RELATED PARTY TRANSACTIONS

During the Active Business Pursuit Period, we entered into certain related party transactions, details of which are set out in Note 23 headed "Related party transactions" to the accountants' report set out in Appendix I to this prospectus.

NON-COMPETITION UNDERTAKING

In preparation for the Listing, each of DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, Cristionna Holdings Limited, Growing Up Capital Inc., Liu Dejian, Zheng Hui, Liu Luyuan, Chen Hongzhan and Wu Jialiang has given an undertaking on 15 October 2007 to the effect that for so long as the Company remains listed on the GEM and/or any of its/his associates (as defined in the GEM Listing Rules) and/or any companies controlled by it/him are beneficially interested, directly or indirectly, whether individually or taken together, in 30 per cent. or more of the issued share capital of the Company, each of them shall not engage or otherwise be involved in any business which competes or is likely to compete, either directly or indirectly, with any of our business.

Fuzhou Tianliang is a company established on 19 April 2006 in the PRC with limited liability and a registered capital of RMB1,000,000 and has been carrying on the business of provision of computer system repair and maintenance services and after-sales services since its establishment. Upon its establishment in April 2006 and up to 30 June 2007 which was the starting period of its business, we were the sole customer of Fuzhou Tianliang. The Directors understand from Fuzhou Tianliang that it is seeking for new customers for its future development. Fuzhou Tianliang is engaged in the provision of computer system repair and maintenance services and after-sales services to TQ Digital and NetDragon (Fujian) while none of our group members is engaging in the provision of such services for revenue. Since early 2006, the demand for customer service and technical support surged significantly ever with the remarkable growth in our ACU and PCU upon our launching of Eudemons Online. In order to allow us to focus on the development and operation of online games instead of diverting our attention on dealing with the day-to-day technical support and customer-related issues, we decided to outsource the provision of computer system repair and maintenance and after-sales services to a third party. However, due to the relatively low quality of such services available in Fuzhou City, our Directors decided to outsource such services to Fuzhou Tianliang, which was then newly established for the provision of technical support and customer-related services in Fuzhou City by Zheng Hui, Chen Hongzhan and Wu Jialiang, who are specialised in this area. Moreover, due to our staff remuneration policy, we pay a higher compensation to each staff member in the Group than that payable by Fuzhou Tianliang to its staff members. The outsourcing of labour intensive tasks such as repair and maintenance services to Fuzhou Tianliang would therefore serve cost-saving purposes by means of effectively limiting the number of staff in the Group and equipment cost. Moreover, as Zheng Hui, Chen Hongzhan and Wu Jialiang are familiar with our operations, our Directors are of the view that the quality of the services provided by Fuzhou Tianliang can be assured. However, our Directors would also reserve the option to terminate such outsourcing arrangement with Fuzhou Tianliang and enter into a similar arrangement with an independent third party should Fuzhou Tianliang become unable to provide services which are up to our required standard. Due to the above reasons, the Directors had no intention to include Fuzhou Tianliang in the Group.

We are of the view that the businesses carried on by Fuzhou Tianliang have not been and will not be in competition with our businesses. To ensure that Fuzhou Tianliang will not engage in any activities which are in competition with our businesses after the Listing, on 15 October 2007, Fuzhou Tianliang has given an undertaking that it will not and will procure that none of its associates (as defined in the GEM Listing Rules) will not become interested in any company or be engaged or otherwise involved in any business which competes or is likely to compete, directly or indirectly, with those carried on by us. Due to the difference in our business nature with that of Fuzhou Tianliang, Fuzhou Tianliang is not included in our Group.

In addition, each of the Directors has confirmed that he/she does not have any interest in a business which competes or may compete with our business nor do they have any conflicts of interests with us.

DISCONTINUED CONNECTED TRANSACTIONS

Lease agreement between TQ Digital and Fuzhou 851

On 1 July 2006, TQ Digital, being a member of the Group entered into the lease agreement with Fuzhou 851 (the "**TQ Digital Lease Agreement**") pursuant to which Fuzhou 851 as lessor agreed to lease the premises with a total gross floor area of approximately 714 sq.m. consisting of (i) the conference room on the first floor; (ii) the second floor; (iii) certain offices on the third floor; and (iv) certain portion of the ancillary buildings of 851 Building (851大樓) located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou, Fujian, the PRC to TQ Digital as lessee for office and research purposes.

The term of the TQ Digital Lease Agreement is one year commenced from 1 July 2006 and ended on 30 June 2007. TQ Digital entered into the New Lease Agreement I (as defined below) regarding the same premises. As confirmed by Sallmanns (Far East) Limited, an independent property valuer, the rental charged by Fuzhou 851 under the agreement is fair and reasonable and consistent with the prevailing market rents for similar premises in similar location.

Fuzhou 851 is a sino-foreign equity joint venture enterprise established in the PRC, whose equity interest in the registered capital is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., being a substantial shareholder of the Company, Liu Dejian, being an executive Director and chairman of the Company, and Yang Zhenhua, being mother of Liu Dejian, respectively and Fuzhou 851 is therefore our connected person under the GEM Listing Rule.

Lease agreement between NetDragon (Fujian) and Fuzhou 851

On 1 July 2006, NetDragon (Fujian) entered into a lease agreement with Fuzhou 851 (the "**NetDragon (Fujian) Lease Agreement**") pursuant to which Fuzhou 851 as lessor agreed to lease the premises with a total gross floor area of approximately 89 sq.m. consisting of (i) certain offices on the first floor; and (ii) certain portion of the ancillary building of 851 Building (851大樓) located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou, Fujian, the PRC to NetDragon (Fujian) as lessee for office and research purposes.

The term of the NetDragon (Fujian) Lease Agreement is one year commencing from 1 July 2006 and ended on 30 June 2007. NetDragon (Fujian) entered into the New Lease Agreement II (as defined below) regarding the same premises. As confirmed by Sallmanns (Far East) Limited, an independent property valuer, the rental charged by Fuzhou 851 under the agreement is fair and reasonable and consistent with the prevailing market rents for similar premises in similar location.

Fuzhou 851 is a sino-foreign equity joint venture enterprise established in the PRC, whose equity interest in the registered capital is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., being a substantial shareholder of the Company, Liu Dejian, being an executive Director and chairman of the Company, and Yang Zhenhua, being mother of Liu Dejian, respectively, Fuzhou 851 is therefore our connected person under the GEM Listing Rules. On the other hand, through the arrangement of the Structure Contracts, the financial results of NetDragon (Fujian) will be consolidated with the Company as if it were a subsidiary of the Company. For the purpose of the GEM Listing Rules, NetDragon (Fujian) will be treated as if it were a subsidiary of the Company.

Sublease Agreement between NetDragon (USA) and Beso

On 1 January 2004, NetDragon (USA) entered into a Sublease Agreement (the "**Sublease Agreement**") with Beso, whereby Beso as lessor agreed to sublease to NetDragon (USA) as lessee a premises with a total gross floor area of approximately 111.76 sq.m. The premises comprise a portion of the premises situated at 21660 E. Copley Dr., Suite #180, Diamond Bar, CA 91765, USA. NetDragon (USA) has been occupying the premises subleased under the Sublease Agreement for its business operations and for general office usage.

The term of the Sublease Agreement commenced on 1 January 2004 and is on a tenancy of month to month. As confirmed by Sallmanns (Far East) Limited, an independent property valuer, the rental charged and chargeable by Beso under the Sublease Agreement is fair and reasonable and consistent with the prevailing market rents for similar premises in similar location. The Sublease Agreement was terminated on 1 May 2007 upon NetDragon (USA) entering into a new lease agreement with the landlord of the same premises, being an Independent Third Party.

Beso is a corporation formed in the State of Kansas, USA, whose equity interest in its capital stock is owned by Yang Zhenhua, being the mother of Liu Dejian, an executive Director and chairman of the Company. Beso is therefore a connected person of the Group under the GEM Listing Rules.

Agreement for provision of repair and maintenance of computer system service and after-sales service (技術維護及遊戲售後服務外包合同) between TQ Digital and Fuzhou Tianliang

On 23 October 2006, TQ Digital has entered into an agreement for provision of repair and maintenance of computer system service and after-sales service with Fuzhou Tianliang (the "**TQ Service Agreement**"), pursuant to which Fuzhou Tianliang agreed to provide to TQ Digital computer system repair and maintenance service and after-sales service for online game customers on normal commercial terms which are no less favorable than those available from independent third parties. The TQ Service Agreement is replaced by the New Service Agreement (as defined below).

Fuzhou Tianliang is a limited company established in the PRC, which is owned as to 30%, 30% and 40% by Chen Hongzhan, an executive Director, Zheng Hui, an executive Director and Wu Jialiang, one of our senior management, respectively and Fuzhou Tianliang is therefore our connected person under the GEM Listing Rules.

Agreement for provision of repair and maintenance of computer system service and after-sales service ((技術維護及遊戲售後服務外包合同)) between NetDragon (Fujian) and Fuzhou Tianliang

On 1 January 2007, NetDragon (Fujian) has entered into an agreement for provision of repair and maintenance of computer system service and after-sales service with Fuzhou Tianliang (the "**Fujian Service Agreement**"), pursuant to which Fuzhou Tianliang agreed to provide to NetDragon (Fujian) computer system repair and maintenance service and after-sales service for online game players on normal commercial terms which are no less favorable than those available from independent third parties. The Fujian Service Agreement is replaced by the New Service Agreement (as defined below).

Fuzhou Tianliang is a limited company established in the PRC, which is owned as to 30%, 30% and 40% by Chen Hongzhan, an executive Director, Zheng Hui, an executive Director and Wu Jialiang, one of our senior management, respectively and Fuzhou Tianliang is therefore our connected person under the GEM Listing Rules.

Contractual rights assignment agreement between Liu Dejian and TQ Digital

On 27 May 2007, Liu Dejian, our executive Director, had entered into a contractual rights assignment agreement with TQ Digital, pursuant to which TQ Digital had assigned its rights under an asset management agreement (the "**Asset Management Agreement**") dated 12 December 2006 between TQ Digital and Guolun Holdings Limited (高能控股有限公司) to Liu Dejian at a consideration of RMB14.5 million, representing the amount of contribution of TQ Digital under the Asset Management Agreement. On 13 June 2007 and 13 August 2007, the amount of consideration was settled in full by Liu Dejian. Our Directors are of the view that the said contractual rights assignment agreement were on normal commercial terms, fair and reasonable and no less favorable than those provided to independent third parties.

Liu Dejian is our Director and therefore our connected person under the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Company which are expected to remain in effect following completion of the International Placing will, on and from the Listing Date, constitute connected transactions under Chapter 20 of the GEM Listing Rules. Details of these transactions are set out below.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

DE MINIMIS TRANSACTIONS

New Lease Agreements between the Group and Fuzhou 851

851 Building (851大樓)

On 30 May 2007, TQ Digital entered into a new lease agreement (the "**New Lease Agreement I**") with Fuzhou 851 to replace the TQ Digital Lease Agreement, pursuant to which Fuzhou 851 as lessor agreed to lease to TQ Digital as lessee a premises with a total gross floor area of approximately 714 sq.m. consisting of (i) the conference room on the first floor; (ii) the second floor; (iii) certain offices on the third floor; and (iv) certain portions of the ancillary buildings of 851 Building (851大樓) located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou, Fujian, the PRC at an annual rental of RMB240,000 (equivalent to approximately HK$244,898).

On 30 May 2007, NetDragon (Fujian) entered into a new lease agreement (the "**New Lease Agreement II**") with Fuzhou 851 to replace the NetDragon (Fujian) Lease Agreement, pursuant to which Fuzhou 851 as lessor agreed to lease to NetDragon (Fujian) as lessee a premises with a total gross floor area of approximately 89 sq.m. consisting of (i) certain offices on the first floor; and (ii) certain portions of the ancillary buildings of 851 Building (851大樓) located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou, Fujian, the PRC at an annual rental of RMB30,000 (equivalent to approximately HK$30,612).

Each of the New Lease Agreement I and New Lease Agreement II is for a term commenced from 1 July 2007 and ending on 30 June 2010. Should TQ Digital or NetDragon (Fujian) wish to extend the lease term, it shall enter into a new lease agreement with Fuzhou 851 in respect of the relevant premises with the same terms (save the new rent to be determined at the then market value) as the New Lease Agreement I or New Lease Agreement II (as applicable).

Prior to entering into the New Lease Agreement I and New Lease Agreement II, the Group has been occupying the relevant premises in 851 Building (851大樓) pursuant to the TQ Digital Lease Agreement and NetDragon (Fujian) Lease Agreement for its business operations and general office and research purposes. The lease terms under the TQ Digital Lease Agreement and NetDragon (Fujian) Lease Agreement had expired on 30 June 2007. The Directors are of the view that it is necessary and in the interests of the Group that the lease terms of the relevant premises in the 851 Building be renewed so as to maintain the continuity of the Group's operations. The Directors are also of the view that the lease of the relevant premises in 851 Building upon completion of the construction of 851 New Building would allow ample office space to facilitate the future expansion and growth of the Group's business.

851 New Building (新851大樓)

On 15 October 2007, NetDragon (Fujian) entered into a letter of intent with Fuzhou 851 pursuant to which Fuzhou 851 as lessor agreed to enter into a lease agreement (the "**New Lease Agreement III**") for leasing to NetDragon (Fujian) as lessee a premises with a total gross floor area of approximately 4,200 sq.m. consisting of three floors of 851 New Building located next to 851 Building at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou, Fujian, the PRC at an annual rental of RMB1,814,000 (equivalent to approximately HK$1,851,000). The New Lease Agreement III is to be entered into between NetDragon (Fujian) and Fuzhou 851 within five working days of the receipt of the building ownership certificates in respect of 851 New Building.

The New Lease Agreement III will be for a term of three years commencing from date of signing of the New Lease Agreement III. Should NetDragon (Fujian) wish to extend the lease term, it shall enter into a new lease agreement with Fuzhou 851 in respect of the same premises on the same terms (save the new rent to be determined at the then market value) as the New Lease Agreement III.

The Group intends to lease the 851 New Building from Fuzhou 851 for use as its main office building upon its construction is completed.

As confirmed by Sallmanns (Far East) Limited, an independent property valuer, the rentals charged or chargeable by Fuzhou 851 under the New Lease Agreement I, New Lease Agreement II and New Lease Agreement III are fair and reasonable and consistent with the prevailing market rents for similar premises in similar locations.

Fuzhou 851 is a sino-foreign equity joint venture enterprise established in the PRC, whose equity interest in its registered capital is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., a substantial shareholder, Liu Dejian, an executive Director and Yang Zhenhua, mother of Liu Dejian and Liu Luyuan, respectively. Fuzhou 851 is therefore our connected person under the GEM Listing Rules. As the arrangement under the Structure Contracts allows the financial results of NetDragon (Fujian) to be consolidated into those of the Group as if it were a subsidiary of our Company, NetDragon (Fujian) will also be treated as part of our Group for the purpose of the GEM Listing Rules.

We, including the independent non-executive Directors, are of the view that the New Lease Agreement I, New Lease Agreement II and New Lease Agreement III had been entered into on normal commercial terms, were fair and reasonable and in the interests of our Company and the Shareholders as a whole. The transactions under the New Lease Agreement I, New Lease Agreement II and New Lease Agreement III are liable to be aggregated pursuant to Rule 20.25 of the GEM Listing Rules. The aggregated annual rentals under the New Lease Agreement I, New Lease Agreement II and New Lease Agreement III amounted to RMB2,084,000 (equivalent to approximately HK$2,127,000). Since the applicable percentage ratios under the GEM Listing Rules in relation to such aggregated annual rental payable by the Group to Fuzhou 851 on an annual basis have been and are expected to be less than

0.1%, which falls below the de minimis threshold as stated in Rule 20.33(3) of the GEM Listing Rules, the transactions under the New Lease Agreement I, New Lease Agreement II and New Lease Agreement III are thus exempt from the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTION EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT SUBJECT TO REPORTING AND ANNOUNCEMENT REQUIREMENTS

Set out below are the terms of the continuing connected transaction which is subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules (the "**Discloseable Continuing Connected Transaction**").

Agreement for provision of repair and maintenance of computer system service and after-sales service（技術維護及遊戲售後服務外包合同）between TQ Digital, NetDragon (Fujian) and Fuzhou Tianliang

Terms of the New Service Agreement

On 15 October 2007, TQ Digital and NetDragon (Fujian) have entered into an agreement for provision of repair and maintenance of computer system service and after-sales service with Fuzhou Tianliang (the "**New Service Agreement**"), to replace the TQ Service Agreement and Fujian Service Agreement, pursuant to which, at the direction of TQ Digital, Fuzhou Tianliang agreed to provide to NetDragon (Fujian) computer system repair and maintenance service and after-sales service for online game customers on normal commercial terms which are no less favorable than those available from independent third parties. The term of the New Service Agreement is for two and a half years commenced from 1 July 2007 to 31 December 2009. The computer system repair and maintenance service mainly includes the routine system checking and maintenance and technical diagnosis and repair of system hardware, operating systems, database and application software which are vital to the operations of NetDragon (Fujian) as it ensures the smooth operation and upkeep of the computer systems on which the online games software are being run. On the other hand, the after-sales service mainly includes the provision of customer hotline services and assistance in responding to customers' enquiries and complaints in online forums and correspondences which are essential for customer management to enhance customer loyalty. We have changed the pricing basis with Fuzhou Tianliang from a per-job basis to one which was calculated with reference to the number of ACU which was a result of arms-length negotiations between Fuzhou Tianliang and us on normal commercial terms. Due to our staff remuneration policy we pay a higher compensation to each staff member in our Group than that payable by Fuzhou Tianliang to its staff members. The outsourcing of such labour intensive tasks to Fuzhou Tianliang would therefore serve cost-saving purposes by means of effectively limiting the number of our staff and equipment cost. Moreover, due to the relatively low quality of such services available in Fuzhou City, our Directors decided to outsource such services to Fuzhou Tianliang, which is owned and/or managed by Zheng Hui, Chen Hongzhan and Wu Jialiang, who are specialised in this area and familiar with our operations.

Historical figures

TQ Digital and NetDragon (Fujian) have entered into separate agreements for provision of repair and maintenance of computer system service and after-sales service with Fuzhou Tianliang, i.e. the TQ Service Agreement dated 23 October 2006 and the Fujian Service Agreement dated 1 January 2007.

Fuzhou Tianliang has been providing to TQ Digital computer system repair and maintenance service and after-sales service for online game customers during the periods from 23 October 2006 to 31 December 2006, and the six months ended 30 June 2007, and the service fees charged for such periods were RMB718,268 and RMB132,823, respectively.

The service fees charged by Fuzhou Tianliang for providing to NetDragon (Fujian) computer system repair and maintenance service and after-sales service for the six months ended 30 June 2007 was RMB2,304,755. No service fee was charged by Fuzhou Tianliang from NetDragon (Fujian) prior to 1 January 2007 as no service agreement had been entered into between Fuzhou Tianliang and NetDragon (Fujian) prior to 1 January 2007.

Maximum annual service charges

Our Directors estimate that the annual value of the transactions under the New Service Agreement will not exceed the following caps (the "Annual Service Caps") for each of the three years ending 31 December 2009*(Note)*:

	Year ending 31 December 2007 *(RMB)*	**Year ending 31 December 2008** *(RMB)*	**Year ending 31 December 2009** *(RMB)*
System Maintenance Fees	1,433,000	3,421,000	3,461,000
Service Charges	1,433,000	3,421,000	3,461,000
Total	2,866,000	6,842,000	6,922,000

Note:

The term of the New Service Agreement is for two and a half years commenced from 1 July 2007 to 31 December 2009.

The Annual Service Caps have been determined based on:

(a) historical transaction amounts;

(b) internal estimates of the expected growth in the number of ACU for the six months ending 31 December 2007 and each of the two years ending 31 December 2009 by approximately 40%, 40% and 8% respectively, with reference to the expected increase in popularity of Eudemons Online and Zero Online, and the expected launch of Happiness Q, Piao Miao Online and Heroes of Might and Magic Online in late 2007, 2008 and 2008, respectively; and

(c) the assumption that there is no significant increase in the market price of system maintenance fees and after-sales service charges in the coming three years.

We will closely monitor the transactions under the New Service Agreement pursuant to our internal control procedures which provide that, apart from strict compliance with the applicable disclosure requirements under the GEM Listing Rules, (a) a number of quotations from the independent third party suppliers must be obtained every quarter for reviewing and preparing the pricing policy for such transactions in the subsequent quarter; and (b) the pricing policy for such transactions for the subsequent quarter are subject to the review and approval by an independent non-executive director with appropriate expertise in Internet services industry.

Further, pursuant to the New Service Agreement, Fuzhou Tianliang has undertaken that it would not, and would procure that none of its associates would engage in any business which competes or is likely to compete, directly or indirectly, with those carried on by our Group.

GEM Listing Rules implications

Fuzhou Tianliang is a limited company established in the PRC, which is owned as to 30%, 30% and 40% by Chen Hongzhan, an executive Director, Zheng Hui, an executive Director and Wu Jialiang, one of our senior management, respectively and Fuzhou Tianliang is therefore our connected person under the GEM Listing Rules.

Since the applicable percentage ratios under the GEM Listing Rules in relation to amount of service fees payable by the Group to Fuzhou Tianliang under the New Service Agreement on an annual basis have been and are expected to be less than 2.5%, the transactions under the New Service Agreement are thus exempt from independent Shareholders' approval requirement but subject to reporting and announcement requirements under the GEM Listing Rules.

Waiver from the Stock Exchange in respect of the Discloseable Continuing Connected Transaction

We, including the independent non-executive Directors, consider that the Discloseable Continuing Connected Transaction has been entered into in the ordinary and usual course of business of our Group and is based on arm's length negotiation and on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole. All our Directors also confirm that each of the Annual Service Caps set out above is fair and reasonable.

As the Discloseable Continuing Connected Transaction will continue following the Listing Date on a recurring basis, our Directors consider that strict compliance with the reporting and announcement requirements under the GEM Listing Rules would be unduly burdensome and impractical.

In respect of Rules 20.35(2) and 20.36(1) of the GEM Listing Rules, the maximum aggregate Annual Service Caps for the Discloseable Continuing Connected Transaction shall not exceed the applicable limits set out above.

We confirm that we will comply with Rules 20.35(1), 20.35(2), 20.36, 20.37, 20.38, 20.39 and 20.40 of the GEM Listing Rules, and will re-comply with the relevant rules of Chapter 20 of the GEM Listing Rules if any of the Annual Service Caps set out above are exceeded, when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement.

We have applied to the Stock Exchange for a waiver under Rule 20.42(3) of the GEM Listing Rules from strict compliance with the applicable announcement requirements under Chapter 20 of the GEM Listing Rules. The Stock Exchange has indicated that a waiver would be granted from strict compliance with the announcement requirements.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that : (i) the Discloseable Continuing Connected Transaction for which waiver is sought has been entered into in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the Annual Service Caps for the Discloseable Continuing Connected Transaction are fair and reasonable.