgin Islands;
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system;
“Chairman”	chairman of the Board;

DEFINITIONS

“Company”	NetDragon Websoft Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Eligible Participant(s)”	the Employee Participants, Related Entity Participants and the Service Providers;
“Employee Participant(s)”	the Directors, chief executive and employees of the Company or any of its subsidiaries, provided that the Board shall have absolute discretion to determine whether or not one falls within such category;
“Exercise Price”	the price per Shares, determined by the Board, at which a grantee under the 2024 Share Option Scheme may subscribe for Shares on the exercise of an Option in accordance with the terms of the 2024 Share Option Scheme;
“Existing M&A”	the memorandum of association and articles of association of the Company currently in force;
“Final Dividend”	the proposed final dividend of HKD0.40 per Share for the year ended 31 December 2023 to shareholder whose names appear on the register of members of the Company on the Record Date;
“Group”	the Company and its subsidiaries;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IDG Group”	IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.;

DEFINITIONS

“Issue Mandate”	the proposed general and unconditional mandate to be granted to the Directors at the AGM to allot, issue and otherwise deal with (including any sale or transfer of treasury Shares out of treasury) Shares not exceeding 20% of the issued Shares (excluding any treasury Shares, if any) as at the date of the passing of such resolution plus the amount representing the aggregate number of Shares bought back by the Company under the Buy-back Mandate;
“Latest Practicable Date”	16 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Schemes”	the 2024 Share Award Scheme and the 2024 Share Option Scheme;
“Option(s)”	the option to subscribe for Shares granted pursuant to the 2024 Share Option Scheme and for the time being subsisting;
“Record Date”	14 June 2024, being the record date for determining entitlements of the Shareholders to the Final Dividend;
“Related Entity(ies)”	the holding companies, fellow Subsidiaries or associated companies of the Company;
“Related Entity Participant(s)”	the employees of the Related Entities;
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to the terms of the 2024 Share Award Scheme for participation in the 2024 Share Award Scheme;
“Service Provider(s)”	person(s) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including person(s) who work for the company as independent contractors (including advisers, consultants, distributors, contractors, suppliers and agents of any member of the Group) where the continuity and frequency of their services are akin to those of employees, but excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of USD0.01 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary(ies)”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whether incorporated in the Cayman Islands or elsewhere;
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs;
“treasury Shares”	has the meaning ascribed to it under the Listing Rules which will come into effect on 11 June 2024 and as amended from time to time;
“USD”	US dollars, the lawful currency of the United State of America; and
“%”	per cent.

LETTER FROM THE BOARD



NetDragon

NetDragon Websoft Holdings Limited
網龍網絡控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

Executive Directors:

Liu Dejian (*Chairman*)
Leung Lim Kin, Simon (*Vice Chairman*)
Liu Luyuan
Chen Hongzhan

Non-executive Director:

Lin Dongliang

Independent non-executive Directors:

Lee Kwan Hung, Eddie
Liu Sai Keung, Thomas
Li Sing Chung Matthias

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Units 2001-05 & 11,
20th Floor, Harbour Centre,
25 Harbour Road,
Wan Chai,
Hong Kong

24 April 2024

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSALS FOR GENERAL MANDATES
TO ISSUE AND BUY BACK SHARES,**
**(2) RE-ELECTION OF RETIRING DIRECTORS AND CONTINUOUS
APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR
WHO HAS SERVED FOR MORE THAN NINE YEARS,**
**(3) TERMINATION OF 2018 SHARE OPTION SCHEME
AND ADOPTION OF 2024 SHARE OPTION SCHEME,**
**(4) TERMINATION OF 2008 SHARE AWARD SCHEME AND
ADOPTION OF 2024 SHARE AWARD SCHEME,**
**(5) FINAL DIVIDEND
AND
(6) NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the AGM relating to (i) the granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued Shares as at the date of passing of such resolution; (ii) the granting to the Directors a general mandate to buy back the Shares not exceeding 10% of the issued Shares as at the date of the passing of such resolution; (iii) the re-election of retiring Directors and continuous appointment of an independent non-executive Director who has served for more than nine years; (iv) the distribution of Final Dividend; (v) the termination of the 2018 Share Option Scheme and adoption of the 2024 Share Option Scheme, and (vi) the termination of the 2008 Share Award Scheme and adoption of the 2024 Share Award Scheme. This circular contains the explanatory statement in compliance with the Listing Rules and to give all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions.

A notice convening the AGM is set out on pages 69 to 74 to this circular.

GENERAL MANDATES

At the AGM, separate ordinary resolutions will be proposed to grant to the Directors general and unconditional mandates to authorize the Directors (i) to allot, issue and otherwise deal with Shares (including any sale or transfer of treasury Shares) not exceeding 20% of the number of issued Shares at the date of passing of the resolution; (ii) to exercise all powers of the Company to buy back issued and fully paid Shares on the Stock Exchange up to a maximum of 10% of the number of issued Shares (excluding any treasury Shares, if any) at the date of the passing of the resolution; and (iii) to extend the general mandate granted to the Directors to allot, issue and deal with additional Shares as mentioned in paragraph (i) above by the amount representing the aggregate number of Shares bought back by the Company under the Buy-back Mandate.

As at the Latest Practicable Date, there were in issue an aggregate of 531,262,533 Shares. Subject to the passing of the proposed resolutions for the grant of the Issue Mandate and the Buy-back Mandate, and on the basis that no further Shares will be issued or bought back prior to the date of the AGM, exercise in full of the Buy-back Mandate will result in up to 53,126,253 Shares being bought back by the Company, and the Directors will be authorised to allot and issue (or transfer of treasury Shares out of treasury, if any) under the Issue Mandate up to 106,252,506 Shares, and to the extent the Buy-back Mandate is exercised, plus the additional number of Shares representing the aggregate number of Shares bought back by the Company under the Buy-back Mandate.

The Issue Mandate and the Buy-back Mandate shall continue in force during the period ending on the earliest of (a) the date of the next annual general meeting; or (b) the date by which the next annual general meeting of the Company is required to be held by law or by its articles of association; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

Subject to the approval of the Shareholders, the Company may only use the general mandate for the sale or transfer of treasury Shares after the amendments to the Listing Rules relating to treasury Shares come into effect.

LETTER FROM THE BOARD

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed Buy-back Mandate is set out in the Appendix I to this circular. The information in the explanatory statement is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the relevant proposed resolution to grant to the Directors the Buy-back Mandate.

RE-ELECTION OF RETIRING DIRECTORS AND CONTINUOUS APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR WHO HAS SERVED FOR MORE THAN NINE YEARS

As at the Latest Practicable Date, the executive Directors are Liu Dejian (Chairman), Leung Lim Kin, Simon (Vice Chairman), Liu Luyuan and Chen Hongzhan; the non-executive Director is Lin Dongliang; and the independent non-executive Directors are Lee Kwan Hung, Eddie, Liu Sai Keung, Thomas and Li Sing Chung Matthias.

Pursuant to article 87(1) of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Pursuant to article of 86(3) of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Company after his appointment and shall then be eligible for re-election and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Liu Dejian (“**Dr. DJ Liu**”), Liu Luyuan (“**Mr. LY Liu**”) and Lee Kwan Hung, Eddie (“**Mr. Lee**”) will retire as Directors in accordance with the articles of association of the Company. Dr. DJ Liu, Mr. LY Liu and Mr. Lee, being eligible, offer themselves for re-election at the AGM. Brief biographical and other details of Dr. DJ Liu, Mr. LY Liu and Mr. Lee, who are proposed to be re-elected at the AGM, are set out as follows:

Liu Dejian, aged 52, is the Chairman of the Board and Executive Director of the Company. Dr. DJ Liu is the founder of NetDragon and the chief designer of NetDragon’s development strategy and business planning. Over the years, Dr. DJ Liu plays a pivotal role in elevating our Company into one of the leading online game and mobile Internet operations developers in PRC. Dr. DJ Liu is mainly responsible for the group’s forward-looking business strategies, and the formation of research and development teams. Dr. DJ Liu leads the design of the online game products and formulates the development policy, which has significantly contributed to the growth of the Company as a competitive online game operator and developer. Currently, Dr. DJ Liu is committed to leading the Company’s transformation to an international design-oriented enterprise, while actively promoting Internet education to establish our Group as a leader in the global smart education sector.

LETTER FROM THE BOARD

Dr. DJ Liu always pays attention to the development of global science and technology. He believes that information technology would change the world, therefore, Dr. DJ Liu founded Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) (“NetDragon (Fujian)”) after graduating with his Bachelor’s degree.

Dr. DJ Liu graduated with a Bachelor’s degree of Science in Chemistry from University of Kansas in the USA in 1995 and a doctorate degree in education from Beijing Normal University in 2021. He is currently a doctoral student and studying the “Innovation Leading of Engineering Doctor” by the Tsinghua Shenzhen International Graduate School. He was awarded the Special Allowance Expert in State Council* (國務院特殊津貼專家) in January 2015. In May 2017, Dr.DJ Liu was recognized as a Senior Engineer Enjoying Professor and Researcher Status* (享受教授、研究員待遇高級工程師) with his exceptional technical accomplishments. In addition, Dr. DJ Liu received the 2013 Progress Prize Second Award in Fujian Province Science and Technology* (二零一三年度福建省科學技術進步二等獎) and 2021 Progress Prize Third Award in Fujian Province Science and Technology* (二零二一年度福建省科學技術進步三等獎). Dr. DJ Liu is a brother of Mr. LY Liu.

Dr. DJ Liu entered into a service contract with the Company for an initial term of three years commencing from 24 June 2008 and being renewed automatically for successive terms of one year each commencing from the day next after the expiry of the current term, subject to termination in certain circumstances as stipulated therein. Pursuant to the service contract, Dr. DJ Liu is entitled to an annual remuneration of approximately RMB12 million. He is also entitled to a bonus payment on such amount as shall be determined by the Board in its absolute discretion. The determination of his emoluments is based on salaries paid by comparable companies, time commitment, his duties and responsibilities in the Company, the Company’s performance and its remuneration policy.

As at the Latest Practicable Date, Dr. DJ Liu is interested in 100.00% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 191,078,100 Shares, representing 35.97% of the Shares. Dr. DJ Liu is also interested in 0.39% of the Shares which is represented by beneficial interest of 1,884,000 Shares and a beneficiary of a trust of 197,019 Shares. Pursuant to the concert party agreement between Dr. DJ Liu and Mr. LY Liu, Dr. DJ Liu and Mr. LY Liu are deemed to be interested in 40.73% of the Shares through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Mr. LY Liu, a trust in favour of Dr. DJ Liu and their respective shares held as beneficial owner in each of their personal capacities.

Liu Luyuan, aged 50, is the executive Director, Chief Executive Officer, Compliance Officer and one of the authorised representatives of the Company, and also serves as director of NetDragon Websoft Inc. (“NetDragon (BVI)”). Mr. LY Liu currently shoulders a number of social services, such as acting as the director general of the West Taiwan Strait Youth Entrepreneurs Foundation, vice chairman of Fujian Youth Development Foundation, vice chairman of the Fujian Youth Federation, executive vice chairman of Fujian Enterprises and Entrepreneurs Confederation, as well as the chairman of Fujian Youth Entrepreneurs Association.

LETTER FROM THE BOARD

As an outstanding representative of the new social community taking part in the construction of the Fujian West-strait Economic Zone Mr. LY Liu graduated from Chengdu Electronic Technology University in 1997 with a degree in electro-mechanical engineering, and later received an adjunct professor certificate from Fujian Normal University. Mr. LY Liu has engaged in the operation and management of software enterprises and technology development and has decades of experience in the management and administration of technical institutions. Mr. LY Liu is in charge of overall management. He has set up the project management department, and introduced the game project management system to ensure a level of standards for game products. By taking part in various activities on behalf of the Company, he shared new ideas and new technologies in animation and game industry. Furthermore, he set up the West Taiwan Strait Youth Entrepreneurs Foundation to cultivate talent. Mr. LY Liu was awarded the “May 4th Youth Medal” and the titles of “Fujian Brilliant Entrepreneur”, “Fujian Top Ten Economic People” and “Fujian Business Building Haixi Outstanding Contribution Award”. Mr. LY Liu is a brother of Dr. DJ Liu.

Mr. LY Liu entered into a service contract with the Company for an initial term of three years commencing from 24 June 2008 and being renewed automatically for successive terms of one year each commencing from the day next after the expiry of the current term, subject to termination in certain circumstances as stipulated therein. Pursuant to the service contract, Mr. LY Liu is entitled to an annual remuneration of approximately RMB1 million. He is also entitled to a bonus payment on such amount as shall be determined by the Board in its absolute discretion. The determination of his emoluments is based on salaries paid by comparable companies, time commitment, his duties and responsibilities in the Company, the Company’s performance and its remuneration policy.

As at the Latest Practicable Date, Mr. LY Liu is interested in 4.37% of the Shares which is represented by interest held as a beneficiary of certain trust holding in aggregate 21,541,819 Shares, and the rest being beneficial interest of 1,684,000 Share. Pursuant to the concert party agreement between Dr. DJ Liu and Mr. LY Liu, Dr. DJ Liu and Mr. LY Liu are deemed to be interested in 40.73% of the Shares through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Mr. LY Liu, a trust in favour of Dr. DJ Liu and their respective shares held as beneficial owner in each of their personal capacities.

Lee Kwan Hung, Eddie, aged 58, was appointed as an independent non-executive Director on 15 October 2007. Mr. Lee is also the chairman of our remuneration committee, a member of our audit committee and nomination committee.

Mr. Lee is a practicing solicitor and received his LL.B (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as solicitor in Hong Kong in 1991 and in England and Wales in 1997. He joined Howse Williams (formerly known as “Howse Williams Bowers”), a law firm in Hong Kong, as a consultant lawyer in 2014.

LETTER FROM THE BOARD

Mr. Lee is currently the independent non-executive director of Embry Holdings Limited (Stock Code: 1388), Newton Resources Ltd (Stock Code: 1231), Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), FSE Lifestyle Services Limited (Stock Code: 331) and Ten Pao Group Holdings Limited (Stock Code: 1979), all companies listed on the Main Board of the Stock Exchange. Mr. Lee was also an independent non-executive director of each of Landsea Green Management Limited (formerly known as “Landsea Green Properties Co., Ltd”) (Stock Code: 106) between July 2013 to June 2020, China BlueChemical Ltd. (Stock Code: 3983) between June 2012 and May 2021, and Renze Harvest International Limited (formerly known as “Glory Sun Financial Group Limited”) (Stock Code: 1282) between November 2015 and July 2022, and Red Star Macalline Group Corporation Ltd (Stock Code: 1528) between February 2015 and August 2023, all companies listed on Main Board of the Stock Exchange.

Mr. Lee entered into an appointment letter with the Company for an initial term of three years commencing from 24 June 2008 and being renewed automatically for successive terms of one year each commencing from the day next after the expiry of the current term, subject to termination in certain circumstances as stipulated therein. Pursuant to the appointment letter, Mr. Lee is entitled to an annual remuneration of approximately RMB1 million. The determination of his emoluments is based on salaries paid by comparable companies, time commitment, his duties and responsibilities in the Company, the Company’s performance and its remuneration policy.

Mr. Lee, being the independent non-executive Director eligible for re-election at the AGM, has confirmed his independence pursuant to Rule 3.13 of the Listing Rules.

As at the Latest Practicable Date, Mr. Lee is interested in approximately 0.10% of the issued voting shares of the Company which is represented by personal interest of 355,019 shares and the underlying shares of interest of 200,000 share options granted by the Company.

Save as disclosed hereof, as at the Latest Practicable Date, and to the best knowledge and belief of the Board, the Directors confirmed that:

- (a) each of Dr. DJ Liu, Mr. LY Liu and Mr. Lee is not connected with any Director, senior management, management Shareholder, substantial Shareholder or controlling Shareholder of the Company;
- (b) each of Dr. DJ Liu, Mr. LY Liu and Mr. Lee has no other interests in the Shares which are required to be disclosed under Part XV of the SFO;
- (c) each of Dr. DJ Liu, Mr. LY Liu and Mr. Lee does not hold any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years;
- (d) there is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rule 13.51(2)(h) to (v) of the Listing Rules; and
- (e) the Company is not aware of any other matter that needs to be brought to the attention of the Shareholders and the Stock Exchange in relation to the re-election of Directors.

LETTER FROM THE BOARD

In considering the re-elections of Dr. DJ Liu and Mr. LY Liu as executive Directors, and Mr. Lee as independent non-executive Director, the Board, with the assistance and recommendation from the Nomination Committee, has reviewed the structure, size, composition and diversity of the Board from a number of aspects, including but not limited to age, gender, geographical background, length of service, and the professional experience, skills and expertise that a Director can provide. The Nomination Committee has recommended to the Board on re-election of all the retiring Directors including the aforesaid independent non-executive Director who are due to retire and has served the Board for more than nine years at the AGM.

Continuous appointment of independent non-executive Director who has served more than nine years

According to code provision B.2.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the Shareholders.

The Board is of the view that Mr. Lee meets the independence guidelines set out in Rule 3.13 of the Listing Rules and maintains his independence in accordance with the terms of the guidelines despite that he has served the Board for more than nine years. During his tenure as independent non-executive Director, he has made positive contributions to the Company's strategy, policies and performance with his independent advice, comments, judgment from the perspective of his background coupled with his general understanding of business of the Group. He also contributes to the diversity of the Board in age and geographical background. Mr. Lee has not engaged in any executive management of the Group. In view of Mr. Lee's extensive experience in the commercial field, the Board believes that he is capable to provide constructive contributions and objective view to the Board. After careful consideration, the Board is of that view that Mr. Lee continued to demonstrate strong independence in judgement and his position outside the Company will not affect him in maintaining his current role in, and his functions and responsibilities for, the Company. Therefore, the Board considers Mr. Lee is still independent and should be re-elected. The re-appointment of Mr. Lee at the AGM will be in accordance with the relevant provision as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules, which requires, *inter alia*, the approval of a separate resolution by Shareholders.

LETTER FROM THE BOARD

Length of tenure of independent non-executive Director

According to code provision B.2.4(a) of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Company should disclose the length of tenure of each existing independent non-executive Director on a named basis if all of them have served more than nine years on the Board.

Each of Mr. Lee Kwan Hung, Eddie and Mr. Liu Sai Keung, Thomas was appointed as independent non-executive Director since 15 October 2007 and has been serving the Company for more than 14 years.

FINAL DIVIDEND

As stated in the announcement issued by the Company dated 27 March 2024 relating to the annual results of the Group for the year ended 31 December 2023, the Board recommended the payment of the Final Dividend of HKD0.40 per Share for the year ended 31 December 2023 to Shareholders whose names appear on the register of members of the Company on the Record Date. The Final Dividend is subject to approval by the Shareholders at the AGM and a resolution will be proposed to the Shareholders for voting at the AGM.

TERMINATION OF 2018 SHARE OPTION SCHEME AND ADOPTION OF 2024 SHARE OPTION SCHEME

The 2018 Share Option Scheme

The 2018 Share Option Scheme was adopted by the Company by a resolution of all the Shareholders passed on 24 May 2018 to replace the share option scheme which expired on 12 June 2018. It shall be valid and effective for a period of 10 years commenced on the adoption date.

According to the terms of the 2018 Share Option Scheme, the Company may by resolution in general meeting at any time resolve to terminate the operation of the 2018 Share Option Scheme and in such event, no further options will be offered but the provision of the 2018 Share Option Scheme shall remain in force and effect in all other respects. All options granted under the 2018 Share Option Scheme prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the 2018 Share Option Scheme.

As at the Latest Practicable Date, there were 5,300,000 outstanding options granted but not yet exercised under the 2018 Share Option Scheme and the Board has no intention of granting any further option under the 2018 Share Option Scheme.

The 2024 Share Option Scheme

In view of the amendment of terms of 2018 Share Option Scheme to comply with amended Chapter 17 of the Listing Rules, the Company proposes to terminate of 2018 Share Option Scheme and adopt the 2024 Share Option Scheme which will take effect upon the passing of relevant ordinary resolution by the Shareholders at the AGM. After adoption of the 2024 Share Option Scheme and prior

LETTER FROM THE BOARD

to grant of any Options to the Eligible Participants, the Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the new Shares to be issued upon exercise of the Options to be granted.

TERMINATION OF 2008 SHARE AWARD SCHEME AND ADOPTION OF 2024 SHARE AWARD SCHEME

The 2008 Share Award Scheme

Under the existing limit of the 2008 Share Award Scheme, the Directors were authorized to grant options to subscribe for up to 5,407,436 Shares, representing 10% of the issued share capital of the Company from time to time.

As at the Latest Practicable Date, there were 5,241,150 awarded shares granted and vested under the 2008 Share Award Scheme and the Board has no intention of granting any further awarded shares under the 2008 Share Award Scheme.

The 2024 Share Award Scheme

The Company proposes to terminate of 2008 Share Award Scheme and adopt the 2024 Share Award Scheme which constitutes a share scheme involving the grant of new Shares (including grant of Shares using treasury Shares) to Eligible Participants. The 2024 Share Award Scheme will take effect upon the passing of relevant ordinary resolution by the Shareholders at the AGM.

DETAILS OF THE NEW SHARE SCHEMES

The full terms of the 2024 Share Option Scheme and the 2024 Share Award Scheme are set out in Appendix II and Appendix III to this circular, respectively. Unless otherwise stated, the defined terms in Appendix II and Appendix III (as the case may be) shall apply to the disclosure herein.

Purpose of the New Share Schemes

The purpose of the New Share Schemes is to reward the Eligible Participants who have contributed or will contribute to the Group and to encourage longer term commitment of grantees to the Group and to better align their interests with those of the Shareholders, which can contribute towards enhancing the value of the Company and the Shares for the benefit of the Company and its Shareholders as a whole.

Eligible Participants

Pursuant to the terms of the New Share Schemes, Eligible Participants include the Employee Participants, Related Entity Participants and Service Providers. Service Providers include person(s) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including person(s) who work for the Company as independent contractors (including advisers, consultants, distributors, contractors, suppliers and agents of any member of the Group) where the continuity and frequency of

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their services are akin to those of employees, but excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

The basis of eligibility shall be determined by the Board at its sole discretion from time to time, which:

- (a) with respect to Employee Participants, the Board will consider, among others, the individual performance, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group and the individual contribution or potential contribution to the development and growth of the Group;
- (b) with respect to Related Entity Participants, the Board will consider, among others, the positive impacts brought by the Related Entity Participant on the Group's business development, the period of the engagement or employment of the Related Entity Participant by the Group, the materiality and nature of the business relation of the Related Entities and the Related Entity Participant's contribution in such Related Entities which may benefit the core business of the Group through a collaborative relationship;
- (c) with respect to Service Providers, the Board will consider the following in determining the eligibility of each category of the Service Providers,

(1) Supplier of goods or services to the Group

Service Providers under this category are mainly suppliers of goods and services, who/which support the Group's businesses of (i) customer support services that render high-quality services to ensure customer satisfaction and retention for the Group's gaming business and APP and mobile Ad mediation platform business; (ii) marketing and advertising services that promote the Group's brand and attract new customers for the Group's gaming business and APP and mobile Ad mediation platform business; and (iii) IT and technical services that offer IT and technical infrastructure to ensure the Group's gaming business and APP and mobile Ad mediation platform business operate smoothly and securely.

Suppliers of goods include server and bandwidth leasing companies which provide leasing services of the relevant IT infrastructure and facilities on a continuing or recurring basis in the Group's online game business. The services provided by these suppliers are crucial for the Company's uninterrupted operation of online game business, which are in the interests of the daily operation and the long term growth of the Group.

The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such supplier, including but not limited to: (i) the nature, reliability and quality of the goods or services supplied; (ii) the value of the goods or services provided by the relevant supplier; (iii) the frequency of collaboration and length of business relationship with the Group; (iv) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (v) the background, reputation and track record of the relevant supplier; (vi) the replacement cost of such supplier and/or the goods or services (including continuity and stability of supply or provision of such goods or services); and (vii) the potential

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and/or actual contribution to the business affairs of the Group, in particular, whether such supplier could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by the goods or services supplied and/or provided by such supplier.

(2) *Contractor, agent, consultant and adviser of the Group*

Service Providers under this category mainly provide advisory or consultancy services to the (i) research and development of games and associated technologies for the Group's gaming business and APP and mobile Ad mediation platform business; (ii) technological development for the Group's gaming business and APP and mobile Ad mediation platform business; (iii) business development of the Group's gaming business and APP and mobile Ad mediation platform business; and (iv) gaming market expansion of the Group.

The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Provider under this category, including but not limited to: (i) their knowledge, experience and network in the relevant industry; (ii) the frequency of collaboration and length of business relationship with the Group; (iii) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (iv) their background, reputation and track record; (v) the replacement cost of such person or entity; (vi) the potential and/or actual contribution to the business affairs of the Group, in particular, whether they could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by them; and (vii) other factors, including the capability, expertise, technical know-how and/or business connections of such person or entity, and/or the synergy between such person or entity and the Group.

In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis and in its ordinary and usual course of business, the Board shall take into consideration the length and type of services provided and the recurrences and regularity of such services, the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the businesses conducted by the Group.

The Service Providers as set out above, who have relevant expertise in fields related to the industry of online gaming business, possess industry-specific knowledge, or have extensive experience and understand the market trend, can directly contribute to the long-term growth of the Group's business by providing services that are of a continuing and recurring nature in the ordinary and usual course of the Group's business. These Service Providers are closely connected to and important to the Group's day-to-day business which spans across research and development, sales, and marketing, and their contribution directly impacts the results of operations of the Group. The strategic advice and guidance provided by engaging these Service Providers benefit the Group in its ordinary and usual course of business and often allows the Group to more effectively plan its future business strategies for long-term growth.

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Taking into account of the criteria of eligibility for the Service Providers as set out in above and their relevance and significance to the main businesses of the Group, the Directors (including the independent non-executive Directors) are of the view that the categories of the Service Providers and the criteria in determining the eligibility of such Service Providers were designed and set in line with the Group's business need.

The Board (including the independent non-executive Directors) is of the view that the inclusion of the Related Entity Participants aligns with the purpose of the New Share Schemes as the Company and the Related Entity Participants have always had a close working relationship. Despite that Related Entity Participants may not be directly appointed and employed by the members of the Group, such Related Entity Participants are nonetheless valuable human resources to the Group given their close corporate and collaborative relationships, they may be involved in projects or other business engagements relating to or having connections with the Group's businesses. As such, certain Related Entity Participants have joint involvement in work projects from time to time. Given the mix of workload, the Company feels that it is important to recognize the contribution or future contribution of such Related Entity Participants and strengthen their loyalty with the Group by giving them incentive through their participation in the New Share Schemes. In particular, for those Related Entities in which the Group has significant interest, their growth and development would contribute to the financial performance of the Group, thereby allowing the Group to share and benefit from the positive results of these companies.

In view of the above, the Board (including the independent non-executive Directors) is of the view that the inclusion of the Related Entity Participants and Service Providers as Eligible Participants is fair and reasonable and aligns with the purposes of the New Share Schemes and in the interest of the Company and its Shareholders as a whole.

Scheme Mandate Limit and Service Provider Sublimit

As at the Latest Practicable Date, the total number of Shares in issue is 531,262,533 Shares. Assuming there is no change in the number of Shares in issue during the period between the Latest Practicable Date, the maximum number of Shares which may be issued upon exercise of all options to be granted under the 2024 Share Option Scheme and awards to be granted under the 2024 Share Award Scheme and (if any) other share option scheme(s) of the Company and the awards to be granted under (if any) share award scheme(s) of the Company, is 53,126,253 Shares, representing 10% of the total number of Shares in issue as at the Latest Practicable Date. The scheme mandate limit of the New Share Schemes complies with the requirements of the Listing Rules and strikes a balance between achieving the purpose of the New Share Schemes and protecting the Shareholders from potential excessive dilution effect as a result of issue of new Shares on exercise of Options which may be granted under the 2024 Share Option Scheme or issue of new Awarded Shares which may be granted under the 2024 Share Award Scheme.

The total number of Shares which may be issued in respect of all Options to be granted to the Service Provider(s) under the 2024 Share Option Scheme and awards to be granted under the 2024 Share Award Scheme and all options and awards to be granted under any other share option scheme(s) and share award scheme(s) of the Company shall not exceed 1% of the total number of Shares in issue as at the adoption dates of the 2024 Share Option Scheme and the 2024 Share Award Scheme or the relevant date of approval of the refreshment of the service provider sublimit as stipulated in the 2024 Share Option Scheme and the 2024 Share Award Scheme. The Board is of the view that the 1% service provider sublimit as stipulated in the 2024 Share Option Scheme and the 2024 Share Award Scheme can provide adequate safeguard against excessive dilution of existing Shareholders' holdings.

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Vesting Period

Save for the circumstances prescribed in paragraph 9.3 of Appendix II and paragraph 6N of Appendix III to this circular, the vesting period for Options under the 2024 Share Option Scheme and that for the Awarded Shares under the 2024 Share Award Scheme shall not be less than 12 months. To ensure the practicability in fully attaining the purpose of the Share Schemes, the Board and the Remuneration Committee are of the view that (i) there are certain instances where a strict twelve-month vesting requirement would not work or would not be fair to the grantee, such as those set out in paragraph 9.3(a) and (b) of Appendix II and sub-paragraph (i) to (iv) and (viii) of paragraph 6N of Appendix III and (ii) the Company should be allowed discretion to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time based vesting criteria depending on individual circumstances, as set out in paragraph 9.3(c) and (d) of Appendix III and sub-paragraph (v) to (vii) of paragraph 6N of Appendix III.

Hence, the Board and the Remuneration Committee are of the view that the shorter vesting period prescribed in paragraph 9.3 of Appendix II and paragraph 6N of Appendix III to this circular is in line with the market practice and is appropriate and aligns with the purpose of the New Share Schemes.

Exercise Price

The basis for determining the Exercise Price is specified in the rules of the 2024 Share Option Scheme (see paragraph 7 of Appendix II to this circular). Such basis will serve to preserve the value of the Company and encourage the Eligible Participants to acquire proprietary interests in the Company. The basis of the Exercise Price complies with the requirements of the Listing Rules and is consistent with the purpose of the 2024 Share Option Scheme as it encourages the Eligible Participants to contribute to the Company and benefit from an increase in market price of the Shares.

Purchase Price

Unless the Share Award Scheme Committee and/or the Board at their absolute discretion otherwise determine on a case-by-case basis, the Share Awards shall be granted to a Selected Participant at no consideration as to align with the purpose to reward the Eligible Participants who have contributed or will contribute to the Group. The Board or the Share Award Scheme Committee may determine in its absolute discretion the purchase price of the Share Awards (if any) and the period within which any such payments must be made, which shall be based on considerations such as the prevailing market price of the Shares, the purpose of the Share Awards and the characteristics and profile of the relevant Selected Participant.

Performance Target and Clawback Mechanism

If and to the extent that any performance target is required to be achieved by any grantee before an Option is capable of being exercised, particulars of such targets shall be specified in the offer of an Option. The Board may determine such performance target at its sole and absolute discretion, which may include, among others, financial and management targets based on (i) individual performance, (ii) performance of the Group or one or more member of the Group and/or (iii) performance of business groups, projects and/or geographical area managed by the grantees. Such performance target will be consistent with the purpose of the 2024 Share Option Scheme as it encourages the Eligible Participants to achieve such performance target thereby increasing the value of the Group.

Individual performance target varies across different departments. Individuals may be assessed in areas including but not limited to fulfilment of department-specific goals, ability to cooperate with team members and supervisors' satisfaction towards the work performance. The department-specific goals will be in support of the overall performance target of the Company, which include the increase of revenue or profit. For instance, the individual performance target can be set based on sales key performance index for marketing and sales personnels. Performance target for the Service Providers include the department-specific goals, the aggregate sales volume of the Service Providers to the Group and the review of the products or services provided. The Board will assess whether the performance targets are satisfied by assessing, among others, the percentage increase in revenue or profit in the department or business unit of the grantee belongs to.

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Notwithstanding the foregoing, no Options being offered to any independent non-executive Director shall contain any performance target unless the Board is satisfied that such target will not lead to any bias in the decision-making or compromise the objectivity and independence in the course of performance of the duties of the grantee as an independent non-executive director. This complies with the practice recommended by the Stock Exchange under Appendix C1 of the Listing Rules.

Unless the Board otherwise determines, there is no performance target which must be achieved before any of the Share Awards can become vested.

Options shall lapse automatically if a grantee ceases to be an Eligible Participant by reason of termination of employment on grounds entitling the employer to effect such termination (including, but not limited to, if he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty) whether pursuant to the terms of the contract of his employment or any applicable laws or at common law. The above clawback mechanism is consistent with the purpose of the 2024 Share Option Scheme as an Eligible Participant falling under any of the above grounds should not be rewarded under the 2024 Share Option Scheme.

Awards shall automatically lapse and Awarded Shares shall not vest accordingly in the event described in paragraph 6(H) and paragraph 6(I) of the 2024 Share Award Scheme. The above clawback mechanism is consistent with the purpose of the 2024 Share Award Scheme as a Selected Employee falling under any of the above grounds should not be rewarded under the 2024 Share Award Scheme.

General

An application will be made to the Listing Committee for the listing of, and permission to deal in any new Shares which may be allotted and issued for the satisfaction of any Share Awards or pursuant to the exercise of Options not exceeding the scheme mandate limit of the New Share Schemes.

As at the Latest Practicable Date,

- (i) the Company has not engaged any trustee for administration of the New Share Schemes. If the Company is to engage any trustee in the future, such trustee will not be a Director and no Director will have any direct or indirect interest in the trustee;
- (ii) the Company does not have any share option scheme or share award scheme other than the 2018 Share Option Scheme and the 2008 Share Award Scheme;
- (iii) the Company has not formulated any plan to grant Options or Awarded Shares under the New Share Schemes and the Company will continue to assess from time to time whether there is a need to formulate such plan; and
- (iv) to the best knowledge of the Directors and having made all reasonable enquiries, no Shareholder has any material interest in the proposed adoption of the 2024 Share Award Scheme or 2024 Share Option Scheme and no Shareholder is required to abstain from voting on the resolutions in relation thereto.

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CLOSURE OF REGISTER

The Register will be closed from Friday, 14 June 2024 to Monday, 17 June 2024 (both dates inclusive) in order to determine the Shareholders' entitlements to the Final Dividend, during which no transfer of Shares will be registered.

To qualify for the Final Dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 13 June 2024.

Shareholders whose names appear on the register of members of the Company on the Record Date, i.e. Friday, 14 June 2024, will be entitled to the Final Dividend.

The expected timetable for the Final Dividend is as follows:

Events	Date
AGM	Thursday, 6 June 2024
Final dividend ex-entitlement date	Wednesday, 12 June 2024
Record Date for Final Dividend	Friday, 14 June 2024
Latest time for the Shareholders to lodge transfer documents to the Company's branch share registrar in order to qualify for receiving the Final Dividend	4:30 p.m. on Thursday, 13 June 2024 (All transfer of shares accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration)
Closure of the register of members (to qualify for receiving the Final Dividend)	Friday, 14 June 2024 to Monday, 17 June 2024
Upon the Shareholders' approval of the payment of the Final Dividend at the AGM, the expected payment date of the Final Dividend	Friday, 26 July 2024

GENERAL INFORMATION

The notice convening the AGM is set out on pages 69 to 74 of this circular.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you intend to attend the AGM in person, you are requested to complete and return the accompanying proxy form to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed

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thereon not less than 48 hours before the time appointed for holding the AGM (or any adjournment thereof). The return of the proxy form will not preclude you from attending and voting in person in the AGM (or any adjournment thereof) if you so wish.

For determining the entitlement to attend and vote at the AGM, the Company's register of members will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which time no transfer of shares will be registered. In order to ensure that the shareholders are entitled to attend and vote at the AGM, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Friday, 31 May 2024 for registration of the relevant transfer.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

VOTING AT THE AGM

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the AGM will therefore demand a poll for every resolution put to the vote of the AGM pursuant to article 66 of the articles of association of the Company.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider that the proposals for general mandates to issue and buy back Shares, re-election of retiring Directors and continuous appointment of an independent non-executive Director who has served for more than nine years, proposed declaration of Final Dividend, termination of 2018 Share Option Scheme and adoption of 2024 Share Option Scheme and termination of 2008 Share Award Scheme and adoption of 2024 Share Award Scheme and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of all the resolutions to be proposed at the AGM in respect thereof.

Yours faithfully,
For and on behalf of the Board
NetDragon Websoft Holdings Limited
Liu Dejian
Chairman

This is an explanatory statement given to all Shareholders, as required by the Listing Rules, to provide requisite information of the Buy-back Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued and fully-paid share capital of the Company was 531,262,533 Shares of USD0.01 each.

Subject to the passing of the ordinary resolution granting the Buy-back Mandate and on the basis that no further Shares are issued or bought back prior to the AGM, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 53,126,253 Shares, being 10% of the entire issued capital of the Company (excluding any treasury Shares, if any).

2. REASONS FOR BUY BACK

The Directors believe that it is in the interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Company to repurchase Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders.

The Directors will not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

3. FUNDING OF BUY-BACK

Buy-back of the Shares will be funded out of funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

The Company is empowered by its memorandum and articles of association to buy back its Shares. The Cayman Islands law provides that the amount of capital repaid in connection with a share buy-back may only be paid out of either the capital paid up on the relevant shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on redemption may only be paid out of either the profits that would otherwise be available for distribution by way of dividend or out of the share premium of the Company. Under the Cayman Islands law, the Shares so bought back will remain part of the authorised but unissued share capital.

4. GENERAL

The Directors will exercise the powers of the Company to make buy-back pursuant to the Buy-back Mandate and in accordance with the Listing Rules, the memorandum and articles of association of the Company and any applicable laws of the Cayman Islands. Neither this explanatory statement nor the Buy-back Mandate has any unusual features.

None of the Directors, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, nor any of the close associates of any of the Directors has any present intention, in the event that the proposed Buy-back Mandate is approved by the Shareholders, to sell Shares to the Company in the event that the Buy-back Mandate is approved by the Shareholders.

As at the Latest Practicable Date, no core connected person of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor he/she has undertaken not to sell any of the Shares held by him/her to the Company in the event that the Buy-back Mandate is approved by the Shareholders.

The Company may cancel such repurchased Shares or hold them as treasury Shares, subject to market conditions and the Group's capital management needs at the relevant time of the buy-back.

For any treasury Shares deposited with CCASS pending resale on the Stock Exchange, the Company shall (i) procure its broker not to give any instructions to HKSCC to vote at general meetings of the Company for the treasury Shares deposited with CCASS; and (ii) in the case of dividends or distributions, withdraw the treasury Shares from CCASS, and either re-register them in its own name as treasury Shares or cancel them, in each case before the record date for the dividends or distributions, or take any other measures to ensure that it will not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as treasury Shares.

5. EFFECT OF THE CODES ON TAKEOVERS AND MERGERS AND SHARE BUY-BACK AND MINIMUM PUBLIC FLOAT

If as a result of a buy-back of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Codes. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Codes), depending on the level of increase in the Shareholders' interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes.

As at the Latest Practicable Date, the register of the Shareholders maintained by the Company pursuant to Section 336 under Part XV of the SFO showed that the Company has been notified of the following interests, being 5% or more of the Company's issued Shares:

Name of Shareholder	Number of Shares and underlying shares held	Approximate percentage of existing shareholding	Approximate percentage of shareholding if the Buy-back Mandate is exercised in full
Liu Dejian (<i>Note 1</i>)	216,384,938	40.73%	45.26%
Liu Luyuan (<i>Note 1</i>)	216,384,938	40.73%	45.26%

Name of Shareholder	Number of Shares and underlying shares held	Approximate percentage of existing shareholding	Approximate percentage of shareholding if the Buy-back Mandate is exercised in full
DJM Holding Ltd.	191,078,100	35.97%	39.96%
IDG Group (<i>Note 2</i>)	44,533,320	8.38%	9.31%
Ho Chi Sing (<i>Note 2</i>)	44,533,320	8.38%	9.31%
Zhou Quan (<i>Note 2</i>)	42,116,935	7.93%	8.81%
Zheng Hui (deceased) (<i>Note 3</i>)	34,437,519	6.48%	7.20%

Notes:

1. Liu Dejian is interested in 100.00% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 35.97% of the Shares. Liu Dejian is also interested in 0.39% of the Shares which is represented by beneficial interest of 1,884,000 Shares and a beneficiary of a trust of 197,019 Shares.

Liu Luyuan is interested in 4.37% of the Shares which is represented by interest held as a beneficiary of certain trust holding in aggregate 21,541,819 Shares, and the rest being underlying shares of interest of 1,684,000 share options granted by the Company.

Pursuant to the concert party agreement between Liu Dejian and Liu Luyuan, Liu Dejian and Liu Luyuan are deemed to be interested in 40.73% of the Shares through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Liu Luyuan, a trust in favour of Liu Dejian and their respective shares held as beneficial owner in each of their personal capacities.

2. The IDG Group is comprised of four limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 2.05%, 4.88%, 1.00% and 0.45% respectively, in the Company who are deemed to be acting in concert to acquire interests in the Company, and their respective controlling entities. The controlling structure of each of the above partnerships is as follows:
 - a) IDG Technology Venture Investments, L.P. is controlled by its sole general partner, IDG Technology Venture Investments, LLC, which in turn is controlled by its managing members, Zhou Quan and Ho Chi Sing.
 - b) IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Zhou Quan and Ho Chi Sing.
 - c) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100.00% by Ho Chi Sing.

3. Reference is made to the announcement of the Company dated 9 June 2023 in relation to the passing away of Zheng Hui, a former executive Director.

Zheng Hui (deceased) was interested in 100.00% of the issued share capital of Fitter Property Inc., which in turn was interested in 3.58% of the Shares. Zheng Hui was interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn was interested in 2.62% of the Shares. Zheng Hui was also interested in 0.28% of the issued Shares which was represented by beneficial interest of 1,497,000 Shares. Zheng Hui's interests are now undergoing probate.

In the event that the Directors shall exercise in full the Buy-back Mandate, the total interests of the above Shareholders would be increased to approximately the respective percentages shown in the last column above. As at the Latest Practicable Date, Liu Dejian and Liu Luyuan, as parties acting in concert (the “**Concert Parties**”), are beneficially interested in 216,384,938 Shares, representing approximately 40.73% of the issued Shares. As DJM Holding Ltd. is a corporation controlled by Liu Dejian, one of the Concert Parties, the interest in the Company held by DJM Holding Ltd. is accordingly regarded as part of the interest in the Company held by the Concert Parties and the increase of shareholding in the Company by DJM Holding Ltd. is examined with reference to the total increase of shareholding in the Company by the Concert Parties. In the event that the Directors should exercise in full the Buy-back Mandate, the aggregate shareholding of the Concert Parties will be increased to approximately 45.26% of the issued Shares. Such increase of interests would give rise to an obligation for the Concert Parties to make a mandatory general offer under Rule 26 of the Takeovers Code. However, the Directors do not have any present intention to exercise the Buy-back Mandate to such an extent as would give rise to such an obligation. Save as the above, the Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares under the Share Buy-back Mandate.

Assuming that there is no issue of Shares in the Company between the Latest Practicable Date and the date of a share buy-back, an exercise of the Buy-back Mandate whether in whole or in part will not result in less than the relevant prescribed minimum percentage of the Shares of the Company being held by the public as required by the Stock Exchange. The Directors have no intention to exercise the Buy-back Mandate to an extent as may result in a public shareholding of less than the prescribed minimum percentage.

6. SHARE BUY-BACK MADE BY THE COMPANY

During the twelve months preceding the Latest Practicable Date, the Company bought back a total of 9,844,500 Shares on the Stock Exchange at an aggregate consideration of HKD146.7 million before expenses. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Details of the share buy-backs are as follows:

Month of purchase	Number of ordinary shares bought back	Price per share		Aggregate consideration paid <i>HKD million</i>
		Highest	Lowest	
		<i>HKD</i>	<i>HKD</i>	
April 2023	3,633,500	15.44	14.46	54.4
May 2023	4,450,000	15.62	13.96	66.0
June 2023	1,761,000	15.28	14.20	26.3

The Shares so bought back were cancelled on delivery of the share certificates. The nominal value of the cancelled Shares was transferred to the capital redemption reserve and the relevant aggregate consideration was paid out from the Company's retained profits.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the previous twelve months immediately preceding the Latest Practicable Date.

7. SHARE PRICES

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous 12 months immediately preceding the Latest Practicable Date were as follows:

Month	Price per Share	
	Highest <i>HKD</i>	Lowest <i>HKD</i>
2023		
April	15.46	13.82
May	15.62	13.88
June	15.46	14.04
July	15.76	14.34
August	15.70	13.78
September	16.40	13.84
October	14.70	13.64
November	15.10	13.20
December	15.22	11.12
2024		
January	12.60	10.60
February	11.96	10.20
March	12.54	10.30
April (<i>Up to the Latest Practicable Date</i>)	11.38	10.64

NETDRAGON WEBSOFT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Conditionally adopted by a resolution of the shareholders
of the Company on 6 June 2024)

SHARE OPTION SCHEME

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NETDRAGON WEBSOFT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

RULES OF THE SHARE OPTION SCHEME**1. DEFINITIONS**

1.1 In this Scheme, except where the context otherwise requires, the following words and expressions have the following meanings:–

“**Acceptance Date**” means the date upon which an offer for an Option must be accepted by the relevant Eligible Participant, being a date not later than 28 days after the Offer Date;

“**Adoption Date**” means 6 June 2024, the date on which this Scheme was conditionally adopted by a resolution of the shareholders of the Company;

“**approved independent financial adviser**” means such independent financial adviser as approved by the Board;

“**Articles**” means the articles of association of the Company as amended from time to time;

“**associate**” shall have the meaning ascribed to it in the Listing Rules;

“**Auditors**” means the auditors for the time being of the Company;

“**Board**” means the board of directors of the Company for the time being or a duly authorised committee thereof;

“**Business Day**” means a day on which the Stock Exchange is open for the business of dealing in securities;

“**Cancelled Shares**” means those Shares which were the subject of options which had been granted and accepted under this Scheme or any of the other schemes but subsequently cancelled. For the avoidance of doubt, “**Cancelled Shares**” shall exclude “**Lapsed Shares**”;

“**Commencement Date**” means, in respect of an Option, the date upon which such Option is deemed to be granted and accepted in accordance with paragraph 5.4;

“**Company**” means NetDragon Websoft Holdings Limited, company incorporated in the Cayman Islands with limited liability on 29 July 2004;

“**Connected Person**” has the meaning ascribed to it in the Listing Rules;

“**Director**” means any director of the Company from time to time;

“**Eligible Participant(s)**” means the Employee Participants, Related Entity Participants and the Service Providers;

“**Employee Participant(s)**” means the directors, chief executive and employees of the Company or any of its subsidiaries, provided that the Board shall have absolute discretion to determine whether or not one falls within such category;

“**Exercise Price**” means the price per Share, determined by the Board, at which a Grantee may subscribe for Shares on the exercise of an Option in accordance with paragraph 7;

“**Expiry Date**” means, in respect of an Option, the date of the expiry of the Option as may be determined by the Board which shall not be later than the last day of the Option Period in respect of such Option;

“**Grantee**” means any Eligible Participant who accepts the offer of the grant of an Option in accordance with the rules of this Scheme;

“**HK\$**” means Hong Kong dollars, the lawful currency of Hong Kong;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Lapsed Shares**” means those Shares which were the subject of options which had been granted and accepted under this Scheme or any of the other schemes but subsequently lapsed. For the avoidance of doubt, “**Lapsed Shares**” shall exclude “**Cancelled Shares**”;

“**Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;

“**Offer Date**” means in respect of an Option, the date on which such Option is offered to an Eligible Participant which must be a Business Day;

“**Option**” means an option to subscribe for Shares granted pursuant to this Scheme and for the time being subsisting;

“**Option Period**” means in respect of an Option, the period to be notified by the Board to each Grantee within which the Option may be exercisable provided that such period of time shall not exceed a period of ten years commencing on the Commencement Date;

“**other schemes**” means other than this Scheme, all the schemes involving the grant by the Company of options over Shares or other securities of the Company to, or for the benefit of, specified participants of such schemes or any arrangement involving the grant of options to participants over Shares or other securities of the Company which, in the opinion of the Stock Exchange, is analogous to a share option scheme as described in Chapter 17 of the Listing Rules;

“**Personal Representative(s)**” means a person or persons who, in accordance with the laws of succession applicable in respect of the death of such Grantee is or are entitled to exercise the Option accepted by such Grantee (to the extent not already exercised) in consequence of the death of such Grantee;

“**Related Entity(ies)**” means the holding companies, fellow Subsidiaries or associated companies of the Company;

“**Related Entity Participant(s)**” means the employees of the Related Entities;

“**this Scheme**” means the share option scheme, the rules of which are set out in this document in its present or any amended form;

“**Scheme Mandate Limit**” has the meaning ascribed to it in paragraph 11.1;

“**Scheme Period**” means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive);

“**Service Provider(s)**” means person(s) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including person(s) who work for the company as independent contractors (including advisers, consultants, distributors, contractors, suppliers and agents of any member of the Group) where the continuity and frequency of their services are akin to those of employees, but excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity;

“**Service Provider Sublimit**” has the meaning ascribed to it in paragraph 11.2;

“**Shares**” means ordinary shares of US\$0.01 each in the capital of the Company or, if there has been a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital in the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital in the share capital of the Company;

“**Special Resolution**” means a resolution passed at a meeting of the Grantees (being only those Grantees holding Options, all or any part of which is unexercised as at the time of the meeting at which the resolution is proposed) duly convened and held and carried by a majority consisting of not less than three-fourths of the votes cast upon a show of hands or if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on a poll;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited or (if applicable) such other stock exchange on which the issued share capital of the Company is primarily listed;

“**Subsidiary**” means a subsidiary for the time being of the Company within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whether incorporated in the Cayman Islands or elsewhere and “**Subsidiaries**” shall be construed accordingly;

“**substantial shareholder**” has the meaning ascribed to it in the Listing Rules;

“**treasury Shares**” has the meaning ascribed to it in the Listing Rules which will come into effect on 11 June 2024 and as amended from time to time; and

“**US\$**” means United States dollars, the lawful currency of the USA.

1.2 In this Scheme, unless the context otherwise requires:

- (a) paragraph headings are inserted for convenience of reference only and shall not affect the interpretation of this Scheme;
- (b) references to paragraphs are to paragraphs of this Scheme;
- (c) the singular includes the plural and vice versa;
- (d) references to one gender shall include both genders and the neuter; and
- (e) any reference to any statute or statutory provision shall include any statute or statutory provision which amends or replaces, or has amended or replaced it, and shall include any subordinate legislation made under the relevant statute.

2. CONDITIONS

2.1 This Scheme shall take effect upon:

- (a) the passing of an ordinary resolution by the Shareholders at a general meeting of the Company to approve and adopt the Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares (including any sale or transfer of treasury Shares out of treasury) pursuant to the exercise of any Options; and
- (b) the Listing Committee of Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which fall to be issued by the Company pursuant to the exercise of any Options (subject to an initial limit of 10% of the aggregate number of Shares in issue (excluding any treasury Shares, if any) of the date of such Shareholders' resolution to approve and adopt the Scheme).

3. PURPOSE, DURATION AND CONTROL OF SCHEME

3.1 The purpose of this Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (a) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (b) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

- 3.2 Subject to paragraph 17, this Scheme shall be valid and effective for the Scheme Period after which no further Options shall be offered but the provisions of this Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of this Scheme and Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this Scheme.
- 3.3 This Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to this Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

4. DETERMINATION OF ELIGIBILITY

- 4.1 The basis of eligibility of any Eligible Participant to the grant of any Option shall be determined by the Board from time to time on the basis of the Eligible Participant's contribution or potential contribution to the development and growth of the Group.
- 4.2 In assessing whether Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group, the positive impacts which such Eligible Participant has brought to the Group's business and development and whether granting Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.
- (a) In assessing the eligibility of an Employee Participant, the Board will consider all relevant factors as appropriate, including, among others:
- (i) his/her skills, knowledge, experience, expertise and other relevant personal qualities;
 - (ii) his/her performance, time commitment, responsibilities or employment conditions and the prevailing market practice and industry standard;
 - (iii) his/her contribution made or expected to be made to the growth of the Group; and
 - (iv) his/her educational and professional qualifications, and knowledge in the industry.
- (b) In assessing the eligibility of Related Entity Participant(s), the Board will consider all relevant factors as appropriate, including, among others:
- (i) the positive impacts brought by, or expected from, the Related Entity Participant on the Group's business development in terms of, amongst other things, an increase in turnover or profits and/or an addition of expertise to the Group;
 - (ii) the period of engagement or employment of the Related Entity Participant by the Group;

- (iii) the number, scale and nature of the projects in which the Related Entity Participant is involved;
 - (iv) whether the Related Entity Participant has or expected to refer or introduce opportunities to the Group which have or likely to materialize into further business relationships; and
 - (v) the materiality and nature of the business relation of holding companies, fellow subsidiaries or associated companies with the Group and the Related Entity Participant's contribution in such holding companies, fellow subsidiaries or associated companies of the Group which may benefit the core business of the Group through a collaborative relationship.
- (c) In assessing the eligibility of a Service Provider, the Board will consider all relevant factors as appropriate, including, among others:
- (i) Supplier of goods or services to the Group:
 - (A) the nature, reliability and quality of the goods or services supplied;
 - (B) the value of the goods or services provided by the relevant supplier;
 - (C) the prevailing market fees chargeable by other services providers;
 - (D) the frequency of collaboration and length of business relationship with the Group;
 - (E) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
 - (F) the background, reputation and track record of the relevant supplier;
 - (G) the replacement cost of such supplier and/or the goods or services (including continuity and stability of supply or provision of such goods or services); and
 - (H) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such supplier could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by the goods or services supplied and/or provided by such supplier.

- (ii) in respect of contractor, agent, consultant and adviser of the Group:
 - (A) their knowledge, experience and network in the relevant industry;
 - (B) the frequency of collaboration and length of business relationship with the Group;
 - (C) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
 - (D) their background, reputation and track record;
 - (E) the replacement cost of such person or entity;
 - (F) the potential and/or actual contribution to the business affairs of the Group, in particular, whether they could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by them; and
 - (G) other factors, including the capability, expertise, technical know-how and/or business connections of such person or entity, and/or the synergy between such person or entity and the Group.
- (d) Service Providers under the category of supplier of goods or services to the Group are mainly suppliers of goods and services, who/which support the Group's businesses of (i) customer support services that render high-quality services to ensure customer satisfaction and retention for the Group's gaming business and application ("APP") and mobile advertisement ("Ad") mediation platform business; (ii) marketing and advertising services that promote the Group's brand and attract new customers for the Group's gaming business and APP and mobile Ad mediation platform business; and (iii) IT and technical services that offer IT and technical infrastructure to ensure the Group's gaming business and APP and mobile Ad mediation platform business operate smoothly and securely.
- (e) Service Providers under the category of contract, agent, consultant and adviser of the Group mainly provide advisory or consultancy services to the (i) research and development of games and associated technologies for gaming business and APP and mobile Ad mediation platform business; (ii) technological development for gaming business and APP and mobile Ad mediation platform business; (iii) business development of the gaming business and APP and mobile Ad mediation platform business; and (iv) gaming market expansion of the Group.

5. GRANT OF OPTIONS

- 5.1 The total number of Shares issued and to be issued upon exercise of the Options and the options or awards granted under any other share option scheme and share award scheme of the Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) to each Grantee in any 12-month period up to and including the date of such grant in aggregate shall not exceed one (1) per cent of the issued share capital of the Company (excluding any treasury Shares, if any) for the time being (“**1% Individual Limit**”).
- 5.2 If the Board determines to offer Options to an Eligible Participant which exceed the 1% Individual Limit:
- (a) the issue of a circular by the Company to the Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the Options to be granted (and those previously granted to such Eligible Participant in the 12-month period), the purpose of granting the Options to such Eligible Participant and an explanation as to how the terms of the Options serve such purpose; and
 - (b) a separate approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or associates if the participant is a connected person) shall abstain from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting at which the Board proposed to grant such further options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.
- 5.3 If the Board determines to offer an Option to an Eligible Participant in accordance with paragraph 4, the Board shall forward to the relevant Eligible Participant an offer document in such form as the Board may from time to time determine which states (or, alternatively, documents accompanying the offer document which state), among others:–
- (a) the Eligible Participant’s name, address and occupation;
 - (b) the Offer Date;
 - (c) the Acceptance Date;
 - (d) the Commencement Date or, if the Option Period does not commence on the Commencement Date, the date of commencement of the Option Period;
 - (e) the number of Shares in respect of which the Option is offered;
 - (f) the Exercise Price and the manner of payment of the Exercise Price for the Shares on and in consequence of the exercise of the Option;

- (g) the Expiry Date in relation to that Option;
 - (h) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph 5.4; and
 - (i) such other terms and conditions (including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before the Option can be exercised) relating to the offer of the Option which in the opinion of the Board are fair and reasonable but not being inconsistent with this Scheme and the Listing Rules.
- 5.4 An Option shall be deemed to have been granted and accepted by the Grantee and to have taken effect when the duplicate offer document constituting acceptance of the Option duly signed by the Grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the relevant Acceptance Date. Such remittance shall in no circumstances be refundable.
- 5.5 Any offer to grant an Option may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the Option in the manner as set out in paragraph 5.4. To the extent that the offer to grant an Option is not accepted by the Acceptance Date, it shall be deemed to have been irrevocably declined.
- 5.6 The Options shall not be listed or dealt in on the Stock Exchange.
- 5.7 An Option granted under this Scheme shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to this Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding Options or any part thereof granted to such Grantee.
- 5.8 For so long as the Shares are listed on the Stock Exchange, the Board shall not grant any Option after inside information has come to its knowledge until (and including) the Board has announced the information pursuant to the requirements of the Listing Rules. In particular, no Options shall be granted during the period commencing one month immediately preceding the earlier of:
- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the actual date of publication of the results announcement, and where the grant of Options is to a Director:

- (c) no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results, or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (d) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

6. OPTIONS TO CONNECTED PERSONS

- 6.1 If the Board determines to offer to grant Options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive Directors of the Company (and in the event that the Grantee is an independent non-executive Director, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant).
- 6.2 If the Board determines to offer to grant Options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) and that grant would result in the Shares issued and to be issued upon exercise of all options (including the Options) or awards granted (excluding any options (including the Options) or awards lapsed in accordance with the terms of the relevant schemes) to such person in the 12-month period up to and including the Offer Date representing in aggregate over 0.1 per cent, or such other percentage as may be from time to time provided under the Listing Rules, of the Shares in issue on the Offer Date, such grant shall be subject to, (i) the issue of a circular by the Company to the Shareholders; and (ii) the approval by the Shareholders in general meeting at which the proposed Grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour at such general meeting. The Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed Options to that Eligible Participant shall be taken as the Offer Date for the purpose of calculating the Exercise Price.
- 6.3 Any change in the terms of any Option granted to a Director, chief executive or substantial shareholder of the Company which would result in the number and value of the shares exceeding that set out in paragraph 6.2 shall be subject to:
 - (a) a circular regarding the change has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of the Listing Rules; and
 - (b) the change has been approved by the Shareholders in general meeting at which the Grantee, his/her associates and all core connected persons shall be abstained from voting in favour at such meeting.

6.4 The circular to be issued by the Company to its shareholders pursuant to paragraph 6.2 shall contain the following information:

- (a) the details of the number and terms (including the Exercise Price) of the Options to be granted to each Eligible Participant which must be fixed before the shareholders' meeting and the Offer Date (which shall be the date of the Board meeting at which the Board proposes to grant the proposed Options to that Eligible Participant);
- (b) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and its Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
- (c) the information required under Rules 17.02(2)(c) of the Listing Rules; and
- (d) the information required under Rule 2.17 of the Listing Rules.

7. EXERCISE PRICE

7.1 The Exercise Price in relation to each Option offered to an Eligible Participant shall, subject to the adjustments referred to in paragraph 12, be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

- (a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant;
- (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and
- (c) the nominal value of a Share.

8. PERFORMANCE TARGETS AND CLAWBACK MECHANISM

The Board may at its discretion specify any condition in the offer letter at the grant of the relevant Option which must be satisfied before any Option may be exercised. Save as the clawback mechanism set out in paragraph 10 and save as determined by the Board and provided in the offer of the grant of the relevant Option, there is no performance target which must be achieved before an Option can be exercised under the terms of the Share Option Scheme nor any other clawback mechanism for the Company to recover or withhold any Options granted to any Eligible Participant.

9. EXERCISE OF OPTIONS

- 9.1 Subject to paragraph 9.3, an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the Grantee by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the Auditors or the approved independent financial adviser as the case may be pursuant to paragraph 12, the Company shall allot and issue the relevant number of Shares (including any sale or transfer of treasury Shares) to the Grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.
- 9.2 The vesting of and exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion.
- 9.3 Subject to paragraph 9.5, the vesting period of Options shall not be less than 12 months from the Offer Date, except for such circumstances the Board may consider appropriate and in alignment with the purposes of this Scheme in relation to grant of Options to the Employee Participants under the following circumstances:
- (a) grants of “make-whole” rewards to new joiners to replace the share awards or options they forfeited when leaving the previous employers;
 - (b) grants which would have been made earlier but for administrative and compliance reasons and are made in a subsequent batch, in order to put the Grantees in the same position as they would have been in had the grant been made earlier;
 - (c) grants with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of twelve (12) months; or
 - (d) grants with performance-based vesting conditions in lieu of time-based vesting criteria.
- 9.4 The exercise of any Option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company.
- 9.5 Subject as hereinafter provided and to the extent as allowed by the relevant laws and regulations, an Option may be exercised by a Grantee at any time or times during the Option Period provided that:–
- (a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than on his/her death, ill-health, injury, disability or the termination of his/her relationship with the Company and/or any of the Subsidiaries on one or more of the grounds specified in paragraph 10(g), the Option (to the extent not already exercised) shall lapse automatically on the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with the Company or any of the

Subsidiaries, the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) provided that in any such case the Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as the Directors may decide;

- (b) in the case of the Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of the Subsidiaries under paragraph 10(g) has occurred, the Grantee or the Personal Representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Option in full (to the extent not already exercised) provided that in any such case the Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as the Directors may decide;
- (c) if a general offer by way of scheme of arrangement is made to all the holders of Shares with this Scheme having been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee may thereafter (but before such time as shall be notified by the Company) exercise the Option (to the extent not already exercised even though the Option Period has not come into effect during the occurrence of the general offer) to its full extent or to the extent specified in such notice;
- (d) if a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Grantee shall be entitled to exercise the Option in full (to the extent not already exercised even though the Option Period has not come into effect during the occurrence of the general offer) at any time within 21 days of the notice given by any such offeror to acquire the remaining Shares;
- (e) in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee may by notice in writing to the Company (such notice to be received by the Company not later than 4 trading days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and registered the Grantee as holder thereof; and
- (f) in the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may by notice in writing to the Company (such notice to be received by the Company not later than 4 trading days prior to the proposed shareholders'

meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

- 9.6 The Board may, in its discretion, require at the time of grant any particular Grantee to achieve such performance targets as the Board may then specify in the grant before any Options granted under this Scheme to such Grantee can be exercised.
- 9.7 No dividends shall be payable in relation to Shares that are the subject of Options that have not been exercised. The Shares to be allotted upon the exercise of an Option shall not carry voting rights until completion of the registration of the Grantee (or such other person nominated by the Grantee) as the holder thereof. Subject as aforesaid, the Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the constitutional documents of the Company for the time being in force and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an Option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

10. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:-

- (a) the Expiry Date relevant to that Option;
- (b) the expiry of any of the periods referred to in paragraph 9.5(a) or (b);
- (c) subject to the scheme of arrangement becoming effective, the expiry of the periods referred to in paragraphs 9.5(e);
- (d) subject to the voluntary winding-up duly resolved, the expiry of the period referred to in paragraph 9.5(f);
- (e) the date of commencement of the winding-up of the Company;
- (f) subject to the High Court of Hong Kong or Grand Court of the Cayman Islands not making an order prohibiting the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph 9.5(d);

- (g) the date on which the Grantee ceases to be an Eligible Participant by reason of the termination of his/her relationship with the Company and/or any of the Subsidiaries on any one or more of the grounds that he/her has been guilty of serious misconduct or has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of the Company and/or any of the Subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant Subsidiary. A resolution of the Board or the board of directors of the relevant Subsidiary to the effect that the relationship of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and
- (h) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph 5.7 or the Options are cancelled in accordance with paragraph 18.

11. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- 11.1 The total number of Shares which may be allotted and issued (including any sale or transfer of treasury Shares) in respect of all Options to be granted under this Scheme and any other share option scheme(s) and share award scheme(s) of the Group shall not in aggregate exceed ten (10) per cent of the total number of Shares in issue (excluding any treasury Shares, if any) as at the Adoption Date (i.e. 53,126,253 Shares) or the relevant date of approval of the refreshment of the Scheme Mandate Limit ("**Scheme Mandate Limit**") unless the Company obtains an approval from the Shareholders pursuant to paragraphs 11.4 and 11.6 below.
- 11.2 Subject to paragraph 11.1, the total number of the Shares which may be issued upon the exercise of all Options to be granted to the Service Provider(s) under the Scheme and all options and awards to be granted under any other share option scheme(s) and share award scheme(s) of the Company (the "**Service Provider Sublimit**") shall not exceed 1% of the total number of Shares in issue (excluding the treasury Shares, if any) as at the Adoption Date (i.e. 5,312,625 Shares) or the relevant date of approval of the refreshment of the Service Provider Sublimit. The Service Provider Sublimit shall be set within the Scheme Mandate Limit and separately approved by Shareholders in general meeting.
- 11.3 For the avoidance of doubt, the Shares underlying any options (including the Options) granted under the Scheme or any other share option scheme(s) of the Company which have been cancelled will be counted for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit. Where the Company has reissued such cancelled options, the Shares underlying both the cancelled options and the re-issued options will be counted as part of the total number of Shares subject to paragraphs 11.1 and 11.2. The options (including the Options) or awards lapsed in accordance with the terms of the Scheme or (as the case may be) any other share option scheme(s) or share award scheme(s) of the Company will, however, not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

- 11.4 The Company may seek approval of the Shareholders in a general meeting of the Company to refresh the Scheme Mandate Limit and the Service Provider Sublimit after three years from the approval of the Shareholders for the adoption of this Scheme or the last refreshment. The total number of Shares which may be allotted and issued (including any sale or transfer of treasury Shares) upon exercise of all Options to be granted under this Scheme and any other share option scheme(s) and share award scheme(s) of the Company under the Scheme Mandate Limit as refreshed shall not exceed ten (10) per cent of the Shares in issue (excluding any treasury Shares, if any) as at the date of approval of the refreshed scheme mandate limit and the Service Provider Sublimit as refreshed shall not exceed one (1) per cent. The Company shall send a circular to the Shareholders containing the number of options (including the Options) and awards that were already granted under the Scheme Mandate Limit and the Service Provider Sublimit, and the reason for the refreshment.
- 11.5 No refreshment to the Scheme Mandate Limit and the Service Provider Sublimit shall take effect within three years after the Adoption Date or the effective date of a previous refreshment unless the Company complies with Rules 17.03C(1)(b) of the Listing Rules. The requirements under Rule 17.03C(1)(b) of the Listing Rules do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit (as a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities, rounded to the nearest whole Share.
- 11.6 The Company may seek separate Shareholders' approval in general meeting to grant Options under this Scheme beyond the Scheme Mandate Limit or, if applicable, the extended limit referred to in paragraph 11.4 and/or paragraph 11.6 provided the Options in excess of the limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The number and terms of Options to be granted to such Eligible Participant must be fixed before Shareholders' approval. In respect of any Options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Exercise Price. The Company must send a circular to the Shareholders containing the name of each Selected Participant, the number and terms of the Options to be granted to each Selected Participant, and the purpose of granting Options to the Selected Participants with an explanation as to how the terms of the Options serve such purpose.
- 11.7 The Scheme Mandate Limit or the Service Provider Sublimit (or as increased in accordance with paragraph 11.4 or paragraph 11.6, as the case may be) shall be adjusted, in such manner as the Auditors or the approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph 12 whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of share capital of the Company but in any event shall not exceed the limit prescribed in paragraph 11.4.

12. CAPITAL RESTRUCTURING

12.1 In the event of capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division, consolidation of shares, or reduction of capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations or adjustment (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (a) the number of Shares subject to any outstanding Options;
- (b) the Exercise Price;
- (c) the Shares to which the Options relates; and/or
- (d) the method of exercise of the Option,

as the Auditors or the approved independent financial adviser shall at the request of the Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a Grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to options held by him/her before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration or adjustment will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alteration or adjustment.

12.2 The capacity of the Auditors or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the Grantees. Any adjustment to be made in accordance with this paragraph shall comply with the Listing Rules and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time. The costs of the Auditors or the approved independent financial adviser to the Company shall be borne by the Company. Notice of such adjustment shall be given to the Grantees by the Company.

12.3 In respect of any adjustments required by paragraph 12.1, other than any adjustment made on a capitalisation issue, the Auditors or the approved independent financial adviser, as the case may be, shall confirm to the Board in writing that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and/or such other requirement prescribed under the Listing Rules from time to time.

13. VALUE OF OPTIONS

The information on value of the Options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial mode or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of the Company.

14. SUFFICIENT SHARE CAPITAL

The Board shall at all times set aside for the purposes of this Scheme, out of the authorised but unissued share capital of the Company, such number of Shares as the Board may from time to time determine to be sufficient to meet subsisting requirements for the exercise of outstanding Options.

15. DISPUTES

Any dispute arising in connection with this Scheme (whether as to the number of Shares subject to an Option, the amount of the Exercise Price or otherwise) shall be referred to the Board or Auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

16. ALTERATION OF THIS SCHEME

16.1 The terms and conditions of this Scheme and the regulations for the administration and operation of this Scheme (provided that the same are not inconsistent with this Scheme and the Listing Rules) may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules, including without limitation, the definitions of “Eligible Participant”, “Expiry Date”, “Grantee” and “Option Period” in paragraph 1.1 and the provisions in paragraphs 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 17, 18 and this paragraph 16;
- (b) any material alteration to the terms and conditions of this Scheme or any change to the terms of Options granted (except any alterations which take effect automatically under the terms of this Scheme); or
- (c) any change to the authority of the Board to alter the terms of this Scheme;

must be made with the prior approval of the shareholders of the Company in general meeting at which any persons to whom or for whose benefit the Shares may be issued under this Scheme and their respective associates shall abstain from voting PROVIDED THAT the amended terms of this Scheme or the Options shall remain in compliance with Chapter 17 of the Listing Rules and no alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Option prior to such alteration except with:

- (i) the consent in writing of Grantees holding in aggregate Options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all Options outstanding on that date; or
- (ii) the sanction of a Special Resolution.

Written notice of any alterations made in accordance with this paragraph 16.1 shall be given to all Grantees.

16.2 In respect of any meeting of Grantees referred to in paragraph 16.1, all the provisions of the constitutional documents for the time being of the Company as to general meetings of the Company shall mutatis mutandis apply as though the Options were a class of shares forming part of the capital of the Company except that:–

- (a) not less than seven days' notice of such meeting shall be given;
- (b) a quorum at any such meeting shall be two Grantees present in person or by proxy and holding Options entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all Options then outstanding unless there is only one Grantee holding all Options then outstanding, in which case the quorum shall be one Grantee;
- (c) every Grantee present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share to which he would be entitled upon exercise in full of his Options then outstanding;
- (d) any Grantee present in person or by proxy may demand a poll; and
- (e) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven or more than fourteen days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Grantees who are then present in person or by proxy shall form a quorum and at least seven days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Grantees who are then present in person or by proxy shall form a quorum.

17. TERMINATION

17.1 The Company by ordinary resolution by Shareholders of the Company in general meeting or the Board may at any time resolve to terminate the operation of this Scheme before the end of its life and in such event no further Options shall be offered but the provisions of this Scheme shall remain in force to the extent necessary to give effect to the exercise of (i) any Option granted but not exercised prior to the termination or (ii) in respect of which Shares are not yet issued to the Eligible Participants or otherwise as may be required in accordance with the provisions of this Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with this Scheme.

17.2 Details of the Options granted, including Options exercised or outstanding, under this Scheme shall be disclosed in the circular to Shareholders of the Company seeking approval of the new scheme established after the termination of this Scheme.

18. CANCELLATION OF OPTIONS GRANTED

Any cancellation of Options granted but not exercised must be approved by the Grantees of the relevant Options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph 5.7. Where the Company cancels Options, the grant of new Options to the same Grantee may only be made under this Scheme with available Scheme Mandate Limit and Service Provider Sublimit or the limits approved by the Shareholders pursuant to paragraphs 11.4 and 11.6. The Options cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

19. DISCLOSURE IN ANNUAL AND INTERIM REPORTS

The Board shall procure that details of this Scheme and other schemes of the Group are disclosed in the annual reports and interim reports of the Company in compliance with the Listing Rules in force from time to time.

20. GENERAL

- 20.1 The Company shall bear the costs of establishing and administering this Scheme (including the costs of the Auditors or the independent financial advisor, as the case may be, in relation to the preparation of any certificate or the provision of any other services in relation to this Scheme).
- 20.2 A Grantee shall be entitled to inspect copies of all notices and other documents sent by the Company to its shareholders at the same time or within a reasonable time of any such notices or documents being sent, which shall be made available to him, during normal office hours at the Company's principal place of business in Hong Kong.
- 20.3 Any notices, documents or other communication between the Company and a Grantee shall be in writing and may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong and, in the case of the Grantee, his address in Hong Kong as notified to the Company from time to time.
- 20.4 Any notice or other communication served:–
- (a) by the Company shall be deemed to have been served 48 hours after the same was put in the post or if delivered by hand, when delivered; and
 - (b) by the Grantee shall not be deemed to have been received until the same shall have been received by the Company.
- 20.5 All allotments and issues of Shares (including any sale or transfer of treasury Shares) pursuant to this Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations for the time being to which the Company is subject. A Grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction for, or in connection with the grant or exercise of an Option. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his participation in this Scheme.

- 20.6 This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.
- 20.7 This Scheme shall not form part of any contract of employment between the Company or any of the Subsidiaries and any Eligible Participant who is an employee of the Company and/or any of the Subsidiaries and the rights and obligations of any Eligible Participant under the terms of his/her office or employment shall not be affected by his/her participation in it and this Scheme shall afford such an Eligible Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 20.8 This Scheme shall in all respects be administered by the Board which (a) shall administer the Scheme in accordance with the provisions hereof and all applicable requirements of the Listing Rules and (b) may make such rules not being inconsistent with the terms and conditions hereof and the Listing Rules for the conduct of the Scheme and the determination and terms of each entitlement under an Option as the Board thinks fit.
- 20.9 A Grantee who is a member of the Board may, subject to and in accordance with the Articles, notwithstanding his interest, vote on any Board resolution concerning the Scheme (other than in respect of his own participation therein) and may retain any benefit under the Scheme.

21. GOVERNING LAW

This Scheme and all Options granted hereunder are governed by and shall be construed in accordance with the laws of Hong Kong.

NETDRAGON WEBSOFT HOLDINGS LIMITED

**RULES RELATING TO THE NETDRAGON WEBSOFT SHARE AWARD
SCHEME**

1. DEFINITIONS AND INTERPRETATION

(A) In these rules of the Scheme, unless the context otherwise requires, the following words and expressions shall have the meaning shown opposite to them below:

“Adoption Date”	6 June 2024, being the date on which the Scheme is adopted by the Company;
“Articles”	the articles of association of the Company from time to time;
“Award”	an award of Shares by the Board pursuant to Paragraph 5 to a Selected Participant;
“Awarded Amount”	in respect of a Selected Participant, the awarded amount as determined by the Board;
“Awarded Share(s)”	in respect of a Selected Participant, such number of Shares awarded to him/her by the Board;
“Board”	the board of directors of the Company;
“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;
“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 Holdings Limited, a company incorporated in the Cayman Islands;
“Eligible Participant(s)”	any of the Employee Participants, Related Entity Participants and the Service Providers;
“Employee Participant(s)”	any director, chief executive and employee (including without limitation any executive director) of any member of the Group, provided which the Board shall have absolute discretion to determine whether or not one falls within such category;

“Excluded Participant”	any Eligible Participant who is resident in a place where the award of the Awarded Shares and/or the award of the Returned Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the 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 makes it necessary or expedient to exclude such Eligible Participant;
“Group”	the Company, its Subsidiaries and such entities which are considered as subsidiaries of the Company under the applicable accounting standard and policy;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Other Trust”	any other trust(s) constituted or to be constituted;
“Other Trustee of the Other Trust”	the trustee(s) of the Other Trust;
“Partial Lapse”	shall have the meaning as set out in Paragraph 6(I);
“Reference Amount”	shall have the meaning as set out in Paragraph 6(D);
“Reference Date”	in respect to a Selected Participant, the date of final approval by the Board of the total amount of the Awarded Amount for the purchase or subscription of Shares to be awarded to the relevant Selected Participant on a single occasion pursuant to the Scheme or the date of an Award by the Board pursuant to the Trust Deed;
“Related Entity(ies)”	the holding companies, fellow Subsidiaries or associated companies of the Company;
“Related Entity Participant(s)”	the employees of the Related Entities;
“Residual Cash”	in respect to a Selected Participant, 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 of his Awarded Shares;

“Returned Shares”	such Awarded Shares which are referable to a Selected Participant and which are not vested and/or forfeited in accordance with the terms of the Scheme (whether as a result of a Total Lapse or a Partial Lapse or otherwise), or forfeited in accordance with the terms of the Scheme, or such Shares being deemed to be Returned Shares in accordance with the terms of the Scheme;
“Scheme”	the “NetDragon Websoft Share Award Scheme” constituted by the rules hereof, in its present form or as amended from time to time in accordance with the provisions hereof;
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to Paragraph 5 for participation in the Scheme;
“Service Provider(s)”	person(s) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including person(s) who work for the company as independent contractors (including advisers, consultants, distributors, contractors, suppliers and agents of any member of the Group) where the continuity and frequency of their services are akin to those of employees, but excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity;
“Service Provider Sublimit”	shall have the meaning as set out in Paragraph 8(B);
“SFC”	the Securities and Futures Commission;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Shares”	ordinary shares of US\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning given under section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere;
“Total Lapse”	shall have the meaning as set out in Paragraph 6(H);
“treasury Shares”	shall have the meaning ascribed to it in the Listing Rules which will come into effect on 11 June 2024 and as amended from time to time;
“Trust”	the trust constituted by the Trust Deed;
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time);
“Trust Period”	shall have the meaning as set out in Clause 1.1 of the Trust Deed;
“Trustee”	such trustee or trustees (if any) as shall be from time to time appointed by the Company for the administration of Shares and other trust assets to be held by the Trustee for the implementation of the Scheme pursuant to and in accordance with the terms of the Trust Deed, and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed (but excluding, for the avoidance of doubt, the Other Trustee of the Other Trust); and
“Vesting Date”	in respect of a Selected Participant, the date on which his entitlement to the Awarded Shares accrues in accordance with the conditions as imposed by the Board under Paragraph 6(C) or is deemed to have accrued under Paragraph 6(F) or Paragraph 7(A).

(B) In these rules of the Scheme, save where the context otherwise requires:

- (i) the headings are inserted for convenience only and shall not limit, vary, extend or otherwise affect the construction of any provision of these rules of the Scheme;
- (ii) references to Paragraphs and Schedules are references to paragraphs and schedules of these rules of the Scheme;

- (iii) references to any statute or statutory provision shall be construed as references to such statute or statutory provision as respectively amended, consolidated or re-enacted, or as its operation is modified by any other statute or statutory provision (whether with or without modification), and shall include any subsidiary legislation enacted under the relevant statute;
- (iv) expressions in the singular shall include the plural and vice versa;
- (v) expressions in any gender shall include other genders; and
- (vi) references to persons shall include bodies corporate, corporations, partnerships, sole proprietorships, organisations, associations, enterprises, branches and entities of any other kind.

2. PURPOSES AND OBJECTIVES

(A) The specific objectives of the Scheme are:

- (i) to enable the Company to grant Awards to Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group and
- (ii) to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the objectives of motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(B) These rules serve to set out the terms and conditions upon which the incentive arrangement for the Eligible Participants shall operate.

3. DURATION

Subject to any early termination as may be determined by the Board pursuant to Paragraph 11, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

4. ADMINISTRATION

(A) The Scheme shall be subject to the administration of the Board, the Committee and the Trustee in accordance with the rules of the Scheme and the Trust Deed.

(B) The Trustee shall hold the Shares and the income derived therefrom in accordance with the terms of the Trust Deed.

(C) This Scheme shall take effect subject to:

- (i) the passing of the necessary resolution to approve and adopt (or subject to Paragraph 10, to amend) this Scheme by the Shareholders in general meeting;

- (ii) the granting by resolution of the Shareholders in general meeting of a mandate to the Board to grant Awards under this Scheme and any awards or options under other schemes of the Company up to the Scheme Mandate Limit;
- (iii) the Listing Committee granting approval of the listing of, and permission to deal in any new Shares which may be allotted and issued (including any sale or transfer of treasury Shares out of treasury) for satisfaction of any Awards granted under this Scheme and any awards or options granted under any other schemes of the Company not exceeding the Scheme Mandate Limit.

References to Paragraph 4(C) to the Listing Committee granting approval and permission shall include any such approval and permission which is subject to conditions.

5. DETERMINATION OF ELIGIBILITY

- (A) The basis of eligibility of any Eligible Participant to the grant of any Option shall be determined by the Board and/or the Committee from time to time on the basis of the Eligible Participant's contribution or potential contribution to the development and growth of the Group.
- (B) In assessing whether Awards are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group, the positive impacts which such Eligible Participant has brought to the Group's business and development and whether granting Awards to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.
- (C) In assessing the eligibility of an Employee Participant, the Board will consider all relevant factors as appropriate, including, among others:
 - (i) his/her skills, knowledge, experience, expertise and other relevant personal qualities;
 - (ii) his/her performance, time commitment, responsibilities or employment conditions and the prevailing market practice and industry standard;
 - (iii) his/her contribution made or expected to be made to the growth of the Group;
 - (iv) his/her educational and professional qualifications, and knowledge in the industry; and
 - (v) to provide the Employee Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives of motivating the Employee Participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining on-going business relationship with the Employee Participants whose contributions are or will be beneficial to the long-term growth of the Group.

- (D) In assessing the eligibility of Related Entity Participant(s), the Board will consider all relevant factors as appropriate, including, among others:
- (i) the positive impacts brought by, or expected from, the Related Entity Participant on the Group's business development in terms of, amongst other things, an increase in turnover or profits and/or an addition of expertise to the Group;
 - (ii) the period of engagement or employment of the Related Entity Participant by the Group;
 - (iii) the number, scale and nature of the projects in which the Related Entity Participant is involved;
 - (iv) whether the Related Entity Participant has or expected to refer or introduce opportunities to the Group which have or likely to materialize into further business relationships; and
 - (v) the materiality and nature of the business relation of holding companies, fellow subsidiaries or associated companies with the Group and the Related Entity Participant's contribution in such holding companies, fellow subsidiaries or associated companies of the Group which may benefit the core business of the Group through a collaborative relationship.
- (E) In assessing the eligibility of a Service Provider, the Board will consider all relevant factors as appropriate, including, among others:
- (i) Supplier of goods or services to the Group:
 - (a) the nature, reliability and quality of the goods or services supplied;
 - (b) the value of the goods or services provided by the relevant supplier;
 - (c) the prevailing market fees chargeable by other services providers;
 - (d) the frequency of collaboration and length of business relationship with the Group;
 - (e) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
 - (f) the background, reputation and track record of the relevant supplier;
 - (g) the replacement cost of such supplier and/or the goods or services (including continuity and stability of supply or provision of such goods or services); and

- (h) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such supplier could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by the goods or services supplied and/or provided by such supplier;
 - (ii) in respect of contractor, agent, consultant and adviser of the Group:
 - (a) their knowledge, experience and network in the relevant industry;
 - (b) the frequency of collaboration and length of business relationship with the Group;
 - (c) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
 - (d) their background, reputation and track record;
 - (e) the replacement cost of such person or entity;
 - (f) the potential and/or actual contribution to the business affairs of the Group, in particular, whether they could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by them; and
 - (g) other factors, including the capability, expertise, technical know-how and/or business connections of such person or entity, and/or the synergy between such person or entity and the Group.
- (F) Service Providers under the category of supplier of goods or services to the Group are mainly suppliers of goods and services, who/which support the Group's businesses of (i) customer support services that render high-quality services to ensure customer satisfaction and retention for the Group's gaming business and application ("APP") and mobile advertisement ("Ad") mediation platform business; (ii) marketing and advertising services that promote the Group's brand and attract new customers for the Group's gaming business and APP and mobile Ad mediation platform business; and (iii) IT and technical services that offer IT and technical infrastructure to ensure the Group's gaming business and APP and mobile Ad mediation platform business operate smoothly and securely.
- (G) Service Providers under the category of contract, agent, consultant and adviser of the Group mainly provide advisory or consultancy services to the (i) research and development of games and associated technologies for gaming business and APP and mobile Ad mediation platform business; (ii) technological development for gaming business and APP and mobile Ad mediation platform business; (iii) business development of the gaming business and APP and mobile Ad mediation platform business; and (iv) gaming market expansion of the Group.

6. OPERATION OF SCHEME

- (A) The Board may, from time to time, at its absolute discretion select any Eligible Participant (excluding Excluded Participant) for participation in the Scheme as a Selected Participant.
- (B) Subject to Paragraph 7, the Board may select the Selected Participant(s) for participation in the Scheme as a Selected Participant and grant such number of Awarded Shares to any Selected Participant at no consideration (unless the Committee and/or the Board at their absolute discretion otherwise determine on a case-by-case basis) and notify the Committee and the Trustee of its decision. In determining the Awarded Amount for a Selected Participant, the Board may take into consideration matters including (without limitation), the general financial condition of the Group and the rank, performance and contribution of the relevant Selected Participant.
- (C) The Board is entitled to waive any conditions or impose from time to time any conditions (including but not limited to 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 Participant to the Awarded Shares and the Committee or the Trustee through the Company shall inform such Selected Participant the relevant conditions and the Awarded Amount.
- (D) The Board shall, in respect of each Selected Participant, cause to be paid the Reference Amount from the Company's resources to the Trustee to be held on trust for the relevant Selected Participant for the purchase or subscription of the Awarded Shares as soon as practicable after the Reference Date, and in any event no later than 28 Business Days after the Reference Date. The Reference Amount is 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 AFRC fee if applicable) and such other necessary expenses required for the completion of the purchase of all the Awarded Shares for the relevant Selected Participant.
- (E) Within 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 or subscription of the maximum number of board lots of Shares 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 or subscription. Each Selected Participant will be notified of the number of Awarded Shares by the Trustee through the Company as soon as the Trustee completes the purchase or subscription and allocation process. For the avoidance of doubt, the Shares so purchased or subscribed shall form part of the capital of the Trust Fund.
- (F) In respect of a Selected Participant who died at any time prior to or on the Vesting Date, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his death. Subject to the Board's absolute discretion, in respect of a Selected Participant who retired by agreement with a member of the Group at any time prior to or on Vesting Date, all the Awarded Shares of the relevant Selected Participant shall vest on the Vesting Date.

- (G) (i) In the event of the death of a Selected Participant, the Trustee shall hold the vested Awarded Shares (hereinafter referred to as “**Benefits**”) upon trust and to transfer the same to the legal personal representatives of the Selected Participant and subject as aforesaid the Trustee shall hold the Benefits or so much thereof as shall not be transferred or applied under the foregoing powers within (a) two years of the death of the Selected Participant (or such longer period as the Trustee and the Committee shall agree from time to time) or (b) the Trust Period (whichever is shorter) upon trust to transfer the same to the legal personal representatives of the Selected Participant; or
- (ii) If the Benefits would otherwise become bona vacantia, the Benefits shall be forfeited and cease to be transferable and such Benefits shall be held as Returned Shares for the purposes of the Scheme. Notwithstanding the foregoing, the Benefits held upon the trusts hereof shall until transfer is made in accordance herewith be retained and may be reinvested and otherwise dealt with by the Trustee in every way as if they had remained part of the trust fund of the Trust.
- (H) Save as provided in Paragraph 6(F), in the event that prior to or on the Vesting Date in respect of a Selected Participant, (i) the relevant Employee Participant ceases to be an employee of any member of the Group, or (ii) the Subsidiary by which an Employee Participant 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) (each of these, an event of “**Total Lapse**”), 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 Scheme.
- (I) In the event that prior to or on the Vesting Date, (i) a Selected Participant is found to be an Excluded Participant (in this context only applicable to any person in class (ii) of Excluded Employee as defined in Paragraph 1(A)) or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares within the stipulated period (each of these, an event of “**Partial Lapse**”), the relevant part of an Award made to such Selected Participant 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 Scheme.
- (J) The Trustee shall hold Returned Shares exclusively for the benefit of all or one or more of the Eligible Participants (excluding any Excluded Participant), as the Board in its absolute discretion shall at any time determine. When Returned Shares have been awarded, the Board shall notify the Trustee accordingly.

- (K) Except in the circumstances as set out in Paragraph 6(F) in respect of the death of a Selected Participant, or a Total Lapse,
- (i) Barring any unforeseen circumstances, unless otherwise agreed between the Board, the Committee and the Trustee, seven (7) Business Days prior to the Vesting Date, the Committee shall send to the relevant Selected Participant (with a copy to the Company and the Trustee) a vesting notice together with such prescribed transfer documents which require the Selected Participant to execute to effect the vesting and transfer of the Awarded Shares; and
 - (ii) Subject to the receipt by the Trustee of (a) transfer documents prescribed by the Trustee and duly signed by the Selected Participant within the period stipulated in the vesting notice referred to in Paragraph 6(K)(i), and (b) a confirmation from the Company that all vesting conditions having been fulfilled, the Trustee shall transfer the relevant Awarded Shares to the relevant Selected Participant as soon as practicable after the Vesting Date and in any event not later than 28 Business Days after the Vesting Date.
- (L) Prior to the Vesting Date, any Award made hereunder shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Reference Amount or the Awarded Shares referable to him pursuant to such Award.
- (M) In the event that a Selected Participant is a director, a substantial shareholder or a connected person of the Group, the Company shall comply with the relevant requirements under the Listing Rules including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.
- (N) Subject to the exceptions set out in this paragraph below, the vesting period for the Awarded Shares shall not be less than 12 months or such other period as the Listing Rules may prescribe or permit. Awards granted to the Employee Participants may be subject to a shorter vesting period under specific circumstances as set out below:
- (i) Grants of "make-whole" Awards to an Employee Participant who is a new joiner to replace the share awards he/she forfeited when leaving his/her previous employer(s). In such cases, the vesting period may be shorter to reflect the remaining vesting period in respect of the forfeited share awards;
 - (ii) Grants of "make-whole" Awards to an Employee Participant who is an existing key personnel of a newly acquired Subsidiary of the Company to replace the awards or options he/she forfeited upon the acquisition of the Subsidiary by the Company. In such cases, the vesting period may be shorter to reflect the remaining vesting period in respect of the forfeited awards or options;
 - (iii) Grants of Awards to an Employee Participant whose employment is terminated due to death or disability. In such circumstances, the vesting of an Award may accelerate;

- (iv) Grants of Awards that are made in batches during a year for administrative and compliance reasons. They may include Awards that have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting period may be shorter to reflect the time from which an Award would have been granted;
 - (v) Grants of Awards with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of 12 months;
 - (vi) Awards that are vested in accordance with Paragraph 7(A);
 - (vii) Grants of Awards with a total vesting and holding period of more than 12 months; or
 - (viii) there is an event of change in control of the Company by way of capitalisation issue, offer, merger, subdivision or consolidation of shares, reduction of share capital, scheme of arrangement or otherwise, the Board or the committee of the Board or person(s) to which the Board has delegated its authority, at their sole discretion, determine that the vesting date of any Awards shall be accelerated to an earlier date, whereby the vesting date may be less than 12 months from the date of grant.
- (O) Any awards that have not vested or lapsed may be cancelled if the Selected Participant so agrees and new Awards may be granted to the same Selected Participant under this Scheme with available Scheme Mandate Limit. The Awards cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.
- (P) For the avoidance of doubt,
- (i) a Selected Participant shall not have any interest or rights (including the right to receive dividends) in the Awarded Shares prior to the Vesting Date;
 - (ii) a Selected Participant shall have no rights in the Residual Cash or any of the Returned Shares;
 - (iii) no instructions may be given by a Selected Participant to the Trustee in respect of the Awarded Shares that have not vested, and such other properties of the trust fund managed by the Trustee;
 - (iv) the Trustee shall not exercise the voting rights in respect of any Shares held by it as nominee or under the Trust (if any) (including but not limited to the Awarded Shares, the Returned Shares, any bonus Shares and scrip Shares derived therefrom);
 - (v) a Selected Participant shall have no rights in the balance fractional share of the Shares not so allocated to him and the fractional share arising out of consolidation of Shares (such Shares shall be deemed as Returned Shares for the purposes of the Scheme);
 - (vi) all cash income and the sale proceeds of non-scrip distribution declared in respect of a Share held upon the Trust will be applied towards (a) the payment of the fees, costs and expenses of the Trust and (b) the remainder, if any, such other purpose as the Trustee and the Committee shall agree from time to time;

- (vii) save as provided under Paragraph 6(G)(i) or Paragraph 6(F), an Employee Participant shall remain under the employment of a member of the Group, in the event of an Employee Participant ceases to be an employee of a member of the Group prior to or on the relevant Vesting Date, the award of the Awarded Shares in respect of the relevant Vesting Date shall automatically lapse, such Awarded Shares shall not vest on the relevant Vesting Date and the Employee Participant shall have no claims against the Company, the Committee or the Trustee; and
- (viii) in the case of the death of a Selected Participant, the Benefits shall be forfeited if no transfer of the Benefits to the legal personal representatives of the Selected Participant is made within the period prescribed in Paragraph 6(G)(i), and the legal personal representatives of the Selected Participant shall have no claims against the Company or the Trustee.
- (Q) No Award shall be made by the Board pursuant to Paragraph 6(B) and no instructions to acquire Shares shall be given to the Trustee under the 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.
- (R) In respect of the administration of the Scheme, the Company shall comply with all applicable disclosure regulations including without limitation those imposed by the Listing Rules from time to time.
- (S) (i) Notwithstanding any provisions provided herein, where any Awarded Shares shall be vested in any Selected Participant, the Board may give written instructions to the Trustee to transfer the Awarded Shares (whether vested or unvested) to the Other Trustee of the Other Trust with the written consent of the relevant Selected Participant.
- (ii) Notwithstanding any provisions provided herein, where any Returned Shares are held by the Trustee exclusively for the benefit of all or one or more of the Employees (excluding the Excluded Employee), the Board may give written instructions to the Trustee to transfer the Returned Shares with the written consent of the relevant Employees to the Other Trustee of the Other Trust for the purpose of receiving for and on behalf of the Employees from the Trustee under the Scheme, provided that the terms and conditions under the Other Trust shall not be inconsistent with the Trust (as amended and supplemented from time to time).
- (iii) All references to the transfer of the Awarded Shares and the Returned Shares (as the case may be) shall be deemed to include the transfer of the Awarded Shares (whether vested or unvested) and the Returned Shares (as the case may be) to the Other Trustee of the Other Trust and such transfer shall be a good and complete discharge of the Trustee's duty to transfer the Awarded Shares (whether vested or unvested) and the Returned Shares (as the case may be) to the Selected Participants under the Scheme.

- (T) Unless the Board otherwise determines and informs the Selected Participant, there is no performance target which must be achieved by the Selected Participant before any of the Awards can become vested.
- (U) The Board or the Committee may determine in its absolute discretion the purchase price of the Award Shares (if any) and the period within which any such payments must be informed to the Selected Participant, which shall be based on considerations such as the prevailing market price of the Shares, the purpose of the Awarded Shares and the characteristics and profile of the relevant Selected Participant.
- (V) Subject to Paragraphs 6(H) and 6(I), there is no other clawback mechanism for the Company to recover or withhold any Awards granted to any Eligible Participant.

7. CHANGE OF CONTROL EVENT AND REORGANISATION OF CAPITAL STRUCTURE

- (A) Notwithstanding any other provision provided herein, if there occurs an event of change in control of the Company, whether by way of capitalisation issue, offer, merger, subdivision or consolidation of shares, reduction of share capital, scheme of arrangement or otherwise, there might be accelerated vesting only to the Employee Participants and all the Awarded Shares granted only to the Employee Participants shall immediately vest on the date when such change of control or alteration in capital structure event becomes or is declared unconditional and such date shall be deemed to be the Vesting Date. Subject to the receipt by the Trustee of duly executed prescribed transfer documents within 7 Business Days from the deemed Vesting Date, the Trustee shall transfer the Awarded Shares to the Selected Participant by way of acquisition in accordance with Paragraph 6. For the purpose of this Paragraph 7(A), “control” shall have the meaning as specified in the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs from time to time.
- (B) In the event the Company undertakes a capitalisation of profits or reserves, rights issue, reduction of share capital, subdivision or consolidation of the Shares (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party), all fractional share arising out of such consolidation in respect of the Awarded Shares of a Selected Participant shall be deemed as Returned Shares for the purposes of the Scheme and shall not be transferred to the relevant Selected Participant on the relevant Vesting Date.
- (C) In the event the Company undertakes an open offer of new securities in respect of any Shares which are held by the Trustee under the Scheme, the Trustee shall not subscribe for any new Shares. In the event of a rights issue, the Trustee shall sell such amount of the nil-paid rights allotted to it as is appropriate and the net proceeds of sale of such rights shall be held as income of the Trust Fund and applied in the subscription of rights shares under the rights issue. In the event the Company issues bonus warrants in respect of any Shares which are held by the Trustee, the Trustee shall not subscribe for any new Shares by exercising any of the subscription rights attached to the bonus warrants and shall sell the bonus warrants created and granted to it, the net proceeds of sale of such bonus warrants shall be held as income of the trust fund of the Trust and shall be applied in accordance with Paragraph 6(P)(vi).

- (D) In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect to receive scrip Shares.
- (E) In the event of other non-cash and non-scrip distribution made by the Company in respect of Shares held upon the Trust, the Trustee shall dispose of such distribution and the net sale proceeds thereof shall be deemed as cash income of a Share held upon the Trust and shall be applied in accordance with Paragraph 6(P)(vi).

8. SCHEME LIMIT

- (A) The Board shall not make any further award of Awarded Shares which will result in the Shares awarded by the Board under the Scheme and any other share option scheme(s) and share award scheme(s) of the Group exceeding 53,126,253 shares of the Company, representing ten per cent. of the issued share capital of the Company (excluding any treasury Shares, if any) as at the Adoption Date (the “**Scheme Mandate Limit**”).
- (B) Subject to Paragraph 8(A), the total number of the Awarded Shares which may be granted to the Service Provider(s) under the Scheme and all options and awards to be granted under any other share option scheme(s) and share award scheme(s) of the Company (the “**Service Provider Sublimit**”) shall not exceed 1% of the total number of Shares in issue (excluding any treasury Shares, if any) as at the Adoption Date (i.e. 5,312,625 Shares) or the relevant date of approval of the refreshment of the Service Provider Sublimit. The Service Provider Sublimit shall be set within the Scheme Mandate Limit and separately approved by Shareholders in general meeting.
- (C) The total number of Shares issued and which may fall to be issued upon vetting of the Awards and the options or awards granted under any other share option scheme and share award scheme of the Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) to each Selected Participant in any 12-month period up to and including the date of such grant shall not exceed one (1) per cent of the issued share capital of the Company (excluding any treasury Shares, if any) for the time being (“**1% Individual Limit**”). Where any further grant of Awards to a Selected Participant under this Scheme would result in the Shares issued and to be issued upon exercise of all options and awards granted and proposed to be granted to such person (including exercised, cancelled and outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) under the Scheme and any other share option schemes and share award scheme of the Company in the 12-month period up to and including the date of such further grant exceeding the 1% Individual Limit, such further grant must be separately approved by Shareholders in general meeting of the Company with such Selected Participant and his/her close associates (or his/her associates if the Selected Participant is a connected person) abstaining from voting.
- (D) Any grant of Awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Selected Participant in respect of the Award in question).

- (E) Where any grant of Awards to an independent non-executive Director or a substantial shareholder of the Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options, awards and Awards granted under this Scheme and any other schemes of the Company (excluding any options, awards and Awards lapsed in accordance with the terms of this Scheme or other schemes of the Company, as the case may be) to such Selected Participant in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1 per cent of the Shares in issue (excluding any treasury Shares, if any), such further grant of Awards must be approved by the Shareholders in the Company's general meeting with such Selected Participant, his/her associates, and all core connected persons of the Company abstaining from voting in favour at such general meeting.
- (F) Where any grant of Awards to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the Shares issued and to be issued in respect of all awards and Awards granted (excluding any awards and Awards lapsed in accordance with the terms of this Scheme or other scheme of the Company, if any and as the case may be) to such Selected Participant in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1 per cent of the Shares in issue (excluding treasury Shares, if any), such further grant of Awards must be approved by the Shareholders in the Company's general meeting with such Selected Participant, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting.

9. DISPUTES

Any dispute arising in connection with the Scheme shall be referred to the decision of the Board who shall act as experts and not as arbitrators and whose decision shall be final and binding.

10. ALTERATION OF THE SCHEME

- (A) The Scheme may be amended in any respect by a resolution of the Board provided that, no such amendment shall operate to affect adversely the terms of any Award granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Selected Participants as would be required of the holders of the Shares under the Articles for the time being for a variation of the rights attached to the Shares, and provided that unless with the prior written consent of the Trustee, any such amendment or modification shall not impose any additional or more onerous duties, responsibilities or liabilities on the Trustee, subject to Paragraph 10(B).
- (B) Any alteration, amendment or waiver to the Scheme (i) of a material nature; (ii) relates to the matters set out in rule 17.03 of the Listing Rules to the advantage of the Selected Participants; or (iii) relates to the authority of the Board or Trustee to alter this Scheme, shall be approved by the Shareholders. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material, and such determination shall be conclusive.

- (C) Any change to the terms of Awards granted to a Selected Participant must be approved by the Board, the Committee, the independent non-executive Directors of the Company (as the case may be) if the initial grant of such Awards under the Scheme was approved by the Board, the Committee, the independent non-executive Directors of the Company (as the case may be), in accordance with the terms of the Scheme and Chapter 17 of the Listing Rules, except where the alterations take effect automatically under the existing terms of the Scheme.
- (D) The provisions in the Scheme may be amended by the Board to reflect any amendments on the relevant Listing Rules made by the Stock Exchange after the date of adoption of the Scheme to comply with the relevant provisions of the Listing Rules which the Scheme has been drafted to reflect the position as at the date of adoption of the Scheme.
- (E) Written notice of all details relating to change in the terms of the Scheme during the lifetime of the Scheme shall be given to all Selected Participants and the Trustee immediately upon the changes take effect.
- (F) The amended terms of the Scheme shall comply with applicable laws, rules and regulations including but not limited to the Listing Rules and/or the SFO.
- (G) For any such meeting of Selected Participants referred to in Paragraph 10(A), all the provisions of the Articles as to general meetings of the Company shall mutatis mutandis apply except that:
- (i) not less than 7 days' notice of such meeting shall be given;
 - (ii) a quorum at any such meeting shall be two Selected Participants present in person or by proxy;
 - (iii) every Selected Participant present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Awarded Share proposed to be awarded to him;
 - (iv) any Selected Participant present in person or by proxy may demand a poll; and
 - (v) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than 7 or more than 14 days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Selected Participants who are then present in person or by proxy shall form a quorum and at least 7 days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Selected Participants who are then present in person or by proxy shall form a quorum.
- (H) In respect of any proposed alterations to the advantage of the Selected Participants and where the Board considers necessary, such proposed alterations shall be approved by the shareholders of the Company by ordinary resolution in general meeting.

11. TERMINATION

- (A) The Scheme shall terminate on the earlier of:
- (i) on the 10th anniversary date of the Adoption Date; and
 - (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant hereunder.
- (B) Upon termination,
- (i) all the Awarded Shares of the Selected Participants granted under the Scheme shall become vested on the Selected Participants so referable on such date of termination save in respect of the Total Lapse, subject to the receipt by the Trustee of the transfer documents prescribed by the Trustee and duly executed by the Selected Participant within the period stipulated by the Trustee;
 - (ii) Returned Shares and such non-cash income remaining in the trust fund shall be sold by the Trustee, within 28 Business Days (on which the trading of the Shares has not been suspended) of receiving notice of such termination of the Scheme (or such longer period as the Board may otherwise determine);
 - (iii) the Residual Cash for the Selected Participants, net proceeds of sale referred to in Paragraph 11(B)(ii) and such other funds remaining in the trust fund managed by the Trustee (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith. For the avoidance of doubt, the Trustee may not transfer any Shares to the Company nor may the Company otherwise hold any Shares whatsoever (other than its interest in the proceeds of sale of such Shares pursuant to Paragraph 11(B)(ii)).
- (C) For the avoidance of doubt, the temporary suspension of the granting of any Award shall not be construed as a decision to terminate the operation of the Scheme.

12. MISCELLANEOUS

- (A) The Scheme shall not form part of any contract of employment between the Company or any Subsidiary and any Employee, and the rights and obligations of any Employee under the terms of his office or employment shall not be affected by his participation in the Scheme or any right which he may have to participate in it and the Scheme shall afford such Employee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

- (B) The Company shall bear the costs of establishing and administering the Scheme, including, for the avoidance of doubt, costs arising from communication as referred to in Paragraph 12(C), expenses incurred in the purchase or subscription of Shares by the Trustee and stamp duty and normal registration fees in respect of the transfer of Shares to Selected Participants on the relevant Vesting Date. For the avoidance of doubt, the Company shall not be liable for any tax or expenses of such other nature payable on the part of any Employee or the Trustee in respect of any sale, purchase, subscription, vesting or transfer of Shares.
- (C) Any notice or other communication between the Company and any Employee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its head office and principal place of business in Hong Kong or such other address as notified to the Employee from time to time and in the case of an Employee, his address in Hong Kong as notified to the Company from time to time.
- (D) Any notice or other communication served by post shall be deemed to have been served 24 hours after the same was put in the post.
- (E) The Company, the Committee and the Trustee shall not be responsible for any failure by any Employee to obtain any consent or approval required for such Employee to participate in the Scheme as a Selected Participant or for any tax, duty, expenses, fees or any other liability to which he may become subject as a result of his participation in the Scheme.
- (F) Each and every provision hereof shall be treated as a separate provision and shall be severally enforceable as such and in the event of any provision or provisions being or becoming unenforceable in whole or in part. To the extent that any provision or provisions are unenforceable they shall be deemed to be deleted from these rules of the Scheme, and any such deletion shall not affect the enforceability of the rules of the Scheme as remain not so deleted.
- (G) The Company shall disclose details of the Award under the Scheme in its annual report.

13. GOVERNING LAW, ETC.

- (A) The Scheme shall operate subject to the Articles and any applicable law to which the Company is subject.
- (B) The Scheme is governed by and shall be construed in accordance with the laws of Hong Kong.

NOTICE OF AGM



NetDragon

NetDragon Websoft Holdings Limited
網龍網絡控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of NetDragon Websoft Holdings Limited (the “**Company**”) will be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 6 June 2024 at 3:00 p.m. for considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY BUSINESS

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 and the reports of the directors of the Company (the “**Directors**”) and independent auditor’s of the Company for the year ended 31 December 2023.
2. To approve the recommended final dividend for the year ended 31 December 2023.
3. To re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company and to authorise the board of Directors (the “**Board**”) to fix their remuneration.
4. To re-elect each of the retiring Directors of the Company as follows by way of a separate resolution:
 - A. To re-elect Liu Dejian as executive Director;
 - B. To re-elect Liu Luyuan as executive Director;
 - C. To re-elect Lee Kwan Hung, Eddie, who has served more than nine years since October 2007 as independent non-executive Director;
 - D. To authorise the Board to fix the remuneration of the Directors for the year ending 31 December 2024.

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SPECIAL BUSINESS

As special business, to consider and if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

5. A. **“THAT**

- (a) subject to paragraph (c) of this Resolution, pursuant to the Rules (the **“Listing Rules”**) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) the exercise by the Directors during the Relevant Period (as hereinafter defined) to allot, issue and deal with the new shares in the capital of the Company (including any sale or transfer of treasury shares of the Company out of treasury), and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of shares of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Right Issue (as hereinafter defined); or (ii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and its subsidiaries and/or other eligible persons of shares or rights to acquire shares of the Company; (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the articles of association of the Company; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares, shall not (aa) exceed 20% of the aggregate number of shares of the Company in issue (excluding any treasury shares of the Company) as at the date of this Resolution; and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of shares of the Company bought back by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate number of shares of the Company (excluding any treasury shares of the Company) in issue on the date of passing of Resolution no. 5B) and the said approval shall be limited accordingly;
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

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- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“**Right Issue**” means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).”

B. “THAT

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to buy back its own shares on the Stock Exchange, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, and all applicable law in this regard to be held be and is hereby generally and unconditionally approved and authorised;
- (b) the aggregate number of shares of the Company to be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate number of shares of the Company in issue (excluding any treasury shares of the Company) as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

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- C. “**THAT** conditional upon Resolutions 5A and 5B being passed, the aggregate number of shares of the Company which are bought back by the Company under the authority granted to the Directors as mentioned in Resolution 5B shall be added to the aggregate number of shares of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution 5A above.”
- D. “**THAT** the 2018 share option scheme of the Company adopted on 24 May 2018 (the “**2018 Share Option Scheme**”) be and is hereby terminated and shall cease to have with any further effect save and except that the 2018 Share Option Scheme will remain in force to the extent necessary to give effect to the exercise of the options granted thereunder prior to termination thereof.”
- E. “**THAT** subject to and conditional upon the passing of ordinary resolution D, the 2024 share option scheme of the Company as described in the circular of the Company dated 24 April 2024 (the “**2024 Share Option Scheme**”), a copy of which is included in the Appendix II to the circular, be approved and adopted and that the Directors be authorised to grant options thereunder and (subject to the Listing Committee of Stock Exchange granting approval of the listing of, and permission to deal in the shares of the Company to be allotted) to allot and issue shares of the Company (including any sale or transfer of treasury shares of the Company out of treasury) pursuant to the 2024 Share Option Scheme and take all such steps as may be necessary or desirable to implement the 2024 Share Option Scheme.”
- F. “**THAT** the 2008 share award scheme of the Company adopted on 2 September 2008 which was amended by a resolution passed on 31 August 2018 (the “**2008 Share Award Scheme**”) be and is hereby terminated and shall cease to have with any further effect save and except that the 2008 Share Award Scheme will remain in force to the extent necessary to give effect to the vesting of the awards granted thereunder prior to termination thereof.”
- G. “**THAT** subject to and conditional upon the passing of ordinary resolution F, the 2024 share award scheme of the Company as described in the circular of the Company dated 24 April 2024 (the “**2024 Share Award Scheme**”), a copy of which is included in the Appendix III to the circular, be approved and adopted and that the Directors be authorised to grant shares thereunder and (subject to the Listing Committee of Stock Exchange granting approval of the listing of, and permission to deal in the shares of the Company to be allotted) to allot and issue shares of the Company (including any sale or transfer of treasury shares of the Company out of treasury) pursuant to the 2024 Share Award Scheme and take all such steps as may be necessary or desirable to implement the 2024 Share Award Scheme.”
- H. “**THAT** subject to and conditional upon the passing of ordinary resolution E and resolution G, the Scheme Mandate Limit as defined in the circular (being 10% of the total number of Shares in issue as at the date of adoption of the New Share Schemes) be and is hereby approved and adopted and that any Director be and is hereby authorised to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as he/she may consider necessary, desirable or expedient to effect and implement the Scheme Mandate Limit.”

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- I. “**THAT** subject to and conditional upon the passing of ordinary resolution E and resolution G, the Service Provider Sublimit (as defined in the New Share Schemes) on the total number of Shares that may be issued in respect of all share options or share awards to be granted to Service Providers (as defined in the New Scheme) under the New Share Schemes or all other share option schemes or share award schemes of the Company (i.e. 1% of the shares of the Company in issue as at the date of passing of this resolution) be and is hereby approved and adopted and the Directors be and are hereby authorised to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as the Directors may consider necessary, desirable or expedient to effect and implement the Service Provider Sublimit.”

By order of the Board
NetDragon Websoft Holdings Limited
Liu Dejian
Chairman

Hong Kong, 24 April 2024

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As at the date of this notice, the executive Directors of the Company are Liu Dejian, Leung Lim Kin Simon, Liu Luyuan and Chen Hongzhan; the non-executive Director of the Company is Lin Dongliang; and the independent non-executive Directors of the Company are Li Sing Chung Matthias, Lee Kwan Hung, Eddie, and Liu Sai Keung, Thomas.

Notes:

- (1) A member of the Company entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company but must attend the annual general meeting to represent the member.
- (2) In order to be valid, the form of proxy must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the annual general meeting or any adjournment thereof.
- (3) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the annual general meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
- (5) Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
- (6) For determining the entitlement to attend and vote at the AGM, the Company's register of members will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which time no transfer of shares will be registered. In order to ensure that the shareholders are entitled to attend and vote at the AGM, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Friday, 31 May 2024 for registration of the relevant transfer.
- (7) The Board has recommended the payment of a final dividend of HKD0.40 per share for the year ended 31 December 2023 to shareholders whose names appear on the register of members of the Company on Friday, 14 June 2024 subject to the approval of the shareholders of the Company at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 14 June 2024 to Monday, 17 June 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 June 2024.
- (8) An explanatory statement containing the information necessary to enable the members to make an informed decision as to whether to vote for or against the ordinary resolution no. 5B as set out in this notice is enclosed.
- (9) Any voting of the annual general meeting shall be taken by poll.