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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings:*

“Active Business Pursuit Period”	the two years ended 31 December 2006 and the six months ended 30 June 2007
“Articles”	the articles of association of the Company adopted on 15 October 2007, the terms of which are summarised in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Bear Stearns”	Bear Stearns Asia Limited, a licensed corporation under the SFO for regulated activities of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management), being the Bookrunner, Global Coordinator, one of the Joint Lead Managers and the Joint Sponsors
“Beso”	Beso Biological Research Centre, Inc., a corporation formed in the State of Kansas, USA, whose principal businesses are distribution and marketing of the products of Fuzhou 851 and whose equity interest in its capital stock is owned by Yang Zhenhua, being the mother of Liu Dejian, an executive Director and chairman of the Company and Beso is therefore our connected person under the GEM Listing Rules
“Board”	the board of Directors
“Bookrunner” or “Global Coordinator”	Bear Stearns
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the capitalisation issue referred to in the paragraph headed “Statutory and general information - Further information about the Company - Written resolutions of all the Shareholders passed on 15 October 2007” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	People’s Republic of China which for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

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“ChinaJoy”	China Digital Entertainment Expo and Conference, an annual exhibition held in the PRC for the digital interactive entertainment industry
“CNNIC”	China Internet Network Information Center (中國互聯網絡信息中心), an Independent Third Party
“Companies Law”	the Companies Law (2004 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	NetDragon Websoft Inc., a company incorporated in the Cayman Islands with limited liability on 29 July 2004
“connected persons”	means a director, chief executive, substantial shareholder or management shareholder of a company or an associate of any of them, as more particularly defined under the GEM Listing Rules
“Controlling Shareholders”	our controlling shareholders (having the meaning ascribed thereto in the GEM Listing Rules), being DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, the Founding Shareholders, Eagle World International Inc. and Flowson Company Limited
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervisor and regulation of the PRC securities market
“Director(s)”	our director(s)
“E3”	The Electronic Entertainment Expo, an annual trade show held in the U.S. for the computer and video games industry open to game industry professionals, journalists, and guests of exhibitors
“First Shanghai Capital”	First Shanghai Capital Limited, a licensed corporation under the SFO for regulated activities of type 6 (advising on corporate finance), being one of the Joint Sponsors to us in respect of the Listing
“First Shanghai Securities”	First Shanghai Securities Limited, a corporation licensed under the SFO to perform types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities, advising on corporate finance and asset management), being one of the Joint Lead Managers

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“Founding Shareholders”	Liu Dejian, Zheng Hui and Liu Luyuan, being our founding shareholders
“FTP model”	free-to-play business model, of which revenue is generated not by selling playtime, but by selling virtual items
“Fuzhou 851”	Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc. (福州楊振華 851 生物工程技術研究開發有限公司), a sino-foreign equity joint venture enterprise established in the PRC, whose principal businesses are development and manufacturing of health products for consumers in the PRC and the overseas and whose equity interest in the registered capital is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., a substantial shareholder of the Company, Liu Dejian, an executive Director and Yang Zhenhua, the mother of Liu Dejian, respectively and Fuzhou 851 is therefore our connected person under the GEM Listing Rule
“Fuzhou Tianliang”	Fuzhou Tianliang Network Technology Company Limited (福州天亮網絡技術有限公司), a company established in the PRC with limited liability on 19 April 2006, which is owned as to 30%, 30% and 40% by Chen Hongzhan, an executive Director, Zheng Hui, an executive Director and Wu Jialiang, one of our senior management, respectively and Fuzhou Tianliang is therefore our connected person under the GEM Listing Rules
“GAPP”	The PRC General Administration of Press and Publication (國家新聞出版總署)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing committee of the board of directors of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM (as amended from time to time)
“GEM website”	<a href="http://www.hkgem.com">http://www.hkgem.com</a> , being the Internet website operated by the Stock Exchange for the purposes of GEM
“Group”, ”we“, ”us” or ”our”	our Company and our directly or indirectly wholly-owned subsidiaries (including NetDragon (BVI), TQ Digital, NetDragon (USA), NetDragon (HK)), and in the context of describing our operations, also include our incorporated affiliates in the PRC, including NetDragon (Fujian) and NetDragon (Shanghai)
“HKFRS”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“ICP license”	a value-added telecommunications business operation license with a service scope of information services
“IDG Group”	IDG Technology Venture Investments, L.P., IDG Technology Venture Investments III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being our investors before the Listing. Details of the IDG Group are set out in “Shareholding and Corporate Structure - Information on the investors” in this prospectus
“Independent Third Party(ies)”	party(ies) which is (are) independent from and not connected with any of the Directors, chief executive, substantial shareholders or management shareholders of our Company or any of its subsidiaries or any of their respective associates
“Initial Management Shareholder(s)”	the initial management shareholders (having the meaning ascribed thereto in the GEM Listing Rules) of our Company, being DJM Holding Ltd., Liu Dejian, Zheng Hui, Fitter Property Inc., Richmedia Holdings Limited, Liu Luyuan, Eagle World International Inc., Flowson Company Limited, Cristionna Holdings Limited, Chen Hongzhan, Liu Ming, Wu Chak Man, Growing Up Capital Inc., Wu Jialiang, IDG Group, Happy Sunshine Limited and Chee Swee Fu
“Internal Revenue Service”	The Internal Revenue Service of the Department of the Treasury of the government of the United States of America
“International Placing”	the conditional placing of the Placing Shares at the Placing Price by the Underwriters with professional, institutional and private investors pursuant and subject to the terms and conditions set out in the section headed “Structure and conditions of the International Placing” in this prospectus
“Internet Culture Regulations”	Interim Regulations on the Administration of Internet Culture ( 互聯網文化管理暫行規定 ) implemented on 1 July 2003 and amended on 1 July 2004
“Joint Lead Managers”	Bear Stearns and First Shanghai Securities
“Joint Sponsors”	Bear Stearns and First Shanghai Capital
“Latest Practicable Date”	18 October 2007, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus prior to the printing of this prospectus

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“Leitingwanjun”	Beijing Lei Ting Wan Jun Network Technology Limited (北京雷霆萬鈞網絡科技有限責任公司), the operating company of Tom.com, being an Independent Third Party and one of our cooperation partners
“Listing”	the listing of our Shares on the GEM
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM, which excludes the options market and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Management Committee”	the management committee established and constituted by the provisions of the Structure Contracts which is responsible for, among other things, overseeing the business and operations of NetDragon (Fujian)
“Management Shareholder”	has the meaning ascribed to it in the GEM Listing Rules
“MII”	the PRC Ministry of Information Industry (中國信息產業部)
“MII Notice”	Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecommunication Services (關於加強外商投資經營增值電信業務管理的通知) issued by MII in July 2006
“MOC”	the PRC Ministry of Culture (中國文化部)
“NCAC”	the PRC National Copyright Administration (國家版權局)
“NetDragon (BVI)”	NetDragon Websoft Inc., a company established in BVI on 8 January 2003, which is wholly and beneficially owned by the Company
“NetDragon (Fujian)”	Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) formerly known as Fuzhou NetDragon Websoft Co., Ltd. (福州網龍計算機網絡信息技術有限公司), a company established in the PRC with limited liability on 25 May 1999, and through the Structure Contracts, one of our members
“NetDragon (HK)”	NetDragon Websoft (Hong Kong) Limited (網龍香港有限公司), a company incorporated in Hong Kong with limited liability on 28 June 2007 which is wholly and beneficially owned by NetDragon (BVI)

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“NetDragon (Shanghai)”	Shanghai Tiankun Digital Technology Ltd. (上海天坤數碼科技有限公司), a company established in the PRC with limited liability on 20 December 2004, and through the Structure Contracts entered into by its holding company, NetDragon (Fujian), one of our members
“NetDragon (USA)”	NetDragon Websoft Inc., a company incorporated in the State of California, USA, on 10 July 2003, which is wholly and beneficially owned by NetDragon (BVI)
“Ogilvy”	Effort Ogilvy (Fujian) Advertising Co. Ltd. (奧華奧美(福建)廣告有限公司), an Independent Third Party and our marketing consultant for promoting our corporate image and online games in the PRC
“Other Investors”	collectively, SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Giant East Investments Limited, China Venture Capital Company Limited, SACE Investments Limited and Aura Investment Holdings Limited. Details of the Other Investors are set out in “Shareholding and Corporate Structure - Information on the investors” to this prospectus
“Over-allotment Option”	the option to be granted by us to the Underwriters, exercisable by Bear Stearns (for itself and on behalf of the Underwriters) at any time within 30 days from the Listing Date, to require us to allot and issue up to an aggregate of 16,200,000 additional new Shares at the Placing Price to cover over-allocations in the International Placing
“PayPal”	PayPal, an eBay Company and an Independent Third Party, enables individual or business with an email address to send and receive payments online
“Placing Price”	the final price per Placing Share which will not be more than HK\$13.18 per Share and is currently expected to be not less than HK\$11.18 per Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee), such price to be fixed at or before the Price Determination Date
“Placing Shares”	the Shares being initially offered for subscription at the Placing Price pursuant to the International Placing as described in the section headed “Structure and conditions of the International Placing” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between us and Bear Stearns (for itself and on behalf of the Underwriters) to record and fix the final Placing Price

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“Price Determination Date”	on or before Friday, 26 October 2007, by which time the Placing Price will be fixed by us and Bear Stearns (for itself and on behalf of the Underwriters) but in any event shall not be later than Monday, 29 October 2007
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the PRC State Administration for Foreign Exchange (國家外匯管理局)
“SAIC”	the PRC State Administration for Industry and Commerce (國家工商管理總局)
“Sale Shares”	the 12,400,000 Shares, being offered for sales by the Selling Shareholders at the Placing Price, details of which are set out in “Other Information” in Appendix V to this prospectus
“Selling Shareholders”	DJM Holding Ltd., SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Fitter Property Inc., Cristionna Holdings Limited, Growing Up Capital Inc., Richmedia Holdings Limited, Wu Chak Man, Lilywhites Venture Limited, Maincorp Worldwide Ltd., Main Shine Company Limited, Peony Glory Holding Ltd., Chen Feng and Kellyton International Limited
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong as amended and supplemented from time to time
“Shanda”	Shanda Interactive Entertainment Ltd., an online game operator, the shares of which are listed on Nasdaq in the USA and which is an Independent Third Party and one of our distribution partners
“Shareholders”	holders of the Shares
“Share Option Scheme”	the share option scheme which we conditionally approved and adopted on 15 October 2007, its major terms are set out in the section headed “Share Option Scheme” in Appendix V to this prospectus
“Shares”	shares with nominal value of US\$0.01 each in the share capital of the Company
“Structure Contracts”	certain contracts entered into among our subsidiaries and affiliates, particulars of which are set out in “Structure Contracts” in this prospectus
“Significant Shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules

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“State Council”	State Council of the PRC (中國國務院), the highest governmental body of the PRC in charge of the formulation and implementation of state policies
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules, particulars of which are set out in “Initial Management Shareholders, Substantial Shareholders and Significant Shareholders - Substantial Shareholders” in this prospectus
“Tencent”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), an Internet services provider, an Independent Third Party and one of our distribution partners
“TQ Digital”	Fujian TQ Digital Inc (福建天晴數碼有限公司), formerly known as Fujian TQ Digital Ind (福建天晴數碼有限公司) and Fuzhou TQ Digital Ind (福州天晴數碼有限公司), a wholly foreign owned enterprise established in the PRC on 28 February 2003, which is wholly and beneficially owned by NetDragon (BVI)
“Ubisoft”	Ubisoft Entertainment SA or its affiliate, an Independent Third Party and an international producer, publisher and distributor of interactive entertainment
“Underwriters”	the expected underwriters of the International Placing under the paragraph headed “Underwriters” in the section headed “Underwriting” in this prospectus
“Underwriting Agreement”	the conditional international purchase agreement expected to be entered into between, among others, our Company, the Global Coordinator, and the Selling Shareholders, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“US\$”	United States dollars, the lawful currency of the USA
“USA” or “U.S.”	the United States of America
“WTO”	World Trade Organisation
“Xunlei”	Shenzhen Xunlei Online Technology Company Limited (深圳市迅雷網絡技術有限公司), an Independent Third Party and one of our cooperation partners
“sq. ft.” and “sq. m.”	square feet and square metres



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## DEFINITIONS

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“sq. km.”	square kilometre(s)
“%” and “percent”	percentage
“2D”, “2.5D” and “3D”	2 dimensional, 2.5 dimensional and 3 dimensional, respectively

- 1. For the purpose of this prospectus, unless otherwise indicated, conversion of US dollars into Hong Kong dollars is calculated at the conversion rate of US\$1.00 to HK\$7.80 and conversion of RMB into Hong Kong dollars is calculated at the conversion rate of HK\$1.00 to RMB0.98. These conversion rates are for purposes of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, converted at these or any other rates or at all.*
- 2. In this prospectus, the names of persons, entities or enterprises in the PRC have been included in this prospectus in both the Chinese and English languages and the English names of these persons, entities or enterprises are only English translation of their respective official Chinese names. In the event of any inconsistency between the Chinese name and their respective English translation, the Chinese names shall prevail.*