RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into certain related party transactions, details of which are set out in Note 26 headed "Related party transactions" to the accountants' report set out in Appendix I to this document.

NON-COMPETITION UNDERTAKING

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 22 May 2008 to the effect that for so long as the Company remains listed on the Main Board and/or any of its/his associates (as defined in the Main Board 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 31 December 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 Introduction, on 22 May 2008, Fuzhou Tianliang has given an undertaking that it will not and will procure that none of its associates (as defined in the Main Board 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 Jones Lang LaSalle Sallmanns 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 Main Board 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 Jones Lang LaSalle Sallmanns 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 Main Board Listing Rules. On the other hand, through the arrangement of the Structure Contracts, the financial results of NetDragon (Fujian) will be combined with the Company as if it were a subsidiary of the Company. For the purpose of the Main Board 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 Jones Lang LaSalle Sallmanns 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 Main Board 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 Main Board 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 Main Board 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 Main Board Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Company which are expected to remain in effect following completion of the Introduction will, on and from the Main Board Listing Date, constitute connected transactions under Chapter 14A of the Main Board 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$262,000).

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$33,000).

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$1,977,000). 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.

As confirmed by Jones Lang LaSalle Sallmanns 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 Main Board 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 Main Board 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 14A.25 of the Main Board 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$2,272,000). Since the applicable percentage ratios under the Main Board 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 14A.33(3) of the Main Board 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 Main Board 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 14A.45 to 14A.47 of the Main Board 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. The pricing basis under the New Service Agreement is 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 year ended 31 December 2007, and the service fees charged for such periods were RMB718,268 and RMB272,574, respectively.

The service fees charged by Fuzhou Tianliang for providing to NetDragon (Fujian) computer system repair and maintenance service and after-sales service under the New Services Agreement, which commenced from 1 July 2007, for the year ended 31 December 2007 was RMB2,091,100. 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 two years ending 31 December 2009:

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

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 each of the two years ending 31 December 2009 by approximately 40% and 8% respectively, with reference to the expected increase in popularity of Eudemons Online, Zero Online and Tou Ming Zhuang Online, and the expected launch of Way of the Five, Tin Yuan and Heroes of Might and Magic Online in 2008; 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 two years.

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.

At the time of the GEM Listing, the Company had applied for, and the Stock Exchange had granted to the Company, a waiver with respect to the Discloseable Continuing Connected Transaction from the announcement requirements under Rule 20.42(3) of the GEM Listing Rules in relation to an Annual Service Cap of the New Service Agreement being RMB2,866,000 for the half year from 1 July 2007 to 31 December 2007. We recorded RMB2,091,100 as the actual value of the transactions under the New Service Agreement from 1 July 2007 to 31 December 2007. Since the transaction value of the New Service Agreement relies on our internal estimates of the expected growth in the number of ACU with reference to our expected games to be launched, the difference between the Annual Service Cap and the actual value from 1 July 2007 to 31 December 2007 was principally attributable to the deferred launch of Way of the Five from 2007 to 2008.

Main Board Listing Rules implications

Fuzhou Tianliang is a limited company established in the PRC, which is owned as to 30% and 30% by Chen Hongzhan, an executive Director, and Zheng Hui, an executive Director, respectively and Fuzhou Tianliang is therefore our connected person under the Main Board Listing Rules.

Since the applicable percentage ratios under the Main Board 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 requirements but subject to reporting and announcement requirements under the Main Board Listing Rules.

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

At the time of the GEM Listing, the Company had applied for, and the Stock Exchange had granted to the Company, a waiver with respect to the Discloseable Continuing Connected Transaction from the announcement requirements under Rule 20.42(3) of the GEM Listing Rules, provided that the Discloseable Continuing Connected Transaction is conducted in compliance with the conditions (including the respective applicable caps) imposed by the Stock Exchange.

As the Discloseable Continuing Connected Transaction will continue after the Main Board Listing on a recurring basis, the Directors consider that strict compliance with the announcement requirements under the Main Board Listing Rules would be unduly burdensome and impracticable. As such, the Company has applied to and received from the Stock Exchange a waiver from strict compliance with the announcement requirements set out under Rule 14A.42(3) of the Main Board Listing Rules, subject to the conditions set out below:

(a) the aggregate Annual Service Caps will not exceed the annual caps set out hereof for each of the two years ending 31 December 2009.

(b) the Discloseable Continuing Connected Transaction will be conducted in accordance with the terms under the New Service Agreement.

(c) brief details of the Discloseable Continuing Connected Transaction will be disclosed in the Company's next annual reports and accounts for each of the two years ending 31 December 2009, each accompanied with a statement of opinion of the independent non-executive Directors in such manner as referred to in paragraph (d) below.

(d) the independent non-executive Directors will review annually the Discloseable Continuing Connected Transaction, and confirm in the Company's annual report and accounts for the year in question that such transactions under their review were conducted in the manner as stated in paragraphs (a) and (b) above.

(e) The auditors of the Company will provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company), confirming that the Discloseable Continuing Connected Transaction:

    (i) has received the approval of the Board (with the connected persons under the Discloseable Continuing Connected Transaction abstained from voting in the relevant meeting);

    (ii) is in accordance with the pricing policies of the Company;

    (iii) has been entered into in accordance with the New Service Agreement; and

    (iv) has not exceeded the Annual Service Caps,

    and where for whatever reasons, if the auditors of the Company decline to accept the engagement or are unable to provide the auditors' letter, the Directors will contact the Stock Exchange immediately.

(f) so long as its shares are listed on the Main Board, the Company will provide to the Stock Exchange an undertaking that the Company will, and will procure the connected parties to provide the auditors of the Company with sufficient access to the relevant records of the Discloseable Continuing Connected Transaction for the purpose of auditors' review as referred to in paragraph (e) above.

(g) the Company will comply with the applicable provisions of the Main Board Listing Rules governing connected transactions in the event that the total amount of Discloseable Continuing Connected Transaction exceeds the Annual Service Caps, or that there is any material amendment to the terms of the New Service Agreement.

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.

The Sponsor is 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.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Management independence and operational independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Main Board Listing, we have full rights to make all decisions on, and to carry out, our own business operations independently. We hold all relevant licenses necessary to carry on our businesses, and have sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

Our management and operational decisions are made by our executive Directors and senior management, who have served us for a long time and have substantial experience in the industry in which we are engaged. Further, our three independent non-executive Directors will bring independent judgment to the decision-making process of the Board.

Save for the New Lease Agreement I, New Lease Agreement II, New Lease Agreement III and the New Service Agreement, the Directors currently do not expect that following the Main Board Listing, there will be any business transactions between our Company and our Controlling Shareholders.

All the New Lease Agreement I, New Lease Agreement II and New Lease Agreement III are de minimis transactions exempt from reporting, announcement and independent Shareholders' approval requirements and therefore, the Directors consider that these lease agreements are not material to our business operation. In addition, the Directors are of the view that since the properties under those lease agreements are for our office use purposes, there is no difficulty in locating similar properties for our business operation should those lease agreements are discontinued or cannot be renewed for any reasons.

As to the New Service Agreement, 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 Main Board 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. In addition, only two of our executive Directors, Zheng Hui and Chen Hongzhan, and one of our senior management, Wu Jialiang, are interested in Fuzhou Tianliang, being our connected person under the New Service Agreement. Any decision making of the Board regarding the New Service Agreement will be made in the absence of their presence and their votes will not be counted in any of such resolutions. Moreover, the Directors are of the view that since we are able to obtain a number of quotations from Independent Third Parties, there is no difficulty in sourcing other similar suppliers for our business operation should the New Service Agreement is discontinued or cannot be renewed for any reasons.

Based on the above, our Directors are of the view that we are independent from the Controlling Shareholders in terms of management and business operations.

Administrative independence

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. Our qualified accountant, company secretary and senior management staff are independent of our Controlling Shareholders.

Financial independence

We have our own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. We are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Having considered the above reasons, the Directors are of the view that we are capable of carrying our business independently of the Controlling Shareholders (including any associate thereof) after the Main Board Listing. We have full rights to make all decisions on, and to carry out, our own business operations independently.