

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 Unit 06, 3rd Floor, Beautiful Group Tower, 77 Connaught 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 document are set out below and in paragraph 1D 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.
- (4) As at 18 October 2007, being the latest practicable date for the printing of the Prospectus, 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

Shareholders	Number of Shares	Approximate percentage of shareholding (%)
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.

- (5) Immediately after the completion of the International Placing and the Capitalisation Issue on 2 November 2007, the authorised share capital of the Company was 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 were allotted and issued fully paid or credited as fully paid and 459,992,140 Shares remained unissued. These 540,007,860 Shares were issued at the price of HK\$13.18 per Shares.

- (6) On 9 November 2007, the Over-allotment Option was exercised in full and 16,200,000 Shares were allotted and issued at the price of HK\$13.18 per Share to cover the over-allocation in the International Placing as described in the Company's announcement dated 9 November 2007.
- (7) During the period from December 2007 and up to the Latest Practicable Date, the Company repurchased 15,795,000 Shares on the Stock Exchange at an aggregate consideration of HK\$195,055,346.66 before expenses. Details of the share repurchases are set out in paragraph 1H headed "Repurchases by the Company of its own Shares" in this appendix.
- (8) Other than pursuant to (i) the exercise of any option which may be granted under the GEM Share Option Scheme and the Proposed Share Option Scheme; or (ii) the general mandates referred to in paragraphs 1F and 1G 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 1D 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 document.

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 document:

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 document:

- (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 10 January 2007	(%)	Number of preferred shares held after 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.

TQ Digital

In January 2008, the registered capital of TQ Digital was increased from RMB45,000,000 to RMB645,000,000 whereas approximately RMB345,000,000 was fully paid.

Glory More

Glory More was incorporated on 31 January 2008 in Hong Kong with limited liability. One subscriber share, being all the issued share capital of Glory More, was transferred at par to NetDragon BVI on 27 February 2008.

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 document.

D. Group reorganisation

In preparation for the GEM Listing, 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		Number of Shares held after	
	26 March 2007	(%)	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

Shareholders	Number of Shares held after 21 June 2007	(%)
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
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> (note)

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;

- (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; and
- (12) pursuant to the Capitalisation Issue, we allotted and issued 399,967,074 Shares to holders of Shares whose names appeared on the register of members of the Company at the close of business on 23 October 2007.

E. Subsidiaries of the Company

- | | |
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| (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: | RMB645,000,000 (whereas approximately RMB345,000,000 was fully paid) |
| 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 (whereas RMB10,000,000 was fully paid) |

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 (whereas RMB1,000,000 was fully paid)
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
(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 issued 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)
Effective interest held by the Company:	100%
Principal Activities:	Operation of online games

(7) Name:	Glory More
Date of Incorporation:	31 January 2008
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)
Effective interest held by the Company:	100%
Principal Activities:	Investment holding
(8) Name:	TQ Online
Date of establishment:	18 March 2008
Place of establishment:	the PRC
Nature:	Wholly foreign owned enterprise
Registered capital:	RMB50,000,000 (whereas RMB50,000,000 was fully paid)
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

F. General mandates to issue new Shares and repurchase Shares

At the annual general meeting of the Company held on 28 April 2008, the following ordinary resolutions had been passed by the Shareholders:

- (a) 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 GEM 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 as at 28 April 2008, 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;
- (b) a general unconditional mandate be given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM such number of securities as will represent up to 10% of the total nominal amount of the share capital of the Company in issue as at 28 April 2008, 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
- (c) the general unconditional mandate mentioned in paragraph (a) 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 (b) above provided that such extended amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at 28 April 2008.

G. Grant of new general mandates to issue Share and repurchase Shares

In light of the Introduction and any change of issued share capital of the Company after the annual general meeting held on 28 April 2008 during which the Directors were granted the existing general mandates, the Directors proposed to seek the approval of the Shareholders to grant the Directors new general mandates to issue Shares and repurchase Shares. The new general mandates have similar terms to the existing general mandates save that:

- (i) the new general mandates cater for the situation that the Shares are listed on the Main Board;

- (ii) the maximum aggregate nominal amount of the Shares that may be issued and repurchased under the new general mandates will be determined on the basis of the aggregate nominal amount of the Shares in issue as at the date of the EGM to be held on 12 June 2008 (instead of the date of the last annual general meeting held on 28 April 2008); and
- (iii) the new general mandates will supersede the existing general mandates.

Details of the new general mandates are set out in the circular of the Company dated 27 May 2008.

H. Repurchase by the Company of its own Shares

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

(1) *Provisions of the Main Board Listing Rules*

The Main Board Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to an ordinary resolution to be passed by the Shareholders at the EGM, a general unconditional mandate ("Repurchase Mandate") will be granted to the Directors authorising the repurchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the EGM, at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(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 Main Board 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 document) 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) *Share Capital*

Exercise in full of the Repurchase Mandate, on the basis of 540,232,860 Shares in issue immediately after the Main Board Listing, could accordingly result in up to 54,023,286 Shares being repurchased by the Company during the period until:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

(5) *Share repurchase made by the Company*

From the date of GEM Listing to the Latest Practicable Date, the Company repurchased an aggregate of 15,975,000 Shares on the Stock Exchange at an aggregate consideration of HK\$195,055,346.66 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. Details of the share repurchases are as follows:

Month of repurchases	Number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$
2007				
December	116,500	14.48	14.16	1,670,410.00
2008				
January	4,159,500	13.50	12.40	54,823,486.66
February	<u>11,699,000</u>	<u>13.00</u>	<u>11.04</u>	<u>138,561,450.00</u>
Total	15,975,000			195,055,346.66

The repurchased shares were cancelled on delivery of the share certificates during the year. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the relevant aggregate consideration was paid out from the Company's retained profits.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the previous six months immediately preceding the Latest Practicable Date.

(6) *Share prices*

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous seven months preceding the Latest Practicable Date since the completion of GEM Listing on 2 November 2007 were as follows:

	Price per Share	
	Highest HK\$	Lowest HK\$
2007		
November	19.00	12.10
December	16.74	13.40
2008		
January	17.40	12.16
February	13.80	11.00
March	12.28	7.91
April	12.30	8.96
May (up to the Latest Practicable Date)	13.60	10.52

(7) *Disclosure of interests*

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

(8) *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 Main Board Listing Rules, the Articles and the applicable laws and regulations of the Cayman Islands.

(9) *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 Main Board Listing, Liu Dejian, Liu Luyuan and

Zheng Hui, as parties acting in concert (the “**Concert Parties**”), will be beneficially interested in 278,959,040 Shares, representing approximately 51.64% of the issued share capital of the Company. As DJM Holding Ltd. is a corporation controlled by Liu Dejian, one of the Concert Parties, the interest in the Company held by DJM Holding Ltd. is accordingly regarded as part of the interest in the Company held by the Concert Parties and the increase of shareholding in the Company by DJM Holding Ltd. is examined with reference to the total increase of shareholding in the Company by the Concert Parties. 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 57.38% 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 document, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

(10) *Public float implication*

If the Repurchase Mandate is fully exercised immediately after the Main Board Listing but taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the GEM Share Option Scheme and the Proposed Share Option Scheme, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 54,023,286 Shares (being 10% of the issued share capital of the Company based on the aforesaid assumptions). The aggregate percentage shareholding of Liu Dejian, Liu Luyuan and Zheng Hui together with IDG Group and Cristionna Holdings Limited will be increased from approximately 68.56% to approximately 76.16% of the issued share capital of the Company immediately following the full exercise of the Repurchase Mandate. In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would result in the number of Shares held by the public being reduced to less than 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Main Board Listing Rules requirements regarding the public float under Rule 8.08 of the Main Board Listing Rules. However, the Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Main Board Listing Rules.

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 document and are or may be material:

- (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;
- (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;
- (4) 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 of US\$500 per month;
- (5) 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;
- (6) 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);
- (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 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 of RMB40,000,000 and a per annum license fee based on 40% of monthly revenue of NetDragon (Fujian);
- (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 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 of RMB20,000,000 and a per annum license fee based on 40% of monthly revenue of NetDragon (Fujian);
- (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 softwares for “Zero Online” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee of RMB60,000,000 and a per annum licence fee based on 40% of monthly revenue of NetDragon (Fujian);
- (10) 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 of RMB5,000,000 and a per annum licence fee based on 40% of monthly revenue of NetDragon (Fujian);
- (11) 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 of RMB5,000,000 and a per annum licence fee based on 40% of monthly revenue of NetDragon (Fujian);
- (12) 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” (currently named as “Way of the Five”) to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee of RMB80,000,000 and a per annum licence fee based on 40% of monthly revenue of NetDragon (Fujian);
- (13) 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” (currently named as “Tian Yuan”) to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee of RMB80,000,000 and a per annum licence fee based on 40% of monthly revenue of NetDragon (Fujian);
- (14) 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 of RMB80,000,000 and a per annum licence fee based on 40% of monthly revenue of NetDragon (Fujian);

- (15) 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 based on certain percentage of revenue generated by NetDragon (Fujian) in relation to the provision of such online software development service;
- (16) 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 based on 20% of monthly revenue of NetDragon (Fujian);
- (17) 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;
- (18) 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);
- (19) 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 in connection with the GEM Listing;
- (20) 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;
- (21) an international placing agreement (in English) dated 29 October 2007 between the Company, DJM Holdings Ltd., Fitter Property Inc., Richmedia Holdings Limited, Cristionna Holdings Limited, Maincorp Worldwide Ltd., Lilywhites Venture Limited,

Peony Glory Holdings Ltd., Kellyton International Limited, Growing Up Capital Inc., Main Shine Company Limited, SEQUEDGE The First Chinese Equities Fund on Prospective for Listing, Chen Feng, Wu Chak Man and Bear Sterans Asia Limited (for itself and on behalf of the underwriters under the International Placing);

- (22) an agreement for cooperation and licence in respect of online game (in Chinese) dated 20 November 2007 between TQ Digital and NetDragon (Fujian) pursuant to which TQ Digital agreed to licence its online game software for “Ton Ming Zhuang Online” to NetDragon (Fujian) for operation and usage in the PRC in consideration of an initial licence fee of RMB50,000,000 and a per annum licence fee based on 40% of monthly revenue of NetDragon (Fujian);
- (23) a cooperation framework agreement (in Chinese) dated 16 May 2008 between TQ Online and NetDragon (Fujian) pursuant to which TQ Online 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);
- (24) an online games software development service agreement (in Chinese) dated 16 May 2008 between TQ Online and NetDragon (Fujian) pursuant to which TQ Online agreed to provide online software development service to NetDragon (Fujian) in consideration for a service fee based on certain percentage of revenue generated by NetDragon (Fujian) in relation to the provision of such online software development service;
- (25) a technical support service agreement (in Chinese) dated 16 May 2008 between TQ Online and NetDragon (Fujian) pursuant to which TQ Online agreed to provide technical support services to NetDragon (Fujian) in consideration for a per annum services fee based on 20% of monthly revenue of NetDragon (Fujian); and
- (26) a deed of non-competition (in English) dated 22 May 2008 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”.







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.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 2009	NetDragon (Fujian)	not yet filed
www.tqzf.com	30 December 2002	30 December 2008	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 2009	NetDragon (BVI)	not yet filed
www.eudemononline.com	24 April 2006	24 April 2009	NetDragon (BVI)	not yet filed
www.conquetefr.com	1 June 2007	1 June 2008	NetDragon (BVI)	not yet filed
www.conquistaenlinea.com	31 May 2007	31 May 2009	NetDragon (BVI)	not yet filed
www.tqmmo.com	22 June 2007	22 June 2008	NetDragon (BVI)	not yet filed
www.tqmmog.com	22 June 2007	22 June 2008	NetDragon (BVI)	not yet filed
www.crazytao2007.com	22 June 2007	22 June 2008	NetDragon (BVI)	not yet filed
www.zero3000.com	28 June 2007	28 June 2008	NetDragon (BVI)	not yet filed
www.zeroesp.com	12 October 2007	12 October 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
英雄无敌	PRC	4317479	9 (<i>Note 4</i>)	7 April 2007 to 6 April 2017	TQ Digital

Trademark	Country of Application	Registration Number	Class	Term of Validity	Subsidiary
	PRC	4422445	9 (<i>Note 4</i>)	28 September 2007 to 27 September 2017	TQ Digital
	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)
	PRC	4292830	9 (<i>Note 4</i>)	21 May 2007 to 20 May 2017	NetDragon (Fujian)
	PRC	4292831	9 (<i>Note 4</i>)	7 March 2007 to 6 March 2027	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
Zero Online V1.0	31 August 2005 (Note 1)	2005SR09826 (Note 1)	30 June 2005 - 29 June 2055 (Note 1)	TQ Digital

Name of computer software	Registration Approval/Date	Registration Number	Term of Validity	Subsidiary
網絡遊戲軟件《開心》 V1.0	19 March 2007 (Note 1)	2007SR04208 (Note 1)	28 January 2007 - 27 January 2057 (Note 1)	TQ Digital
	4 December 2007 (Note 2)	閩DGY-2007-0173 (Note 2)	4 December 2007- 3 December 2012 (Note 2)	
	28 February 2008 (Note 1)	2008SR04379 (Note 1)	13 December 2007 - 12 December 2057 (Note 1)	
網絡遊戲軟件《投名狀 Online》 V1.0	11 March 2008 (Note 2)	閩DGY-2008-0027 (Note 2)	11 March 2008 - 10 March 2013 (Note 2)	TQ Digital
	17 January 2005 (Note 1)	2005SR00735 (Note 1)	1 September 2004 - 31 August 2054 (Note 1)	
《91遊》軟件 V1.0	8 March 2005 (Note 2)	閩DGY-2005-0016 (Note 2)	8 March 2005 - 7 March 2010 (Note 2)	NetDragon (Fujian)
	17 January 2005 (Note 1)	2005SR00734 (Note 1)	16 November 2004 - 15 November 2054 (Note 1)	NetDragon (Fujian)
網絡遊戲《星空之門》軟件 V1.0	8 March 2005 (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
瓣子熊圖案	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
《仙靈龍圖案》	13-2007-F0265	29 April 2007	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	4317417	42 (Note 1)	19 October 2004	TQ Digital
	PRC	4317418	41 (Note 2)	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	5795798	28 (Note 3)	19 December 2006	TQ Digital
	PRC	5795799	9 (Note 4)	19 December 2006	TQ Digital
	PRC	5795796	42 (Note 1)	19 December 2006	TQ Digital
	PRC	5795797	38 (Note 5)	19 December 2006	TQ Digital
	PRC	6254087	28 (Note 3)	3 September 2007	TQ Digital
	PRC	6059206	41 (Note 2)	21 May 2007	TQ Digital
	PRC	4280863	9 (Note 4)	22 September 2004	NetDragon (Fujian)
	PRC	4280864	41 (Note 2)	22 September 2004	NetDragon (Fujian)
	PRC	4280865	42 (Note 1)	22 September 2004	NetDragon (Fujian)

Trademark	Country of Application	Application Number	Class	Date of Application	Subsidiary
	PRC	4292834	25 (<i>Note 7</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4292835	28 (<i>Note 3</i>)	29 September 2004	NetDragon (Fujian)
	PRC	4292837	41 (<i>Note 2</i>)	29 September 2004	NetDragon (Fujian)
	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	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)
	PRC	6452786	28 (<i>Note 3</i>)	25 December 2007	NetDragon (Fujian)
	PRC	6452785	41 (<i>Note 2</i>)	25 December 2007	NetDragon (Fujian)
	PRC	6452787	9 (<i>Note 4</i>)	25 December 2007	NetDragon (Fujian)
ND	HK	301071242	42 (<i>Note 1</i>)	13 March 2008	TQ Digital

Notes:

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 Introduction, but without taking into account (1) any Shares which may be issued upon the exercise of options which may be granted under the GEM Share Option Scheme and the Proposed Share Option Scheme; (2) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates referred to in paragraph 1F and 1G 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 the Main Board; 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 the Main Board; or (iii) which will be required pursuant to Model Code for Securities Transactions by Directors of Listed Issuers in the Main Board Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed on the Main Board, 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)	51.64%
Liu Dejian (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB9,886,000 (L)	98.86%

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 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%
Liu Luyuan (Note 2)	The Company	Through controlled corporations	278,959,040 (L)	51.64%
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)	51.64%
Chen Hongzhan (Note 4)	The Company	Through a controlled corporation	13,000,000 (L)	2.41%

Notes:

1. The letter "L" denotes the shareholder's interest in the share capital of the relevant member of the Group.

2. Liu Dejian is interested in 95.4% of the issued share capital of DJM Holding Ltd., which in turn is interested in 33.95% 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 33.95% 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 51.64% 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.

3. 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 Main Board Listing Rules and under the SFO

Immediately following completion of the Introduction, but without taking into account (1) any Shares which may be issued upon the exercise of options which may be granted under the GEM Share Option Scheme and the Proposed Share Option Scheme; (2) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate referred to in paragraph 1F in this Appendix, so far as the Directors are aware, 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)	33.95%
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 the Main Board Listing Date 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 the Main Board Listing Date 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
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 three years ended 31 December 2007 were RMB678,000 (equivalent to approximately HK\$739,020), RMB1,287,000 (equivalent to approximately HK\$1,402,830) and RMB1,805,000 (equivalent to approximately HK\$1,967,450), respectively.

- (2) Save as disclosed in this document, no other emoluments have been paid or are payable in respect of the three years ended 31 December 2007 by the Company to the Directors.
- (3) Pursuant to the current arrangements, it is expected that an aggregate amount of approximately RMB3,082,000 (equivalent to approximately HK\$3,359,000) will be paid to the Directors as remuneration for the year ending 31 December 2008.
- (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 document:

- (1) Immediately following completion of the Introduction, but without taking into account (1) any Shares which may be issued upon the exercise of options which may be granted under the GEM Share Option Scheme and the Proposal Share Option Scheme; (2) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate referred to in paragraph 1F in this Appendix, 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 Model Code for Securities Transactions by Directors of Listed Issuers of the Main Board Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed on the Main Board;
- (2) Immediately following completion of the Introduction, but without taking into account (1) any Shares which may be issued upon the exercise of options which may be granted under the GEM Share Option Scheme and the Proposal Share Option Scheme; (2) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate referred to in paragraph 1F in this Appendix, 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 head "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 document 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 document 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 document 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 Introduction, 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 any of five largest suppliers or customers of the Company.

4. PROPOSED SHARE OPTION SCHEME

A Summary of terms

Proposed Share Option Scheme

The following is a summary of the principal terms of the rules of the Proposed Share Option Scheme proposed to be adopted by the Shareholders at the EGM to be held on 12 June 2008 to replace the GEM Share Option Scheme:

1. Purpose

The purpose of the Proposed Share Option Scheme is to enable the Company to grant options to the Participants (as defined in paragraph 2 below) as incentives and/or rewards for their contribution to the Group, and any of its associated companies, the Group’s holding company and the subsidiaries and the associated companies to the Group’s holding company (the “Members of the Group”).

2. *Who may join*

The Board may, at its discretion, offer participants (being employees (whether full time or part time), executives and officers of the Members of the Group (including executive and non-executive directors of the Members of the Group) and business consultants, agents and legal and financial advisers to the Members of the Group who the Board considers, in its sole discretion, will contribute or have contributed to the Members of the Group) (“Participants”) options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee thereof shall pay HK\$1.00 to the Company by way of consideration for the grant.

3. *Maximum number of shares*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total issued Shares (i.e. 54,023,286) Shares, assuming that no Shares will be issued or repurchased prior to the date of the EGM as at the date of approval and adoption of the Proposed Share Option Scheme by the Shareholders (which is expected to be 12 June 2008, being the date of the EGM). Options lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Main Board Listing Rules from time to time, the Board may:

- (i) refresh this limit at any time up to 10% of the Shares in issue as at the date of the approval of the limit as refreshed by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or
- (ii) grant options beyond the 10% limit to Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, 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 options serve such purpose and such other information as required under the Main Board Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

4. *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period up to the date of grant shall not exceed one per cent of the Shares in issue as at the date of grant. Any further grant of options in excess of this one per cent limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Participant and his associates (as defined in the Main Board Listing Rules) abstaining from voting and other requirements prescribed under the Main Board Listing Rules from time to time.

5. *Subscription price of Shares*

The subscription price for a Share in respect of any particular option granted under the Proposed Share Option Scheme (subject to adjustments referred to in paragraph 18) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (a) the closing price of the Shares as stated in the Main Board's daily quotations sheet on the date of offer to grant option, (b) the average of the closing prices of the Shares as stated in the Main Board's daily quotations sheet for the five (5) business days immediately preceding the date of offer to grant option; and (c) the nominal value of a Share.

6. *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates (as defined in the Main Board Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Participant).

If the Board proposes to grant options to a substantial Shareholder or an independent non-executive Director of the Company or any of their respective associates which will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person under this Scheme and the other schemes in the 12-month period up to and including the date of the offer of such grant:

- (i) representing in aggregate over 0.1%, or such other percentage as may from time to time be specified in the Main Board Listing Rules, of the Shares in issue on the date of the offer; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares as stated in the daily quotation sheets of the Main Board on the Offer Date, or such other amount as may from time to time be specified in the Main Board Listing Rules,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Main Board Listing Rules) of the Company shall abstain from voting, in favour at the general meeting such other requirements prescribed under the Main Board Listing Rules from time to time.

7. *Restrictions on the time of grant of options*

For so long as the Share are listed on the Main Board, an offer to grant option 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 announced pursuant to the requirements of the Main Board Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Main Board Listing Rules); and (b) the deadline for the Company to publish its interim or results for any year, half-year, quarterly or any other interim period (whether or not required under the Main Board Listing Rules) announcement under the listing agreement and ending on the date of actual publication of the results announcement.

8. *Rights are personal to grantee*

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so.

9. *Time of exercise of option*

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Proposed Share Option Scheme. Subject to earlier termination by the Company in general meeting, the Proposed Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Proposed Share Option Scheme by Shareholders by resolution at a general meeting.

10. *Performance target*

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Proposed Share Option Scheme can be exercised.

11. *Rights on ceasing to be an Participant and death*

If the grantee of an option ceases to be an employee of the Members of the Group

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph 12 below, the option (to the extent not already exercised) will lapse on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with the Company or the relevant Members of the Group whether salary is paid in lieu of notice or not.

12. *Lapse of option on misconduct, bankruptcy or dismissal etc.*

If a grantee ceases to be an Participant by reason of the termination of his relationship with the Members of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Members of the Group (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the Members of the Group.

13. *Rights on general offer*

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the grantee shall be entitled to exercise the option in full (to the extent not already exercised even though the option period has not come into effect during the occurrence of the general offer) at any time within 21 days of the notice given by any such offeror to acquire the remaining Shares.

14. *Rights on compromise or arrangement between the Company and its members or creditors*

If a general offer by way of scheme of arrangement is made to all the holders of Shares with the Proposed Share Option Scheme having been approved by the necessary number of holders of Shares at the requisite meetings, the grantee may thereafter (but before such time as shall be notified by the Company) exercise the option (to the extent not already exercised even though the option period has not come into effect during the occurrence of the general offer) to its full extent or to the extent specified in such notice.

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the grantee may by notice in writing to the Company (such notice to be received by the Company not later than 4 trading days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such 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 meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

15. *Rights on winding-up*

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the grantee and the grantee may by notice in writing to the Company (such notice to be received by the Company not later than 4 trading days prior to the proposed Shareholders' meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such 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' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

16. *Lapse of the options*

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry date relevant to that option;
- (ii) the expiry of any of the periods referred to in paragraph 11;
- (iii) subject to the scheme of arrangement of the Company becoming effective, the expiry of the period referring to in paragraph 14;

- (iv) subject to the voluntary winding-up duly resolved, the expiry of the period referred to in paragraph 15;
- (v) the date of commencement of the winding-up of the Company;
- (vi) subject to the High Court of Hong Kong or Grand Court of the Cayman Islands not making an order prohibiting the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph 13;
- (vii) the date on which the grantee ceases to be a Participant by reason of the termination of his relationship with the Members of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Members of the Group (if so determined by the board of the Members of the Group) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant Members of the Group. A resolution of the Board or the board of directors of the relevant Members of the Group to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive; or
- (viii) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of the prohibitions specified in paragraph 12 above or the options are cancelled in accordance with paragraph 20 below.

17. *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject as aforesaid, the Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the constitutional documents of the Company and the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated as revised) of the Cayman Islands and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights, including those arising on liquidation of the Company and rights in respect of any dividend or other distribution paid or made on or after the relevant date of issue.

18. *Effect of alterations to capital*

In the event of capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of the capital of the Company, such corresponding alterations (if any) shall be made in (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as circumstances requiring alteration or adjustment) in (a) the number of Shares

subject to any outstanding options and/or (b) the exercise price as the auditors or the approved independent financial adviser shall at the request of the Company or any grantee, certify in writing, to be in their opinion fair and reasonable and satisfied the requirements under the Main Board Listing Rules, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Main Board dated 5 September 2005 to all issuers relating to share option schemes which can be found on the Main Board's website www.hkex.com.hk ("Supplemental Guidance") as that to which he or she was entitled to subscribe had he or she exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. Any adjustment to be made will comply with the Main Board Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Main Board Listing Rules issued by the Main Board from time to time.

19. *Alteration of Proposed Share Option Scheme*

The terms and conditions of the Proposed Share Option Scheme and the regulations for the administration and operation of the Proposed Share Option Scheme (provided that the same are not inconsistent with the Proposed Share Option Scheme and the Main Board Listing Rules) may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Main Board Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Proposed Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Proposed Share Option Scheme),

must be made with the prior approval of the Shareholders in general meeting at which any person(s) to whom or for whose benefit the Shares may be issued under the Proposed Share Option Scheme and their respective associates shall abstain from voting PROVIDED THAT the amended terms of the Proposed Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Main Board Listing Rules and no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

- (i) the consent in writing of grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
- (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph 19 shall be given to all grantees.

In respect of any meeting of grantees referred to in paragraph 19, all the provisions of the constitutional documents for the time being of the Company as to general meetings of the Company shall mutatis mutandis apply as though the options were a class of shares forming part of the capital of the Company except that:

- (a) not less than seven days' notice of such meeting shall be given;
- (b) a quorum at any such meeting shall be two grantees present in person or by proxy and holding options entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all options then outstanding unless there is only one grantee holding all options then outstanding, in which case the quorum shall be one grantee;
- (c) every grantee present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share to which he or she would be entitled upon exercise in full of his options then outstanding;
- (d) any grantee present in person or by proxy may demand a poll; and
- (e) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven or more than 14 days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantees who are then present in person or by proxy shall form a quorum.

20. *Cancellation of options*

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options in writing for the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 12 and 16. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the Proposed Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. *Termination of the Proposed Share Option Scheme*

The Company may by resolution in general meeting or the Board may at any time resolve to terminate the Proposed Share Option Scheme and in such event no further option shall be offered but the provisions of the Proposed Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or

otherwise as may be required in accordance with the provisions of this Scheme. Details of the options granted, including options exercised or outstanding, under the Proposed Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of the new scheme established after the termination of the Proposed Share Option Scheme.

22. Conditions of the Proposed Share Option Scheme

The terms of the Proposed Share Option Scheme are in compliance with the Main Board Listing Rules. The Proposed Share Option Scheme is conditional on:

- (i) the approval of the Shareholders at the EGM on the termination of the GEM Share Option Scheme;
- (ii) the approval of the Shareholders at the EGM on the adoption of the Proposed Share Option Scheme by the Company and the issue of Shares pursuant to the exercise of any options which may be granted thereunder;
- (iii) the Listing Committee granting approval of the listing of, and permission to deal in, on the Main Board, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Proposed Share Option Scheme; and
- (iv) the commencement of dealing in Shares on the Main Board.

23. Disclosure in annual and half-yearly reports

The Company will disclose details of the options granted under the Proposed Share Option Scheme in its annual and half-yearly reports in accordance with the Main Board Listing Rules in force from time to time.

B. Present status of the Proposed Share Option Scheme

If the above conditions are not satisfied, the Proposed Share Option Scheme shall lapse.

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

5. GEM SHARE OPTION SCHEME

On 15 October 2007, the GEM Share Option Scheme was adopted and complied with the requirements of the GEM Listing Rules regarding share option scheme of a company.

The Company operates the GEM Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the GEM Share Option Scheme include executive Directors, non-executive Directors, employees, shareholders, suppliers, customers, consultants, advisers, other service providers, and joint venture partners, business or strategic alliance partners. The GEM Share Option Scheme became effective on 15 October 2007 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

The maximum number of the Shares which may be issued upon exercise of all options to be granted under the GEM Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of the GEM Listing. The GEM Share Option Scheme mandate limit may be refreshed by the Shareholders in general meeting from time to time provided always that the GEM Share Option Scheme mandate limit so refreshed must not exceed 10% of the total number of Shares in issue as at the date of approval of such refreshment by the Shareholders in general meeting.

Notwithstanding any other provisions of the GEM Share Option Scheme, the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the GEM Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

Share options granted to a Director, chief executive, management shareholder or substantial shareholder of the Company, or to any of their respective associates (including a discretionary trust whose discretionary objects include a Director, chief executive, management shareholder or substantial shareholder) are subject to approval in advance by the independent non-executive Directors (excluding an independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates (including a discretionary trust whose discretionary objects include a Director, chief executive, management shareholder or substantial shareholder), in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable and notified by the Directors, and may commence on a date after the date upon which is granted but shall not be later than 10 years from the date of grant.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings.

No share options have been granted since the adoption of the GEM Share Option Scheme and the Company had no share options outstanding at the Latest Practicable Date. No further share options will be granted under the GEM Share Option Scheme upon replacement by the Proposed Share Option Scheme.

6. 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 date of the GEM Listing, 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 the 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 date of the GEM Listing;
- (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 date of the GEM Listing.

B. Sponsor

First Shanghai Capital made an application on behalf of the Company to the Listing Committee for the listing of, and permission to deal in, on Main Board (i) the Shares in issue; and (ii) any Shares which may be issued upon (a) the exercise of any options which may be granted under the GEM Share Option Scheme; and (b) the exercise of any options which may be granted under the Proposed Share Option Scheme. 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 Main Board 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 Main Board Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Main Board Listing Rules in respect of its financial results for the 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 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 confirm that there has been no material adverse change in the financial or trading position of the Company or its subsidiaries since 31 December 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 Main Board Listing Rules) who have given opinion or advice which are contained in this document:-

Name	Qualifications
First Shanghai Capital	A licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
Grant Thornton	Certified public accountants
Jingtian and Gongcheng	Qualified PRC lawyers
Jones Lang LaSalle Sallmanns 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 First Shanghai Capital, Grant Thornton, Jingtian and Gongcheng, Jones Lang LaSalle Sallmanns Limited, Conyers Dill & Pearman and Morgan, Lewis & Bockius, LLP has given and has not withdrawn its written consent to the issuance of this document 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, First Shanghai Capital and their respective directors nor any other parties involved in the Introduction 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. Underwriting commissions

In connection with the GEM Listing, First Shanghai Securities Limited, Bear Stearns Asia Limited and Cazenove Asia Limited received a commission of 4% of the aggregate placing price of all the Shares issued under the International Placing and the exercise of Over-allotment Option.

K. Preliminary Expenses

No preliminary expenses were incurred nor payable by the Company.

L. Miscellaneous

Save as disclosed in this document:

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

- (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;
- (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 document;

(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 First Shanghai Capital, Grant Thornton, Jingtian and Gongcheng, Jones Lang LaSalle Sallmanns 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 any member of the Group; 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 document, or which are proposed to be acquired or disposed of or leased to the Company.