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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 Inc., 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 Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

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

A notice convening the annual general meeting of NetDragon Websoft Inc. to be held at Conference Room 2, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 18 May 2012 at 3:00 p.m. is set out on pages 15 to 18 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.

5 April 2012

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Conference Room 2, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 18 May 2012 at 3:00 p.m. or any adjournment thereof (as the case may be), notice of which is set out on pages 15 to 18 of this circular;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Chairman”	chairman of the Board;
“Company”	NetDragon Websoft Inc., a company incorporated in the Cayman Islands with limited liability, the 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)”	Director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“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.;
“Issue Mandate”	a general and unconditional mandate 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 passing of such resolution 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”	30 March 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Repurchase Mandate”	a general and unconditional mandate 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 passing of such resolution;
“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;
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Repurchases;
“USD”	US dollars, the lawful currency of the United State of America;
“%”	per cent.

LETTER FROM THE BOARD OF DIRECTORS



NetDragon Websoft Inc.

網龍網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

Executive Directors:

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

Registered office:

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

Non-executive Director:

Lin Dongliang

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

Unit No. 2209
22nd Floor West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Independent non-executive Directors:

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

5 April 2012

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES
RE-ELECTION OF DIRECTORS
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 passing of such 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

LETTER FROM THE BOARD OF DIRECTORS

at the date of the passing of such resolution; and (iii) the re-election of retiring Directors. 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 page 15 to page 18 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 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 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 514,599,860 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 51,459,986 Shares being repurchased by the Company, and the Directors will be authorised to allot and issue under the Issue Mandate up to 102,919,972 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; 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.

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.

LETTER FROM THE BOARD OF DIRECTORS

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 Director is Lin Dongliang; 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 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, Liu Luyuan, Zheng Hui and Lee Kwan Hung will retire as Directors in accordance with the articles of association of the Company. Liu Luyuan, Zheng Hui and Lee Kwan Hung being eligible, offer themselves for re-election at the AGM.

Liu Luyuan, aged 38, is an executive Director, Chief Executive Officer, compliance officer and one of the authorized representatives of the Company. Mr. Liu has over 10 years of experience in management and administration of technical institutions. Mr. Liu is mainly responsible for the overall management of the Group. Mr. Liu established the project management department and introduced the game project management system to ensure the standard of our games are in compliance with the standards. Mr. Liu is also responsible for the coordination with the governmental departments, media and the other external parties, under which he has built up our good reputation over years. Prior to joining us in 1999, Mr. Liu was the technical engineer of the information technology system project in Fujian Tumour Hospital and the section officer of the mechanic management system project in Fujian Provincial Health Bureau from 1997 to 1999. He was awarded as Online Game Pioneer in China for (2007 年度中國遊戲產業新銳人物) in the Chinese Game Industry Annual Conference 2007 in January 2008. He was also awarded as Outstanding Contribution Entrepreneur of Fujian Province* (福建省突出貢獻企業家) and Certificate of Part-time Professor of Fujian Normal University* (福建師範大學兼職教授) in April 2010. He currently serves on a number of social and public services, namely a member of the Standing Committee of All-China Youth Federation (中華全國青年聯合會), the director of the Haixi Foundation for Youth Entrepreneurship (海西青年創業基金), the chairman of the Fujian Youth Entrepreneur Association (福建省青年企業家協會) and a member of Fujian CPPCC (福建省政協). Mr. Liu graduated with a Bachelor's degree in electronic and Mechanical Engineering from the University of Electronic Science and Technology in Chengdu in 1997. Mr. Liu is also a director of NetDragon Websoft Inc. ("NetDragon (BVI)"), a subsidiary of the Company. Mr. Liu is a brother of Liu Dejian and a cousin of Zheng Hui, both are executive Directors.

Mr. Liu entered into a service contract with the Company for an initial term of three years commenced from 24 June 2008 subject to termination in certain circumstances as stipulated therein. Pursuant to the service contract, Mr. Liu is entitled to an annual remuneration of approximately RMB487,000 per year. 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.

LETTER FROM THE BOARD OF DIRECTORS

As at the Latest Practicable Date, Mr. Liu was interested in 100.00% of the issued share capital of Richmedia Holdings Limited, which in turn was interested in 5.12% of the issued share capital of the Company. Mr. Liu is a brother of Liu Dejian and a cousin of Zheng Hui who have agreed to act in concert to acquire interests in the Shares. All of Liu Dejian, Liu Luyuan and Zheng Hui were deemed to be interested in 51.77% of the issued share capital of the Company through their direct and deemed shareholding in the DJM Holding Ltd., Richmedia Holdings Limited, Fitter Property Inc. and Eagle World International Inc.. In addition, as at the Latest Practicable Date, Mr. Liu also held 1,684,000 share options of the Company.

Zheng Hui, aged 43, is an executive Director. Mr. Zheng is responsible for the overall management and administration of the Group. Mr. Zheng manages our administrative department and provides supporting resources to our operation. Mr. Zheng also coordinates, supervises and manages the duties of our various departments. Mr. Zheng has more than 20 years of management and administration experience. He is one of the founding shareholders and has been appointed as the senior executive manager in Fujian NetDragon Websoft Co., Ltd. (“NetDragon (Fujian)”) since 1999. Mr. Zheng is also the legal representative and executive director of Shanghai Tiankun Digital Technology Ltd (“NetDragon (Shanghai)”) since 2004 and Fujian Tian Yu Education Technology Limited* (福建天漁教育科技有限公司) since 2010. Before founding NetDragon (Fujian) in 1999, Mr. Zheng worked in Beso Biological Research Centre, Inc and Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc. from 1992 to 1999. He obtained a graduation certificate from the Continuing Education Institute of Beijing Normal University in 2000. Zheng Hui is a cousin of Liu Dejian and Liu Luyuan, both are executive Directors.

Mr. Zheng entered into a service contract with the Company for an initial term of three years commencing from 24 June 2008 subject to termination in certain circumstances as stipulated therein. Pursuant to the service contract, Mr. Zheng is entitled to an annual remuneration of approximately RMB132,000 per year. 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. Zheng is interested in 4.60% and 100% of the issued share capital of DJM Holding Ltd. and Fitter Property Inc., respectively, which in turn is interested in 36.16% and 4.09% respectively, of the issued share capital of the Company. Mr. Zheng 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 6.40% of the issued share capital of the Company. Mr. Zheng is a cousin of both Liu Dejian and Liu Luyuan who have agreed to act in concert to acquire interests in the Shares. All of Liu Dejian, Liu Luyuan and Zheng Hui were deemed to be interested in 51.77% of the issued share capital of the Company through their direct and deemed shareholding in the DJM Holding Ltd., Richmedia Holdings Limited, Fitter Property Inc. and Eagle World International Inc.. In addition, as at the Latest Practicable Date, Mr. Zheng also held 284,000 share options of the Company.

LETTER FROM THE BOARD OF DIRECTORS

Lee Kwan Hung, aged 46, is an independent non-executive Director. Mr. Lee 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. He 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 and is a practising lawyer. Mr. Lee is currently an independent non-executive director of Far East Holdings International Limited, GZI REIT Asset Management Limited (being the manager of GZI Real Estate Investment Trust), Embry Holdings Limited, Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, New Universe International Group Limited and Walker Group Holdings Limited, the shares of these companies are listed on the Stock Exchange. Mr. Lee was also a non-executive director of Mirabell International Holdings Limited from February 2000 to December 2008 and GST Holding Limited from December 2004 to December 2009, which listing of their shares on the main board of the Stock Exchange have been withdrawn on 22 September 2008 and 18 December 2009, respectively.

Mr. Lee entered into an appointment letter with the Company for an initial term of three years commencing from 24 June 2008 subject to termination in certain circumstances as stipulated therein. Pursuant to the appointment letter, Mr. Lee is entitled to an annual remuneration of approximately RMB303,000. 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. Lee was interested in 597,019 Shares representing approximately 0.12% of the total issued share capital of the Company, including 400,000 share options of 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 Liu Luyuan, Zheng Hui and Lee Kwan Hung is not connected with any Director, senior management, management Shareholder, substantial Shareholder or controlling Shareholder of the Company;
- (b) each of Liu Luyuan, Zheng Hui and Lee Kwan Hung has no other interests in the Shares which are required to be disclosed under Part XV of the SFO;
- (c) each of Liu Luyuan, Zheng Hui and Lee Kwan Hung 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 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 OF DIRECTORS

GENERAL INFORMATION

The notice convening the AGM is set out on pages 15 to 18 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.

VOTING AT THE ANNUAL GENERAL MEETING

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.

RECOMMENDATION

The Directors consider that the proposals for general mandates to issue and repurchase Shares and re-election of Directors 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 Listing Rules, to provide requisite information of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued and fully-paid share capital of the Company was 514,599,860 Shares of USD0.01 each.

Subject to the passing of the ordinary resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 51,459,986 Shares, being 10% of the entire issued capital of the Company.

2. 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 consolidated financial statements for the year ended 31 December 2011 (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.

3. 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.

4. 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 Listing Rules, the memorandum and articles of association of the Company and any applicable laws of the Cayman Islands.

None of the Directors, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, nor 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 in the event that the Repurchase Mandate is approved by the Shareholders.

At the Latest Practicable Date, no 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 Repurchase Mandate is approved by the Shareholders.

**5. EFFECT OF THE CODES ON TAKEOVERS AND MERGERS AND SHARE
REPURCHASE 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 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 share capital:

Name of Shareholder	Number of Shares and underlying 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>)	268,311,520	52.14%	57.93%
Liu Luyuan (<i>Note 1</i>)	268,111,520	52.10%	57.89%
Zheng Hui (<i>Note 1</i>)	266,711,520	51.83%	57.59%
DJM Holding Ltd.	186,078,100	36.16%	40.18%
Richmedia Holdings Ltd.	26,344,800	5.12%	5.69%
Eagle World International Inc. (<i>Note 2</i>)	32,952,920	6.40%	7.12%
Flowson Company Limited (<i>Note 2</i>)	32,952,920	6.40%	7.12%
IDG Group (<i>Note 3</i>)	78,333,320	15.22%	16.91%
Edmond de Rothschild Asset Management Hong Kong Limited (<i>Note 4</i>)	30,888,000	6.00%	6.67%
Edmond de Rothschild Asset Management (<i>Note 4</i>)	30,888,000	6.00%	6.67%

Notes:

1. Liu Dejian is interested in 95.40% of the issued share capital of DJM Holding Ltd., which in turn is interested in 36.16% of the issued share capital of the Company.

Liu Luyuan is interested in 100.00% of the issued share capital of Richmedia Holdings Limited, which in turn is interested in 5.12% of the issued share capital of the Company.

Zheng Hui is interested in 4.60% and 100.00%, respectively, of the issued share capital of DJM Holding Ltd. and Fitter Property Inc., which in turn is interested in 36.16% and 4.09%, 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 6.40% 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 51.77% 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. On 7 December 2009, 1,600,000 and 1,400,000 share options of the Company were granted to Liu Dejian and Liu Luyuan respectively, under the Company's share option scheme. On 22 July 2011, the Company granted 284,000 share options to each of Liu Dejian, Liu Luyuan and Zheng Hui.

2. 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 100.00% by Flowson Company Limited. Flowson Company Limited is deemed to be interested in 6.40% of the issued share capital of the Company through its shareholding in Eagle World International Inc.
3. 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 2.11%, 10.11%, 2.06%, and 0.94%, 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-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 Patrick J. McGovern.
 - 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 James W. Breyer.
4. Edmond de Rothschild Asset Management (“EdRAM”), is an asset management company, registered with the Autorité des marchés financiers in France. Edmond de Rothschild Asset Management Hong Kong Limited (“EdRAM HK”) is 100% owned by EdRAM and is approved by the Securities and Futures Commission of Hong Kong. EdRAM HK is a delegated investment manager of funds (focusing on Chinese and Asia ex-Japan markets) managed by EdRAM. EdRAM is deemed to be interested in 6.00% of the issued share capital of the Company through its shareholding in EdRAM HK.

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 266,427,520 Shares, representing approximately 51.77% 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 57.53% 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.

6. SHARE PURCHASE MADE BY THE COMPANY

During the six months preceding the Latest Practicable Date, the Company repurchased 12,099,500 Shares on the Stock Exchange at an aggregate consideration of HK\$46,739,380 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:

Date of repurchases	Number of ordinary Shares repurchased	Highest price paid per Share	Lowest price paid per Share	Aggregate consideration paid
26 Sep 2011	251,000	3.30	3.29	827,735
27 Sep 2011	371,500	3.45	3.44	1,280,705
30 Sep 2011	1,124,000	3.85	3.45	4,210,905
3 Oct 2011	2,547,000	3.90	3.78	9,866,765
4 Oct 2011	1,200,000	3.90	3.82	4,649,140
6 Oct 2011	1,171,500	3.90	3.66	4,472,005
7 Oct 2011	1,534,500	4.00	3.89	6,079,070
11 Oct 2011	1,012,000	3.90	3.85	3,928,370
12 Oct 2011	992,500	3.95	3.84	3,867,800
13 Oct 2011	468,500	4.00	3.95	1,863,730
14 Oct 2011	730,000	4.00	3.99	2,919,575
18 Oct 2011	275,000	4.00	3.95	1,096,300
21 Oct 2011	156,000	3.99	3.89	618,025
25 Oct 2011	266,000	4.00	3.94	1,059,255

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 six 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>
2011		
March	4.30	3.47
April	5.05	3.70
May	5.52	4.65
June	4.99	4.16
July	4.89	4.36
August	4.65	3.50
September	4.19	3.01
October	4.23	3.31
November	5.00	3.79
December	4.86	4.10
2012		
January	5.00	4.07
February	5.12	4.28
March (up to the Latest Practicable Date)	5.50	4.46

NOTICE OF ANNUAL GENERAL MEETING



NetDragon Websoft Inc.

網龍網絡有限公司

(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 Inc. (the “Company”) will be held at Conference Room 2, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 18 May 2012 at 3:00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011 and the reports of the directors of the Company (the “Directors”) and independent auditor’s of the Company for the year ended 31 December 2011.
2. To declare a final dividend for the year ended 31 December 2011.
3. To re-appoint Messrs. Deloitte Touche Tohmatsu as auditor and to authorise the board of Directors (the “Board”) to fix their remuneration.
4.
 - A. To re-elect Liu Luyuan as Director;
 - B. To re-elect Zheng Hui as Director;
 - C. To re-elect Lee Kwan Hung as Director;
 - D. To authorise the Board to fix the remuneration of the Directors.

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, 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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 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); 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; 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).”

NOTICE OF ANNUAL GENERAL MEETING

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

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

Hong Kong, 5 April 2012

NOTICE OF ANNUAL GENERAL MEETING

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 Director of the Company is Lin Dongliang; and the independent non-executive Directors of the Company are Chao Guowei, Charles, Lee Kwan Hung 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 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) For determining the entitlement to attend and vote at the AGM, the Company's register of members will be closed from Tuesday, 15 May 2012 to Friday, 18 May 2012, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 14 May 2012 for registration of the relevant transfer.
- (7) The Board has recommended the payment of a final dividend of HKD0.12 per share for the year ended 31 December 2011 to shareholders whose names appear on the register of members of the Company on Thursday, 31 May 2012 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 Tuesday, 29 May 2012 to Thursday, 31 May 2012, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 May 2012.