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## **NetDragon Websoft Holdings Limited**

**網龍網絡控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 777)**

- (I) ISSUE OF SECURED CONVERTIBLE AND EXCHANGEABLE BONDS  
BY A NON WHOLLY-OWNED SUBSIDIARY;  
(II) DISCLOSEABLE TRANSACTION RELATING TO DEEMED DISPOSAL  
OF INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY;  
AND  
(III) ISSUE OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE**

### **THE PURCHASE AGREEMENT**

On 10 November 2019, the Company, Best Assistant, ND (BVI), Digital Train, Promethean, the Investor, the Agent and the Security Agent entered into the Purchase Agreement, pursuant to which (i) Best Assistant agrees to issue to the Investor and the Investor agrees to purchase the Convertible and Exchangeable Bonds in the aggregate principal amount of US\$150 million (equivalent to approximately HK\$1,174.5 million); and (ii) simultaneously with the issue of the Convertible and Exchangeable Bonds, the Company will issue to the Investor the Warrants.

Pursuant to the Terms and Conditions, the Convertible and Exchangeable Bonds will bear interest accruing at a rate of 5% per annum on the aggregate principal amount of the Convertible and Exchangeable Bonds and will be due on the Maturity Date (i.e. the fifth anniversary from the Bond Issue Date). The Convertible and Exchangeable Bonds are exercisable at the option of the Bondholders, in whole or in part and can either be (i) convertible into Best Assistant Ordinary Shares; or (ii) exchangeable for Promethean Ordinary Shares in the event that Promethean pursues a Qualified IPO.

The Conversion Price is calculated based on a pre-money valuation of Best Assistant at approximately US\$1,200 million (equivalent to approximately HK\$9,396 million), while the Exchange Price is calculated based on a valuation of Promethean at approximately US\$450 million (equivalent to approximately HK\$3,523.5 million).

Unless previously redeemed, converted, exchanged or purchased and cancelled pursuant to the Terms and Conditions, Best Assistant shall redeem the Convertible and Exchangeable Bonds on the Maturity Date at the Redemption Amount (i.e. an amount that would provide the Bondholders an internal rate of return on the principal amount of the Convertible and Exchangeable Bonds of 15% per annum, inclusive of all interests received on the principal amount of the Convertible and Exchangeable Bonds). Best Assistant may not, without the consent of the Bondholders, redeem the Convertible and Exchangeable Bonds prior to the Maturity Date.

### **Conversion into Best Assistant Ordinary Shares**

Assuming all Bondholders have exercised their rights of conversion to convert the Convertible and Exchangeable Bonds into the Conversion Shares and assuming that there is no other change in the issued share capital of Best Assistant from the date of this Announcement and up to the date of conversion, a total of 278,159,136 Conversion Shares will be allotted and issued at the initial Conversion Price of US\$0.5393 per Conversion Share, representing approximately 11.1% of the issued and outstanding share capital of Best Assistant as enlarged by the allotment and issue of the Conversion Shares on a fully diluted and as-converted basis.

### **Exchange for Promethean Ordinary Shares**

Assuming all Bondholders have exercised their rights of exchange to exchange the Convertible and Exchangeable Bonds for the Exchange Shares and assuming that there is no other change in the issued share capital of Promethean from the date of this Announcement and up to the date of exchange, approximately 33.3% of the existing issued and outstanding share capital of Promethean will be transferred from Digital Train to the Bondholders at the initial Exchange Price of US\$2.2146 per Exchange Share, on a fully diluted and as-exchanged basis. Assuming no other applicable adjustment will be made to the Exchange Price and assuming that there is no other change in the issued share capital of Promethean from the date of this Announcement and up to the date of exchange, based on the specific adjustment in connection with Promethean's EBITDA for the year ending 31 December 2020, the percentage of shares of Promethean to be transferred from Digital Train to the Bondholders may increase to a maximum of 37.5% of the then existing issued and outstanding share capital of Promethean, on a fully diluted and as-exchanged basis.

### **Issue of Unlisted Warrants under Specific Mandate**

Simultaneously with the issue of the Convertible and Exchangeable Bonds on the Closing Date, the Company will issue the Warrants to the Investor. The Warrants shall entitle the Investor with the rights to subscribe for Shares constituting approximately 2% of the issued share capital of the Company as enlarged by the allotment and issue of Warrant Shares under the Warrants. The Warrant Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

## **LISTING RULES IMPLICATIONS**

### **Conversion into Best Assistant Ordinary Shares**

As at the date of this Announcement, after taking into account reserved shares which can be allotted and issued pursuant to the Best Assistant Share Award Scheme, the Company indirectly holds 66.5% of the issued share capital of Best Assistant. As all ND (BVI) CBs are required to be converted to Best Assistant Ordinary Shares on or prior to the Closing Date, assuming there is no other change in the issued and outstanding share capital of Best Assistant, the Company's indirect shareholding of Best Assistant will be increased to 71.7% on a fully diluted basis upon such conversion. Assuming all of the Convertible and Exchangeable Bonds are converted into Best Assistant Ordinary Shares, immediately upon completion of the conversion to Conversion Shares and assuming there is no other change in the issued and outstanding share capital of Best Assistant from the date of this Announcement and up to the date of conversion, the Company (through ND (BVI)) will hold approximately 61.6% of the issued and outstanding share capital of Best Assistant on a fully diluted basis.

## **Exchange for Promethean Ordinary Shares**

As at the date of this Announcement, Best Assistant, through its wholly-owned subsidiary, Digital Train, holds the entire issued share capital of Promethean. Assuming all of the Convertible and Exchangeable Bonds are exchanged for Promethean Ordinary Shares and assuming there is no other change in the issued and outstanding share capital of Promethean from the date of this Announcement and up to the date of the exchange, the transfer of Exchange Shares by Digital Train to the Bondholders will have the effect of disposing approximately 33.3% of the existing issued and outstanding share capital of Promethean on a fully diluted and as-exchanged basis. Assuming no other applicable adjustment will be made to the Exchange Price and assuming that there is no other change in the issued share capital of Promethean from the date of this Announcement and up to the date of exchange, taking into account of the specific adjustment in connection with Promethean's EBITDA for the year ending 31 December 2020, the percentage of shares of Promethean to be transferred from Digital Train to the Bondholders may increase to a maximum of 37.5% of the then existing issued and outstanding share capital of Promethean, on a fully diluted and as-exchanged basis.

The issue of the Conversion Shares or the transfer of the Exchange Shares will be deemed to be a disposal of interest in Best Assistant or Promethean (as the case may be) by the Company under the Listing Rules. As more than one of the applicable percentage ratios (as defined under the Listing Rules) in respect of such deemed disposal are more than 5% but all such ratios are less than 25%, the deemed disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **Issue of Unlisted Warrants under Specific Mandate**

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants to subscribe for (i) any new Shares or (ii) any securities convertible into new Shares, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Therefore, the Warrants and the Warrant Shares (to be issued upon exercise of the Warrants) will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

## **IRREVOCABLE UNDERTAKING**

Each of Liu Dejian, Liu Luyuan, Zheng Hui, DJM Holding Ltd., Fitter Property Inc., Eagle World International Inc. and Richmedia Holdings Limited will provide an Irrevocable Undertaking in favour of the Investor that all voting rights attached to the Shares for which it/he is the sole beneficial owner of or is otherwise able to control the exercise of as at the date of the Irrevocable Undertaking, will be exercised in favour of the resolutions at the EGM to approve the issue of the Warrants and the issue of the Warrant Shares upon exercise thereof.

The total number of Shares in respect of which Liu Dejian, Liu Luyuan, Zheng Hui, DJM Holding Ltd., Fitter Property Inc., Eagle World International Inc. and Richmedia Holdings Limited are interested and are the subject of the Irrevocable Undertaking amount to 254,138,457 Shares, representing approximately 47.9% of the total issued share capital of the Company as at the date of this Announcement.

## **SPECIFIC MANDATE AND THE EGM**

The Company will seek the approval of the Specific Mandate from the Shareholders at the EGM to issue the Warrants and the Warrant Shares upon exercise thereof. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the issue of the Warrants and the Warrant Shares upon exercise thereof. To the best knowledge of the Directors, none of the Shareholders has a material interest in the transactions contemplated under the issue of Warrants, accordingly, no Shareholders will be required to abstain from voting at the EGM.

A circular containing, among other things, further details of the issue of the Warrants and the Warrant Shares upon exercise thereof and a notice to convene the EGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**Shareholders and potential investors should note that completion of the Purchase Agreement is subject to fulfilment of certain conditions precedent under the Purchase Agreement. As the transactions may or may not become unconditional or be completed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

On 10 November 2019, the Company, Best Assistant, ND (BVI), Digital Train, Promethean, the Investor, the Agent and the Security Agent entered into the Purchase Agreement, pursuant to which (1) Best Assistant agrees to issue to the Investor and the Investor agrees to purchase the Convertible and Exchangeable Bonds in the aggregate principal amount of US\$150 million (equivalent to approximately HK\$1,174.5 million); and (2) simultaneously with the issue of the Convertible and Exchangeable Bonds, the Company will issue to the Investor the Warrants.

## THE PURCHASE AGREEMENT

Date: 10 November 2019

Parties:

- (a) Best Assistant as the issuer and Warrantor;
- (b) The Company as the Guarantor and Warrantor;
- (c) ND (BVI), Digital Train and Promethean as Warrantors;
- (d) The Investor as the initial subscriber of the Convertible and Exchangeable Bonds; and
- (e) Madison Pacific Trust Limited as the Agent and the Security Agent.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor, the Agent and the Security Agent and their respective ultimate beneficial owners are Independent Third Parties.

Subscription of Convertible and Exchangeable Bonds: Best Assistant agrees to issue to the Investor and the Investor agrees to purchase the Convertible and Exchangeable Bonds in the aggregate principal amount of US\$150 million (equivalent to approximately HK\$1,174.5 million).

Warrants: Simultaneously with the issue of the Convertible and Exchangeable Bonds on the Closing Date, the Company will issue the Warrants to the Investor. The Warrants shall entitle the Investor with the rights to subscribe for Shares constituting approximately 2% of the issued share capital of the Company as enlarged by the issue of Warrant Shares under the Warrants.

Guarantee: The Company shall guarantee payment of all sums payable by Best Assistant in relation to the Convertible and Exchangeable Bonds.

Closing Conditions: Closing is conditional on the fulfilment or waiver (as the case may be) of certain conditions precedent, including but not limited to the following material conditions precedent, on or prior to the Closing Date:

- (a) the representations and warranties (if applicable) made by the Warrantors being true, correct, accurate, complete and not misleading when made and on and as of the Closing Date;
- (b) the Shareholders having approved the Company to issue the Warrants in a general meeting;

- (c) all of the principal amount of each of the existing convertible bonds issued by Best Assistant to ND (BVI) having been converted into Best Assistant Ordinary Shares and all amounts payable by Best Assistant under the ND (BVI) CBs (including all interests accrued thereon) having been fully made such that each of the ND (BVI) CBs shall have been fully discharged on or prior to the Closing Date;
- (d) the issue of the Warrants having been approved by the Stock Exchange and the listing of, and permission to deal in, the Warrant Shares to be issued upon exercise of the subscription rights attaching to the Warrants having been granted by the Listing Committee of the Stock Exchange;
- (e) each of the Warrantors having obtained (or procured that its relevant group companies obtain) all waivers and consents under the terms of the existing loan agreements or bank facilities which have been disclosed in the Purchase Agreement;
- (f) all approvals necessary for consummation of the transactions contemplated by the Purchase Agreement that are required to be obtained on the part of the Warrantors having been obtained;
- (g) the director appointed by the Investor having been appointed to the board of directors of Best Assistant effective as of the Closing Date;
- (h) a director indemnification agreement duly executed by Best Assistant having been received by the Investor;
- (i) the Investor having been reasonably satisfied with the results of its commercial, financial and legal due diligence on the Company, Best Assistant, any other Warrantors and other group companies of Best Assistant; and
- (j) no event that could (had the Convertible and Exchangeable Bonds and the Warrants already been issued) constitute an Event of Default (as defined below) having occurred.

The Investor may, at its sole discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the above conditions (other than conditions (b), (d) and (f)). If the above conditions are not satisfied or waived on or before 30 June 2020 or such later date as the Investor and/or the parties to the Purchase Agreement may agree pursuant to the Purchase Agreement, the parties may terminate the Purchase Agreement pursuant to the terms thereof.

- Interest:** The Convertible and Exchangeable Bonds will bear interest accruing at a rate of 5% per annum on the aggregate principal amount of the Convertible and Exchangeable Bonds, commencing from and including the Bond Issue Date and up to and including the Maturity Date which is payable every six months.
- Board Seat:** The Investor has the right to appoint one member to the board of directors of Best Assistant, and upon exchange of the Convertible and Exchangeable Bonds of at least US\$50 million in the aggregate principal amount of the Convertible and Exchangeable Bonds by the relevant Bondholders for Promethean Ordinary Shares pursuant to the Terms and Conditions, such Bondholders which collectively hold a majority of the principal amount of the Convertible and Exchangeable Bonds that have been and/or are being exchanged for the Promethean Ordinary Shares shall, on behalf of all such exercising Bondholders, have the right to appoint such number of directors to the board of directors of Promethean in proportion to their aggregate shareholding interest in Promethean upon such relevant exchange.
- Maturity Date:** The fifth anniversary from the Bond Issue Date.
- Security:** The Share Charge, the DSRA Charge and the Deed of Subordination and Assignment shall be granted in favour of the Security Agent as security trustee for the Secured Parties.

## THE PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE AND EXCHANGEABLE BONDS

Issuer:	Best Assistant
Initial Subscriber:	The Investor
Principal amount:	US\$150 million (equivalent to approximately HK\$1,174.5 million)
Ranking:	The Convertible and Exchangeable Bonds shall at all times rank <i>pari passu</i> and without any preference or priority among themselves, save for such exceptions as may be provided by applicable laws.
Conversion price and Exchange Price:	The Convertible and Exchangeable Bonds are exercisable at the option of the Bondholders, in whole or in part, and can either be (i) convertible into Best Assistant Ordinary Shares at an initial Conversion Price of US\$0.5393 per Conversion Share (calculated based on a pre-money valuation of Best Assistant at approximately US\$1,200 million (equivalent to approximately HK\$9,396 million)); or (ii) exchangeable for Promethean Ordinary Shares at an initial Exchange Price of US\$2.2146 per Exchange Share (calculated based on a valuation of Promethean at approximately US\$450 million (equivalent to approximately HK\$3,523.5 million)), in the event that Promethean pursues a Qualified IPO, each subject to applicable adjustments set out in the Purchase Agreement and the Terms and Conditions.
Number of Conversion Shares or Exchange Shares:	<p>Assuming all Bondholders have exercised their rights of conversion to convert the Convertible and Exchangeable Bonds into the Conversion Shares and assuming there is no other change in the issued and outstanding share capital of Best Assistant from the date of this Announcement and up to the date of conversion, a total of 278,159,136 Conversion Shares, at the initial Conversion Price of US\$0.5393 per Conversion Share, will be allotted and issued, representing approximately 11.1% of the issued and outstanding share capital of Best Assistant as enlarged by the allotment and issue of the Conversion Shares on a fully diluted and as-converted basis.</p> <p>Assuming all Bondholders have exercised their rights of exchange to exchange the Convertible and Exchangeable Bonds for the Exchange Shares and assuming that there is no other change in the issued share capital of Promethean from the date of this Announcement and up to the date of exchange, approximately 33.3% of the existing issued and outstanding share capital of Promethean will be transferred from Digital Train to the Bondholders, at the initial Exchange Price of US\$2.2146 per Exchange Share, on a fully diluted and as-exchanged basis. Assuming no other applicable adjustment will be made to the Exchange Price and assuming that there is no other change in the issued share capital of Promethean from the date of this Announcement and up to the date of exchange, taking into account of the specific adjustment in connection with Promethean's EBITDA for the year ending 31 December 2020, the percentage of shares of Promethean to be transferred from Digital Train to the Bondholders may increase to a maximum of 37.5% of the then existing issued and outstanding share capital of Promethean.</p>

- Conversion and Exchange Period: The Convertible and Exchangeable Bonds are exercisable at the option of the Bondholders, in whole or in part and can either be (i) convertible into Best Assistant Ordinary Shares at any time and from time to time during the Conversion Period; or (ii) exchangeable for Promethean Ordinary Shares at any time and from time to time during the Exchange Period pursuant to the Terms and Conditions.
- Early Redemption: The Investor shall have the right to require Best Assistant to redeem the Convertible and Exchangeable Bonds in whole or in part before the Maturity Date upon the occurrence of any of the events below:
- (i) the third anniversary from the Bond Issue Date; or
  - (ii) upon the occurrence of (a) a change of control (as set out below); or (b) a liquidity event (as set out below).
- Redemption and Redemption Amount: Best Assistant shall redeem the Convertible and Exchangeable Bonds, upon the request of the Investor at any time on or after the occurrence of an Early Redemption event, or if not early redeemed, converted, exchanged or purchased and cancelled, on the Maturity Date, at an amount that would provide the Bondholders with an amount equal to the Redemption Amount (i.e. an amount that would provide the Bondholders an internal rate of return on the principal amount of the Convertible and Exchangeable Bonds of 15% per annum, inclusive of all interests received on the principal amount of the Convertible and Exchangeable Bonds).
- Liquidity Events: So long as any Convertible and Exchangeable Bond is outstanding, without the prior written consent of the Majority Bondholders, neither Best Assistant nor Promethean (and any other group companies) shall effect (a) an IPO unless it is a Qualified IPO; or (b) a sale of 100% of Best Assistant's or Promethean's shares or assets unless it is a Qualified 100% Trade Sale.
- In the case of liquidity events, each Bondholder shall have the right to, at its sole discretion and subject to regulatory requirements, the Listing Rules and other conditions stipulated in the Purchase Agreement:
- (i) remain as a Bondholder (if applicable);
  - (ii) convert the Convertible and Exchangeable Bonds held by it, in whole or in part, into the Conversion Shares or exchange the Convertible and Exchangeable Bonds, in whole or in part, for the Exchange Shares and sell any or all of the Conversion Shares and/or the Exchange Shares held by such Bondholder in such liquidity events in the manner as provided under the Terms and Conditions; or
  - (iii) if the sale as described in paragraph (ii) above is not consummated, request Best Assistant and/or Promethean to redeem such number of the Conversion Shares and/or the Exchange Shares as determined by such Bondholder at the higher of (a) a per share price to be calculated based on pre-money valuation of the Qualified IPO or the Qualified 100% Trade Sale (as the case may be); and (b) the Redemption Amount.

- Change of Control: The occurrence of any of the following other than as a result of a Qualified 100% Trade Sale:
- (i) the Company, directly or indirectly, through ND (BVI), ceases to maintain and control at least 51% shareholding and voting rights in Best Assistant;
  - (ii) Best Assistant ceases to, directly or indirectly, maintain and control 100% shareholding and voting rights in Digital Train; or
  - (iii) Digital Train ceases to, directly or indirectly, maintain and control (a) 100% shareholding and voting rights in Promethean; or (b) to the extent that any Bondholder has exercised any exchange rights attaching to the Convertible and Exchangeable Bonds, the entire remaining shareholding and voting rights in Promethean other than the Exchange Shares held by such Bondholder(s).

Transferability: There shall be no restrictions on transfer or assignment applicable to the Convertible and Exchangeable Bonds, except that Bondholders should not, without the prior written consent from Best Assistant, transfer any Convertible and Exchangeable Bond or any Conversion Share and/or Exchange Share to any competitor of Best Assistant as set out in the Shareholders' and Bondholders' Agreement.

## **THE PRINCIPAL TERMS AND CONDITIONS OF THE WARRANTS**

Issuer: The Company

Warrantholder: The Investor

Subscription Rights: Simultaneously with the issue of the Convertible and Exchangeable Bonds on the Closing Date, the Company will issue the Warrants to the Investor. The Warrants shall entitle the Investor with the rights to subscribe for Shares constituting approximately 2% of the issued share capital of the Company as enlarged by the issue of Warrant Shares under the Warrants.

Issue Price: Nil

Subscription Price: HK\$21.1998 per Share, or such adjusted price as may for the time being be applicable in accordance with the terms of the Warrant Instrument.

The Subscription Price represents (i) a premium of approximately 13.4% to the closing price of HK\$18.7 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 13.5% to the average closing price of HK\$18.68 per Share as quoted on the Stock Exchange from Monday, 4 November 2019 to Friday, 8 November 2019, both dates inclusive, being the last five consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined based on 10% premium over the 60-day volume weighted average price of the Shares from 13 August 2019 to 6 November 2019 and was agreed after arm's length negotiations between the Company and the Investor.

Adjustments:	The Subscription Price is subject to customary adjustments in certain events such as subdivision or consolidation of the Shares, capitalisation issue, capital distribution, rights issue, issue of convertible or exchangeable securities or Shares issue at a price less than 80% of the market price as provided under the Warrant Instrument, and purchase of securities of the Company.
Exercise Period:	The subscription rights attaching to the Warrants can be exercised, in whole or in part, at any time for a period of five years from the issue date of the Warrants.
Ranking:	The Warrant Shares, when issued, will rank <i>pari passu</i> in all respects among themselves and with all other fully paid Shares then in issue.
Transferability:	The Warrantholder may transfer any or all of its rights under the Warrant Instrument to any affiliate or third party, provided that the original Warrantholder (i.e. the Investor), so long as it remains as a Bondholder, shall not assign or transfer any or all of its rights under the Warrant Instrument to any affiliate or third party without the consent of the Company.

### **Number of Warrant Shares to be issued upon exercise of the Warrants**

Assuming the Warrants are exercised in full and there are no further changes to the issued share capital of the Company from the date of this Announcement and up to the date of subscription, a maximum of 10,827,872 Warrant Shares will be issued, representing (i) approximately 2.0% of the existing issued share capital of the Company of 530,565,766 Shares; and (ii) approximately 2.0% of the Company's issued share capital as enlarged by the issue of the Warrant Shares of 541,393,638 Shares.

### **Application for listing of the Warrant Shares**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Warrants Shares. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this Announcement; and (ii) immediately after the issue of the Warrant Shares and assuming there are no other changes to the issued share capital of the Company:

Shareholders	As at the date of this Announcement		Immediately after the issue of the Warrant Shares	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%
DJM Holding Ltd. (together with persons acting in concert (as defined under the Takeovers Code) (including Mr. Liu Dejian)) <sup>(note 1)</sup>	254,138,457	47.9%	254,138,457	46.9%
IDG Group <sup>(note 2)</sup>	78,333,320	14.8%	78,333,320	14.5%
Warrantholder	–	–	10,827,872	2.0%
Other public Shareholders	198,093,989	37.3%	198,093,989	36.6%
Total	<u>530,565,766</u>	<u>100.0%</u>	<u>541,393,638</u>	<u>100.0%</u>

### Notes:

- The 254,138,457 Shares comprise the followings: (i) 191,078,100 Shares directly held by DJM Holding Ltd., which is in turn wholly-owned by Mr. Liu Dejian; (ii) 26,541,819 Shares indirectly held through Jardine PTC Limited on trust for Mr. Liu Luyuan; (iii) 19,021,700 Shares directly held by Fitter Property Inc., which is in turn wholly-owned by Mr. Zheng Hui; (iv) 13,918,819 Shares directly held by Eagle World International Inc., whose voting rights are in turn wholly-owned by Mr. Zheng Hui; (v) 197,019 Shares indirectly held by Mr. Liu Dejian through a personal trust; and (vi) 1,884,000 and 1,497,000 Shares held directly by Mr. Liu Dejian and Mr. Zheng Hui, respectively. Mr. Liu Dejian is the brother of Mr. Liu Luyuan and the cousin of Mr. Zheng Hui and accordingly they are parties acting in concert.
- IDG Group is comprised of four limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., holds in aggregate 78,333,320 Shares.

## INFORMATION ON THE INVESTOR, THE AGENT AND THE SECURITY AGENT

### The Investor

According to the information provided by the Investor, the Investor is a special purpose vehicle established for holding the Convertible and Exchangeable Bonds. The Investor is a direct wholly-owned subsidiary of Nurture Education Holding Limited, an exempted company incorporated with limited liability in the Cayman Islands, which is a direct wholly-owned subsidiary of ACP Fund II. The general partner of ACP Fund II is Ascendent Capital Partners II GP, L.P, and its general partner is Ascendent Capital Partners II GP Limited. ACP Fund II is advised by Ascendent Capital Partners (Asia) Limited and ultimately controlled by Ascendent Capital Partners II GP Limited, which is ultimately owned by Mr. Meng Liang. Ascendent Capital Partners (Asia) Limited is a private equity investment management firm focused on Greater China-related investment opportunities, managing capital for global renowned institutional investors including sovereign wealth funds, endowments, pensions and foundations.

### The Agent and Security Agent

Madison Pacific Trust Limited is the Agent and the Security Agent for the Convertible and Exchangeable Bonds.

## INFORMATION ON THE GROUP

### The Company

The Company is incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group principally engages in the development and operation of online games and education business.

### ND (BVI)

NetDragon Websoft Inc., a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company and principally engages in investment holding.

### Best Assistant

Best Assistant Education Online Limited, a company incorporated in Cayman Islands with limited liability and is an indirect non wholly-owned subsidiary of the Company and principally engages in education business.

### *Financial information of Best Assistant*

Set out below is the unaudited financial information of Best Assistant for the financial year ended 31 December 2017 and 31 December 2018, respectively, prepared in accordance with Hong Kong Financial Reporting Standards:

	For the financial year ended 31 December	
	2017 RMB'000	2018 RMB'000
Net loss before taxation	512,420	634,727
Net loss after taxation	505,975	596,819

The total assets and net assets/(liabilities) value of Best Assistant as at 31 December 2017 were RMB1,974,153,000 and RMB(518,439,000), respectively. The total assets and net assets/(liabilities) value of Best Assistant as at 31 December 2018 were RMB2,291,080,000 and RMB(1,116,964,000), respectively.

### Digital Train

Digital Train Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Best Assistant and principally engages in investment holding.

### Promethean

Promethean World Limited, a company incorporated in England and Wales with limited liability, a wholly-owned subsidiary of Digital Train. Promethean principally engages in the provision of K-12 interactive classroom technologies.

## ***Financial information of Promethean***

Set out below is the audited financial information of Promethean for the financial year ended 31 December 2017 and 31 December 2018, respectively, prepared in accordance with International Financial Reporting Standards:

	<b>For the financial year ended 31 December</b>	
	2017 <i>GBP'000</i>	2018 <i>GBP'000</i>
Net profit before taxation	868	13,911
Net profit after taxation	577	17,184

The total assets and net assets/(liabilities) value of Promethean as at 31 December 2017 were GBP75,779,000 and GBP(28,215,000), respectively. The total assets and net assets/(liabilities) value of Promethean as at 31 December 2018 were GBP95,278,000 and GBP(11,522,000), respectively.

### **REASONS FOR, AND BENEFITS OF, THE ISSUE OF THE CONVERTIBLE AND EXCHANGEABLE BONDS AND THE WARRANTS AND USE OF PROCEEDS**

The issue of Convertible and Exchangeable Bonds in the principal amount of US\$150 million and the Warrants to the Investor is a strategic collaboration with the Investor, an institutional investor with extensive experience and active investments in the Greater China education sector.

The Investor's investment portfolio in the education sector covers kindergartens, learning centers, K-12 international schools, and study abroad service providers in the Greater China region. As part of the collaboration with the Investor, the Company intends to bring its full suite of products and services to the students, teachers and parents within the Investor's education portfolio network, and explore potential partnership opportunities with various portfolio companies of the Investor.

The proceeds from the strategic investment by the Investor will be used to support product development and growth strategies, as well as to fund potential acquisitions and investments in the education sector.

The Board considers that the terms of the Purchase Agreement and the transactions contemplated under the Purchase Agreement (including the Convertible and Exchangeable Bonds and the Warrants) are on normal commercial terms following arm's length negotiations between the Company and the Investor and that the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE ISSUE OF THE CONVERTIBLE AND EXCHANGEABLE BONDS AND THE CONVERSION SHARES AND/OR EXCHANGE SHARES**

Upon the issue of the Convertible and Exchangeable Bonds and the Warrants, (i) the total assets of the Group will be increased by the amount equal to the principal amount of the Convertible and Exchangeable Bonds; and (ii) the total liabilities and the equity of the Group will be increased by the liability component of the Convertible and Exchangeable Bonds and the equity component, if any, of the Convertible and Exchangeable Bonds and the Warrants based on the valuation to be carried out by an independent qualified professional valuer.

## **FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS**

The Company did not conduct any equity fund raising activities in the past twelve months before the date of this Announcement.

## **LISTING RULES IMPLICATIONS**

### **Conversion into Best Assistant Ordinary Shares**

As at the date of this Announcement, after taking into account of reserved shares which can be allotted and issued pursuant to the Best Assistant Share Award Scheme, the Company indirectly holds 66.5% of the issued share capital of Best Assistant. As all ND (BVI) CBs are required to be converted to Best Assistant Ordinary Shares on or prior to the Closing Date, assuming there is no other change in the issued and outstanding share capital of Best Assistant, the Company's indirect shareholding of Best Assistant will be increased to 71.7% on a fully diluted basis upon such conversion. Assuming all of the Convertible and Exchangeable Bonds are converted into Best Assistant Ordinary Shares, immediately upon completion of the conversion to Conversion Shares and assuming there is no other change in the issued and outstanding share capital of Best Assistant from the date of this Announcement and up to the date of conversion, the Company, through ND (BVI), will hold approximately 61.6% of the issued and outstanding share capital of Best Assistant on a fully diluted basis, and therefore Best Assistant will continue to be an indirect subsidiary of the Company after full conversion of the Convertible and Exchangeable Bonds into Conversion Shares.

### **Exchange for Promethean Ordinary Shares**

As at the date of this Announcement, Best Assistant, through its wholly-owned subsidiary, Digital Train, holds the entire issued share capital of Promethean. Assuming all of the Convertible and Exchangeable Bonds are exchanged for Promethean Ordinary Shares and assuming there is no other change in the issued and outstanding share capital of Promethean from the date of this Announcement and up to the date of the exchange, the transfer of Exchange Shares by Digital Train to the Bondholders will have the effect of disposing approximately 33.3% of the existing issued and outstanding share capital of Promethean on a fully diluted and as-exchanged basis. After such deemed disposal, Digital Train will hold approximately 66.7% of the issued and outstanding share capital of Promethean. Assuming no other applicable adjustment will be made to the Exchange Price and assuming that there is no other change in the issued share capital of Promethean from the date of this Announcement and up to the date of exchange, taking into account of the specific adjustment in connection with Promethean's EBITDA for the year ending 31 December 2020, the percentage of shares of Promethean to be transferred from Digital Train to the Bondholders may increase to a maximum of 37.5% of the then existing issued and outstanding share capital of Promethean, on a fully-diluted and as-exchanged basis. Accordingly, Digital Train will hold approximately 62.5% of the issued and outstanding share capital of Promethean, and therefore Promethean will continue to be an indirect subsidiary of the Company after full exchange of the Convertible and Exchangeable Bonds for Exchange Shares.

The issue of the Conversion Shares or the transfer of the Exchange Shares will be deemed to be a disposal of interest in Best Assistant or Promethean (as the case may be) by the Company under the Listing Rules. As more than one of the applicable percentage ratios (as defined under the Listing Rules) in respect of such deemed disposal are more than 5% but all such ratios are less than 25%, the deemed disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

## **Issue of Unlisted Warrants under Specific Mandate**

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants to subscribe for (i) any new Shares or (ii) any securities convertible into new Shares, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Therefore, the Warrant and the Warrant Shares (to be issued upon exercise of the Warrants) will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

## **IRREVOCABLE UNDERTAKING**

Each of Liu Dejian, Liu Luyuan, Zheng Hui, DJM Holding Ltd., Fitter Property Inc., Eagle World International Inc. and Richmedia Holdings Limited will provide an Irrevocable Undertaking in favour of the Investor that all voting rights attached to the Shares for which it/he is the sole beneficial owner of or is otherwise able to control the exercise of as at the date of the Irrevocable Undertaking, will be exercised in favour of the resolutions at the EGM to approve the issue of the Warrants and the issue of Warrant Shares upon exercise thereof.

The total number of Shares in respect of which Liu Dejian, Liu Luyuan, Zheng Hui, DJM Holding Ltd., Fitter Property Inc., Eagle World International Inc. and Richmedia Holdings Limited are interested and are the subject of the Irrevocable Undertaking amount to 254,138,457 Shares, representing approximately 47.9% of the total issued Shares of the Company as at the date of this Announcement.

## **SPECIFIC MANDATE AND THE EGM**

The Company will seek the approval of the Specific Mandate from the Shareholders at the EGM to issue the Warrants and the Warrant Shares upon the exercise thereof. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the issue of the Warrants and the Warrant Shares upon exercise thereof. To the best knowledge of the Directors, none of the Shareholders has a material interest in the transactions contemplated under the issue of Warrants, accordingly, no Shareholders will be required to abstain from voting at the EGM.

A circular containing, among other things, further details of the issue of the Warrants and the Warrant Shares upon exercise thereof and a notice to convene the EGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this Announcement shall have the following meanings:

“Agent”	Madison Pacific Trust Limited, the agent of the Finance Parties
“Best Assistant Ordinary Shares”	ordinary shares of Best Assistant
“Best Assistant”	Best Assistant Education Online Limited, a company incorporated in Cayman Islands with limited liability, an indirect non wholly-owned subsidiary of the Company
“Best Assistant Share Award Scheme”	the share award scheme of Best Assistant adopted on 7 August 2012 and as amended from time to time, which reserves currently 164,546,057 shares of Best Assistant to be granted to eligible staff or consultants
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible and Exchangeable Bonds from time to time
“Bond Issue Date”	the issue date of the Convertible and Exchangeable Bonds
“Business Day”	any day other than a Saturday, Sunday or other day on which commercial banks in the Cayman Islands, British Virgin Islands, London, the PRC or Hong Kong are required or authorized by law or executive order to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time
“Closing”	the closing of the Purchase Agreement
“Closing Date”	no later than twenty (20) Business Days after the fulfilment (or waiver, where applicable) of the conditions precedent set forth in the Purchase Agreement, or such later date as Best Assistant and the Investor may agree pursuant to the Purchase Agreement
“Company”	NetDragon Websoft Holdings Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Conversion Period”	the period commencing from the Bond Issue Date and expiring on the date on which all of the Convertible and Exchangeable Bonds have been redeemed in full in accordance with the Terms and Conditions

“Conversion Price”	the initial conversion price of US\$0.5393 per Conversion Share (subject to adjustments) at which the Bondholders may subscribe for the Conversion Shares
“Conversion Shares”	new Best Assistant Ordinary Share(s) to be issued upon exercise of the conversion rights attaching to the Convertible Bond pursuant to the terms and conditions of the Purchase Agreement and the Terms and Conditions
“Convertible and Exchangeable Bonds”	the secured convertible exchangeable redeemable bonds due on the Maturity Date (i.e. the fifth (5 <sup>th</sup> ) anniversary from the Bond Issue Date) in the principal amount of US\$150 million (equivalent to approximately HK\$1,174.5 million) to be issued by Best Assistant to the Investor pursuant to the Purchase Agreement and the Terms and Conditions
“Deed of Subordination and Assignment”	the subordination and security agreement to be entered into on the Closing Date between subordinated debtors (including the Company, ND (BVI), Best Assistant and certain other subsidiaries of Best Assistant), subordinated creditors (including the Company, ND (BVI), Best Assistant and certain other subsidiaries of Best Assistant) and the Security Agent
“Digital Train”	Digital Train Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Best Assistant
“Director(s)”	the director(s) of the Company
“DSRA Charge”	the charge with respect to a debt service reserve account in the name of Best Assistant and such charge to be entered into between Best Assistant and the Security Agent
“EBITDA”	earnings before interest, tax, depreciation and amortization, to be calculated in the manner specified in the Terms and Conditions
“EGM”	the extraordinary general meeting of the Company to be convened to approve the issue of Warrants and grant of Specific Mandate
“Event of Default”	any default of the Convertible and Exchangeable Bonds as stipulated in the Terms and Conditions
“Exchange Period”	the period commencing from 30 days prior to the date of filing of the listing application of a Qualified IPO of Promethean and expiring 6:00 p.m. (Hong Kong time) on two Business Days immediately prior to the Maturity Date or on the date when all of the Convertible and Exchangeable Bonds have been fully redeemed, converted, exchanged or purchased and cancelled in accordance with the Terms and Conditions

“Exchange Price”	the initial exchange price of US\$2.2146 per Exchange Share (subject to adjustments) at which the Bondholders may exchange the Convertible and Exchangeable Bond for the Exchange Shares
“Exchange Shares”	Promethean Ordinary Shares to be transferred by Digital Train to the Bondholders or their designee(s) upon exercise of the exchange rights attaching to the Convertible and Exchangeable Bonds pursuant to the terms and conditions of the Purchase Agreement and the Terms and Conditions
“Finance Parties”	the Agent, the Security Agent and the Bondholders
“GBP”	British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“Guarantor”	the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	person or company which is independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of the Company, any of its subsidiaries or any of their respective associates
“Investor”	Nurture Education (Cayman) Limited, an exempted company incorporated with limited liability and validly existing under the laws of the Cayman Islands
“Irrevocable Undertaking”	the irrevocable undertaking to be given by Liu Dejian, Liu Luyuan, Zheng Hui, DJM Holding Ltd., Fitter Property Inc., Eagle World International Inc. and Richmedia Holdings Limited to vote in favour of the resolutions at the EGM to approve the issue of the Warrants and the Warrant Shares upon exercise thereof
“Last Trading Day”	8 November 2019, being the last trading day of the Shares on the Stock Exchange before the release of this Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Bondholders”	a holder or holders of Convertible and Exchangeable Bonds representing more than 50% of the total principal amount of all the Convertible and Exchangeable Bonds outstanding at the relevant time
“Maturity Date”	the fifth (5th) anniversary from the Bond Issue Date

“ND (BVI)”	NetDragon Websoft Inc., a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company
“ND (BVI) CBs”	the convertible bonds in the principal amount of US\$70,000,000 issued by Best Assistant to ND (BVI) pursuant to a subscription agreement dated July 3, 2015; (ii) the convertible bonds in the principal amount of US\$50,000,000 issued by Best Assistant to ND (BVI) pursuant to a subscription agreement dated March 8, 2016; and (iii) the convertible bonds in the principal amount of US\$50,000,000 issued by Best Assistant to ND (BVI) pursuant to a subscription agreement dated May 2, 2018
“PRC”	the People’s Republic of China, which, for the purpose of this Announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Promethean”	Promethean World Limited, a company incorporated in England and Wales with limited liability, a wholly-owned subsidiary of Digital Train
“Promethean Ordinary Shares”	ordinary shares of Promethean
“Purchase Agreement”	the Bond and Warrant Purchase Agreement dated 10 November 2019 entered into by the Company, Best Assistant, ND (BVI), Digital Train, Promethean, the Investor, the Agent and the Security Agent in relation to the issue and purchase of the Convertible and Exchangeable Bonds and the Warrants
“Qualified 100% Trade Sale”	a sale of (i) 100% of the Best Assistant’s shares or assets or (ii) 100% of Promethean’s shares or assets to a third-party purchaser for a consideration to be calculated based on a pre-money valuation in an amount that would give an internal rate of return of at least 15% on issue price of the Convertible and Exchangeable Bonds of the Bondholders (calculated from the Bond Issue Date until the third anniversary from the Bond Issue Date, regardless of when the sale is completed), exclusive of all interest on the principal amount of the Convertible and Exchangeable Bonds received
“Qualified IPO”	subject to the market capitalization of Best Assistant or Promethean reaching a certain threshold as prescribed in the Terms and Conditions, a firmly underwritten registered public offering of Best Assistant Ordinary Shares or Promethean Ordinary Shares on an internationally recognized exchange
“Redemption Amount”	an amount that would provide the Bondholders an internal rate of return on the principal amount of the Convertible and Exchangeable Bonds of 15% per annum, inclusive of all interest received on the principal amount of the Convertible and Exchangeable Bonds

“Security Agent”	Madison Pacific Trust Limited, the security trustee for the Secured Parties
“Secured Parties”	the Finance Parties, each receiver and manager or administrative receiver of the whole or any part of the security required under the terms of the Purchase Agreement and each delegate, agent, attorney or co-trustee appointed by the Security Agent
“Share(s)”	ordinary share(s) of the Company
“Share Charge”	the share charge with respect to any and all of the issued and outstanding shares of Promethean held from time to time by Digital Train to be entered into between Digital Train and the Security Agent on the Closing Date
“Shareholders”	holders of the Shares
“Shareholders’ and Bondholders’ Agreement”	the shareholders’ and bondholders’ agreement in relation to the rights and obligations of the shareholders and bondholders of Best Assistant to be entered into by Best Assistant, all shareholders (including ordinary shareholders, Series A preferred shareholders and Series B preferred shareholders) and the Bondholders of Best Assistant, ND (BVI) and certain major subsidiaries of Best Assistant on the Closing Date
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to authorise the Directors to allot and issue the Warrant and the Warrant Shares upon exercise thereof pursuant to the Purchase Agreement and the Warrant Instrument
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the period effective from the issue date of the Warrants and up to the fifth (5 <sup>th</sup> ) anniversary thereof (both days inclusive)
“Subscription Price”	the sum payable in respect of each Share to which the registered holder of the Warrants will be entitled upon exercise of the subscription rights represented thereby, such sum being HK\$21.1998 per Share (calculated based on 10% premium over the 60-day volume weighted average price of the Shares from 13 August 2019 to 6 November 2019), subject to the applicable adjustments in accordance with the terms of the Warrant Instrument
“Terms and Conditions”	the terms and conditions governing the Convertible and Exchangeable Bonds

“US\$”	United States dollar, the lawful currency of the United States of America
“Warrantholder”	holder of the Warrants
“Warrantor(s)”	each and collectively, the Company, ND (BVI), Best Assistant, Digital Train and Promethean
“Warrants”	means the 10,827,872 unlisted warrants carrying the subscription rights to be issued by the Company to the Investor pursuant to the terms of the Warrant Instrument
“Warrant Instrument”	the instrument in respect of the Warrants in registered form to subscribe for shares in the capital of the Company
“Warrant Shares”	Shares representing approximately 2% of the issued share capital of the Company as enlarged by the issue of shares under the Warrants
“%”	per cent

*This Announcement contains translations between US\$ and HK\$ at the rate of US\$1.00= HK\$7.83. The translation should not be taken as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.*

By order of the Board  
**NetDragon Websoft Holdings Limited**  
**Liu Dejian**  
*Chairman*

Hong Kong, 10 November 2019

*As at the date of this Announcement, the Board comprises five executive Directors, namely Mr. Liu Dejian, Dr. Leung Lim Kin Simon, Mr. Liu Luyuan, Mr. Zheng Hui and Mr. Chen Hongzhan; one non-executive Director, namely Mr. Lin Dongliang; and three independent non-executive Directors, namely Mr. Chao Guowei, Charles, Mr. Lee Kwan Hung and Mr. Liu Sai Keung, Thomas.*