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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 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,
(3) ADOPTION OF NEW SHARE OPTION SCHEME,
(4) FINAL DIVIDEND
AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Plaza Meeting Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 24 May 2018 at 3:00 p.m. is set out on pages 26 to 30 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 Level 22, Hopewell Centre, 183 Queen’s Road East, 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.

20 April 2018

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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 Plaza Meeting Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 24 May 2018 at 3:00 p.m. or any adjournment thereof (as the case may be), notice of which is set out on pages 26 to 30 of this circular;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“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 share capital of the Company as at the date of the passing of such resolution;
“BVI”	the British Virgin Islands;
“Chairman”	chairman of the Board;
“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;
“Existing Share Option Scheme”	the share option scheme of the Company adopted by resolution of the Shareholders on 12 June 2008 and as amended by a resolution of the Shareholders passed on 27 September 2013;
“Final Dividend”	the proposed final dividend of HKD0.10 per Share for the year ended 31 December 2017 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;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“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”	the proposed 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 bought back by the Company under the Buy-back Mandate;
“Latest Practicable Date”	16 April 2018, 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 Option Scheme”	the share option scheme of the Company proposed to be adopted by the Shareholders at the Annual General Meeting;
“Record Date”	30 May 2018, being the record date for determining entitlements of the Shareholders to the Final Dividend;
“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 Buy-backs;
“USD”	US dollars, the lawful currency of the United State of America;
“%”	per cent.

LETTER FROM THE BOARD



ND

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
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:*

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

Independent non-executive Directors:

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

20 April 2018

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSALS FOR GENERAL MANDATES
TO ISSUE AND BUY BACK SHARES,
(2) RE-ELECTION OF RETIRING DIRECTORS,
(3) ADOPTION OF NEW SHARE OPTION SCHEME,
(4) FINAL DIVIDEND
AND
(5) 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

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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 buy back the Shares not exceeding 10% of the Shares in the issued share capital of the Company as at the date of the passing of such resolution; (iii) the proposed adoption of New Share Option Scheme; (iv) the re-election of retiring Directors; and (v) the distribution of Final Dividend. 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 26 to page 30 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 buy back 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 bought back by the Company under the Buy-back Mandate.

As at the Latest Practicable Date, there were in issue an aggregate of 533,334,391 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 53,333,439 Shares being bought back by the Company, and the Directors will be authorised to allot and issue under the Issue Mandate up to 106,666,878 Shares, and to the extent the Buy-back Mandate is exercised, plus the amount of Shares representing the aggregate nominal amount of the share capital of the Company 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.

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed Buy-back 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 relevant proposed resolution to grant to the Directors the Buy-back Mandate.

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

As at the Latest Practicable Date, the executive Directors are Liu Dejian (Chairman), Leung Lim Kin, Simon (Vice 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 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 Luyuan (“**Mr. Liu**”), Zheng Hui (“**Mr. Zheng**”) and Lee Kwan Hung (“**Mr. Lee**”) will retire as Directors in accordance with the articles of association of the Company. Mr. Liu, Mr. Zheng and Mr. Lee, being eligible, offer themselves for re-election at the AGM. Brief biographical and other details of Mr. Liu, Mr. Zheng and Mr. Lee, who are proposed to be re-elected at the Annual General Meeting, are set out as follows:

Liu Luyuan, aged 44, is the Executive Director of the Company, he also serves as CEO of TQ Digital and director of NetDragon (BVI). Mr. Liu currently shoulders a number of social services, such as acting as a member of the CPPCC Fujian Provincial Committee, a standing committee member of the All-China Youth Federation, the director general of the West Taiwan Strait Youth Entrepreneurs Foundation, 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. As an outstanding representative of the new social community taking part in the construction of the Fujian West-strait Economic Zone. Mr. Liu has engaged in the operation and management of software enterprises and technology development since his graduation from Chengdu Electronic Technology University in 1997. He has decades of experience in the management and administration of technical institutions. Mr. 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. As the Company’s spokesman, he is also responsible for coordination with governmental departments, media, and other external parties, under which he has built up the Company’s public reputation. 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. This foundation, with up to RMB2 million in donations each year, offers enterprise training, interest free loans and many other public services to support the game industry and youth business. Mr. Liu was awarded the “May 4th Youth Medal”, and the titles of “Brilliant Entrepreneur”, “Outstanding Young Person”, “Excellent Talent”, and “Fujian Entrepreneur with Outstanding Contributions”. Since 2013, Mr. Liu has won many honors, such as “Outstanding Contributions in

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Fujian Economic Construction”, “2012 Outstanding Entrepreneur in the 9th China Game Industry Annual Meeting”, and “Fujian Outstanding Entrepreneur”. Mr. 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. Liu is a brother of Liu Dejian, and cousin of Zheng Hui.

Mr. Liu 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. Liu is entitled to an annual remuneration of approximately RMB723,000 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.

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 in the Company. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 47.97% of the issued voting shares of the Company 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, Fitter Property Inc. and Eagle World International Inc. and their respective shares held as beneficial owner in each of their personal capacities. As at the Latest Practicable Date, Mr. Liu is interested in 5.29% of the issued voting shares of the Company which is represented by interest held as a beneficiary of certain trust holding in aggregate 26,541,819 shares, and the rest being underlying shares of interest of 1,684,000 share options granted by the Company.

Zheng Hui, aged 49, is an Executive Director of the Company and 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 of NetDragon (Fujian) since 1999. Mr. Zheng is the legal representative and director of Fujian TQ Digital Inc. (福建天晴數碼有限公司), Fujian Province Huayu Education Technology Limited* (福建省華漁教育科技有限公司) and Fujian Tianquan Education Technology Limited* (福建天泉教育科技有限公司). At the same time, he is the Deputy to the Fujian Provincial People’s Congress* (福建省人大代表) and the Chairman of Fujian Cultural Enterprises Association* (福建省文化企業協會會長), Vice Chairman of the Provincial Confidential Association* (省保密協會副會長), Vice Chairman of the Provincial Technology Market Association* (省技術市場協會副會長), the Committee of the Provincial Youth Federation *(省青年聯合會委員), the Secretary-General of Trade Development Association of Fuzhou City* (福州市服務貿易發展促進協會秘書長), Honorary Chairman of the Gulou District Youth Federation* (鼓樓區青年聯合會名譽主席) and has taken on other positions. Before founding NetDragon (Fujian) in 1999, Mr. Zheng worked in Beso and Fuzhou 851 from 1992 to 1999. He obtained a graduation certificate from the Continuing Education Institute of Beijing Normal University in 2000. Mr. Zheng is the cousin of Liu Dejian and Liu Luyuan.

* For identification purpose only

LETTER FROM THE BOARD

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 RMB301,000 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 100.00% of the issued share capital of Fitter Property Inc., which in turn is interested in 3.57% of the issued voting shares of the Company. Zheng Hui is interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn is interested in 2.61% of the issued voting shares of the Company. Mr. Zheng is also interested in 0.28% of the issued shares of the Company which is represented by beneficial interest of 1,497,000 shares. 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 in the Company. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 47.97% of the issued voting shares of the Company 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, Fitter Property Inc. and Eagle World International Inc. and their respective shares held as beneficial owner in each of their personal capacities. As at the Latest Practicable Date, Mr. Zheng had a personal interest in 1,497,000 shares, a family interest in 221,384,938 shares and a corporate interest in 32,940,519 shares.

Lee Kwan Hung, aged 52, 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 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 Bowers, a law firm in Hong Kong, as a consultant in 2014. Mr. Lee is currently an independent non-executive director of Embry Holdings Limited, Asia Cassava Resources Holdings Limited, Newton Resources Ltd, Tenfu (Cayman) Holdings Co. Ltd, Landsea Green Group Co., Ltd. (formerly known as "Landsea Green Properties Co., Ltd."), China BlueChemical Limited, Red Star Macalline Group Corporation Ltd., FSE Engineering Holdings Limited, Ten Pao Group Holdings Limited and China Goldjoy Group Limited, the shares of which are listed on the Stock Exchange. Mr. Lee was also an independent non-executive director of (1) Vestate Group Holdings Limited (formerly known as "Walker Group Holdings Ltd.") between February 2011 and March 2016 and (2) Futong Technology Development Holdings Limited between November 2009 and November 2017. Save as disclosed, in the three years preceding the Latest Practicable Date, Mr. Lee did not hold any directorship in other listed public companies or any major appointments.

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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 RMB528,000. 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 is interested in 0.21% of the issued voting shares of the Company which is represented by personal interest of 694,519 shares and the rest being underlying shares of interest of 418,000 share options granted by the Company.

Mr. Lee has served as an independent non-executive Director of the Company for more than nine years since 2008. Pursuant to Code Provision A4.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the re-election of Mr. Lee will be subject to a separate resolution to be approved by the Shareholders at the AGM.

Mr. Lee's independence has been reviewed by the Nomination Committee and he also confirmed that he has satisfied all factors as set out in Rule 3.13 of the Listing Rules to the Company. The Board believes that Mr. Lee's in-depth knowledge of the Group's business and his extensive experience and expertise will provide invaluable contribution to the Board. The Board considers that Mr. Lee's long service will not affect his exercise of independent judgement and is satisfied that Mr. Lee has the required integrity and experience to continue fulfilling the role of an independent non-executive Director.

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 Mr. Liu, Mr. Zheng and Mr. Lee is not connected with any Director, senior management, management Shareholder, substantial Shareholder or controlling Shareholder of the Company;
- (b) each of Mr. Liu, Mr. Zheng 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 Mr. Liu, Mr. Zheng 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

ADOPTION OF NEW SHARE OPTION SCHEME

As the Existing Share Option Scheme will expire on 12 June 2018, the Board proposes to adopt the New Share Option Scheme to enable the Company to grant Options to eligible participants to incentivize or reward them for their contribution to the Group. An ordinary resolution will be proposed at the Annual General Meeting for approving the adoption of the New Share Option Scheme with effect from the close of business or the day on which such resolution is passed by the Shareholders. A summary of the principal terms of the New Share Option Scheme is set out in Appendix II to this circular. A copy of the rules of the New Share Option Scheme will be available for inspection at (i) the Company's principal place of business in Hong Kong at Units 2001-05 & 11, 20th Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong during normal business hours from the date of this circular up to and including the date of the Annual General Meeting; and (ii) at the venue of the Annual General Meeting on the date of the Annual General Meeting.

Under the rules of the New Share Option Scheme, the Board may offer to grant option(s) to subscribe for such number of Shares to any eligible participant as the Board may from time to time in its discretion determine on a case by case basis. The Company believes that the authority given to the Board to select the appropriate participants and to specify the terms and conditions in respect of any Options that may be granted, including but not limited to the minimum holding period, performance targets and/or subscription price for such Options, will serve to protect the value of the Company as well as achieve the purposes of retaining and motivating the participants to contribute to the development and growth of the Group for the benefit of the Shareholders. Accordingly, the Directors consider that it is in the interest of the Company to adopt the New Share Option Scheme.

The New Share Option Scheme will be administered by the Board. None of the Directors is a trustee of the New Share Option Scheme or has a direct or indirect interest in such trustee (if any). With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

As at the Latest Practicable Date, a total of 25,561,658 Options granted under the Existing Share Option Scheme were outstanding. Save for the outstanding Option as disclosed above, as at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities which entitle the holders to subscribe for Shares.

Taking into account that 533,334,391 Shares were in issue as at the Latest Practicable Date and assuming that there would be no change in the issued share capital of the Latest Practicable Date up to and including the Adoption Date, a total of 53,333,439 Share will be issuable pursuant to Options that may be granted under the New Share Option Scheme, if adopted, and the Existing Share Option Scheme and any other share options schemes of the Company, representing 10% of the total number of Shares that will be in issue as at the Adoption Date.

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If all the existing outstanding Options were exercised in full and Shares in respect of such Options were issued prior to the Adoption Date, assuming that there is no further change to the issued share capital of the Company from the Latest Practicable Date up to the Adoption Date, the total number of Shares in issue as at the Adoption Date, will be 558,896,049 Shares. In this case, a total of 55,889,604 Shares, representing 10% of the total number of Shares that will be in issue as at the Adoption Date, will be issuable pursuant to Options that may be granted under the New Share Option Scheme, if adopted, and the Existing Share Option Scheme and any other share option schemes of the Company.

Subject to the adoption of the New Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme, the Existing Share Option Scheme and any other schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to refresh the 10% limit, provided that, inter alia, the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme, the Existing Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time.

Value of the Options

The Directors consider it inappropriate to disclose the value of options which may be granted under the New Share Option Scheme as if they had granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain price model or other methodology, which depends on various assumptions including, exercise price, exercise period, interest rate, expected volatility and other variables. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (A) the passing of an ordinary resolution to approve and adopt the New Share Option Scheme by the Shareholders in the Annual General Meeting; and
- (B) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options in accordance with the terms of the New Share Options Scheme.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options that may be granted under the New Share Option Scheme.

LETTER FROM THE BOARD

FINAL DIVIDEND

As stated in the announcement issued by the Company dated 22 March 2018 relating to the annual results of the Group for the year ended 31 December 2017, the Board recommends the payment of the Final Dividend of HKD0.10 per Share for the year ended 31 December 2017 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.

Closure of Register

The Register will be closed from Wednesday, 30 May 2018 to Thursday, 31 May 2018 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29 May 2018.

Shareholders whose names appear on the register of members of the Company on the Record Date, i.e. Wednesday, 30 May 2018 will be entitled to the Final Dividend.

LETTER FROM THE BOARD

The expected timetable for the Final Dividend is as follows:

Events	Date
AGM	Thursday, 24 May 2018
Final dividend ex-entitlement date	Monday, 28 May 2018
Record Date for Final Dividend	Wednesday, 30 May 2018
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 Tuesday, 29 May 2018 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration)
Closure of the register of members (to qualify for receiving the Final Dividend)	Wednesday, 30 May 2018 to Thursday, 31 May 2018
Upon the Shareholders' approval of the payment of the Final Dividend at the AGM, the expected payment date of the Final Dividend	Wednesday, 20 June 2018

GENERAL INFORMATION

The notice convening the AGM is set out on pages 26 to 30 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed 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 Friday, 18 May 2018 to Thursday, 24 May 2018, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 17 May 2018 for registration of the relevant transfer.

LETTER FROM THE BOARD

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 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.

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 proposed declaration of Final Dividend 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 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 533,334,391 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 53,333,439 Shares, being 10% of the entire issued capital of the Company.

2. REASONS FOR BUY BACK

The Directors have no present intention to buy back any Shares but consider that the Buy-back Mandate will provide the Company with the flexibility to make such buy-back as and when appropriate and is beneficial to the Company. Such buy-backs 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. 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. 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 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.

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 (as defined in the Listing Rules) 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 (as defined in the Listing Rules) 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.

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 share capital:

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>)	255,822,457	47.97%	53.30%
Liu Luyuan (<i>Note 1</i>)	255,822,457	47.97%	53.30%
Zheng Hui (<i>Note 1</i>)	255,822,457	47.97%	53.30%
DJM Holding Ltd.	191,078,100	35.83%	39.81%
IDG Group (<i>Note 2</i>)	78,333,320	14.69%	16.32%
Ho Chi Sing	78,333,320	14.69%	16.32%
Zhou Quan	73,490,095	13.78%	15.31%
First Elite Group Limited (<i>Note 3</i>)	26,541,819	4.98%	5.53%
Jardine PTC Limited (<i>Note 3</i>)	26,541,819	4.98%	5.53%

Notes:

1. Liu Dejian is interested in 100.00% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 35.76% of the issued voting shares of the Company. Liu Dejian is also interested in 0.39% of the issued voting shares of the Company 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 5.28% of the issued voting shares of the Company which is represented by interest held as a beneficiary of certain trust holding in aggregate 26,541,819 shares, and the rest being underlying shares of interest of 1,684,000 share options granted by the Company.

Zheng Hui is interested in 100.00% of the issued share capital of Fitter Property Inc., which in turn is interested in 3.56% of the issued voting shares of the Company. Zheng Hui is interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn is interested in 2.61% of the issued voting shares of the Company. Zheng Hui is also interested in 0.28% of the issued shares of the Company which is represented by beneficial interest of 1,497,000 shares.

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 47.97% of the issued voting shares of the Company 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, Fitter Property Inc., Eagle World International Inc. 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 2.04%, 9.75%, 1.99% and 0.91% 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. First Elite Group Limited is interested in 197,019 shares directly held by it and 26,344,800 shares held by Richmedia Holdings Limited, a company wholly-owned by First Elite Group Limited. First Elite Group Limited is in turn controlled by Jardine PTC Limited, which held relevant interest in trust for Liu Luyuan.

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, Liu Luyuan and Zheng Hui, as parties acting in concert (the “**Concert Parties**”), are beneficially interested in 255,822,457 Shares, representing approximately 47.97% 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 Buy-back Mandate, the aggregate shareholding of the Concert Parties will be increased to approximately 53.30% 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 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 such prescribed minimum percentage.

6. SHARE BUY-BACK MADE BY THE COMPANY

During the twelve months preceding the Latest Practicable Date, the Company bought back 3,210,500 Shares on the Stock Exchange at an aggregate consideration of HKD65,986,420 before expenses. The Shares bought back were effected by the Directors for the enhancement of shareholder value in the long term. Details of the Share so bought back are as follows:

Month of shares bought back	Number of ordinary Shares bought back	Highest price paid per Share <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate consideration paid <i>HK\$</i>
January 2017	729,000	22.80	21.35	16,168,975
December 2017	2,455,500	21.50	19.88	49,249,345
January 2018	26,000	21.85	21.85	568,100

The Shares so bought back 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 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>
2017		
March	26.15	21.45
April	23.85	21.55
May	23.10	19.72
June	22.25	19.80
July	22.75	19.70
August	29.25	20.10
September	34.35	25.30
October	29.00	24.80
November	27.60	22.65
December	26.05	19.84
2018		
January	23.15	20.40
February	21.50	17.76
March	23.45	18.40
April (up to the Latest Practicable Date)	19.36	18.30

This appendix summaries the principal terms of the New Share Option Scheme and does not form, nor is intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme.

NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved and adopted by ordinary resolution of the Shareholders at the Annual General Meeting.

1. PURPOSE OF THE SCHEME

The purpose of the New Share Option Scheme is to enable the Company to grant options to the Eligible Participants (as defined in paragraph 2 below) as incentives and/or rewards for their contribution to the Group.

2. WHO MAY JOIN

The Board may, at its discretion, offer participants (being senior management employee (including without limitation the directors, executives, officers and manager-grade employees, whether full time or part time) of the Group, consultants to and employed by the Group and any person who contributes to the operation and development of the Group, as from time to time determined by the Board) (“**Eligible Participants**”) options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below.

3. MAXIMUM NUMBER OF SHARES

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total issued Shares. Options lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) refresh this limit at any time up to 10% of the Shares in issue as at the date of the approval of the limit as refreshed by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or

- (b) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose and such other information as required under the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

4. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

5. SUBSCRIPTION PRICE OF SHARES AND CONSIDERATION FOR THE OPTION

The subscription price for a Share in respect of any particular option granted under the New Share Option Scheme (subject to adjustments referred to in paragraph 19) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (i) the closing price of the Shares as stated in the Main Board's daily quotations sheet on the date of offer to grant option; (ii) the average of the closing price of the Shares as stated in the Main Board's daily quotations sheet for the 5 business days immediately preceding the date of offer to grant option; and (iii) the nominal value of a Share.

Upon acceptance of the option, the grantee thereof shall pay HKD1.00 to the Company by way of consideration for the grant, which shall be received by the Company within such time as may be specified in the offer of grant of the option, being no later than 28 days from the offer date.

6. GRANT OF OPTION TO CONNECTED PERSONS

Any grant of options to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Eligible Participant).

If the Board proposes to grant options to a substantial Shareholder or an independent non-executive Director of the Company or any of their respective associates which will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person under this Scheme and the other schemes in the 12-month period up to and including the date of the offer of such grant:

- (a) representing in aggregate over 0.1%, or such other percentage as may from time to time be specified in the Listing Rules, of the Shares in issue on the date of the offer; and
- (b) having an aggregate value in excess of HKD5 million, based on the closing price of the Shares as stated in the daily quotation sheets of the Main Board on the Offer Date, or such other amount as may from time to time be specified in the Listing Rules.

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, in favour at the general meeting such other requirements prescribed under the Listing Rules from time to time.

7. RIGHTS ARE PERSONAL TO GRANTEE

The option is personal to the grantee and the grantee may not 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.

8. TIME OF ACCEPTANCE AND EXERCISE OF OPTION

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date 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 is received by the Company, such date must be on or before the 28th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the New Share Option Scheme. Subject to earlier termination by the Company in general meeting, the New Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the New Share Option Scheme by Shareholders by resolution at a general meeting.

9. PERFORMANCE TARGETS

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the New Share Option Scheme can be exercised.

10. RANKING OF SHARES

The Shares to be allotted upon the exercise of an option will 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 and issued upon the exercise of an option shall be subject to all the provisions of the constitutional documents of the Company 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 liquidation of the Company and rights in respect of any dividend or other distribution paid or made on or after the relevant date of issue.

11. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

For so long as the Shares are listed on the Main Board, an offer to grant option may not be made after a price-sensitive event has occurred or a price-sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be offered to be granted during the period commencing 1 month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish its interim or results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) ending on the date of actual publication of the results announcement.

12. RIGHTS ON CEASING EMPLOYMENT

If the grantee of an option ceases to be an Eligible Participant for any reason other than death, ill-health, injury, disability or termination of his employment or for serious misconduct or other grounds referred to in subparagraphs 13 or 14 below before the vesting and/or exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation, which date shall be the last day on which the grantee was actually at work with the Group whether salary is paid in lieu of notice or not.

13. RIGHTS ON DEATH, ILL-HEALTH, DISABILITY OR RETIREMENT

If the grantee of an option ceases to be an Eligible Participant by reason of death, ill-health, injury or disability, the grantee, or, as appropriate, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months following the date of cessation or death.

14. RIGHTS ON DISMISSAL

If the grantee of an option ceases to be an Eligible Participant by reason of termination of his employment on the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option (to the extent not already vested and/or exercised) will lapse automatically and will not in any event be exercisable on the date of cessation.

15. RIGHTS ON GENERAL OFFER

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.

16. RIGHTS ON COMPROMISE OR ARRANGEMENT

If a general offer by way of scheme of arrangement is made to all the holders of Shares with the New Share Option 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.

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.

17. RIGHTS ON WINDING-UP

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.

18. LAPSE OF OPTION

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the period referred to in paragraph 8;
- (b) the expiry of the periods or dates referred to in paragraph 12, 13, 15 (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), 16 and 17;
- (c) the date of commencement of the winding-up of the Company; and
- (d) 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 the prohibitions specified in paragraph 14 above or the options are cancelled in accordance with paragraph 20 below.

19. EFFECT OF ALTERATIONS TO CAPITAL

In the event of capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of the capital of the Company, such corresponding alterations (if any) shall be made in (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as circumstances requiring alteration or adjustment) in (i) the number of Shares subject to any outstanding options and/or (ii) the exercise price as the auditors or the approved independent financial adviser shall at the request of the Company or any grantee, certify in writing, to be in their opinion fair and reasonable and satisfied the requirements under the Listing Rules, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Main Board dated 5 September 2005 to all issuers relating to share option schemes which can be found on the Main Board's website www.hkex.com.hk ("**Supplemental Guidance**") as that to which he or she was entitled to subscribe had he or she exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than)

it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Main Board from time to time.

20. CANCELLATION OF OPTIONS

Any cancellation of options granted but not exercised must be approved by the grantee 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 14 and 18. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the New Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company may by resolution in general meeting or the Board may at any time resolve to terminate the New Share Option Scheme and in such event no further option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of this Scheme. Details of the options granted, including options exercised or outstanding, under the New Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of the new scheme established after the termination of the New Share Option Scheme.

22. OTHERS

- (a) The New Share Option Scheme is conditional on (i) the passing of necessary resolutions by the Shareholders to approve and adopt the New Share Option Scheme; (ii) the Listing Committee granting approval of the listing of, and permission to deal in, on the Main Board, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the New Share Option Scheme; and (iii) the commencement of dealing in Shares on the Main Board.
- (b) Any alterations to the terms and conditions of the New Share Option Scheme which are of material nature or any change to the terms of the options granted must be approved by the Shareholders in general meeting. The amended terms of the New Share Option Scheme or the options shall comply with Chapter 17 of the Listing Rules.
- (c) The Company will disclose details of the options granted under the New Share Option Scheme in its annual and half-yearly reports in accordance with the Listing Rules in force from time to time.

NOTICE OF AGM



ND

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 Plaza Meeting Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 24 May 2018 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 2017 and the reports of the directors of the Company (the “**Directors**”) and independent auditor’s of the Company for the year ended 31 December 2017.
2. To approve the recommended final dividend for the year ended 31 December 2017.
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 Luyuan as executive Director;
 - B. To re-elect Zheng Hui as executive Director;
 - C. To re-elect Lee Kwan Hung as independent non-executive Director;
 - D. To authorise the Board to fix the remuneration of the Directors for the year ending 31 December 2018.

NOTICE OF AGM

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, 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 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; (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 nominal amount of the share capital of the Company in issue 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 nominal amount of any share capital 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 nominal amount of the share capital of the Company in issue on the date of passing of Resolution no. 5B) and the said approval shall be limited accordingly;

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(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 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 nominal amount of the 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 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;

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- (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 5A and 5B being passed, the aggregate nominal amount of the number of shares in the capital 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 nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution 5A above.”

- D. **“THAT** with effect from the close of business of the day on which this resolution is passed, the rules of the new share option scheme (**“New Share Option Scheme”**), a copy of which having been produced to the meeting marked “A” and signed by the Chairman for the purpose of identification, be and are hereby approved and adopted as the share option scheme of the Company and that the directors of the Company (**“Directors”**) be and they are hereby authorised to approve any amendments to the rules of the New Share Option Scheme as may be acceptable or not objected to by the Stock Exchange of Hong Kong Limited, and at the Directors’ absolute discretion to grant options to subscribe for shares of the Company thereunder and to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the New Share Option Scheme and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the New Share Option Scheme.”

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

Hong Kong, 20 April 2018

As at the date of this notice, the executive Directors of the Company are Liu Dejian, Leung Lim Kin Simon, 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.

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- (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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 Friday, 18 May 2018 to Thursday, 24 May 2018, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 17 May 2018 for registration of the relevant transfer.
- (7) The Board has recommended the payment of a final dividend of HKD0.10 per share for the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on Wednesday, 30 May 2018 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 Wednesday, 30 May 2018 to Thursday, 31 May 2018, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 May 2018.
- (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.