
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This circular, for which the directors (the “Directors”) of NetDragon Websoft Inc. (the “Company”) collectively and individually accept full responsibility, including particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief, (i) the information contained in the circular are accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

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

If you have sold all your shares in the Company, you should at once hand this circular and accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

NetDragon Websoft Inc.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8288

PROPOSALS FOR GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES RE-ELECTION OF DIRECTORS CHANGE OF COMPANY NAME AND NOTICE OF ANNUAL GENERAL MEETING

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

A notice convening the annual general meeting of the Company to be held at Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 28 April 2008 at 3:00 p.m. is set out on pages 15 to 19 of this circular. Whether or not you intend to attend the annual general meeting, you are requested to complete and return the accompanying proxy form to the share registrar of the Company, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less 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 if you so wish.

3 April 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by The Stock Exchange of Hong Kong Limited. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be convened at Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 28 April 2008 at 3:00 p.m.;
“Associate”	has the meaning ascribed to this term under the GEM Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Company”	NetDragon Websoft Inc., a company incorporated in the Cayman Islands with limited liability with its securities listed on the GEM;
“Chairman”	chairman of the Board;
“Directors”	directors of the Company;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IDG Group”	IDG Technology Venture Investments, L.P., IDG Technology Venture Investments III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.;
“Issue Mandate”	the issue mandate proposed to be granted to the Directors at the AGM to allot, issue and otherwise deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the AGM plus the amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the Repurchase Mandate;
“Latest Practicable Date”	31 March 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;

DEFINITIONS

“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the AGM to repurchase up to 10% of the issued share capital of the Company as at the date of the AGM;
“PRC”	the People’s Republic of China;
“Shares”	the ordinary share(s) of US\$0.01 each in the capital of the Company;
“Shareholders”	the shareholders of the Company from time to time;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“US\$”	US dollars, the lawful currency of the USA.

LETTER FROM THE BOARD OF DIRECTORS

NetDragon Websoft Inc.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8288

Executive Directors:

Liu Dejian (*Chairman*)
Liu Luyuan
Zheng Hui
Chen Hongzhan

Registered office:

Scotia Centre
4th Floor, P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

Non-executive Directors:

Lin Dongliang
Zhu Xinkun

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

Unit 06, 3rd Floor
Beautiful Group Tower
77 Connaught Road Central
Hong Kong

Independent non-executive Directors:

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

3 April 2008

To the Shareholders

Dear Sir or Madam

**PROPOSALS FOR GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES
RE-ELECTION OF DIRECTORS
CHANGE OF COMPANY NAME
AND
NOTICE OF ANNUAL GENERAL MEETING**

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 Shares in the issued share capital of the Company as at the date of resolution, (ii) the granting to the Directors a general mandate to repurchase the Shares not exceeding 10% of the Shares in the issued share capital of the Company as at the date of resolution; (iii) the re-election of retiring Directors and (iv) the change of the name of the Company. This circular contains the explanatory statement in compliance with the GEM 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 page 15 to page 19 to this circular.

LETTER FROM THE BOARD OF DIRECTORS

GENERAL MANDATES

At the AGM, separate ordinary resolutions will be proposed to renew the general mandates to authorise the Directors (i) to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the resolution; (ii) to exercise all powers of the Company to repurchase issued and fully paid Shares on the GEM up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company 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 nominal amount of the share capital of the Company repurchased by the Company under the Repurchase Mandate.

As at the Latest Practicable Date, there were in issue an aggregate of 540,232,860 Shares. Subject to the passing of the proposed resolutions for the grant of the Issue Mandate and the Repurchase Mandate, and on the basis that no further Shares will be issued or repurchased prior to the date of the AGM, exercise in full of the Repurchase Mandate will result in up to 54,023,286 Shares being repurchased by the Company, and the Directors will be authorised to allot and issue under the Issue Mandate up to 108,046,572 Shares, and to the extent the Repurchase Mandate is exercised, plus the amount of Shares representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the Repurchase Mandate.

The Issue Mandate and the Repurchase Mandate shall continue in force during the period ending on the earliest of (a) the date of the next annual general meeting, (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.

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed Repurchase Mandate is set out in the Appendix 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 resolution to grant to the Directors the Repurchase Mandate.

RE-ELECTION OF DIRECTORS

As at the Latest Practicable Date, the executive Directors are Liu Dejian (Chairman), Liu Luyuan, Zheng Hui and Chen Hongzhan; the non-executive Directors are Lin Dongliang and Zhu Xinkun; and the independent non-executive Directors are Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas.

Pursuant to 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

LETTER FROM THE BOARD OF DIRECTORS

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.

Accordingly, Chen Hongzhan, Zhu Xinkun and Liu Sai Keung, Thomas, will retire as Directors in accordance with the articles of association of the Company. Zhu Xinkun has resigned from the group company of Happy Sunshine Limited, being the shareholder of the Company who appointed him to the Board. Chen Hongzhan and Liu Sai Keung, Thomas being eligible, offer themselves for re-election at the AGM.

Chen Hongzhan (陳宏展), aged 35, is an executive Director, Vice President and Chief Technology Officer of the Company. Mr. Chen worked as a game developer before joining the Group in 2001. The technical team led by Mr. Chen is responsible for the development procedure of our games and the technical supports to the production of our games. His technical supports and experience have raised the efficiency and quality of our game development department. He is an experienced online game developer with over 10 years of experience in the management of game development. He is mainly responsible for game development of our Company. Mr. Chen established his own online game studio from 1996 to 1998. Before joining us in 2001, Mr. Chen worked as the project manager in Chongqing Dazhong Software Company (重慶大眾軟件公司) from 1998 to 2000 and a director in the online game department in Beijing Beijibing Technology Development Company Limited (北京北極冰科技發展有限公司) from 2000 to 2001. Mr. Chen graduated with a Bachelor's degree in Mechanical-Electrical Integration from the Beijing University of Aeronautics and Astronautics (北京航天航空大學) in 1995. Mr. Chen entered into a service contract with the Company for an initial term of three years commenced from 15 October 2007 subject to termination in certain circumstances as stipulated therein. Pursuant to the service contract, Mr. Chen is entitled to a fixed remuneration of RMB499,200 per year, a discretionary bonus payment and is also entitled to out-of-pocket expenses reasonably incurred during his term of office. The determination of his emoluments is based on salaries paid by comparable companies, time commitment, his duties and responsibilities at the Company, the Company's performance and its remuneration policy. As at the Latest Practicable Date, Mr. Chen is interested in 99% of the issued share capital of Cristionna Holdings Limited, which in turn is interested in 13,000,000 Shares representing approximately 2.41% of the total issued share capital of the Company. Mr. Chen is deemed to be interested in 2.41% of the issued share capital of the Company through his shareholding in Cristionna Holdings Limited.

Liu Sai Keung, Thomas 廖世強, aged 35, has been appointed as an independent non-executive Director since 15 October 2007. Mr. Liu is the managing director of strategic investments of Group M China. Mr. Liu is also the chairman of our nomination committee, a member of our audit committee and remuneration committee. He graduated with a MBA degree from The Anderson School at the University of California, Los Angeles, and a Bachelor's degree in Business Administration and a Master's degree in Finance from The Chinese University of Hong Kong in 1995 and 1999, respectively. He worked in Swire Pacific Limited from 1995 to 1999 and left as the marketing manager of its motor division. Prior to joining Group M China in 2007, he served as a director in the Beijing office of Tom Online Limited, and a manager in the business development department of Tom Group Limited from 2003 to 2004. He has also served as an associate in the Investment Banking division of the New York office of Lehman Brothers Inc. and as a vice-president of Star Group China. Mr. Liu

LETTER FROM THE BOARD OF DIRECTORS

entered into a service contract with the Company for an initial term of three years commenced from 15 October 2007 subject to termination in certain circumstances as stipulated therein. Pursuant to the service contract, Mr. Liu is not entitled to any annual remuneration of but is entitled to out-of-pocket expenses reasonably incurred during his term of office, which is based on salaries paid by comparable companies, time commitment, his duties and responsibilities at the Company, the Company's performance and its remuneration policy.

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

- (a) each of Chen Hongzhan and Liu Sai Keung, Thomas is not connected with any Director, senior management, management Shareholders, substantial Shareholder or controlling Shareholder of the Company;
- (b) each of Chen Hongzhan and Liu Sai Keung, Thomas has no other interests in the Shares which are required to be disclosed under Part XV of the SFO;
- (c) each of Chen Hongzhan and Liu Sai Keung, Thomas does not hold any directorships in listed public companies 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 17.50(2) of the GEM 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.

CHANGE OF COMPANY NAME

The Board proposed that subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands being obtained, the name of the Company be changed in the following manner:

- (a) the name of the Company be changed from "NetDragon Websoft Inc." to "Net Dragon Websoft Inc."; and
- (b) immediately after the change of name in paragraph (a), the name of the Company be changed from "Net Dragon Websoft Inc." to "NetDragon Websoft Inc. 網龍網絡有限公司".

Currently the Company has only the English name of "NetDragon Websoft Inc.", and does not have a Chinese name. By means of the above arrangement, the Board wishes to achieve the effect of adopting a Chinese name "網龍網絡有限公司" without making change to the Company's existing English name "NetDragon Websoft Inc." under the applicable Cayman Islands laws. Such change the name of the Company is proposed in order to make the Company more visible amongst existing and

LETTER FROM THE BOARD OF DIRECTORS

potential customers, business partners and investors in Asia, particularly the PRC. The Group's distribution network cover in the PRC continues to expand and the use of the Chinese name will enable customers, business partners and investors to identify the Group and its businesses and build up the Company's own brand name in these regions.

The proposed change of name of the Company will not affect any of the rights of the Shareholders. Once the change of name becomes effective, new share certificates of the Company will be issued bearing the new name of the Company. However, all existing share certificates in issue bearing the existing name of the Company will, after the change of name has become effective, continue to be effective as documents of title of the shares of the Company and be valid for trading, settlement and registration purposes. There will not be any arrangements for exchange of existing share certificates of the Company for new share certificates bearing the new name of the Company.

In addition, the Board also proposed to adopt a Chinese stock short name for the purpose of trading on the Stock Exchange.

The proposed change of name of the Company will be subject to the following conditions:

- (a) the passing of a special resolution in relation to the change of name of the Company by the Shareholders at the AGM; and
- (b) the Registrar of Companies of the Cayman Islands approving the change of name of the Company.

The Company will file a special resolution authorising the change of name of the Company together with the relevant statutory form to the Registrar of Companies of the Cayman Islands and the Registrar of Companies in Hong Kong.

Further announcement will be made by the Company to inform the Shareholders of the effective date of the change of name of the Company and the adoption of Chinese stock short name of the Company.

GENERAL INFORMATION

The notice convening the AGM is set out on pages 15 to 19 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the AGM. The return of the proxy form will not preclude you from attending and voting in person if you so wish.

LETTER FROM THE BOARD OF DIRECTORS

PROCEDURES FOR DEMANDING A POLL

Pursuant to the article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the GEM Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the GEM Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five percent or more of the total voting rights at such meeting.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

RECOMMENDATION

The Directors consider that the proposals for general mandates to issue and repurchase Shares, re-election of Directors and change of the name of the Company are fair and reasonable 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 Inc.
Liu Dejian
Chairman

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

1. GEM LISTING RULES FOR REPURCHASES OF SHARES

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their fully-paid shares on GEM subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' approval

All proposed repurchase of securities on the Stock Exchange by a company with primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction.

(b) Share capital

Under the Repurchase Mandate, the number of Shares that the Company may repurchase shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the relevant resolutions. The Company's authority is restricted to purchases made on GEM in accordance with the GEM Listing Rules.

As at the Latest Practicable Date, there were in issue an aggregate of 540,232,860 Shares. Exercise in full of the Repurchase Mandate, on the basis that no further Shares would be issued or repurchased prior to the date of the AGM, would accordingly result in up to 54,023,286 Shares being repurchased by the Company.

(c) Reasons for repurchase

The Directors have no present intention to repurchase any Shares but consider that the Repurchase Mandate will provide the Company with the flexibility to make such repurchase as and when appropriate and is beneficial to the Company. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share. As compared with the position of the Company in its financial statements for the year ended 31 December 2007 (being the most recent published audited accounts), the Directors consider that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be made in full during the proposed repurchase period. However, the Directors will not propose to exercise the Repurchase 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.

(d) Funding of repurchases

Repurchase 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 repurchase its Shares. The Cayman Islands law provides that the amount of capital repaid in connection with a share repurchase 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 repurchased Shares will remain part of the authorised but unissued share capital.

(e) Connected persons

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

At the Latest Practicable Date, no connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

(f) Undertaking by Directors

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchase pursuant to the Repurchase Mandate and in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and any applicable laws of the Cayman Islands.

(g) Effect of takeovers code and minimum public float

If as a result of a repurchase 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 Rule 32 of the Hong Kong Code on Takeovers and Mergers ("**Code**"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the Shareholder's 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 Code.

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 share capital:

Name of Shareholder	Number of Shares held	Approximate percentage of existing shareholding	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full
Liu Dejian (<i>Note 1</i>)	278,959,040	51.64%	57.38%
Liu Luyuan (<i>Note 1</i>)	278,959,040	51.64%	57.38%
Zheng Hui (<i>Note 1</i>)	278,959,040	51.64%	57.38%
DJM Holding Ltd. (<i>Note 2</i>)	183,402,600	33.95%	37.72%
Fitter Property Inc. (<i>Note 3</i>)	35,498,720	6.57%	7.30%
Eagle World International Inc. (<i>Note 4</i>)	33,712,920	6.24%	6.93%
Flowson Company Limited (<i>Note 4</i>)	33,712,920	6.24%	6.93%
IDG Group (<i>Note 5</i>)	78,333,320	14.51%	16.12%

Notes:

1. Liu Dejian is interested in 95.4% of the issued share capital of DJM Holding Ltd., which in turn is interested in 33.95% of the issued share capital of the Company. Liu Luyuan is interested in 100% of the issued share capital of Richmedia Holdings Limited, which in turn is interested in 4.88% of the issued share capital of the Company.

Zheng Hui is interested in 4.6% and 100%, respectively, of the issued share capital of DJM Holding Ltd. and Fitter Property Inc., which in turn is interested in 33.95% and 6.57%, respectively, of the issued share capital of the Company. Zheng Hui owns the voting rights in respect of all the issued shares of Flowson Company Limited. Flowson Company Limited is interested in 100% of the issued share capital of Eagle World International Inc., which in turn is interested in 6.24% of the issued share capital of the Company.

Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who have agreed to act in concert to acquire interests in the shares in the Company. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 51.64% of the issued share capital of the Company through their direct and deemed shareholding in all of DJM Holding Ltd., Richmedia Holdings Limited, Fitter Property Inc. and Eagle World International Inc.

2. DJM Holding Ltd. is an investment holding company incorporated on 30 October 2003 in the BVI with limited liability and is owned as to approximately 95.4% and 4.6%, respectively, by each of Liu Dejian (brother of Liu Luyuan and Liu Ming) and Zheng Hui, both being executive Directors.
3. Fitter Property Inc. is an investment holding company incorporated on 13 April 2006 in the BVI with limited liability and is owned as to 100% by Zheng Hui, an executive Director.
4. Eagle World International Inc. is an investment holding company incorporated on 7 May 2007 in the BVI with limited liability and is owned as to 100% by Flowson Company Limited. Flowson Company Limited is deemed to be interested in 6.24% of the issued share capital of the Company through its shareholding in Eagle World International Inc.

5. The IDG Group is comprised of five limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG Technology Venture Investments III, L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 9.87%, 2.19%, 1.79%, 0.45% and 0.21%, 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 are 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 Patrick J. McGovern.
 - b) IDG Technology Venture Investments III, L.P. is controlled by its sole general partner, IDG Technology Venture Investments III, LLC, which in turn is controlled by its managing members, Zhou Quan and Patrick J. McGovern.
 - c) 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% by each of Zhou Quan and Patrick J. McGovern.
 - d) IDG-Accel China Investors is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100% by James W. Breyer.

In the event that the Directors shall exercise in full the Repurchase 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, Liu Luyuan and Zheng Hui, as parties acting in concert (the “**Concert Parties**”), are beneficially interested in 278,959,040 Shares, representing approximately 51.64% of the issued share capital of the Company. 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 Repurchase Mandate, the aggregate shareholding of the Concert Parties will be increased to approximately 57.38% of the issued share capital of the Company. Accordingly, a mandatory offer under Rule 26 of the Takeovers Code will not arise as a result of the exercise in full of the Repurchase Mandate.

Assuming that there is no issue of Shares in the Company between the Latest Practicable Date and the date of a repurchase, an exercise of the Repurchase 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 Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed minimum percentage.

2. SHARE PURCHASE MADE BY THE COMPANY

As at the Latest Practicable Date, the Company repurchased 15,975,000 shares on the Stock Exchange at an aggregate consideration of HK\$195,055,346.66 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. Details of the share repurchases are as follows:

Month of repurchases	Number of ordinary Shares repurchased	Highest price paid per Share <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate consideration paid <i>HK\$</i>
2007				
December	116,500	14.48	14.16	1,670,410.00
2008				
January	4,159,500	13.50	12.40	54,823,486.66
February	11,699,000	13.00	11.04	138,561,450.00
Total	15,975,000			195,055,346.66

The repurchased shares were cancelled on delivery of the share certificates during the year. 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 5 months immediately preceding the Latest Practicable Date since the Shares became listed on GEM on 2 November 2007.

3. SHARE PRICES

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous 5 months immediately preceding the Latest Practicable Date since the Shares became listed on GEM on 2 November 2007 were as follows:

Month	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2007		
November	19.00	12.10
December	16.74	13.40
2008		
January	17.40	12.16
February	13.80	11.00
March (up to the Latest Practicable Date)	12.28	7.91

NOTICE OF ANNUAL GENERAL MEETING

NetDragon Websoft Inc.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8288

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of NetDragon Websoft Inc. (the “**Company**”) will be held at Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 28 April 2008 at 3:00 p.m. for the following purposes:-

ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2007 and the reports of the directors and auditors of the Company for the year ended 31 December 2007.
2. To declare a dividend for the year ended 31 December 2007.
3. To appoint auditors and to authorise the board of directors of the Company (the “**Directors**”) to fix their remuneration.
4.
 - A. To re-elect Chen Hongzhan as Director;
 - B. To re-elect Liu Sai Keung, Thomas as Director;
 - C. To authorise the board of Directors to fix the remuneration of the Directors.

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, 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, 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;

NOTICE OF ANNUAL GENERAL MEETING

(c) the aggregate nominal amount of the share capital 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), (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 or (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, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution 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:

- (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 purchase its own shares on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange or of any other stock exchange, be and is hereby generally and unconditionally approved and authorised;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue 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.”

C. “THAT

conditional upon Resolutions A and B being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution A above.”

SPECIAL RESOLUTION

- 6. “**THAT** subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands being obtained, the name of the Company be and is hereby changed in the following manner:
 - (a) the name of the Company be changed from “NetDragon Websoft Inc.” to “Net Dragon Websoft Inc.”; and

NOTICE OF ANNUAL GENERAL MEETING

(b) immediately after the change of name in paragraph (a), the name of the Company be changed from “Net Dragon Websoft Inc.” to “NetDragon Websoft Inc. 網龍網絡有限公司”,

and any Director be and is hereby authorised to do all such acts and things and execute all documents he/she consider necessary or expedient to give effect to the aforesaid change of name of the Company.”

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

Hong Kong, 3 April 2008

As at the date of this notice, the executive directors of the Company are Liu Dejian, Liu Luyuan, Zheng Hui and Chen Hongzhan; the non-executive directors of the Company are Lin Dongliang and Zhu Xinkun; and the independent non-executive directors of the Company are Chao Guowei, Charles, Lee Kwan Hung and Liu Sai Keung, Thomas.

NOTICE OF ANNUAL GENERAL MEETING

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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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 meeting.
- (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) The register of members of the Company will be closed from 23 April 2008 to 28 April 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 April 2008.