
DEFINITIONS

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

“Articles”	the articles of association of the Company adopted on 15 October 2007, the terms of which are summarised in Appendix IV to this document
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules or the Main Board Listing Rules, as the case may be
“Beso”	Beso Biological Research Centre, Inc., a corporation formed in the State of Kansas, USA, whose principal businesses are distribution and marketing of the products of Fuzhou 851 and whose equity interest in its capital stock is owned by Yang Zhenhua, being the mother of Liu Dejian, an executive Director and chairman of the Company and Beso is therefore our connected person under the Main Board Listing Rules
“Board”	the board of Directors
“BVG”	Buena Vista Internet Group, a wholly owned subsidiary of the Walt Disney Company and an Independent Third Party
“Business Day”	a day that is not a Saturday, Sunday or a public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the capitalisation of 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 the 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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	People’s Republic of China which for the purpose of this document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“China Film Group”	China Film Group Corporation and its subsidiaries, the sole importer of foreign film in the PRC and an Independent Third Party

DEFINITIONS

“ChinaJoy”	China Digital Entertainment Expo and Conference, an annual exhibition held in the PRC for the digital interactive entertainment industry
“CNNIC”	China Internet Network Information Center (中國互聯網絡信息中心), an Independent Third Party
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	NetDragon Websoft Inc., a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM
“connected persons”	means a director, chief executive, substantial shareholder or, in the case of the GEM Listing Rules, management shareholder of a company, or an associate of any of them, as more particularly defined under the GEM Listing Rules or the Main Board Listing Rules, as the case may be
“Controlling Shareholders”	our controlling shareholders (having the meaning ascribed thereto in the GEM Listing Rules or the Main Board Listing Rules, as the case may be), being DJM Holding Ltd., Fitter Property Inc., Richmedia Holdings Limited, the Founding Shareholders, Eagle World International Inc. and Flowson Company Limited
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervisor and regulation of the PRC securities market
“Director(s)”	our director(s)
“Disney Game”	An online fantasy world based on Disney themes, which is envisioned to be a turn-based massively multiplayer online role playing strategy game targeted at a broad demographic where players live in a Disney-themed central world and can interact with selected Disney characters
“E3”	The Electronic Entertainment Expo, an annual trade show held in the U.S. for the computer and video games industry open to game industry professionals, journalists, and guests of exhibitors

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 12 June 2008 at 10:00 a.m. or any adjournment thereof for the purpose of considering and approving, if thought fit, among other things, the Proposed Withdrawal, the termination of the GEM Share Option Scheme and the adoption of the Proposed Share Option Scheme
“First Shanghai Capital” or “Sponsor”	First Shanghai Capital Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity being the sponsor to us in respect of the Main Board Listing
“Founding Shareholders”	Liu Dejian, Zheng Hui and Liu Luyuan, being our founding shareholders
“FTP model”	free-to-play business model, of which revenue is generated not by selling playtime, but by selling virtual items
“Fuzhou 851”	Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc. (福州楊振華851生物工程技術研究開發有限公司), a sino-foreign equity joint venture enterprise established in the PRC, whose principal businesses are development and manufacturing of health products for consumers in the PRC and the overseas and whose equity interest in the registered capital is owned as to approximately 46.26%, 26.87% and 26.87% by DJM Holding Ltd., a substantial shareholder of the Company, Liu Dejian, an executive Director, and Yang Zhenhua, the mother of Liu Dejian, respectively and Fuzhou 851 is therefore our connected person under the Main Board Listing Rule
“Fuzhou Tianliang”	Fuzhou Tianliang Network Technology Company Limited (福州天亮網絡技術有限公司), a company established in the PRC with limited liability on 19 April 2006, which is owned as to 30%, 30% and 40% by Chen Hongzhan, an executive Director, Zheng Hui, an executive Director and Wu Jialiang, one of our senior management, respectively and Fuzhou Tianliang is therefore our connected person under the Main Board Listing Rules
“GAPP”	The PRC General Administration of Press and Publication (國家新聞出版總署)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing”	the listing of the Shares on GEM, the commencement of which took place on 2 November 2007

DEFINITIONS

“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM (as amended from time to time)
“GEM Share Option Scheme”	the share option scheme adopted by the Company on 15 October 2007
“GEM website”	http://www.hkgem.com , being the Internet website operated by the Stock Exchange for the purposes of GEM
“Glory More”	Glory More Limited, a company incorporated in Hong Kong with limited liability on 31 January 2008 which is wholly and beneficially owned by NetDragon (BVI)
“Group”, “we”, “us” or “our”	our Company and our directly or indirectly wholly-owned subsidiaries (including NetDragon (BVI), TQ Digital, NetDragon (USA), NetDragon (HK), Glory More and TQ Online, and in the context of describing our operations, also include our incorporated affiliates in the PRC, including NetDragon (Fujian) and NetDragon (Shanghai))
“HKFRS(s)”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“ICP license”	a value-added telecommunications business operation license with a service scope of information services
“IDG Group”	IDG Technology Venture Investments, L.P., IDG Technology Venture Investments III, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P.. The IDG Group was our investor before the GEM Listing and our substantial shareholder at the time of the Introduction
“Independent Third Party(ies)”	party(ies) which is (are) independent from and not connected with any of the Directors, chief executive or substantial shareholders of our Company or any of its subsidiaries or any of their respective associates

DEFINITIONS

“Initial Management Shareholder(s)”	means, collectively, DJM Holding Ltd., Liu Dejian, Zheng Hui, Fitter Property Inc., Richmedia Holdings Limited, Liu Luyuan, Eagle World International Inc., Flowson Company Limited, Cristionna Holdings Limited, Chen Hongzhan, Liu Ming, Wu Chak Man, Growing Up Capital Inc., Wu Jialiang, IDG Group, Happy Sunshine Limited and Chee Swee Fu
“Internal Revenue Service”	The Internal Revenue Service of the Department of the Treasury of the government of the United States of America
“International Placing”	the conditional placing of 124,200,000 Shares at HK\$13.18 per Share as referred to in the Prospectus in connection with the GEM Listing
“Internet Culture Regulations”	Interim Regulations on the Administration of Internet Culture (互聯網文化管理暫行規定) implemented on 1 July 2003 and amended on 1 July 2004
“Introduction”	the proposed listing of the Shares on Main Board by way of introduction pursuant to the Main Board Listing Rules
“Latest Practicable Date”	22 May 2008, being the latest practicable date for the purposes of ascertaining certain information contained in this document prior to the printing of this document
“Leitingwanjun”	Beijing Lei Ting Wan Jun Network Technology Limited (北京雷霆萬鈞網絡科技有限責任公司), the operating company of Tom.com, being an Independent Third Party and one of our cooperation partners
“Listing Committee”	the listing committee of the Board of directors of the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM, which excludes the options market and which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing”	the listing of the Shares on the Main Board
“Main Board Listing Date”	the date on which dealings in the Shares shall first commence on the Main Board (currently expected to be 24 June 2008)
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Management Committee”	the management committee established and constituted by the provisions of the Structure Contracts which is responsible for, among other things, overseeing the business and operations of NetDragon (Fujian)
“MII”	the PRC Ministry of Information Industry (中國信息產業部)
“MII Notice”	Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecommunication Services (關於加強外商投資經營增值電信業務管理的通知) issued by MII in July 2006
“MOC”	the PRC Ministry of Culture (中國文化部)
“NCAC”	the PRC National Copyright Administration (國家版權局)
“NetDragon (BVI)”	NetDragon Websoft Inc., a company established in BVI on 8 January 2003, which is wholly and beneficially owned by the Company
“NetDragon (Fujian)”	Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) formerly known as Fuzhou NetDragon Websoft Co., Ltd. (福州網龍計算機網絡信息技術有限公司), a company established in the PRC with limited liability on 25 May 1999, and through the Structure Contracts, TQ Digital and TQ Online is able to control NetDragon (Fujian) and accordingly, regarded as our subsidiary
“NetDragon (HK)”	NetDragon Websoft (Hong Kong) Limited (網龍香港有限公司), a company incorporated in Hong Kong with limited liability on 28 June 2007 which is wholly and beneficially owned by NetDragon (BVI)
“NetDragon (Shanghai)”	Shanghai Tiankun Digital Technology Ltd. (上海天坤數碼科技有 限公司), a company established in the PRC with limited liability on 20 December 2004, and through the Structure Contracts, TQ Digital and TQ Online is able to control NetDragon (Shanghai) and accordingly, regarded as our subsidiary
“NetDragon (USA)”	NetDragon Websoft Inc., a company incorporated in the State of California, USA, on 10 July 2003, which is wholly and beneficially owned by NetDragon (BVI)
“Ogilvy”	Effort Ogilvy (Fujian) Advertising Co. Ltd. (奧華奧美(福建)廣告 有限公司), an Independent Third Party and our marketing consultant for promoting our corporate image and online games in the PRC

DEFINITIONS

“Other Investors”	collectively, SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Giant East Investments Limited, China Venture Capital Company Limited, SACE Investments Limited and Aura Investment Holdings Limited, all being our investors before the GEM Listing and which are Independent Third Parties as at the time of the Introduction
“Over-allotment Option”	the option granted by the Company to the underwriters of the GEM Listing, to require the Company to issue the over-allotment Shares to cover the over-allocation in the International Placing as described in the Company’s announcement dated 9 November 2007
“PayPal”	PayPal, an eBay Company and an Independent Third Party, enables individual or business with an email address to send and receive payments online
“Placing Shares”	124,200,000 Shares offered by the Company at the placing price of HK\$13.18 under the International Placing
“PRC GAAP”	generally accepted accounting principles in the PRC
“Proposed Share Option Scheme”	the proposed share option scheme to be conditionally adopted by the Company at the EGM, a summary of the principal terms of which is contained under “Proposed Share Option Scheme” on Appendix V to this document
“Proposed Withdrawal”	the proposed withdrawal of listing of the Shares on GEM
“Prospectus”	the prospectus of the Company dated 23 October 2007 in connection with the International Placing and the GEM Listing
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the PRC State Administration for Foreign Exchange (國家外匯管理局)
“SAIC”	the PRC State Administration for Industry and Commerce (國家工商行政管理總局)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong as amended and supplemented from time to time
“Shanda”	Shanda Interactive Entertainment Ltd., an online game operator, the shares of which are listed on Nasdaq in the USA and which is an Independent Third Party and one of our distribution partners

DEFINITIONS

“Shareholders”	holders of the Shares
“Shares”	shares with nominal value of US\$0.01 each in the share capital of the Company
“SINA”	SINA Corporation, an Internet services provider and an Independent Third Party
“Structure Contracts”	certain contracts entered into among our subsidiaries and affiliates, particulars of which are set out in “Structure Contracts” in this document
“State” or “PRC Government”	the government of the PRC
“State Council”	State Council of the PRC (中國國務院), the highest governmental body of the PRC in charge of the formulation and implementation of state policies
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning given to it by the GEM Listing Rules or the Main Board Listing Rules, as the case may be
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or, otherwise modified from time to time
“Talentaid”	Talentaid International Limited, an Independent Third Party
“Tencent”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), an Internet services provider, an Independent Third Party and one of our distribution partners
“TQ Digital”	Fujian TQ Digital Inc (福建天晴數碼有限公司), formerly known as Fujian TQ Digital Ind (福建天晴數碼有限公司) and Fuzhou TQ Digital Ind (福州天晴數碼有限公司), a wholly foreign owned enterprise established in the PRC on 28 February 2003, which is wholly and beneficially owned by NetDragon (BVI)
“TQ Online”	Fujian TQ Online Interactive Inc. (福建天晴在綫互動科技有限公司), a wholly foreign owned enterprise established in the PRC on 18 March 2008, which is wholly and beneficially owned by Glory More
“Track Record Period”	the period from 1 January 2005 to 31 December 2007
“Ubisoft”	Ubisoft Entertainment SA or its affiliate, an Independent Third Party and an international producer, publisher and distributor of interactive entertainment

DEFINITIONS

“US\$”	United States dollars, the lawful currency of the USA
“USA” or “U.S.”	the United States of America
“VAT”	the value-added tax in the PRC
“WTO”	World Trade Organisation
“Xunlei”	Shenzhen Xunlei Online Technology Company Limited (深圳市迅雷網絡技術有限公司), an Independent Third Party and one of our cooperation partners
“sq. ft.” and “sq. m.”	square feet and square metres
“sq. km.”	square kilometre(s)
“%” and “percent”	percentage
“2D”, “2.5D” and “3D”	2 dimensional, 2.5 dimensional and 3 dimensional, respectively

- 1. For the purpose of this document, unless otherwise indicated, conversion of US dollars into Hong Kong dollars is calculated at the conversion rate of US\$1.00 to HK\$7.80 and conversion of RMB into Hong Kong dollars is calculated at the conversion rate of HK\$1.09 to RMB1.00. These conversion rates are for purposes of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, converted at these or any other rates or at all.*
- 2. In this document, the names of persons, entities or enterprises in the PRC have been included in this document in both the Chinese and English languages and the English names of these persons, entities or enterprises are only English translation of their respective official Chinese names. In the event of any inconsistency between the Chinese name and their respective English translation, the Chinese names shall prevail.*