

1. FURTHER INFORMATION ABOUT THE COMPANY**A. Incorporation**

The Company was established in the Cayman Islands as an exempted company with limited liability on 29 July 2004. The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The Company has established a principal place of business in Hong Kong at 908 Hutchison House, 10 Harcourt Road, Central, Hong Kong and was registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 18 July 2007. The Company has appointed Tam Hon Shan, Celia as the Company's process agent for the acceptance of service of process in Hong Kong.

B. Changes in share capital and shareholding structure of the Company

The alterations to the share capital and shareholding structure of the Company which have taken place within the two years immediately preceding the date of this prospectus are set out below and in paragraph 1F headed "Group reorganisation" in this appendix:

- (1) on 1 March 2007, the increase of the authorised share capital of the Company from US\$0.53 million (divided into 50,000,000 common Shares and 3,000,000 preferred Shares) to US\$5.3 million (divided into 500,000,000 common Shares and 30,000,000 preferred Shares);
- (2) on 15 October 2007, the conversion of 5,333,332 preferred Shares held by IDG Technology Venture Investments, L.P. into 5,333,332 common Shares; and
- (3) on 15 October 2007, the decrease of the authorised share capital of the Company from US\$5.3 million to US\$5 million by the cancellation of 30,000,000 preferred Shares and the increase of the authorised share capital of the Company from US\$5 million to US\$10 million by the creation of 500 million Shares.

As at the Latest Practicable Date, our issued share capital was US\$444,407.86 divided into 44,440,786 Shares of US\$0.01 each, which were held and paid up as follows:

Shareholders	Number of Shares	Approximate percentage of shareholding (%)
DJM Holding Ltd.	18,740,260	42.17
Fitter Property Inc.	3,729,872	8.39
Eagle World International Inc.	3,371,292	7.59
Richmedia Holdings Limited	2,684,480	6.04
Cristionna Holdings Limited	1,400,000	3.15
Chen Feng	760,000	1.71
Maincorp Worldwide Ltd.	384,750	0.87
Lilywhites Venture Limited	354,400	0.80
Wu Chak Man	240,000	0.54
Growing Up Capital Inc.	223,400	0.50
Main Shine Company Limited	220,000	0.50
Kellyton International Limited	100,000	0.23
Peony Glory Holding Ltd.	99,000	0.22
IDG Technology Venture Investments, L.P.	5,333,332	12.00
IDG-Accel China Growth Fund L.P.	1,182,110	2.66
IDG Technology Venture Investments, III L.P.	966,184	2.17
IDG-Accel China Growth Fund-A L.P.	241,578	0.54
IDG-Accel China Investors L.P.	110,128	0.25
Happy Sunshine Limited	2,000,000	4.50
SEQUEDGE The First Chinese Equities Fund on Prospective for Listing	1,300,000	2.93
Giant East Investments Ltd.	500,000	1.13
China Venture Capital Company Limited	400,000	0.90
Aura Investment Holdings Limited	50,000	0.11
SACE Investments Limited	<u>50,000</u>	<u>0.11</u>
Total	<u>44,440,786</u>	<u>100.00</u> (note)

Note: Numbers do not add up to 100 percent due to rounding.

Immediately after the completion of the International Placing and the Capitalisation Issue, the authorised share capital of the Company will be US\$10,000,000.00 divided into 1,000,000,000 Shares of US\$0.01 each of which 540,007,860 Shares of US\$0.01 each will be allotted and issued fully paid or credited as fully paid and 459,992,140 Shares will remain unissued. Other than pursuant to (i) the exercise of any option which may be granted under the Share Option Scheme and the Over-allotment Option; or (ii) the general mandates referred to in paragraph 1E in this appendix, the Company has no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of the Shares will be made which would effectively alter the control of the Company.

Save as disclosed above and in paragraph 1F headed “Group reorganisation” in this appendix, there has been no alteration in the share capital of the Company within the two years immediately preceding the date of this prospectus.

C. Changes in share capital of the Company’s subsidiaries

The following alterations in the share capital of the Company’s subsidiaries took place within the two years immediately preceding the date of this prospectus:

NetDragon (BVI)

The following alterations to the share capital and shareholding structure of NetDragon (BVI) have taken place within the two years immediately preceding the date of this prospectus:

- (1) On 10 January 2007, an aggregate of 2,200,000 common shares of US\$0.01 each were allotted and issued at a consideration of US\$4.14 per share to IDG Technology Venture Investment III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P., SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Giant East Investments Limited, SACE Investments Limited and Aura Investment Holdings Limited.

- (2) On 10 January 2007, 1,000,000 and 200,000 common shares of US\$0.01 each in NetDragon (BVI) were transferred from DJM Holding Ltd. to each of Happy Sunshine Limited and China Venture Capital Company Limited, respectively. The shareholding structures of NetDragon (BVI) immediately before and after such transfers and allotments were as follows:

Shareholders	Number of common shares held before		Number of common shares held after	
	10 January 2007	(%)	10 January 2007	(%)
DJM Holding Ltd.	10,570,130	60.91	9,370,130	47.92
Zheng Hui	4,271,357	24.61	4,271,357	21.84
Liu Luyuan	1,342,240	7.73	1,342,240	6.86
Cristionna Holdings Limited	700,000	4.03	700,000	3.58
Chen Feng	350,000	2.02	350,000	1.79
Wu Chak Man	120,000	0.69	120,000	0.61
IDG-Accel China Growth Fund L.P.	—	—	591,055	3.02
IDG Technology Venture Investment III, L.P.	—	—	483,092	2.47
IDG-Accel China Growth Fund-A L.P.	—	—	120,789	0.62
IDG-Accel China Investors L.P.	—	—	55,064	0.28
Happy Sunshine Limited	—	—	1,000,000	5.11
SEQUEDGE The First Chinese Equities Fund on Prospective for Listing	—	—	650,000	3.32
Giant East Investments Limited	—	—	250,000	1.28
China Venture Capital Company Limited	—	—	200,000	1.02
Aura Investment Holdings Limited	—	—	25,000	0.13
SACE Investments Limited	—	—	25,000	0.13
	<u>17,353,727</u>	<u>100.00</u> (note)	<u>19,553,727</u>	<u>100.00</u> (note)

Note: Numbers do not add up to 100 percent due to rounding.

Shareholders	Number of preferred shares held before		Number of preferred shares held after	
	10 January 2007	(%)	10 January 2007	(%)
IDG Technology Venture Investments, L.P.	<u>2,666,666</u>	<u>100.00</u>	<u>2,666,666</u>	<u>100.00</u>

- (3) On 18 May 2007, an aggregate of 19,553,727 common shares of US\$0.01 each in NetDragon (BVI) were transferred by DJM Holding Ltd., Liu Luyuan, Zheng Hui, Chen Feng, Wu Chak Man, Cristionna Holdings Limited, IDG Technology Venture Investment III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors, L.P., SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Giant East Investments Limited, SACE Investments Limited, Aura Investment Holdings Limited, Happy Sunshine Limited and China Venture Capital Company Limited to the Company, in consideration of the allotment and issue of an aggregate of 19,553,727 Shares by the Company to the above transferors or their nominees.
- (4) On 18 May 2007, 2,666,666 preferred shares in NetDragon (BVI) were transferred by IDG Technology Venture Investments, L.P. to the Company in consideration of the allotment and issue of 2,666,666 preferred Shares by the Company to IDG Technology Venture Investments, L.P.. Immediately after the above share transfers and as at the Latest Practicable Date, NetDragon (BVI) was owned as to 100% by the Company.

Save as disclosed above, there has been no alteration in the share capital of the Company's subsidiaries within the two years preceding the date of this prospectus.

D. Subsidiaries of the Company

(1) Name:	TQ Digital
Date of establishment:	28 February 2003 (converted to a wholly foreign owned enterprise on 28 November 2003)
Place of establishment:	the PRC
Nature:	wholly foreign owned enterprise
Registered capital:	RMB45,000,000
Percentage of equity interest attributable by the Company:	100%
Scope of business:	Sales, research and development of computer softwares; computer networks engineering and information technology services; and repair and maintenance of computers
Term:	from 28 February 2003 to 27 February 2023

(2) Name:	NetDragon (Fujian)
Date of establishment:	25 May 1999
Place of establishment:	the PRC
Nature:	limited liability company
Registered capital:	RMB10,000,000
Percentage of equity interest attributable by the Company:	None
Scope of business:	Provision of computer networks engineering and information technology services; provision of internet information technology services; computer application installation, repair and maintenance; research and development of computer softwares; wholesale of electronic products, hardwares and softwares of computers and related products; design, production, agency and publication of advertisements in the PRC, provision of industry-related technical consultation services, self-running and provision of agency services in respect of the import and export of technology relating to various types of products (other than such technology and products the operation of which by NetDragon (Fujian) is restricted or the import and export of which are prohibited by the PRC government).
Term:	from 25 May 1999 to 25 May 2009
(3) Name:	NetDragon (Shanghai)
Date of establishment:	20 December 2004
Place of establishment:	the PRC
Nature:	limited liability company (domestic joint venture)
Registered capital:	RMB1,000,000
Percentage of equity interest attributable by the Company:	None

Scope of business:	technology development, technology transfer and provision of technical consultation and other services in respect of computer networks, hardwares and softwares of computer and the communication field; sale of related products.
Term:	from 20 December 2004 to 19 December 2024
(4) Name:	NetDragon (BVI)
Date of Incorporation:	8 January 2003
Place of Incorporation:	British Virgin Islands
Nature:	Limited liability company
Particulars of issued and fully paid share capital:	US\$222,203.93 (divided into 19,553,727 common shares of US\$0.01 each and 2,666,666 preferred shares of US\$0.01 each)
Effective interest held by the Company:	100%
Principal Activities:	Investment holding and operation of online games
(5) Name:	NetDragon (USA)
Date of Incorporation:	10 July 2003
Place of Incorporation:	State of California, USA
Nature:	Domestic stock corporation
Particulars of issued common stock	US\$600,000 (divided into 600,000 shares of common stock at US\$1.00 each)
Effective interest held by the Company:	100%
Principal Activities:	Provision of operational support to the Group
(6) Name:	NetDragon (HK)
Date of Incorporation:	28 June 2007
Place of Incorporation:	Hong Kong
Nature:	Limited liability company
Particulars of issued and fully paid share capital:	HK\$1 (divided into 1 share of HK\$1 each)
Effective interest held by the Company:	100%
Principal Activities:	Nil

E. Written resolutions of all the Shareholders passed on 15 October 2007

On 15 October 2007, written resolutions of the Shareholders were passed to approve, inter alia, the following:

- (1) **THAT** the 5,333,332 preferred Shares held by IDG Technology Venture Investments, L.P. be converted into 5,333,332 Shares;
- (2) **THAT** the authorised capital of the Company be decreased from US\$5.3 million to US\$5 million by the cancellation of 30,000,000 preferred Shares and then increased from US\$5 million to US\$10 million by the creation of an additional 500,000,000 Shares;
- (3) **THAT** the Memorandum and the Articles be approved and adopted; and
- (4) **THAT**, conditional upon:
 - (i) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option);
 - (ii) conditional on the share premium account being credited as a result of the International Placing, the Directors be authorised to capitalise US\$3,999,670.74 standing to the credit of the Company's share premium account towards paying up in full at par 399,967,074 Shares for allotment and issue to holders of Shares whose names appeared on the register of members of the Company at the close of business on 23 October 2007 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in the Company; and
 - (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including as a result of the waiver of any condition(s) thereunder) and not being terminated in accordance with the terms of that agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus (or such later date as the Global Coordinator may agree):
 - (a) the International Placing and the Over-allotment Option be approved and the Directors be authorised to allot and issue the Placing Shares and the Shares which may fall to be issued if the Over-allotment Option is exercised;
 - (b) the rules of the Share Option Scheme be approved and adopted, and the Directors be authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

- (c) a general unconditional mandate be given to the Directors to allot or issue securities of the Company including the Shares and to make or grant offers, agreements or options, including warrants to subscribe for Shares which might require securities to be issued, allotted or disposed of (otherwise than by way of rights or an issue of Shares upon the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting) with an aggregate nominal value not exceeding 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the International Placing and Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:
- (aa) the conclusion of the Company's next annual general meeting;
 - (bb) the expiration of the period within which the Company's next annual general meeting is required by the Articles or applicable law to be held; or
 - (cc) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (d) a general unconditional mandate be given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the Company's securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of securities as will represent up to 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of the International Placing and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:
- (aa) the conclusion of the Company's next annual general meeting;
 - (bb) the expiration of the period within which the Company's next annual general meeting is required by the Articles or applicable law to be held; or
 - (cc) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate; and
- (e) the general unconditional mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount

representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase securities referred to in paragraph (d) above provided that such extended amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of the International Placing and the Capitalisation Issue.

F. Group reorganisation

In preparation for the listing of the Shares on the GEM, the companies comprising the Group underwent a reorganisation to rationalise the corporate structure of the Group, which involved the following events and the events set out in paragraph 1B headed “Changes in share capital and shareholding structure of the Company” in this Appendix:

- (1) on 1 March 2007, the increase of the authorised share capital of the Company from US\$0.53 million (divided into 50,000,000 Shares and 3,000,000 preferred Shares) to US\$5.3 million (divided into 500,000,000 Shares and 30,000,000 preferred Shares);
- (2) on 1 March 2007, the transfers of 1,625,380 and 350,000 Shares at par by each of Zheng Hui and Chen Feng to Fitter Property Inc. and Earnstar Trading Limited, respectively;
- (3) on 26 March 2007, the transfer of 2,235,427 Shares at par by DJM Holding Ltd. to Fitter Property Inc.;
- (4) on 26 March 2007, the allotment and issue of an aggregate of 4,674,790 Shares at par by the Company to Richmedia Holdings Limited, Fitter Property Inc., Netpro Enterprise Inc., Cristionna Holdings Limited, IDG Technology Venture Investment III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors, L.P., SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Giant East Investments Limited, SACE Investments Limited, Aura Investment Holdings Limited, Happy Sunshine Limited and China Venture Capital Company Limited;
- (5) on 1 April 2007, the transfers of 350,000 and 120,000 Shares at par by each of Earnstar Trading Limited and Netpro Enterprise Inc. to Chen Feng and Wu Chak Man, respectively;

The shareholding structures of the Company immediately before and after such transfers and allotments as set out in paragraphs (3) to (5) above were as follows:

Shareholders	Number of Shares held before 26 March 2007	(%)	Number of Shares held after 1 April 2007	(%)
DJM Holding Ltd.	11,605,557	78.00	9,370,130	47.92
Fitter Property Inc.	1,625,380	10.92	4,271,357	21.84
Richmedia Holdings Limited	1,298,000	8.72	1,342,240	6.86
Cristionna Holdings Limited	—	—	700,000	3.58
Chen Feng	350,000	2.35	350,000	1.79
Wu Chak Man	—	—	120,000	0.61
IDG-Accel China Growth Fund L.P.	—	—	591,055	3.02
IDG Technology Venture Investment III, L.P.	—	—	483,092	2.47
IDG-Accel China Growth Fund-A L.P.	—	—	120,789	0.62
IDG-Accel China Investors, L.P.	—	—	55,064	0.28
Happy Sunshine Limited	—	—	1,000,000	5.11
SEQUEDGE The First Chinese Equities Fund on Prospective for Listing	—	—	650,000	3.32
Giant East Investments Limited	—	—	250,000	1.28
China Venture Capital Company Limited	—	—	200,000	1.02
Aura Investment Holdings Limited	—	—	25,000	0.13
SACE Investments Limited	—	—	25,000	0.13
	<u>14,878,937</u>	<u>100.00</u> (note)	<u>19,553,727</u>	<u>100.00</u> (note)

Note: Numbers do not add up to 100 percent due to rounding.

Shareholders	Number of preferred Shares held before 26 March 2007	(%)	Number of preferred Shares held after 1 April 2007	(%)
IDG Technology Venture Investments, L.P.	<u>2,666,666</u>	<u>100.00</u>	<u>2,666,666</u>	<u>100.00</u>

- (6) on 18 May 2007, the transfer of an aggregate of 19,553,727 shares of US\$0.01 each in NetDragon (BVI) by DJM Holding Ltd., Liu Luyuan, Zheng Hui, Chen Feng, Wu Chak Man, Cristionna Holdings Limited, IDG Technology Venture Investment III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors, L.P., SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Giant East Investments Limited, SACE Investments Limited, Aura Investment Holdings Limited, Happy Sunshine Limited and China Venture Capital Company Limited to the Company in consideration of the allotment and issue of an aggregate of 19,553,727 Shares by the Company to the above transferors or their nominees and the transfer of 2,666,666 preferred shares of US\$0.01 each in NetDragon (BVI) by IDG Technology Venture Investments, L.P. to the Company in consideration of the allotment and issue of 2,666,666 preferred Shares by the Company to IDG Technology Venture Investments, L.P.;
- (7) on 21 June 2007, the transfer of an aggregate of 1,441,550 Shares at par by Fitter Property Inc. to Chen Feng, Maincorp Worldwide Ltd., Lilywhites Venture Limited, Peony Glory Holding Ltd., Kellyton International Limited, Growing Up Capital Inc. and Main Shine Company Limited, and the transfer of 3,371,292 common Shares by Fitter Property Inc. to Eagle World International Inc. in consideration of the allotment of 1 share of US\$1.00 each by Eagle World International Inc. to Flowson Company Limited. The shareholding structure of the Company immediately after such transfers and the allotments mentioned in paragraph (6) was as follows:

Shareholders	Number of Shares held after 21 June 2007	(%)
DJM Holding Ltd.	18,740,260	47.92
Fitter Property Inc.	3,729,872	9.54
Eagle World International Inc.	3,371,292	8.62
Richmedia Holdings Limited	2,684,480	6.86
Cristionna Holdings Limited	1,400,000	3.58
Chen Feng	760,000	1.94
Maincorp Worldwide Ltd.	384,750	0.98
Lilywhites Venture Limited	354,400	0.91
Wu Chak Man	240,000	0.61
Growing Up Capital Inc.	223,400	0.57
Main Shine Company Limited	220,000	0.56
Kellyton International Limited	100,000	0.26
Peony Glory Holding Ltd.	99,000	0.25
IDG-Accel China Growth Fund L.P.	1,182,110	3.02
IDG Technology Venture Investments, III L.P.	966,184	2.47
IDG-Accel China Growth Fund-A L.P.	241,578	0.62
IDG-Accel China Investors L.P.	110,128	0.28
Happy Sunshine Limited	2,000,000	5.11

Shareholders	Number of Shares held after 21 June 2007	(%)
SEQUEDGE The First Chinese Equities Fund on Prospective for Listing	1,300,000	3.32
Giant East Investments Ltd.	500,000	1.28
China Venture Capital Company Limited	400,000	1.02
Aura Investment Holdings Limited	50,000	0.13
SACE Investments Limited	<u>50,000</u>	<u>0.13</u>
	<u>39,107,454</u>	<u>100.00</u> <i>(note)</i>

Note: Numbers do not add up to 100 percent due to rounding.

Shareholder	Number of preferred Shares held after 21 June 2007	(%)
IDG Technology Venture Investments, L.P.	<u>5,333,332</u>	<u>100.00</u>

- (8) on 24 August 2007, the transfer of one subscriber Share at par in NetDragon (HK) from Gold Regal Development Limited to NetDragon (BVI);
- (9) on 15 October 2007, the conversion of 5,333,332 preferred Shares held by IDG Technology Venture Investments, L.P. into 5,333,332 Shares;
- (10) on 15 October 2007, the execution of a trust deed by Flowson Company Limited in favour of employees of the Group; and
- (11) on 15 October 2007, the decrease of the authorised share capital of the Company from US\$5.3 million to US\$5 million by the cancellation of 30,000,000 preferred Shares and the increase of the authorised share capital of the Company from US\$5 million to US\$10 million by the creation of 500 million Shares.

G. Repurchase by the Company of its own Shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(1) Provisions of the GEM Listing Rules

On the basis of 540,007,860 Shares in issue immediately following completion of the International Placing and the Capitalisation Issue, the Directors would be authorised under a general unconditional mandate given to the Directors pursuant to a written resolution of the Shareholders on 15 October 2007 (the “Repurchase Mandate”) to repurchase up to 54,000,786 Shares during the period in which the Repurchase Mandate remains in force.

(2) Reasons for repurchases

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

(3) Funding of repurchases

Repurchase pursuant to the Repurchase Mandate would be financed out of funds of the Company legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands. There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(4) Disclosure of interests

None of the Directors and, to the best of their knowledge, having made all reasonable enquires, none of their respective associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries. No connected person (as defined in the GEM Listing Rules) has notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

(5) *Directors' undertaking*

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations of the Cayman Islands.

(6) *Takeovers Code consequences*

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Immediately after the completion of the International Placing and the Capitalisation Issue, Liu Dejian, Liu Luyuan and Zheng Hui will be beneficially interested in 278,959,040 Shares, representing 51.66% of the issued share capital of the Company. In the event that the Directors should exercise in full the Repurchase Mandate, the aggregate shareholding of Liu Dejian, Liu Luyuan and Zheng Hui will be increased to approximately 57.40% of the issued share capital of the Company. Accordingly, a mandatory offer under Rule 26 of the Takeovers Code on Liu Dejian, Liu Luyuan and Zheng Hui will not arise as a result of the exercise in full of the Repurchase Mandate. Save as disclosed in this prospectus, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

We have not made any repurchases of our own securities in the past six months.

2. FURTHER INFORMATION ABOUT THE BUSINESS

A. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

Current contracts

- (1) a cooperation framework agreement (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital and NetDragon (Fujian) agreed to cooperate in the provision of services relating to the online games development for and the operation of the online game business of NetDragon (Fujian);
- (2) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to license its online games softwares for "Eudemons Online" to NetDragon (Fujian) for operation and usage in the PRC in consideration for an initial license fee and a per annum license fee;

- (3) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to license its online games softwares for “Conquer Online” to NetDragon (Fujian) for operation and usage in the PRC in consideration for an initial license fee and a per annum license fee;
- (4) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to licence its online games softwares for “Zero Online” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee and a per annum licence fee;
- (5) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to licence its online games softwares for “Monster & Me” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee and a per annum licence fee;
- (6) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to licence its online games softwares for “Era of Faith” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee and a per annum licence fee;
- (7) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to licence its online games software for “Happiness Q” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee and a per annum licence fee;
- (8) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to licence its online games software for “Piao Miao Online” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee and a per annum licence fee;
- (9) an agreement for cooperation and licence in respect of online games (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to licence its online games software for “Heroes of Might and Magic Online” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee and a per annum licence fee;
- (10) an online games software development service agreement (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to provide online software development service to NetDragon (Fujian) in consideration for a service fee;

- (11) a technical support service agreement (in Chinese) dated 15 October 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to provide technical support services to NetDragon (Fujian) in consideration for a per annum services fee;
- (12) an equity interest pledge agreement (in Chinese) dated 28 September 2007 between TQ Digital, NetDragon (Fujian) and all of the equity holders of NetDragon (Fujian) pursuant to which all such equity holders granted to TQ Digital a continuing first priority security interest over their respective equity interests in the registered capital of NetDragon (Fujian), for the purpose of securing the performance of the contractual obligations by NetDragon (Fujian)'s equity holders under the Structure Contracts;
- (13) an agreement for the exclusive right to acquire equity interest and assets (in Chinese) dated 15 October 2007 between TQ Digital, NetDragon (Fujian) and all of the equity holders of NetDragon (Fujian) pursuant to which NetDragon (Fujian) and all its equity holders granted to TQ Digital or its nominee (a) a right to acquire all or part of the equity interest in the registered capital of NetDragon (Fujian); and (b) a right to acquire all or part of the assets of NetDragon (Fujian) for a consideration being a nominal amount or lowest possible amount permissible under the applicable PRC laws;
- (14) an equity holders' voting rights proxy agreement (in Chinese) dated 15 October 2007 between TQ Digital and all of the equity holders of NetDragon (Fujian) pursuant to which all the equity holders of NetDragon (Fujian) have irrevocably authorised TQ Digital or a nominee designated by TQ Digital to exercise all their voting rights in NetDragon (Fujian);
- (15) a service agreement (in English) dated 1 July 2007 between NetDragon (USA) and NetDragon (Shanghai) pursuant to which NetDragon (Shanghai) would provide various services to NetDragon (USA) in consideration for a flat fee;
- (16) a deed of non-competition (in English) dated 15 October 2007 executed by each of DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, Cristionna Holdings Limited, Fuzhou Tianling, Growing Up Capital Inc., Liu Dejian, Zheng Hui, Liu Luyuan, Chen Hongzhan and Wu Jialiang in favour of the Company, for itself and on behalf of other members of the Group, details of which are set out in "Relationship with the Controlling Shareholders and non-competition undertakings - Non-competition undertakings"; and
- (17) a deed of indemnity (in English) dated 22 October 2007 given by DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, Cristionna Holdings Limited, Liu Dejian, Zheng Hui, Liu Luyuan and Chen Hongzhan in favour of the Company, for itself and on behalf of other members of the Group containing the indemnities referred to in "Other information - Estate duty, tax and other indemnities" of this Appendix.

Non-current Contracts

The following contracts have been completed, expired or have been terminated prior to completion of the International Placing:



- (1) an exclusive service agreement (in English) dated 1 July 2005 between NetDragon (USA) and NetDragon (Shanghai) pursuant to which NetDragon (Shanghai) has been appointed as the exclusive provider of customer service for NetDragon (USA) regarding the English version of Conquer Online in consideration for a monthly fee; the agreement was terminated with immediate effect by an exclusive service agreement termination and mutual release agreement (in English) dated 30 June 2007 between NetDragon (USA) and NetDragon (Shanghai);
- (2) an agreement for the acquisition of the entire issued share capital of NetDragon Websoft Inc. (a company incorporated in the British Virgin Islands) (in English) dated 18 May 2007 between the Company and all the then shareholders of NetDragon (BVI) pursuant to which the Company acquired 19,553,727 common shares of US\$0.01 each and 2,666,666 series A preferred shares of US\$0.01 each in NetDragon (BVI) from the then shareholders of NetDragon (BVI) by allotting and issuing an aggregate of 19,553,727 Shares of US\$0.01 each and 2,666,666 preferred Shares of US\$0.01 each in the Company to the relevant shareholders of NetDragon (BVI) and/or their nominees; and
- (3) an online games cooperation memorandum (in Chinese) dated 8 June 2007 between TQ Digital and NetDragon (Fujian) confirming the cooperation arrangements between TQ Digital and NetDragon (Fujian) prior to 1 January 2007.

B. Intellectual property

As at the Latest Practicable Date, the Group was the registered owner of the following domain names in the PRC:

Domain Name	Creation Date	Expiry Date	Subsidiary	Filing of Renewal Application
www.nd.com.cn	18 June 1999	18 June 2008	NetDragon (Fujian)	not yet filed
www.86114.com	28 February 2000	28 February 2010	NetDragon (Fujian)	not yet filed
www.91.com	22 September 1998	21 September 2013	NetDragon (Fujian)	not yet filed
www.tqdigital.com	4 September 2001	4 September 2008	NetDragon (Fujian)	not yet filed
www.tqhl.com	22 January 2003	22 January 2008	NetDragon (Fujian)	not yet filed
www.tqzf.com	30 December 2002	30 December 2007	NetDragon (Fujian)	not yet filed
www.tqxy.com	16 September 2003	16 September 2008	NetDragon (Fujian)	not yet filed
www.tqry.com	4 September 2003	4 September 2008	NetDragon (Fujian)	not yet filed
www.conqueronline.com	28 May 2003	28 May 2011	NetDragon (BVI)	not yet filed
www.monsterandme.com	27 May 2003	27 May 2008	NetDragon (BVI)	not yet filed
www.eudemononline.com	24 April 2006	24 April 2008	NetDragon (BVI)	not yet filed

As at the Latest Practicable Date, the Group was the registered owner of the following trademarks in the PRC:

Trademark	Country of Application	Registration Number	Class	Term of Validity	Subsidiary
机战	PRC	3706101	41 (<i>Note 1</i>)	21 January 2006 to 20 January 2016	TQ Digital
机战	PRC	3705590	42 (<i>Note 2</i>)	21 January 2006 to 20 January 2016	TQ Digital
机战	PRC	3706102	38 (<i>Note 3</i>)	21 January 2006 to 20 January 2016	TQ Digital
网龙	PRC	1695623	42 (<i>Note 2</i>)	7 January 2002 to 6 January 2012	NetDragon (Fujian)
	PRC	1567876	38 (<i>Note 3</i>)	7 May 2001 to 6 May 2011	NetDragon (Fujian)
	PRC	3012741	9 (<i>Note 4</i>)	21 February 2003 to 20 February 2013	NetDragon (Fujian)

Notes:

1. Class 41 relates to education; providing of training; entertainment; sporting and cultural activities.
2. Class 42 relates to scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.
3. Class 38 relates to telecommunications.
4. Class 9 relates to scientific, nautical, surveying, photographic, cinematographic, optical, weighting, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

As at the Latest Practicable Date, the Group was the registered owner of the following copyrights of computer software products in the PRC:

Name of computer software	Registration Approval/Date	Registration Number	Term of Validity	Subsidiary
征服軟件 V1.0	24 June 2003 (Note 1)	2003SR6560 (Note 1)	6 May 2003 - 5 May 2053 (Note 1)	TQ Digital
	27 August 2003 (Note 2)	閩 DGY-2003-0103 (Note 2)	27 August 2003 - 26 August 2008 (Note 2)	TQ Digital
幻靈游俠軟件 V3.0	4 March 2004 (Note 1)	2004SR01901 (Note 1)	9 February 2004 - 8 February 2054 (Note 1)	TQ Digital
	7 June 2004 (Note 2)	閩 DGY-2004-0055 (Note 2)	7 June 2004 - 6 June 2009 (Note 2)	TQ Digital
信仰軟件 V1.0	4 March 2004 (Note 1)	2004SR01902 (Note 1)	7 December 2003 - 6 December 2053 (Note 1)	TQ Digital
	7 June 2004 (Note 2)	閩 DGY-2004-0054 (Note 2)	7 June 2004 - 6 June 2009 (Note 2)	TQ Digital
機戰軟件 V1.0	1 June 2004 (Note 1)	2004SR05169 (Note 1)	5 March 2004 - 4 March 2054 (Note 1)	TQ Digital
	16 September 2005 (Note 2)	閩 DGY-2005-0082 (Note 2)	16 September 2005 - 15 September 2010 (Note 2)	TQ Digital
網絡遊戲《彩色江湖 III》軟件 V3.0	21 January 2005 (Note 1)	2005SR00975 (Note 1)	1 October 2004 - 30 September 2054 (Note 1)	TQ Digital
	8 March 2005 (Note 2)	閩 DGY-2005-0018 (Note 2)	8 March 2005 - 7 March 2010 (Note 2)	TQ Digital
91平台軟件 V1.0	17 February 2005 (Note 1)	2005SR01665 (Note 1)	1 October 2004 - 30 September 2054 (Note 1)	TQ Digital
	8 March 2005 (Note 2)	閩 DGY-2005-0017 (Note 2)	8 March 2005 - 7 March 2010 (Note 2)	TQ Digital
網絡遊戲《牧場 online》軟件 V1.0	6 April 2005 (Note 1)	2005SR03319 (Note 1)	25 December 2004 - 24 December 2054 (Note 1)	TQ Digital
	7 June 2005 (Note 2)	閩 DGY-2005-0060 (Note 2)	7 June 2005 - 6 June 2010 (Note 2)	TQ Digital
網絡遊戲《魔域》軟件 V1.0	12 May 2005 (Note 1)	2005SR04803 (Note 1)	1 December 2004 - 30 November 2054 (Note 1)	TQ Digital
	7 June 2005 (Note 2)	閩 DGY-2005-0059 (Note 2)	7 June 2005 - 6 June 2010 (Note 2)	TQ Digital

Name of computer software	Registration Approval/Date	Registration Number	Term of Validity	Subsidiary
Zero Online V1.0	31 August 2005 (Note 1)	2005SR09826 (Note 1)	30 June 2005 - 29 June 2055 (Note 1)	TQ Digital
	16 September 2005 (Note 2)	閩 DGY-2005-0082 (Note 2)	閩 DGY-2005-0082 (Note 2)	TQ Digital
《91遊》軟件 V1.0	17 January 2005 (Note 1)	2005SR00735 (Note 1)	1 September 2004 - 31 August 2054 (Note 1)	NetDragon (Fujian)
	8 March 2005 (Note 2)	閩 DGY-2005-0016 (Note 2)	8 March 2005 - 7 March 2010 (Note 2)	NetDragon (Fujian)
《幻靈遊俠》網絡遊戲軟件 V1.0	14 June 2002 (Note 1)	2002SR0491 (Note 1)	1 January 2002 - 31 December 2051 (Note 1)	NetDragon (Fujian)
	8 July 2002 (Note 2)	閩 DGY-2002-0082 (Note 2)	8 July 2002 - 7 July 2007 (Note 2)	NetDragon (Fujian)
網絡遊戲《星空之門》軟件 V1.0	17 January 2005 (Note 1)	2005SR00734 (Note 1)	16 November 2004 - 15 November 2054 (Note 1)	NetDragon (Fujian)
	8 March 2003 (Note 2)	閩 DGY-2005-0015 (Note 2)	8 March 2005- 7 March 2010 (Note 2)	NetDragon (Fujian)





















Notes:









1. as shown on the Copyright Registration Certificate.
2. as shown on the Computer Software Product Registration Certificate.

As at the Last Practicable Date, TQ Digital was the registered owner of the following certificates of copyright registration in the PRC:-

Name of Works	Registration number	Date of Registration	Subsidiary
大牙(含文字)圖	13-2005-F2576	17 August 2005	TQ Digital
辮子熊圖案	13-2005-F2577	17 August 2005	TQ Digital
比特豬圖案	13-2005-F2578	17 August 2005	TQ Digital
《天天》圖案	13-2006-F1043	12 December 2006	TQ Digital
《晴晴》圖案	13-2006-F1044	12 December 2006	TQ Digital

As at the Latest Practicable Date, the Group has made applications for the registration of the following trademarks, the registration of which has not yet been granted as at the Latest Practicable Date:-

Trademark	Country of Application	Application Number	Class	Date of Application	Subsidiary
	PRC	4422442	42 (Note 1)	20 December 2004	TQ Digital
	PRC	4422443	41 (Note 2)	20 December 2004	TQ Digital
	PRC	4422444	28 (Note 3)	20 December 2004	TQ Digital
	PRC	4422445	9 (Note 4)	20 December 2004	TQ Digital
	PRC	4317417	42 (Note 1)	19 October 2004	TQ Digital
	PRC	4317418	41 (Note 2)	19 October 2004	TQ Digital
	PRC	4317479	9 (Note 4)	19 October 2004	TQ Digital
	PRC	4317478	28 (Note 3)	19 October 2004	TQ Digital
	PRC	4995889	41 (Note 2)	11 November 2005	TQ Digital
	PRC	4995888	38 (Note 5)	11 November 2005	TQ Digital
	PRC	4995887	35 (Note 6)	11 November 2005	TQ Digital
	PRC	4995886	28 (Note 3)	11 November 2005	TQ Digital
	PRC	4995885	9 (Note 4)	11 November 2005	TQ Digital
	PRC	4995890	42 (Note 1)	11 November 2005	TQ Digital
	PRC	4280863	9 (Note 14)	22 September 2004	NetDragon (Fujian)
	PRC	4280864	41 (Note 15)	22 September 2004	NetDragon (Fujian)
	PRC	4280865	42 (Note 16)	22 September 2004	NetDragon (Fujian)
	PRC	4292834	25 (Note 7)	29 September 2004	NetDragon (Fujian)
	PRC	4292835	28 (Note 3)	29 September 2004	NetDragon (Fujian)
	PRC	4292837	41 (Note 2)	29 September 2004	NetDragon (Fujian)

Trademark	Country of Application	Application Number	Class	Date of Application	Subsidiary
	PRC	4292836	42 (<i>Note 1</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4422440	35 (<i>Note 6</i>)	20 December 2004	NetDragon (Fujian)
	PRC	4292831	9 (<i>Note 4</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4292828	25 (<i>Note 7</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4292832	28 (<i>Note 3</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4292833	41 (<i>Note 2</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4292829	42 (<i>Note 1</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4422441	35 (<i>Note 6</i>)	20 December 2004	NetDragon (Fujian)
征 服	PRC	3425882	9 (<i>Note 4</i>)	6 January 2003	NetDragon (Fujian)

Note:

1. Class 42 relates to scientific and technological services and research and design services relating thereto; industrial analysis and research services; design and development of computer hardware and software.
2. Class 41 relates to education; provision of training; entertainment; athletic and cultural activities.
3. Class 28 relates to entertainment and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
4. Class 9 relates to scientific, nautical, geodesic, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines, non-operated apparatus and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.
5. Class 38 relates to telecommunications.
6. Class 35 relates to advertising; business management; business administration; office functions.
7. Class 25 relates to clothing, shoes, headgear.

3. FURTHER INFORMATION ABOUT THE DIRECTORS, SENIOR MANAGEMENT AND STAFF

A. Disclosure of Directors' interests in the share capital of the Company or its associated corporations

Immediately following completion of the International Placing and the Capitalisation Issue, but without taking into account (1) any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and the Over-allotment Option; (2) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate referred to in paragraph 1E in this Appendix, the interests and/or short positions of the Directors in the Shares underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) once the Shares are listed on GEM; or (ii) which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once the Shares are listed on GEM; or (iii) which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed on GEM, will be as follows:

Name of Director	Name of company	Capacity and nature of interests	Number of shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
Liu Dejian (Note 2)	The Company	Through controlled corporations	278,959,040 (L)	51.65%
Liu Dejian (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000 (L)	98.86%
Liu Dejian (Note 3)	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000 (L)	100.00%
Liu Luyuan (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000 (L)	98.86%
Liu Luyuan (Note 3)	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000 (L)	100.00%

Name of Director	Name of company	Capacity and nature of interests	Number of shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
Liu Luyuan (Note 2)	The Company	Through controlled corporations	278,959,040 (L)	51.65%
Zheng Hui (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000 (L)	98.86%
Zheng Hui (Note 3)	NetDragon (Shanghai)	Beneficial owner and through a controlled corporation	RMB1,000,000 (L)	100.00%
Zheng Hui (Note 2)	The Company	Through controlled corporations	278,959,040 (L)	51.65%
Chen Hongzhan (Note 4)	The Company	Through a controlled corporation	13,000,000 (L)	2.41%

Notes:

- The letter "L" denotes the shareholder's interest in the share capital of the relevant member of the Group.
- Liu Dejian is interested in 95.4% of the issued share capital of DJM Holding Ltd., which in turn is interested in 33.96% of the issued share capital of the Company.

Liu Luyuan is interested in 100% of the issued share capital of Richmedia Holdings Limited, which in turn is interested in 4.88% of the issued share capital of the Company.

Zheng Hui is interested in 4.6% and 100%, respectively, of the issued share capital of DJM Holding Ltd. and Fitter Property Inc., which in turn is interested in 33.96% and 6.57%, respectively, of the issued share capital of the Company. Zheng Hui controls the voting rights in respect of all the issued shares of Flowson Company Limited. Flowson Company Limited is interested in 100% of the issued share capital of Eagle World International Inc., which in turn is interested in 6.24% of the issued share capital of the Company.

Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who have agreed to act in concert to acquire interests in the Shares. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 51.65% of the issued share capital of the Company through their direct and deemed shareholding in all of DJM Holding Ltd., Richmedia Holdings Limited, Fitter Property Inc. and Eagle World International Inc.

- Liu Dejian, Liu Luyuan and Zheng Hui are interested in 96.05%, 2.11% and 0.7%, respectively, of the registered capital of NetDragon (Fujian), which in turn is interested in 99.00% of the registered capital of NetDragon

(Shanghai). Zheng Hui is directly beneficially interested in 1% of the registered capital of NetDragon (Shanghai). 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 registered capital of NetDragon (Fujian). All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 98.86% of the registered capital of NetDragon (Fujian) and the entire registered capital of NetDragon (Shanghai) through their deemed shareholding in NetDragon (Fujian) and deemed and direct shareholding in NetDragon (Shanghai).

4. Chen Hongzhan is interested in 99% of the issued share capital of Cristionna Holdings Limited, which in turn is interested in 2.41% of the issued share capital of the Company. Chen Hongzhan is deemed to be interested in 2.41% of the issued share capital of the Company through his shareholding in Cristionna Holdings Limited.

B. Interests and short positions of persons who are substantial shareholders for the purpose of the GEM Listing Rules and under the SFO

So far as the Directors are aware, immediately following the completion of the International Placing and the Capitalisation Issue but without taking into account (i) any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and the Over-allotment Option; or (ii) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate referred to in paragraph 1E headed “Written resolutions of all the Shareholders passed on 15 October 2007” in Appendix V to this prospectus, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group will be as follows:

Name	Name of Group member	Capacity and nature of interests	Number of shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	183,402,600(L)	33.96%
Fitter Property Inc.	The Company	Beneficial owner	35,498,720(L)	6.57%
Eagle World International Inc. (Note 2)	The Company	Beneficial owner	33,712,920(L)	6.24%
Flowson Company Limited (Note 2)	The Company	Through a controlled corporation	33,712,920(L)	6.24%
IDG Group	The Company	Beneficial owner	78,333,320(L)	14.51%
NetDragon (Fujian)	NetDragon (Shanghai)	Beneficial owner	RMB990,000(L)	99.00%

Notes:

1. The letter “L” denotes the shareholder’s interest in the share capital of the relevant member of the Group.
2. Eagle World International Inc. is an investment holding company incorporated on 7 May 2007 in the BVI with limited liability and is owned as to 100% by Flowson Company Limited. Flowson Company Limited is deemed to be interested in 6.24% of the issued share capital of the Company through its shareholding in Eagle World International Inc.

C. Directors’ service contracts and appointment letters

Each of the executive Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects and are briefly described as follows:

- (1) each service contract is for an initial term of three years commenced from 15 October 2007 subject to termination in certain circumstances as stipulated in the contract;
- (2) the annual remuneration payable to the executive Directors under each of the service contracts are as follows:

Liu Dejian	RMB1,459,000
Liu Luyuan	RMB546,000
Zheng Hui	RMB157,560
Chen Hongzhan	RMB499,200

- (3) the annual remuneration of each of the executive Directors may, subject to Shareholders’ approval in general meeting, be revised by the Board; and
- (4) each of the executive Directors is entitled to out-of-pocket expenses reasonably incurred during his term of office.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects and are briefly described as follows:

- (1) each letter of appointment with a non-executive Director and an independent non-executive Director is for an initial term of three years commenced from 15 October 2007 subject to termination in certain circumstances as stipulated in the relevant letters of appointment;

- (2) the annual remuneration payable to the non-executive and independent non-executive Directors under each of the letters of appointment are as follows:

Lin Dongliang	nil
Zhu Xinkun	nil
Lee Kwan Hung	RMB240,000
Chao Guowei, Charles	RMB180,000
Liu Sai Keung, Thomas	nil

- (3) the annual remuneration of each of the non-executive Directors and independent non-executive Directors may, subject to Shareholders' approval in general meeting, be revised by the Board; and
- (4) each of the non-executive Directors and independent non-executive Directors is entitled to out-of-pocket expenses reasonably incurred during his term of office.

D. Directors' remuneration

- (1) The aggregate remuneration paid by the Company to the Directors in respect of the two years ended 31 December 2006 and the six months ended 30 June 2007 were RMB678,000 (equivalent to approximately HK\$692,000), RMB1,287,000 (equivalent to approximately HK\$1,313,000) and RMB1,096,000 (equivalent to approximately HK\$1,118,000), respectively.
- (2) Save as disclosed in this prospectus, no other emoluments have been paid or are payable in respect of the two years ended 31 December 2006 and the six months ended 30 June 2007 by the Company to the Directors.
- (3) Pursuant to the current arrangements, it is expected that an aggregate amount of approximately RMB2,326,000 (equivalent to approximately HK\$2,373,000) will be paid to the Directors as remuneration for the year ending 31 December 2007.
- (4) The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to the Group.

E. Disclaimers

Save as disclosed in this prospectus:

- (1) none of the Directors had any interest or short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed; or (ii) will be required, pursuant to section 352 of the SFO to be entered in the

register of directors' and chief executives' interests and short positions referred to therein once the Shares are listed; or (iii) will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed;

- (2) so far as is known to any Director, supervisor or chief executive, other than a Director, supervisor or chief executive, no person is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities;
- (3) none of the Directors or any of the parties listed in the paragraph headed "Consents of Experts" in this Appendix is interested in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to the Company or its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries;
- (4) none of the Directors or any of the parties listed in the paragraph headed "Consents of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Company;
- (5) none of the Directors or any of the parties listed in the paragraph headed "Consents of Experts" in this Appendix has any shareholding in the Company or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company;
- (6) none of the Directors has entered or is proposed to enter into a service contract with the Company (other than contracts expiring or determinable by the employer within one year without payment of compensation other than the statutory compensation);
- (7) no amount or benefit has been paid or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such amount or benefit intended to be paid or given;
- (8) so far as is known to any Director, there is no legal person or individual who will, immediately following the completion of the International Placing, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or its subsidiaries (if any) shares of the Company then in issue; and
- (9) none of the Directors or their respective associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the registered capital of the Company) has any interest in the any of five largest suppliers or customers of the Company.

4. SHARE OPTION SCHEME

A. Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution of all the Shareholders on 15 October 2007:

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants (as defined below) thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Company or any of its subsidiaries holds any equity interest (the “Invested Entity”).

(b) *Who may join*

The Directors may, at their discretion, invite any participant (the “Participant(s)”) being any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customer, consultant, adviser, other service provider, any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any Invested Entity or any discretionary trust whose discretionary objects may be any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customer, consultant, adviser, other service provider, any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any Invested Entity to take up options to subscribe for Shares in the Company.

(c) *Maximum number of shares*

(i) 30% limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time (the “Scheme Limit”).

(ii) 10% limit

In addition to the Scheme Limit, and subject to the following, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the Listing Date (without taking into account of any Shares to be issued under the Over-allotment Option) being 54,000,786 Shares unless Shareholders’ approval has been obtained pursuant to any of the following two paragraphs (excluding any options which have lapsed) (the “Scheme Mandate Limit”).

The Company may, from time to time, refresh the Scheme Mandate Limit by issuing a circular to the Shareholders and obtaining the approval of its shareholders in general meeting. Once refreshed, the total number of securities which may be issued upon exercise of all options to be granted under the Share Option Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and/or any other share option schemes of the Company, including without limitation any options which are outstanding, cancelled, lapsed or exercised, will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the refreshed Scheme Mandate Limit provided the options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. A circular containing a generic description of the specified 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 Participants with an explanation as to how the terms of the options serve such purpose and other information required under the GEM Listing Rules must be sent to the Shareholders.

(d) *Maximum entitlement of each Participant*

Unless approved by Shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular in relation to the proposal for the further grant to the Shareholders, containing such information and disclaimer from time to time required by the GEM Listing Rules, the identity of the Participant, and the number and terms (including the exercise price) of the options to be granted (and options previously granted) to such Participant.

(e) *No prescribed performance targets*

The Directors may or may not set performance targets that must be achieved before the options can be exercised, but no such performance targets are presently prescribed under the Share Option Scheme.

(f) *Price of Shares*

The exercise price must be at least the highest of: (a) the nominal value of a Share on the date of grant; (b) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; and (c) the average closing price

of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where the Company has been listed for less than five business days, the Placing Price shall be used as the closing price for any business day falling within the period before listing.

(g) *Amount payable upon acceptance of the option*

Acceptance of an offer of the grant of an option shall be by the delivery to and receipt by the Company at its principal place of business in Hong Kong of the form of acceptance sent to the Participant duly completed and signed by the Participant together with a remittance of HK\$1.00, by way of consideration for the grant thereof, in an envelope marked for the attention of the secretary of the Company.

(h) *Period of the Share Option Scheme*

The Share Option Scheme shall commence on the date it becomes unconditional and, subject to termination pursuant to the Share Option Scheme, shall continue in force until the tenth anniversary of such date.

(i) *Rights are personal to the option holder*

An option shall be personal to the option holder and shall not be assignable and no option holder shall in any way sell, transfer, change, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

(j) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee of the option which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an option must be held.

(k) *Grant of an option to connected persons*

Any grant of options to a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates (including a discretionary trust whose discretionary objects include a director, chief executive, management shareholder or substantial shareholder) shall be approved by the independent non-executive directors of the Company (excluding an independent non-executive director who is the grantee of the options). Where any option is proposed to be granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an

independent non-executive director) and such grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the past 12-month period up to and including the proposed date of grant of the option:

- (i) representing in aggregate over 0.1% of the Shares of the Company in issue for the time being; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders (taken on a poll) in general meeting. All connected persons of the Company must abstain from voting in favour at such general meeting (except that any connected person may vote against the proposed grant and provided that his intention to do so has been stated in the circular). The Company shall issue a circular to the Shareholders explaining the proposed grant, disclosing the number and terms (including the subscription price) of the options to be granted to each grantee and containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant and including all the information required under the GEM Listing Rules.

(l) *Restrictions on the time of grant of options*

A grant of options 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 published in the newspapers. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year or half-year or quarter-year period under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement.

(m) *Rights on ceasing to be a Participant*

If an option holder who is a director of the Company or any subsidiary of the Company or Invested Entity, or an executive or an employee of the Company or any subsidiary of the Company or Invested Entity ceases to be so engaged:

- (i) by reason of ill-health, injury, disability or death (in each case evidenced to the satisfaction of the Directors) or by reason of his employing company ceasing to be a member of the Group or an Invested Entity or by termination of his employment by his employing company on notice in accordance with the provisions of his contract of employment or with pay in lieu of such notice or on retirement in accordance with his

contract of employment or otherwise by agreement with his employing company, then he or (as the case may be) his personal representatives may, notwithstanding any restriction on exercise pursuant to this paragraph (m), exercise all or any of his options (to the extent not already exercised) in whole or in part at any time within a period ending on the earlier of (a) 6 months after the date he ceases to be so engaged and (b) the date on which the relevant option would but for the operation of this paragraph (m)(i) have ceased to be exercisable, and any option or options not so exercised shall lapse and determine at the end of such period; or

- (ii) by reason of his resignation, whether or not in accordance with the provisions of his contract of employment, then all his options (whether or not exercised) shall lapse and determine on the date upon which such resignation is received by his employing company; or
- (iii) by reason of his dismissal without notice (or payment in lieu) for misconduct or other grounds entitling the Company, subsidiary of the Company or Invested Entity (as the case may be) to summarily terminate his employment, then all his options (whether or not exercised) shall lapse and determine immediately without compensation at the time of notification by the Company, subsidiary of the Company or Invested Entity of such termination; or
- (iv) for any reason other than as described in paragraphs (i), (ii) and (iii) above, then all his options shall lapse and determine on the date he so ceases (to the extent not already exercised).

Provided that in any such case the Directors may specify such other conditions or limitations as they may in their absolute discretion think fit in respect of the exercise by the option holder concerned of his options in substitution for those specified in this paragraph (m).

(n) *Effect on takeover*

If, in consequence of any general offer made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control of the Company, then each option holder (or his personal representatives) shall be entitled at any time within the period of six months after such control has been obtained to exercise all or any of his options in whole or in part, and to the extent that it has not been so exercised, any option shall upon the expiry of such period lapse and determine, provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares and gives notice in writing to any holders of Shares that he intends to exercise such rights, options shall be and will remain exercisable until one month from the date of such notice and, to the extent that they have not been exercised, shall thereupon lapse and determine.

(o) *Effect on winding-up*

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily

wind-up the Company, the Company shall give notice thereof to each option holder whereupon each option holder shall be entitled not later than five business days prior to the proposed shareholders' meeting to exercise his option to its full extent or to the extent specified in such option 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' resolution, allot such number of Shares to the option holder which fall to be issued pursuant to the exercise of his option. Subject to the foregoing, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of the Company.

(p) *Effect on reconstruction*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all option holders on the same date as it dispatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each option holder (or his personal representatives) shall be entitled to exercise all or any of his options in whole or in any part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the Court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all option holders to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall to the extent that they have not been exercised thereupon lapse and determine. If for any reason such compromise or arrangement is not approved by the Court (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court) the rights of option holders to exercise their respective options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company.

(q) *Ranking of Shares*

A share issued upon exercise of an option shall not carry voting rights until the registration of the option holder (or any other person) as the holder hereof. If under the terms of a resolution passed or an announcement made by the Company prior to the date of allotment of Shares to be made pursuant to any exercise of an option, a dividend is to be or is proposed to be paid to holders of Shares on the register on a date subsequent to such date of allotment, the Shares to be issued upon such exercise will not rank for such dividend. Subject as aforesaid, Shares allotted upon the exercise of an option shall rank *pari passu* in all respects with the Shares in issue on the date of such allotment and will be subject to all the provisions of the articles of association of the Company for the time being in force.

(r) *Effect of alteration to capital*

In the event of any reduction of capital, sub-division or consolidation of share capital of the Company, any capitalisation issue or rights issue by the Company, the number or nominal amount

of Shares comprised in each option (so far as unexercised) and/or the option price thereunder and/or the number of Shares issued or issuable or which may be issued under the Share Option Scheme may be adjusted in such manner as the Directors may deem appropriate subject to the receipt by them of a statement in writing from the auditors of the Company (acting as experts and not as arbitrators) that in their opinion the adjustments proposed are fair and reasonable, provided always (i) that no increase shall be made in the aggregate subscription price payable on the exercise of any option in respect of the total Shares then comprised therein (ii) that no adjustment shall be made if the same would result in a Participant being deprived of equivalent rights over the same proportion (or as near thereto as is reasonably practicable) of the equity capital of the Company as that to which he was previously entitled, and (iii) no Shares shall be issued at less than its nominal value. However, the issue of any Shares as a result of the exercise of subscription rights under any warrants issued by the Company prior to the date upon which the Share Option Scheme comes into effect or an issue by the Company of Shares or by the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business shall not be regarded as circumstances requiring adjustment.

(s) *Cancellation of option granted*

The Directors may from time to time, with the consent of the relevant Grantee, in their absolute discretion cancel any or all options granted but not exercised. An option shall lapse automatically and not be exercised (to the extent not already exercised) on the date on which the option is cancelled by the Directors as provided above.

Where the Company cancels options and issues new options to the same option holder, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders as mentioned in note (1) to Rule 23.03(3) of the GEM Listing Rules.

(t) *Lapse of options*

An option shall automatically lapse and determine upon occurrence of the events stated in paragraphs (m), (n), (o) and (p) above, subject to the terms set out therein.

(u) *Termination and alteration of Share Option Scheme*

The Company by resolution in general meeting or the Directors may at any time terminate the operation of the Share Option Scheme and in such event no further offer will be made to grant options but in all other respects the provisions of the Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The Directors may from time to time in their absolute discretion waive or amend the provisions of the Share Option Scheme without Shareholders' approval as they deem desirable provided that:

- (i) such amendments must not result in the non-compliance of the GEM Listing Rules for the time being;
- (ii) the Directors may not amend any of the provisions of the Share Option Scheme so as to alter to the advantage of Participants any of the provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules except with the prior sanction of the shareholders of the Company in general meeting; and
- (iii) any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature or any change to the terms of options granted, shall be subject to the approval of the Shareholders, save where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change in the terms of the Share Option Scheme which changes the power or authority of the Board to alter the terms of such Share Option Scheme must be approved by Shareholders in general meeting.

(v) *Disclosure in annual and half-year reports*

The Company will disclose details of the Share Option Scheme in its annual and half-year reports the information as required under Rules 23.07, 23.08 and 23.09 of the GEM Listing Rules.

(w) *Valuation of Share Options*

The Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, any lock up period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

(x) *Effect of the Share Option Scheme*

The rules of the Share Option Scheme enable the Directors to determine the terms and conditions of any option based in each case on relevant factors as they consider appropriate. The Directors believe that the authority given to them under the Share Option Scheme to set any

minimum holding period and/or performance targets as conditions in any option granted and the requirement for a minimum subscription price as well as the selection criteria prescribed by the rules of the Share Option Scheme will serve to protect the value of the Company and any of its subsidiaries as well as to achieve the purpose of the Share Option Scheme.

B. Present status of the Share Option Scheme

The Share Option Scheme is conditional on the GEM Listing Committee granting approval of the listing of, and permission to deal in, the Shares to be issued as mentioned therein and is also conditional on the International Placing taking place.

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the GEM Listing Committee for the approval of for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

5. OTHER INFORMATION

A. Estate duty, tax and other indemnities

(a) Estate duty and tax indemnity

Each of DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, Cristionna Holdings Limited, Liu Dejian, Zheng Hui, Liu Luyuan and Chen Hongzhan has, pursuant to a deed of indemnity referred to the paragraph headed "Summary of material contracts" of this Appendix, given joint and several indemnities in respect of among other things (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended)) to any member of the Group on or before the date on which the International Placing becomes unconditional, and (b) any tax liabilities which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date, save:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited consolidated accounts of the Group for each of the two years ended 31 December 2006 and the six months ended 30 June 2007, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;

- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any members of the Group which are carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2007; or
- (d) to the extent of any provisions or reserve made for taxation in the audited accounts of the Group up to 30 June 2007 which is finally established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in Cayman Islands, USA and the PRC, being jurisdictions in which the companies comprising the Group are incorporated.

(b) *Non-compliance of the Group*

Each of DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, Cristionna Holdings Limited, Liu Dejian, Zheng Hui, Liu Luyuan and Chen Hongzhan has given a joint and several indemnity in favour of the Group in respect of all losses to be suffered by the Group as a result of any penalties, disputes, claims or proceedings arising from any non-compliance of the Group on or before the Listing Date.

B. Joint Sponsors

Bear Stearns and First Shanghai Capital made an application on behalf of the Company to the GEM Listing Committee for the listing of, and permission to deal in, on GEM the Shares in issue of the Company. All necessary arrangements have been made for the Shares to be accepted as eligible securities by CCASS.

C. Compliance Adviser

In accordance with the requirements of the GEM Listing Rules, the Company will appoint First Shanghai Capital as its compliance adviser to provide advisory services to the Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 December 2009.

D. Litigation

As at the Latest Practicable Date, neither the Company nor any other member of the Group is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against the Company or any member of the Group.

E. No material adverse change

The Directors believe that there has been no material adverse change in the financial or trading position of the Company or its subsidiaries since 30 June 2007 (being the date to which the latest audited financial statements of the Company were made up).

F. Qualifications of experts

The following are the qualifications of the experts (as defined under the GEM Listing Rules) who have given opinion or advice which are contained in this document:-

Name	Qualifications
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)
First Shanghai Capital	A licensed corporation under the SFO for regulated activities of Type 6 (advising on corporate finance) regulated activities
Grant Thornton	Certified public accountants
Dacheng Law Offices	Qualified PRC lawyers
Sallmanns (Far East) Limited	Professional property valuers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Morgan, Lewis & Bockius, LLP	U.S. Lawyers

G. Consents of experts

Each of Bear Stearns, First Shanghai Capital, Grant Thornton, Dacheng Law Offices, Sallmanns (Far East) Limited, Conyers Dill & Pearman and Morgan, Lewis & Bockius, LLP has given and has not withdrawn its written consent to the issuance of this prospectus with inclusion of their reports and/or letters and/or valuation certificates and/or the references to their name included herein in the form and context in which they are respectively included.

H. Registration procedures

The register of members of the Company will be maintained in the Cayman Islands by Bank of Bermuda (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

I. Taxation of holders of Shares**(a) The Cayman Islands**

Under the present Cayman Islands law, transfers and other disposals of Shares are not subject to Cayman Islands stamp duty unless the Company holds an interest in land in the Cayman Islands.

(b) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(c) Generally

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of the Company, the Directors, Bear Stearns, First Shanghai Capital their respective directors nor any other parties involved in the International Placing accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

J. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

K. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus:

- (i)** no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash or for consideration other than cash;
- (ii)** no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries;
- (iii)** no share or loan capital of the Company or any of its subsidiaries is under option.

- (b) there has not been any interruption in the business of the Group which may have had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;
- (c) no preliminary expenses were incurred nor payable by the Company;
- (d) neither the Company nor any of its subsidiaries has issued or agreed to issue any founder shares, management shares, deferred shares or any debentures; and
- (e) none of Bear Stearns, First Shanghai Capital, Grant Thornton, Dacheng Law Offices, Sallmanns (Far East) Limited, Conyers Dill & Pearman and Morgan, Lewis & Bockius, LLP nor any of their respective directors, employees and associates (i) is interested beneficially or non-beneficially in any securities in any member of the Group; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or nominate person to subscribe for any securities in the Company; or (iii) has any direct or indirect interest in the promotion of, or in any assets which have been acquired or disposed of by or leased to the Company within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of or leased to the Company.

L. Particulars of the Selling Shareholders

The following are the particulars of the Selling Shareholders:

Name (place of incorporation)	Date of incorporation	Registered office/ address	Number of Sales Shares offered under the International Placing
DJM Holding Ltd. (BVI)	30 October 2003	Trident Chambers, Wickhams Cay I, P.O. Box 146, Road Town, Tortola, BVI	4,000,000 (Note 1)
SEQUEDGE The First Chinese Equities Fund on Prospective for Listing (Japan)	17 August 2006	1-7-7 Shibuya Shibuya-ku, Tokyo, Japan	2,000,000
Fitter Property Inc. (BVI)	13 April 2006	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	1,800,000 (Note 3)

Name (place of incorporation)	Date of incorporation	Registered office/ address	Number of Sales Shares offered under the International Placing
Cristionna Holdings Limited (BVI)	30 October 2003	Trident Chambers, Wickhams Cay I, P.O. Box 146, Road Town, Tortola, BVI	1,000,000 (Note 2)
Growing Up Capital Inc. (BVI)	8 May 2007	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	800,000
Richmedia Holdings Limited (BVI)	10 May 2004	Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI	500,000 (Note 4)
Wu Chak Man	N/A	Room 1206, 969 Changning Road, Changning District, Shanghai, the PRC	500,000
Lilywhites Venture Limited (BVI)	10 May 2007	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	400,000
Maincorp Worldwide Ltd. (BVI)	21 March 2007	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	400,000
Main Shine Company Limited (BVI)	10 May 2007	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	300,000
Peony Glory Holding Ltd. (BVI)	21 March 2007	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	300,000

Name (place of incorporation)	Date of incorporation	Registered office/ address	Number of Sales Shares offered under the International Placing
Chen Feng	N/A	333 Fang Dian Road, 5-801, Shanghai, the PRC	200,000
Kellyton International Limited (BVI)	10 May 2007	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	200,000
Total:			<u>12,400,000</u>

Notes:

1. The Shares are beneficially owned as to approximately 95.4% and 4.6%, respectively, by Liu Dejian and Zheng Hui, who are executive Directors.
2. The Shares are beneficially owned as to approximately 99% by Chen Hongzhan, an executive Director.
3. The Shares are wholly and beneficially owned by Zheng Hui, an executive Director.
4. The Shares are wholly and beneficially owned by Liu Luyuan, an executive Director.