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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in NetDragon Websoft Holdings Limited (“Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees.

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ND

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)

**ISSUE OF UNLISTED WARRANT AND ALLOTMENT AND ISSUE OF
WARRANT SHARES UNDER SPECIFIC MANDATE;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of the Company (“EGM”) to be held at 3:00 p.m. on Wednesday, 15 January 2020 at Plaza Meeting Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible or in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	11
Notice of the Extraordinary General Meeting	EGM-1

DEFINITIONS

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

“Agent”	Madison Pacific Trust Limited, the agent of the Finance Parties
“Announcement”	the announcement of the Company dated 10 November 2019 in relation to (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
“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 Ordinary Shares”	ordinary shares of Best Assistant
“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
“Bond Issue Date”	the issue date of the Convertible and Exchangeable Bonds
“Bondholder(s)”	holder(s) of the Convertible and Exchangeable Bonds from time to time

DEFINITIONS

“Capital Distribution”	(without prejudice to the generality of that phrase) includes distributions of any nature in cash or specie. Any dividend or distribution of any kind charged or provided for in the accounts or in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution; provided that any such dividend or distribution shall not be so deemed if the rate of that dividend or distribution, together with all other dividends and distributions on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend or distribution on such class of capital charged or provided for in the accounts of the Company for the immediate preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the auditors appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially
“Closing”	the closing of the Purchase Agreement
“Closing 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 Date”	no later than twenty (20) Closing 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
“Closing Price”	for any Trading Day, the closing market price of each Share published in the daily quotation sheet published by the Stock Exchange for such day
“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

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“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 Share(s)”	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 (5th) anniversary of 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 on the Closing Date

DEFINITIONS

“EBITDA”	earnings before interest, tax, depreciation and amortization, to be calculated in the manner specified in the Terms and Conditions
“EGM”	an extraordinary general meeting of the Company convened to be held at 3:00 p.m. on Wednesday, 15 January 2020 at Plaza Meeting Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, approving the issue of the Warrant and the grant of the Specific Mandate for the allotment and issue of the Warrant Shares
“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 at 6:00 p.m. (Hong Kong time) on two Closing 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 Share(s)”	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

DEFINITIONS

“Guarantee”	the guarantee to be entered into on the Closing Date between the Guarantor and the Security Agent in relation to the corporate guarantee to be granted by the Guarantor
“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 Warrant 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 Purchase Agreement was entered into
“Latest Practicable Date”	23 December 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information for inclusion in this circular
“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

DEFINITIONS

“Market Price”	means the average Closing Price for each of the last five (5) consecutive Trading Days on which dealings in the Shares on the Stock Exchange took place ending on the last such Trading Day preceding the day on or as of which the Market Price is to be ascertained
“Material Adverse Effect”	(i) a material adverse effect on (a) the assets, liabilities, condition (financial or other), business, prospects, general affairs, results of operations or properties of (1) the Company or (2) the Group taken as a whole, (b) the ability of the Company or any group company (if applicable) to perform its obligations under any of the Transaction Documents or the Warrant, or (c) the validity or enforceability of any of the Transaction Documents or the Warrant; or (ii) an effect which is otherwise material in the context of the grant of the Warrant(s)
“Maturity Date”	the fifth (5th) anniversary of 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”	(i) 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 3 July 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 8 March 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 2 May 2018
“Original Warrantholder”	the Investor including its designated nominees (if any)
“PRC”	the People’s Republic of China, which, for the purpose of this circular, 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

DEFINITIONS

“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 Warrant
“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 of 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
“Secured Parties”	the Finance Parties, each receiver and each delegate, agent, attorney or co-trustee appointed by the Security Agent
“Security Agent”	Madison Pacific Trust Limited, the security trustee for the Secured Parties
“Share(s)”	ordinary share(s) of the Company

DEFINITIONS

“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 Shares upon exercise thereof pursuant to the Warrant Instrument
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the period effective from the issue date of the Warrant and up to the fifth (5th) anniversary thereof (both days inclusive)
“Subscription Price”	the sum payable in respect of each Share to which the registered holder of the Warrant 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
“Subscription Rights”	the rights of the Warrantholder(s) represented by the Warrant(s) to subscribe from the Company for Shares at the relevant Subscription Price pursuant to the Warrant(s)
“Terms and Conditions”	the terms and conditions governing the Convertible and Exchangeable Bonds

DEFINITIONS

“Trading Day(s)”	a day when the Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days
“Transaction Documents”	(i) the Purchase Agreement, (ii) each bond certificate (together with the Terms and Conditions), (iii) the Shareholders’ and Bondholders’ Agreement, (iv) each Transaction Security Document, (v) the Guarantee, (vi) the amended and restated charter documents of Best Assistant, (vii) the Warrant Instrument; (viii) the director indemnification agreement to be entered into by and among the Company, the Investor and Investor’s Director; (ix) the controlling shareholders’ voting undertaking to be executed by the controlling shareholders of the Company; (x) the Deed of Subordination and Assignment and (xi) the fee letter to be entered between into by and between the Agent or the Security Agent and the Company and such other agreements, instruments, certificates executed or entered into pursuant to or in connection with any of the foregoing
“Transaction Security Documents”	the Share Charge, the DSRA Charge, the Deed of Subordination and Assignment and any other document entered into by any Warrantor creating or expressed to create any Security over all or any part of its assets in respect of the obligations of any of the Warrantors under any of the Transaction Documents
“US\$”	United States dollar, the lawful currency of the United States of America
“Warrant”	means the unlisted warrant of the Company to be created and issued by the Company to the Original Warrantholder at Closing, which entitle the holder(s) thereof to subscribe for the Warrant Shares at the Subscription Price
“Warrant Business Day”	a day other than a Saturday, Sunday or public holiday on which commercial banks are opened for business in Hong Kong, the Cayman Islands and the PRC

DEFINITIONS

“Warrant Certificate(s)”	the certificate(s) (in registered form) representing the Warrant, as from time to time modified in accordance with the provisions set out in the Warrant Instrument
“Warrant Instrument”	the instrument to be executed by way of deed poll by the Company creating and constituting the Warrant on the Closing Date
“Warrant Shares”	the new Shares representing approximately 2.00% of the issued share capital of the Company as enlarged by the issue of shares under the Warrant which may fall to be allotted and issued upon the exercise of the Subscription Rights
“Warrantholder”	holder of the Warrant
“Warrantor(s)”	each and collectively, the Company, ND (BVI), Best Assistant, Digital Train and Promethean
“%”	per cent

In this circular, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of HK\$7.83 per US\$1.00. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD



ND

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)

Executive Directors:

Liu Dejian (*Chairman*)
Leung Lim Kin, Simon (*Vice Chairman*)
Liu Luyuan
Zheng Hui
Chen Hongzhan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Director:

Lin Dongliang

*Head office and principal place of
business in Hong Kong:*

Units 2001-05 & 11
20th Floor, Harbour Centre
25 Harbour Road
Wan Chai
Hong Kong

Independent non-executive Directors:

Chao Guowei, Charles
Lee Kwan Hung, Eddie
Liu Sai Keung, Thomas

30 December 2019

To the Shareholders

Dear Sir or Madam

**ISSUE OF UNLISTED WARRANT AND ALLOTMENT AND ISSUE OF
WARRANT SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the Announcement in which the Company announced that 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

LETTER FROM THE BOARD

(equivalent to approximately HK\$1,174.5 million); and (ii) simultaneously with the issue of the Convertible and Exchangeable Bonds, the Company intends to issue to the Investor the Warrant with a Subscription Price of HK\$21.1998 per Share. The issue of the Convertible and Exchangeable Bonds and the issue of the Warrant are conditional upon each other.

The EGM will be held to consider and, if thought fit, pass the requisite resolution to approve the issue of the Warrant and the grant of the Specific Mandate for the allotment and issue of the Warrant Shares.

The purpose of this circular is to give you, among other matters, (i) further details of the Warrant; and (ii) a notice convening the EGM.

THE PURCHASE AGREEMENT

Set out below are the major terms of 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).

LETTER FROM THE BOARD

- Warrant:** Simultaneously with the issue of the Convertible and Exchangeable Bonds on the Closing Date, the Company will issue the Warrant to the Investor. The Warrant shall entitle the Investor with the rights to subscribe for Shares constituting approximately 2.00% of the Company's issued share capital as enlarged by the issue of the Warrant Shares.
- Guarantee:** The Company shall guarantee and indemnify payment of all present and future obligations and liabilities at any time due, owing or incurred by the Warrantors in respect of the Transaction Documents as referred to in the Purchase Agreement, whether actual or contingent and whether owed jointly, severally or in any other capacity.
- 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 Warrant 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 Warrant 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 Warrant having been granted by the Listing Committee of the Stock Exchange;

LETTER FROM THE BOARD

- (e) each of the Warrantors having obtained (or procured that its relevant group companies have obtained) 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 in 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 Warrant already been issued) constitute an Event of Default 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.

As at the Latest Practicable Date, none of the material conditions precedent have been fulfilled or waived.

LETTER FROM THE BOARD

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 of the Bond Issue Date. Unless previously redeemed, converted, exchanged or purchased and cancelled as provided in the Terms and Conditions, Best Assistant shall redeem on the Maturity Date the Bonds in an amount equal to the Redemption Amount.

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)

LETTER FROM THE BOARD

Ranking: The Convertible and Exchangeable Bonds shall at all times rank *pari passu* 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.

The Company confirms that the valuation of Best Assistant and Promethean is determined after arm's length negotiation between the parties with reference to (i) the market values of other companies with similar business nature; and (ii) the potential future growth of the respective companies.

LETTER FROM THE BOARD

Number of Conversion
Shares or Exchange
Shares:

Assuming all Bondholders have exercised their rights of conversion to convert the Convertible and Exchangeable Bonds into the Conversion Shares and taking into account the reserved shares which can be allotted and issued pursuant to the Best Assistant Share Award Scheme and assuming there is no other change in the issued and outstanding share capital of Best Assistant from the date of this Circular and up to the date of conversion (apart from such changes set out in this paragraph), 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 (i) approximately 15.8% of the issued and outstanding share capital of Best Assistant on a fully diluted basis (without taking into account of the conversion of all ND (BVI) CBs to Best Assistant Ordinary Shares on or prior to the Closing Date); (ii) approximately 12.5% of the issued and outstanding share capital of Best Assistant on a fully diluted and as-converted basis (after taking into account the conversion of all ND (BVI) CBs to Best Assistant Ordinary Shares on or prior to the Closing Date); and (iii) approximately 11.1% of the issued and outstanding share capital of Best Assistant on a fully diluted and as-converted basis as enlarged by the allotment and issue of the Conversion 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 Circular and up to the date of exchange and that Promethean's EBITDA for the year ending 31 December 2020 is equal to or greater than the maximum amount as agreed in the Terms and Conditions, 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 Circular and up to the date of exchange, 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 if Promethean's EBITDA for the year ending 31 December 2020 is less than the minimum amount as agreed in the Terms and Conditions.

LETTER FROM THE BOARD

- 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 of 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 previously 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).
- Having taken into account that (i) the education business of the Group (which is operated by the group companies under Best Assistant) is loss making; (ii) current market conditions; and (iii) other alternative fund raising methods for a loss making business are limited, the Directors are of the view that the internal rate of return of 15% per annum (which is inclusive of all interests received on the principal amount of the Convertible and Exchangeable Bonds) is fair and reasonable. Please also refer to the paragraph headed “*Reasons for the Issue of the Convertible and Exchangeable Bonds and Warrant and Use of Proceeds*” below in this circular.

LETTER FROM THE BOARD

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 initial public offering 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

LETTER FROM THE BOARD

(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 of 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 WARRANT

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 Warrant to the Investor. The Warrant shall entitle the Investor with the rights to subscribe for Shares constituting approximately 2.00% of the issued share capital of the Company as enlarged by the issue of Warrant Shares under the Warrant.

Issue Price: Nil

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

LETTER FROM THE BOARD

The initial Subscription Price represents (i) a premium of approximately 17.0% to the closing price of HK\$18.12 per Share as quoted on the Stock Exchange at the Latest Practicable Date; (ii) 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 (iii) 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.

Adjustments:

The Subscription Price shall from time to time be adjusted as set out in accordance with the following relevant provisions:

- (i) if and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective;
- (ii) if and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Subscription Price in force immediately before such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate, retroactively) from the commencement of the day next following the record date for such issue;

LETTER FROM THE BOARD

- (iii) if and whenever the Company shall make any Capital Distribution to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Subscription Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Market Price on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the auditors or an approved merchant bank, of the portion of the Capital Distribution or of such rights which is attributable to one Share.

Provided that:

- (a) if in the opinion of the auditors or the relevant approved merchant bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, the above formula shall be construed as if B meant the amount of the said Market Price which (as determined by the auditors or approved merchant bank), should properly be attributable to the value of the Capital Distribution or rights; and

LETTER FROM THE BOARD

- (b) paragraph (iii) under this heading shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate, retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant;

- (iv) if and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant the holders of Shares any options or warrants or other rights to subscribe for new Shares, at a price per new Share which is less than 80% the Market Price at the date of the announcement of the terms of the offer or grant, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such Market Price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants or other rights; such adjustment to become effective (if appropriate, retroactively) from the commencement of the day next following the record date for the offer or grant.

LETTER FROM THE BOARD

- (v) (a) if and whenever (other than when event set out in paragraph (iv) under this heading applies) the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights to acquire or subscribe for new Shares, and the Total Effective Consideration (as defined below) per Share initially receivable for such securities is less than 80% of the Market Price at the date of the announcement of the terms of issue of such securities, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the Total Effective Consideration receivable for the securities issued would purchase at such Market Price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the acquisition or subscription rights conferred by, such securities at the initial conversion or exchange rate or acquisition or subscription price. Such adjustment shall become effective (if appropriate, retroactively) from the commencement of the day next following the date on which the relevant securities are issued; or

LETTER FROM THE BOARD

- (b) if and whenever the rights of conversion or exchange or acquisition or subscription attached to any such securities as are sub-paragraph (a) in the above are modified so that the Total Effective Consideration per Share initially receivable for such securities shall be less than 80% of the Market Price at the date of announcement of the proposal to modify such rights or conversion or exchange or acquisition or subscription, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the Total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at the Market Price at the date of the announcement of such proposals and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the acquisition or subscription rights conferred by such securities at the modified conversion or exchange rate or acquisition or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

LETTER FROM THE BOARD

For the purposes of this paragraph, the “**Total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the issuer for any such securities plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the conversion or exchange thereof or the exercise of such acquisition or subscription rights, and the Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such acquisition or subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue;

- (vi) if and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the Market Price current at the date at the announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such Market Price and the denominator is the number of the Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue; or

LETTER FROM THE BOARD

(vii) if and whenever the Company shall purchase any Shares (other than any purchases made on the Stock Exchange or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong or its equivalent authority and the Stock Exchange), and shall make such a purchase in circumstances where the Total Effective Consideration per Share (as defined below) is more than 110% of the Closing Price on the date on which the purchase price for such Shares is agreed between the Company and any holder of Shares so purchased, or if agreed either before the close of dealings on the Stock Exchange for that day or on a day which is not a Trading Day, on the immediately preceding Trading Day, then in any such event the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C - E}$$

where:

C = the number of Shares in issue immediately before the date of such purchase;

D = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at such closing price (exclusive of expenses); and

E = the number of Shares so purchased by the Company.

For the purpose of paragraph (iv), the “**Total Effective Consideration**” shall be determined by the Company with the concurrence of the auditors or an approved merchant bank and shall be the aggregate consideration payable by the Company on payment in full for such Shares without any allowance for any commissions, discounts or expenses paid, allowed or incurred in connection with the purchase thereof; and the “**Total Effective Consideration per Share**” shall be the Total Effective Consideration divided by the number of Shares purchased by the Company as aforesaid.

Each such adjustment will be effective (if appropriate, retroactively) from the close of business in Hong Kong on the Warrant Business Day immediately preceding the date on which the purchase by the Company is made.

LETTER FROM THE BOARD

Subscription Period:	The Subscription Rights attaching to the Warrant can be exercised, in whole or in part, at any time within five years from the issue date of the Warrant.
Termination Date:	With respect to each Warrant, the earlier of (i) the date on which all Subscription Rights in respects of such Warrant have been exercised in full, and (ii) the date falling on the fifth anniversary of the issue date of such Warrant, provided that if such date is not a Warrant Business Day, the Warrant Business Day immediately following such date.
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:	<p>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.</p> <p>Any transfer of the Warrant to any connected person shall be subject to the prior written consent of the Company, applicable laws, the Listing Rules and any other requirements that the Stock Exchange may impose from time to time.</p>
Voting rights of the Warrant:	Nil
Rights of holder(s) of Warrant during the Subscription Period on winding up:	<p>If an effective resolution is passed during the Subscription Period for the voluntary winding up of the Company, and such winding up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholder, or some persons designated by it for such purpose, shall be a party or in conjunction with which a proposal is made to the Warrantholder and is approved by the Warrantholder, the terms of such scheme of arrangement or proposal shall be binding on the Warrantholder.</p> <p>Subject to the foregoing, if the Company is wound up, all Subscription Rights attaching to the Warrant which have not been exercised at the date of passing of such resolution shall lapse.</p>

LETTER FROM THE BOARD

Pursuant to the Warrant Instrument, the Warrant will be issued to the Bondholder (i.e. the Investor) of the Convertible and Exchangeable Bonds with nil consideration, which is determined after arm's length negotiations between the Company and the Investor taking into account, in particular, the following factors:

- (i) the issue of the Warrant to the Bondholder with nil consideration is a packaged deal and would enhance the commercial attractiveness together with the convertible and Exchangeable Bonds with principal amount of US\$150 million of the Convertible and Exchangeable Bonds; and
- (ii) as long as the Investor remains a Bondholder, the Warrant is not transferable unless it has obtained the consent of the Company. The Warrant is also not expected to have liquid market as they are unlisted Warrants.

Based on the above factors, the Directors consider that the Warrant to be issued to the Investor with no additional consideration is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

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. Given that the Subscription Price was determined based on a premium and calculated over a relatively long period of trading days with the purpose to eliminate negative fluctuations on the price of the Shares, the Directors consider that the Subscription Price is fair and reasonable and in the best interest of the Company and its shareholders as a whole.

Number of Warrant Shares to be issued upon exercise of Warrant:

As at the Latest Practicable Date, the Company has a total of 530,584,816 Shares in issue. Assuming that there will be no further changes in the issued share capital of the Company prior to the exercise of the Subscription Rights attaching to the Warrant, upon exercise in full of the Subscription Rights attaching to the Warrant, a maximum of 10,827,872 Warrant Shares will be issued, representing approximately 2.04% of the existing issued Shares as at the Latest Practicable Date, and approximately 2.00% of the total number of 541,412,688 Shares in issue as enlarged by the allotment and issue of the Warrant Shares. Assuming 10,827,872 Warrant Shares are issued, an aggregate amount of subscription monies of approximately HK\$229.5 million will be raised.

SPECIFIC MANDATE TO ISSUE THE WARRANT SHARES

The Warrant Shares will be issued under the Specific Mandate to be sought at the EGM.

LETTER FROM THE BOARD

APPLICATION FOR LISTING

No listing of the Warrant will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares.

REASONS FOR THE ISSUE OF THE CONVERTIBLE AND EXCHANGEABLE BONDS AND WARRANT AND USE OF PROCEEDS

The issue of Convertible and Exchangeable Bonds in the principal amount of US\$150 million and the Warrant 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.

The proceeds from the issue of the Convertible and Exchangeable Bonds and the Warrant will be used to support product development and growth strategies, as well as to fund potential acquisitions and investments in the education sector. 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. Leveraging on the Investor's experience and expertise in the education sector, the Directors expect that the investment will further springboard the Group's developments in Asia while also support the Group's broader vision of building a global and connected learning community.

Despite that the education business of the Group has been loss-making, the Directors consider that the education business is in its developing stage with funding needs. With the post money valuation of Best Assistant of approximately US\$1,350 million (equivalent to approximately HK\$10,571 million) after the issue of the Convertible and Exchangeable Bonds and the Warrant, the Directors believe that the strategic collaboration with the Investor can validate the true value of the Group's education business.

It is the agreement between the Company and the Investor that no application will be made for listing of the Warrant. The Company does not propose to apply for listing of the Warrant after taking into account of the compliance requirements and costs in relation to the listing of the Warrants as well as the anticipated number of holders of the Warrant.

Promethean is profit-making for the two years ended 31 December 2017 and 2018 and mainly focuses on provision of hardware products such as interactive whiteboard and interactive flat panel. On the other hand, Best Assistant comprises both hardware and software aspects of the education business and is loss making for the two years ended 31 December 2017 and 2018. Although the Bondholder has the option under the Convertible and Exchangeable Bonds to convert into Best Assistant Ordinary Shares or exchange for Promethean Ordinary Shares, the exchange for Promethean Ordinary Shares can only occur in the event that (i) Promethean pursues a Qualified IPO; and (ii) such decision would generally require approval

LETTER FROM THE BOARD

of the board and shareholders of Promethean. The Directors would act in the best interests of the Company and its shareholders as a whole when deciding whether to proceed with the Qualified IPO of Best Assistant or Promethean.

Based on the above, 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 Warrant and the internal rate of return under the Terms and Conditions) 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.

The Board has considered other alternative fund raising methods including issuing new Shares, rights issue and open offer. However, the Directors are of the view that issuing new Shares at premium to market price is not realistic. Furthermore, rights issue and open offer require approval from relevant authorities and involve, among other things, the preparation and the issue of a prospectus, the issue of legal opinion if there are any overseas Shareholders, a longer acceptance process by potential investors and the printing and handling of application forms and, thereby are relatively time consuming and costly. In addition, taking into account the substantial fund raising amount of US\$150 million to support the Group's development and growth strategy in the education sector, the Directors considered that other fund raising alternatives to meet the fund raising amount of US\$150 million are not practicable in view of the then market conditions and have come to a decision that the issue of the Convertible and Exchangeable Bonds and the Warrant is the most appropriate way of raising funds.

Furthermore, since Best Assistant is an indirect non wholly-owned subsidiary of the Company which holds 66.5% of the issued and outstanding share capital of Best Assistant on a fully diluted and as-converted basis as at the Latest Practicable Date, the Directors consider that the most appropriate way of raising funds is the issue of the Convertible and Exchangeable Bonds and the Warrant, instead of utilising the Company's internal resources as Best Assistant is not a wholly-owned subsidiary.

As at the Latest Practicable Date, the Company did not have any concrete plan for any contemplated acquisitions, disposals or other matters that may have a material impact on the Company which is necessary for the Shareholders and the public to appraise the position of the Company for the issue of Warrant. However, the Company will review its business plan from time to time and may consider potential business expansion or investment opportunities when the opportunities arise.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, other than the Transaction Documents, the Company has not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Investor, the Agent and the Security Agent or their respective associates.

LETTER FROM THE BOARD

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 Circular.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; 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 Latest Practicable Date		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)) ^(note 1)	254,138,457	47.9%	254,138,457	46.9%
IDG Group ^(note 2)	78,333,320	14.8%	78,333,320	14.5%
Investor	–	–	10,827,872	2.0%
Other public Shareholders	198,113,039	37.3%	198,113,039	36.6%
Total	530,584,816	100.0%	541,412,688	100.0%

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., and IDG-Accel China Investors L.P., which holds in aggregate 78,333,320 Shares.

LETTER FROM THE BOARD

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 Ascendent Capital Partners II, L.P. The general partner of Ascendent Capital Partners II, L.P. is Ascendent Capital Partners II GP, L.P, and its general partner is Ascendent Capital Partners II GP Limited. Ascendent Capital Partners II, L.P. 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, 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, is an indirect non wholly-owned subsidiary of the Company and principally engages in education business.

LETTER FROM THE BOARD

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 the Hong Kong Financial Reporting Standards:

	For the financial year ended	
	31 December	
	2017	2018
	RMB'000	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, is 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, is 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 the International Financial Reporting Standards:

	For the financial year ended	
	31 December	
	2017	2018
	GBP'000	GBP'000
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.

LETTER FROM THE BOARD

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 Warrant, (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 Warrant based on the valuation to be carried out by an independent qualified professional valuer.

LISTING RULES IMPLICATIONS

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 Warrant) will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

The issue of Warrant is in compliance with Rule 15.02 of the Listing Rules. Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the Warrant must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the total number of Shares in issue at the time the Warrant is issued.

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 Warrant 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 Latest Practicable Date.

LETTER FROM THE BOARD

EGM

The EGM will be held at 3:00 p.m. on Wednesday, 15 January 2020 at Plaza Meeting Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the Shareholders to consider and, if thought fit, approve the issue of the Warrant and the grant of the Specific Mandate for the allotment and issue of the Warrant Shares. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 3:00 p.m. on Monday, 13 January 2020 or in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Tuesday, 14 January 2020. In order to qualify for the entitlement to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 14 January 2020.

In compliance with the Listing Rules, the resolution will be voted on by way of a poll at the EGM.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his/her/its name in the register. A Shareholder entitled to more than one vote is under no obligation to cast all his/her/its votes in the same way.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders is required to be abstained from voting at the EGM in respect of the resolution relating to the issue of the Warrant and the grant of the Specific Mandate for the allotment and issue of the Warrant Shares.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the issue of the Warrant and the allotment and issue of the Warrant Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolution proposed at the EGM to approve the issue of the Warrant and the grant of the Specific Mandate for the allotment and issue of the Warrant Shares.

GENERAL

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

On behalf of the Board
NetDragon Websoft Holdings Limited
Liu Dejian
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



ND

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of NetDragon Websoft Holdings Limited (“**Company**”) will be held at 3:00 p.m. on Wednesday, 15 January 2020 at Plaza Meeting Room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT** subject to and conditional upon (i) Closing of the Purchase Agreement; and (ii) The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Warrant Shares (as defined in the Circular):
 - (a) the directors of the Company (“**Directors**”) be and are hereby authorised to create and issue warrant (“**Warrant**”) to the Investor (as defined in the circular of the Company dated 30 December 2019 (“**Circular**”), on the terms and conditions set out in the Warrant Instrument (as defined in the Circular, the execution copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) and the Warrant Instrument be and is hereby approved;
 - (b) the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Warrant Shares including the adjustment thereof, upon exercise of the subscription rights attached to the Warrant, in accordance with the terms and conditions set out in the Warrant Instrument; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one or more of the Directors be and are hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as he/she considers or they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Warrant Instrument and all the transactions in relation to the creation and issue of the Warrant and the allotment and issue of the Warrant Shares and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the Warrant Instrument and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of any one or more of the Directors, in the interest of the Company and its shareholders as a whole.”

On behalf of the Board
NetDragon Websoft Holdings Limited
Liu Dejian
Chairman

30 December 2019

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Units 2001-05 & 11
20th Floor, Harbour Centre
25 Harbour Road
Wan Chai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).
3. Completion and deposit of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be Tuesday, 14 January 2020. In order to qualify for the entitlement to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 14 January 2020.
5. For joint registered holders of any shares of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares of the Company as if the shareholder was solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares of the Company shall alone be entitled to vote in respect thereof.
6. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.
7. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, 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, Eddie and Mr. Liu Sai Keung, Thomas.