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**NetDragon**

**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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

### **BUSINESS REVIEW AND OUTLOOK**

NetDragon Websoft Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is excited with the overall achievements in the first half of 2020 and the unique opportunities that are ahead of the Group. Revenue reached RMB2,822.9 million with 5.6% year-over-year growth, and at the same time the Group achieved a 25.7% year-over-year increase in operating cashflows. While the Covid-19 global pandemic has presented short-term challenges, it has put the world in a position to embrace the adoption of education technologies in a way that has never been seen before.

Education business recorded revenue growth of 8.5% year-over-year in the first half of 2020, as Promethean, the subsidiary of the Group, continued to build on its global market leadership position to gain further market share, resulting in 25.6% panel volume shipment growth year-over-year despite global school closure. The growth that the Group has achieved in this market is a testament to the differentiated product value proposition and the unique sales network. The pandemic also led to accelerating demand of blended learning solutions around the world, and to further capitalize on this opportunity, the Group has launched Edmodo Enterprise, a fully-integrated blended learning platform designed with a SaaS monetization model. In the past few months, the go-to-market of Edmodo Enterprise has scaled quickly, leading to country or state-wide adoptions in Egypt, Ghana, Thailand and the US. The Group is also excited to announce that in August 2020, has signed an MOU with the Ministry of Education of Egypt with a mutual commitment to deliver a customized country-wide blended learning solution that integrates Promethean and Edmodo offerings which will generate sizable multi-year revenue stream.

In China, the Group continued to strengthen user coverage and monetization foundation. With over 1 million of monthly active users of the flagship teacher-facing lesson preparation and delivery platform 101 Education PPT, the Group is aggressively developing premium services with the platform to expand use cases and drive user engagement. Meanwhile, One-Stop Learning platform, a platform that enables teachers and students to communicate, teach and learn, recorded increased average monthly active users of over 10 times compared to second half of 2019, with peak MAU of 5 million. With higher traffic and broader user coverage, the Group is in discussion with multiple provincial educational authorities to pilot different services with a SaaS monetization model.

Gaming business maintained its growth trajectory with 4.5% year-over-year revenue growth in the first half of 2020, the Group continued to see rising players' activities and engagement in the flagship intellectual properties ("IP") Eudemons Online (魔域), leading to a 41.4% year-over-year increase in DAU which provides the Group with a solid foundation to build the future growth. The Group is also pleased with the performance of the overseas games that generated very strong revenue growth year-over-year in the first half of 2020, as the targeted marketing aiming at overseas new users has paid off. Looking forward, the Group has a robust pipeline of exciting new games to be launched within the next several months across multiple IPs. In addition, the Group is introducing IP rejuvenation initiatives for the Eudemons Online (魔域) IP to expand to young gamers as part of the growth strategy to maximize IP values.

## **Gaming Business**

Gaming business revenue increased by 4.5% year-over-year to RMB1,647.3 million in the first half of 2020.

Covid-19 has impacted players' in-game spending to a certain extent, as well as the development and testing of the gaming contents. Despite these challenges, the flagship IP Eudemons Online (魔域) continued to record solid revenue growth driven primarily by substantial increase in number of active players in the first half of 2020 as the Group focused the effort on generating more traffic, higher user engagement, and stronger IP recognition, which will serve to build a solid foundation to sustain the future growth. In the overseas markets, revenue growth was its strongest in recent years driven by the implementation of aggressive targeted marketing to bring in new users, as well as sales channels and pay points optimization.

The Group is also pleased with the performance of the other two major IPs. Conquer Online (征服) performed well in the first half of 2020, as its ninja-themed new expansion pack with enhanced graphics and new game features has stimulated engagement and spending among gamers. Heroes Evolved (英魂之刃) also continued to focus on strengthening its IP value in the first half of 2020. During the period, the Group ran IP crossovers with popular anime OVERLORD to drive user engagement.

Looking forward, the Group will continue to drive revenue and profit growth by maximizing the IP values, as well as expanding the IP portfolio. In addition, the Group will continue to implement the strategy to expand the overseas revenue, which represented 11.9% of the revenue in the first half of 2020 with significant room for future growth given the strength of the IPs and development capabilities. Further, as part of the strategy to maximize IP values, the Group is introducing rejuvenation initiatives for the legendary Eudemons Online (魔域) IP to increase the IP's appeal to young gamers, in both China and overseas.

Last but not least, the pipeline is robust with multiple new games ready to be launched by the end of 2020. The upcoming new titles include Legends of Eudemons (魔域傳說), Eudemons II (魔域手遊II), Eudemons Storm II (風暴魔域II), and Under Oath (終焉誓約), all of which have obtained regulatory licenses.

## **Education Business**

For the first half of 2020, education business recorded revenue of RMB1,137.9 million, up 8.5% year-over-year. To capitalize on the opportunities presented by Covid-19, the Group is making strong progress in leveraging the core competencies of being able to provide best-in-class classroom learning and distance learnings solutions – the result is a unique blended learning model, a model that educators around the world are embracing as the Group transitioned into the new normal of learning.

Under that backdrop, Promethean performed exceptionally well by gaining significant market share amid a challenging market which saw a significant drop in market volume in the second quarter of 2020. The market challenges also provided with an opportunity to solidify the market leadership position, as Promethean’s panel shipment outgrew the market growth in the first half of 2020 by 20.5%. Its performance was particularly strong in emerging markets, highlighted by a sizable tender order in Egypt during the first half of 2020.

As a result of unprecedented demand for distance learning under Covid-19, Edmodo, a learning platform, has seen substantial uptick in its users, with monthly active users (“MAU”) reaching a record high of over 17 million during the first half of 2020. Such growth was driven by the launch of Edmodo Enterprise platform in the first quarter of 2020. Edmodo Enterprise is a fully-integrated blended learning platform that enables educational authorities to drive top-down adoption of a unique blended learning experience across an entire school, district and country, implemented with a SaaS or subscription monetization model. Since its official rollout, the Group has quickly built and scaled the sales and marketing network as well as the operating infrastructure, and are now in a strong position to scale the commercialization of this platform at a global scale. Edmodo will also leverage the existing strong sales network of Promethean as the Group continue to pursue a 2G and 2B go-to-market model with this new platform. In the past few months, the Group has seen country – or state-wide adoptions in Egypt, Ghana, Thailand and the US. With this traction, the Group is excited about the prospect of significantly scaling up Edmodo monetization in the second half of 2020.

The Group is also excited to announce that in August 2020, the Group has signed an MOU with the Ministry of Education of Egypt with a mutual commitment to deliver a customized country-wide blended learning solution that integrates Promethean and Edmodo offerings which will generate sizable multi-year revenue stream. The implementation of this contract is expected to commence in the near term, and the Group will also aim to replicate this country-wide model as the Group continues to scale our “Country Strategy” globally.

In China, the strategy is to strengthen both user coverage monetization foundation. Similar to the overseas business, the rising demand for distance learning under Covid-19 has resulted in sharp uptick in user traffic for the learning products. With over 1 million of monthly active users of the flagship teacher-facing lesson preparation and delivery platform 101 Education PPT, the Group is aggressively developing premium services with the platform to expand use cases and drive user engagement. On the other hand, One-Stop Learning platform, a learning platform that enables teachers and students to communicate, teach and learn, recorded increase in average monthly active users by 10 times compared to second half of 2019, with peak MAU of 5 million. In view of high user coverage, the Group is exploring SaaS monetization opportunities with multiple provincial educational authorities on delivering 2G, 2B and 2C services. Lastly, the Group rolled out services and resources in July 2020 for the National Center for Educational Technology (“NCET”) VLAB Teaching Service System. In the fall semester of this year, NCET will launch pilot projects of virtual experimental teaching in primary and secondary schools in nearly 70 schools in 6 provinces across the country. It is expected that after the completion of the pilot, the service will be promoted to primary and secondary schools across the country through a SaaS model and generate revenue.

Looking forward, as blended learning becomes a global new normal, it is believed that the unique capabilities and the integrated product offerings of the Group will put the Group in the strongest position to capitalize on the opportunities ahead, and as such, the Group is excited about the outlook in the second half of 2020 as the Group focuses on addressing exactly what the market needs with a sustainable monetization model.

## FINANCIAL HIGHLIGHTS AND REVIEW

### 2020 First Half Financial Highlights

- Revenue was RMB2,822.9 million, representing a 5.6% increase year-over-year.
- Revenue from the games business was RMB1,647.3 million, representing 58.4% of the Group's total revenue and registering a 4.5% increase year-over-year.
- Revenue from the education business was RMB1,137.9 million, representing 40.3% of the Group's total revenue and registering an 8.5% increase year-over-year.
- Gross profit was RMB1,869.3 million, representing a 0.2% increase year-over-year.
- Core segmental profit<sup>1</sup> from the games business was RMB943.6 million, representing a 0.5% decrease year-over-year.
- Core segmental loss<sup>1</sup> from the education business was RMB377.3 million, representing a 33.6% increase year-over-year. The increase was due partly to increased staff salaries on a stable headcount, and higher hosting charge as our active users ramped up significantly during the Covid-19 school closure.
- Cash inflow from operating activities was RMB528.4 million, representing a 25.7% increase year-over-year.
- Non-GAAP operating profit<sup>2</sup> was RMB509.2 million, representing a 6.2% decrease year-over-year.
- Non-GAAP profit attributable to owners of the Company<sup>2</sup> was RMB449.5 million, representing a 5.5% decrease year-over-year.

## Segmental Financial Highlights

(RMB' 000)	2020 First Half		2019 First Half	
	Gaming	Education	Gaming (Restated)	Education (Restated)
Revenue	<b>1,647,334</b>	<b>1,137,941</b>	1,575,849	1,048,529
Gross profit	<b>1,583,529</b>	<b>285,208</b>	1,513,024	351,916
Gross margin	<b>96.1%</b>	<b>25.1%</b>	96.0%	33.6%
Core segmental profit (loss) <sup>1</sup>	<b>943,605</b>	<b>(377,294)</b>	948,701	(282,425)
Segmental operating expenses <sup>3</sup>				
– Research and development	<b>(305,790)</b>	<b>(258,219)</b>	(255,204)	(239,038)
– Selling and marketing	<b>(178,765)</b>	<b>(242,625)</b>	(160,730)	(251,962)
– Administrative	<b>(157,773)</b>	<b>(141,526)</b>	(147,376)	(128,330)

Note 1: Core segmental profit (loss) figures are derived from the Company's reported segmental profit (loss) figures (presented in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 8), but exclude non-core/operating, non-recurring or unallocated items including government grants, fair value change, finance cost and exchange loss of financial instruments, intercompany finance cost, impairment loss (net of reversal), impairment of goodwill and intangible assets, fair value change of convertible preferred shares and interest and exchange loss of convertible and exchangeable bonds.

Note 2: To supplement the consolidated results of the Group prepared in accordance with HKFRSs, the use of non-GAAP operating profit measure is provided solely to enhance the overall understanding of the Group's current financial performance. The non-GAAP measures are not expressly permitted measure under HKFRSs and may not be comparable to similarly titled measure for other companies. The non-GAAP measures of the Group excludes share-based payments expense, amortisation of intangible assets arising on acquisition of subsidiaries, impairment of goodwill and intangible assets, fair value gain of financial assets at fair value through profit or loss, fair value gain on derivative financial instruments, finance cost, interest income on pledged bank deposit and exchange gain (loss) on secured bank borrowings, convertible preferred shares, derivative financial instruments and convertible and exchangeable bonds.

Note 3: Segmental operating expenses exclude unallocated expenses/income such as depreciation, amortisation and exchange gain (loss) that have been grouped into SG&A categories on the Company's reported consolidated financial statements, but cannot be allocated to specific business segments for purpose of calculating the segmental profit (loss) figures in accordance with HKFRS 8.

## RESULTS

The board (the “Board”) of directors (the “Directors”) of the Company announced the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020 together with the comparative figures in 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	4	2,822,858	2,672,547
Cost of revenue		<u>(953,587)</u>	<u>(807,554)</u>
Gross profit		1,869,271	1,864,993
Other income and gains	4	105,907	52,753
Impairment loss under expected credit loss model, net of reversal		(15,242)	(81)
Selling and marketing expenses		(427,022)	(421,809)
Administrative expenses		(441,632)	(431,654)
Development costs		(568,906)	(502,390)
Other expenses and losses		(84,054)	(79,080)
Share of losses of associates		(2,043)	(951)
Share of losses of joint ventures		<u>(1,850)</u>	<u>(1,418)</u>
Operating profit		434,429	480,363
Interest income on pledged bank deposits		1,595	1,513
Exchange (loss) gain on secured bank borrowings, convertible preferred shares, derivative financial instruments and convertible and exchangeable bonds		(22,726)	123
Net gain on convertible preferred shares		–	13,436
Net gain on financial assets at fair value through profit or loss		14,930	–
Fair value gain on derivative financial instruments		6,971	–
Finance costs		<u>(64,677)</u>	<u>(11,374)</u>
Profit before taxation		370,522	484,061
Taxation	6	<u>(92,728)</u>	<u>(108,575)</u>
Profit for the period		<u>277,794</u>	<u>375,486</u>

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>NOTE</i>	<b>RMB'000</b>	<b>RMB'000</b>
Other comprehensive income (expense) for the period, net of income tax:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>9,145</b>	(478)
Item that will not be reclassified to profit or loss:			
Fair value gain on equity instruments at fair value through other comprehensive income		<u><b>1,390</b></u>	<u>63</u>
Other comprehensive income (expense) for the period		<u><b>10,535</b></u>	<u>(415)</u>
Total comprehensive income for the period		<u><b>288,329</b></u>	<u>375,071</u>
Profit (loss) for the period attributable to:			
– Owners of the Company		<b>336,499</b>	421,026
– Non-controlling interests		<u><b>(58,705)</b></u>	<u>(45,540)</u>
		<u><b>277,794</b></u>	<u>375,486</u>
Total comprehensive income (expense) attributable to:			
– Owners of the Company		<b>346,368</b>	420,844
– Non-controlling interests		<u><b>(58,039)</b></u>	<u>(45,773)</u>
		<u><b>288,329</b></u>	<u>375,071</u>
		<i><b>RMB cents</b></i>	<i>RMB cents</i>
<b>Earnings per share</b>	<b>8</b>		
– Basic		<b>60.93</b>	79.66
– Diluted		<u><b>60.84</b></u>	<u>79.52</u>



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

		<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
	<i>NOTES</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>1,909,854</b>	1,918,697
Right-of-use assets		<b>467,548</b>	467,250
Investment properties		<b>81,476</b>	95,090
Intangible assets		<b>712,243</b>	675,737
Interests in associates		<b>72,612</b>	54,655
Interests in joint ventures		<b>16,496</b>	12,346
Equity instruments at fair value through other comprehensive income		<b>5,841</b>	4,514
Financial assets at fair value through profit or loss		<b>266,102</b>	–
Loan receivables		<b>11,888</b>	9,573
Prepayments and deposits		<b>55,405</b>	57,829
Deposits made for acquisition of property, plant and equipment		<b>5,676</b>	11,486
Goodwill		<b>336,390</b>	313,328
Deferred tax assets		<b>48,172</b>	47,317
		<b>3,989,703</b>	3,667,822
<b>Current assets</b>			
Properties under development		<b>485,979</b>	469,070
Properties for sale		<b>20,640</b>	20,640
Inventories		<b>476,685</b>	237,478
Loan receivables		<b>23,144</b>	27,354
Trade receivables	10	<b>583,698</b>	689,360
Other receivables, prepayments and deposits		<b>347,926</b>	328,369
Contract assets		<b>14,288</b>	18,333
Amount due from a related company		<b>655</b>	849
Amounts due from associates		<b>2,163</b>	2,262
Amounts due from joint ventures		<b>901</b>	279
Amount due from a director		–	400
Tax recoverable		<b>14,936</b>	6,689
Financial assets at fair value through profit or loss		<b>1,596</b>	1,492
Restricted bank balances		<b>15,089</b>	15,089
Pledged bank deposits		<b>145,799</b>	145,787
Bank deposit with original maturity over three months		<b>35,398</b>	–
Bank balances and cash		<b>3,910,220</b>	2,125,637
		<b>6,079,117</b>	4,089,088

		<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
	<i>NOTES</i>		
<b>Current liabilities</b>			
Trade and other payables	11	1,162,691	980,522
Contract liabilities		515,169	529,497
Lease liabilities		59,841	54,603
Provisions		63,906	69,867
Derivative financial instruments		81,941	–
Amount due to a related company		–	105
Amounts due to associates		281	257
Secured bank borrowings	13	191,796	161,135
Dividend payable		128,780	–
Tax payable		90,223	107,120
		<u>2,294,628</u>	<u>1,903,106</u>
<b>Net current assets</b>		<u>3,784,489</u>	<u>2,185,982</u>
<b>Total assets less current liabilities</b>		<u>7,774,192</u>	<u>5,853,804</u>
<b>Non-current liabilities</b>			
Other payables	11	8,640	16,275
Convertible preferred shares		–	–
Convertible and exchangeable bonds	12	1,001,497	–
Secured bank borrowings	13	281,861	246,068
Lease liabilities		116,197	108,803
Deferred tax liabilities		114,153	121,610
		<u>1,522,348</u>	<u>492,756</u>
<b>Net assets</b>		<u>6,251,844</u>	<u>5,361,048</u>
<b>Capital and reserves</b>			
Share capital		41,163	38,822
Share premium and reserves		6,314,455	5,557,499
Equity attributable to owners of the Company		<u>6,355,618</u>	<u>5,596,321</u>
Non-controlling interests		(103,774)	(235,273)
		<u>6,251,844</u>	<u>5,361,048</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

Attributable to owners of the Company

	Share capital RMB' 000	Share premium RMB' 000	Capital		Statutory reserves RMB' 000	Dividend reserve RMB' 000	Property revaluation reserve RMB' 000	Treasury share reserve RMB' 000	Employee share-based compensation reserve RMB' 000	Translation reserve RMB' 000	Equity instruments at fair value through other comprehensive income reserve RMB' 000		Retained profits RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000	
			redemption reserve RMB' 000	Other reserve RMB' 000							comprehensive income reserve RMB' 000	Sub-total RMB' 000				
At 31 December 2018 (audited)	38,863	1,568,632	6,595	23,673	10,035	405,787	69,809	22,449	(33,182)	28,291	(106,801)	(8,340)	2,906,993	4,932,804	(133,824)	4,798,980
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(13,685)	(13,685)	(1,002)	(14,687)
At 1 January 2019 (restated)	38,863	1,568,632	6,595	23,673	10,035	405,787	69,809	22,449	(33,182)	28,291	(106,801)	(8,340)	2,893,308	4,919,119	(134,826)	4,784,293
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	421,026	421,026	(45,540)	375,486
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-	(245)	63	-	(182)	(233)	(415)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-	(245)	63	421,026	420,844	(45,773)	375,071
Repurchase and cancellation of shares	(57)	(8,745)	57	-	-	-	-	-	-	-	-	-	(57)	(8,802)	-	(8,802)
Shares issued upon exercise of share options	9	3,166	-	-	-	-	-	-	(1,000)	-	-	-	-	2,175	-	2,175
Recognition of share awards granted by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61	61
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	6,960	-	-	-	-	6,960	-	6,960
Awarded shares vested to employees	-	-	-	-	-	-	-	7,341	(8,796)	-	-	-	1,455	-	-	-
Contribution from non-controlling interest of a subsidiary	-	-	-	(126)	-	-	-	-	-	-	-	-	-	(126)	1,106	980
Acquisition of additional equity interests from non-controlling interests	-	-	-	(1,811)	-	-	-	-	-	-	-	-	-	(1,811)	449	(1,362)
Disposal of a subsidiary	-	-	-	-	-	(38)	-	-	-	-	-	-	38	-	-	-
Final dividend for 2018 declared	-	-	-	-	-	-	(69,809)	-	-	-	-	-	-	(69,809)	-	(69,809)
Interim dividend for 2019 proposed	-	-	-	-	-	-	69,998	-	-	-	-	-	(69,998)	-	-	-
At 30 June 2019 (unaudited)	38,815	1,563,053	6,652	21,736	10,035	405,749	69,998	22,449	(25,841)	25,455	(107,046)	(8,277)	3,245,772	5,268,550	(178,983)	5,089,567

Attributable to owners of the Company

	Share capital	Share premium	Capital redemption reserve	Other reserve	Capital reserve	Statutory reserves	Dividend reserve	Property revaluation reserve	Treasury share reserve	Employee share-based compensation reserve	Translation reserve	Equity instruments at fair value through other comprehensive income reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	38,822	1,565,863	6,652	20,498	10,035	452,203	118,824	22,449	(25,841)	29,033	(101,193)	(7,704)	3,466,680	5,596,321	(235,273)	5,361,048
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	336,499	336,499	(58,705)	277,794
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	8,899	970	-	9,869	666	10,535
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	-	-	-	8,899	970	336,499	346,368	(58,039)	288,329
Issue of new shares	2,318	694,309	-	-	-	-	-	-	-	-	-	-	-	696,627	-	696,627
Shares issued upon exercise of share options	23	2,567	-	-	-	-	-	-	-	(640)	-	-	-	1,950	-	1,950
Recognition of share awards granted by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53	53
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	18,417	-	-	-	18,417	-	18,417
Awarded shares forfeited	-	-	-	-	-	-	-	-	-	(3,066)	-	-	-	(3,066)	-	(3,066)
Awarded shares vested to employees	-	-	-	-	-	-	-	-	6,706	(7,580)	-	-	874	-	-	-
Contribution from non-controlling interest of a subsidiary	-	-	-	(288)	-	-	-	-	-	-	-	-	-	(288)	2,288	2,000
Acquisition of additional equity interests through conversion of convertible bonds of a subsidiary	-	-	-	(174,421)	-	-	-	-	-	-	-	-	-	(174,421)	174,421	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,270	6,270
Acquisition of assets through acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,506	6,506
Final dividend for 2019 declared	-	-	-	-	-	-	(118,824)	-	-	-	-	-	(7,466)	(126,290)	-	(126,290)
Interim dividend for 2020 proposed	-	-	-	-	-	-	128,780	-	-	-	-	-	(128,780)	-	-	-
Transfer	-	-	-	-	-	(141)	-	-	-	-	-	-	141	-	-	-
At 30 June 2020 (unaudited)	41,163	2,262,739	6,652	(154,211)	10,035	452,062	128,780	22,449	(19,135)	36,164	(92,294)	(6,734)	3,667,948	6,355,618	(103,774)	6,251,844

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>528,448</u></b>	<u>420,302</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(111,352)	(258,692)
Placement of bank deposit with original maturity over three months	(35,214)	–
Placement of pledged bank deposits	–	(168)
Withdrawal of bank deposit with original maturity over three months	–	67,112
Acquisition of a subsidiary	(5,137)	–
Acquisition of assets through acquisition of a subsidiary	(43,000)	–
Purchase of intangible assets	(28,421)	(30,836)
Deposits made for acquisition of property, plant and equipment	(2,426)	(1,269)
Investment in an associate	(20,000)	(30,000)
Investment in a joint venture	(6,000)	–
Advance to a joint venture	(622)	(609)
Purchase of financial assets at fair value through profit or loss	(251,320)	–
Repayment from associates	99	–
Repayment from (advance to) a related company	194	(155)
Net cash outflow on disposal of a subsidiary	–	(383)
Other investing activities	<b><u>18,353</u></b>	<u>(651)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b><u>(484,846)</u></b>	<u>(255,651)</u>

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>168,944</b>	77,063
Proceeds from issue of ordinary shares	<b>696,627</b>	–
Proceeds from shares issued upon exercise of share options	<b>1,950</b>	2,175
Proceeds from issue of convertible and exchangeable bonds	<b>982,944</b>	–
Repayment of bank borrowings	<b>(110,288)</b>	(16,976)
Repayment of lease liabilities	<b>(30,619)</b>	(27,948)
Payment for repurchase and cancellation of shares	–	(8,802)
Acquisition of additional equity interests from non-controlling interests	–	(1,362)
Contribution from non-controlling interest of a subsidiary	<b>2,000</b>	980
	<u><b>1,711,558</b></u>	<u>25,130</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		
	<b>1,755,160</b>	189,781
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>2,125,637</b>	1,483,352
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
	<b>29,423</b>	1,292
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		
	<u><b>3,910,220</b></u>	<u>1,674,425</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>		

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 1. GENERAL

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate and ultimate holding company is DJM Holding Ltd. (“DJM”) and its ultimate controlling shareholders are Messrs. Liu Dejian, Liu Luyuan and Zheng Hui. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Units 2001-05 & 11, 20th Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are engaged in (i) online and mobile games development, including games design, programming and graphics and online and mobile games operation, (ii) education business, (iii) mobile solution, products and marketing business and (iv) property project business.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

### 1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group.

The governments of jurisdiction in which the Group’s subsidiaries operate have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in mobile solution, products and marketing revenue, government grants in respect of Covid-19-related subsidies and rent concessions from certain lessors as disclosed in Note 4.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s consolidated financial statements for the year ended 31 December 2019.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”.

Except for the Amendments to HKAS 1 and HKAS 8 “Definition of Material” and HKFRS 3 “Definition of a Business”, the application of the Amendments to References to the Conceptual Framework in HKFRS standards and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. REVENUE, OTHER INCOME AND GAINS

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB’000</b>	<b>RMB’000</b>
<b>Revenue</b>		
Online and mobile games revenue	1,647,334	1,575,849
Education revenue (including sales of education equipment and related goods and educational services)	1,137,941	1,048,529
Mobile solution, products and marketing revenue	37,583	48,169
	<u>2,822,858</u>	<u>2,672,547</u>
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>RMB’000</b>	<b>RMB’000</b>
<b>Other income and gains</b>		
Government grants ( <i>Note</i> )	48,527	34,861
Interest income on bank balances, loan receivables and refundable rental deposits	13,180	6,972
Value-added tax incentives	9,579	–
Net foreign exchange gain	29,756	1,572
Game implementation income	199	413
Rental income, net of negligible outgoing expenses	1,072	7,446
Net gain on disposal of property, plant and equipment	318	–
Server rental income	–	23
Gain arising from early termination of a lease agreement	–	358
Covid-19-related rent concession	205	–
Others	3,071	1,108
	<u>105,907</u>	<u>52,753</u>

Note: Government grants were received from the government of the People’s Republic of China (the “PRC”) mainly for subsidising (i) the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to compensation for development costs already incurred, which amount of RMB45,120,000 (six months ended 30 June 2019: RMB31,525,000) during the the six months ended 30 June 2020 is recognised in profit or loss and (ii) the purchase of property, plant and equipment, which is deferred and recognised in profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure with an amount of RMB3,153,000 (six months ended 30 June 2019: RMB3,336,000).

During current interim period, the Group received government grants of RMB725,000 in respect of Covid-19-related subsidies, of which RMB705,000 relates to subsidy from the Employment Support Scheme provided by the Hong Kong government for the period from June to August 2020 and RMB20,000 relates to employment subsidy provided by the PRC government. Included in the government grants received, the Group recognised RMB254,000 in profit or loss in the current interim period and RMB471,000 is deferred and recognised as deferred income in other payables which will be recognised in profit or loss when the conditions as set out by the government is fulfilled.



## 5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The following is an analysis of the Group’s revenue and results by reportable segments:

### Six months ended 30 June 2020

	<b>Online and mobile games RMB’000</b>	<b>Education RMB’000</b>	<b>Mobile solution, products and marketing RMB’000</b>	<b>Property project RMB’000</b>	<b>Total RMB’000</b>
Segment revenue	<u>1,647,334</u>	<u>1,137,941</u>	<u>37,583</u>	<u>–</u>	<u>2,822,858</u>
Segment profit (loss)	<u>1,069,370</u>	<u>(547,690)</u>	<u>(14,393)</u>	<u>(2,578)</u>	<u>504,709</u>
Unallocated other income and gains					45,324
Unallocated expenses and losses					<u>(179,511)</u>
Profit before taxation					<u>370,522</u>

### Six months ended 30 June 2019 (restated)

	<b>Online and mobile games RMB’000</b>	<b>Education RMB’000</b>	<b>Mobile solution, products and marketing RMB’000</b>	<b>Property project RMB’000</b>	<b>Total RMB’000</b>
Segment revenue	<u>1,575,849</u>	<u>1,048,529</u>	<u>48,169</u>	<u>–</u>	<u>2,672,547</u>
Segment profit (loss)	<u>1,069,041</u>	<u>(385,703)</u>	<u>(10,483)</u>	<u>(4,919)</u>	667,936
Unallocated other income and gains					8,393
Unallocated expenses and losses					<u>(192,268)</u>
Profit before taxation					<u>484,061</u>

Note: In the prior period, the property project segment did not reach the quantitative thresholds of a reportable segment and no separate disclosure was disclosed. During the six months ended 30 June 2020, the property project segment becomes a reportable segment and therefore the comparative information was restated to separately disclose the segment information to conform with the current period presentation.

The accounting policies of the operating segments are the same as the Group’s accounting policies.

Segment profit (loss) represents the profit earned or loss incurred from each segment without allocation of unallocated income, gains, expenses and losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers.

The following is an analysis of the Group's assets by reportable and operating segments:

	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Online and mobile games	4,138,770	3,781,763
Education	4,254,237	3,105,351
Mobile solution, products and marketing	127,364	140,875
Property project	<u>618,434</u>	<u>574,593</u>
Total segment assets	<b>9,138,805</b>	7,602,582
Unallocated	<u>930,015</u>	<u>154,328</u>
	<b><u>10,068,820</u></b>	<b><u>7,756,910</u></b>

For the purposes of monitoring segment performance and allocating resources, all assets are allocated to operating segments other than those assets managed on group basis, such as certain investment properties, certain equity instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss, loan receivables, certain other receivables, prepayments and deposits and bank balances and cash. No analysis of the Group's liabilities by operating segments is disclosed as they are not regularly provided to the CODM for review.

## 6. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2020 (Unaudited) RMB' 000</b>	2019 (Unaudited) RMB' 000
The tax charge comprises:		
Hong Kong Profits Tax		
– Current period	22,287	6,436
– Under provision in prior years	<u>–</u>	<u>138</u>
	<b>22,287</b>	6,574
PRC Enterprise Income Tax		
– Current period	87,388	107,764
– Withholding tax	21	24
– Under provision in prior years	<u>2,487</u>	<u>–</u>
	<b>89,896</b>	107,788
Taxation in other jurisdictions		
– Current period	(6,305)	(611)
– Under (over) provision in prior years	<u>115</u>	<u>(191)</u>
	<b>(6,190)</b>	(802)
Deferred tax		
– Current period	<u>(13,265)</u>	<u>(4,985)</u>
	<b><u>92,728</u></b>	<b><u>108,575</u></b>

## 7. DIVIDENDS

During the current interim period, a dividend of Hong Kong dollar (“HKD”) 0.25 per share (2019: HKD0.15 per share) was approved by the shareholders as the final dividend for the year ended 31 December 2019 amounted to RMB126,290,000 and was subsequently paid in July 2020. The aggregate amount of the final dividend for the year ended 31 December 2018 paid in 2019 amounted to approximately RMB69,809,000.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.25 per share, amounting to HKD140,983,000 (equivalent to RMB128,780,000) in aggregate, will be paid to the shareholders of the Company whose names appear in the register of members on 11 September 2020.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Earnings for the purpose of basic and diluted earnings per share:		
– profit for the period attributable to owners of the Company	<b>336,499</b>	421,026
	<b>552,248</b>	528,523
	<b>815</b>	953
	<b>553,063</b>	529,476

Weighted average number of shares in issue during the period for the purpose of basic earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)

Effect of dilutive potential shares from the Company's share option scheme and unlisted warrants

Number of shares for the purpose of calculating diluted earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)

## 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB607,000 (six months ended 30 June 2019: RMB2,090,000) for cash proceeds of RMB925,000 (six months ended 30 June 2019: RMB425,000), resulting in a gain on disposal of RMB318,000 (six months ended 30 June 2019: loss on disposal of RMB1,665,000).

During the six months ended 30 June 2020, the deposits of approximately RMB8,236,000 (six months ended 30 June 2019: RMB6,478,000) were transferred to property, plant and equipment and the Group paid approximately RMB111,352,000 (six months ended 30 June 2019: RMB258,692,000) for the acquisition of property, plant and equipment to expand its operations which mainly included RMB30,883,000 (six months ended 30 June 2019: RMB39,151,000) in plant and equipment and RMB53,291,000 (six months ended 30 June 2019: RMB211,985,000) in construction in progress.

During the six months ended 30 June 2020, the Group acquired equipment of RMB34,000 through acquisition of a subsidiary.

## 10. TRADE RECEIVABLES

The Group generally allows a credit period ranging from 30 days to 90 days to its distribution and payment channels/trade customers.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods/date of rendering of services which approximated the respective revenue recognition dates.

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Trade debtors		
0 – 30 days	<b>381,342</b>	505,653
31 – 60 days	<b>76,550</b>	52,617
61 – 90 days	<b>20,515</b>	23,083
Over 90 days	<b>100,530</b>	101,731
Receivables aged over 90 days with extended credit terms		
Due within one year	<b>4,761</b>	6,276
	<b>583,698</b>	689,360

## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Trade payables	<b>538,043</b>	269,627
Accrued staff costs	<b>188,183</b>	277,804
Government grants ( <i>Note a</i> )	<b>27,603</b>	43,634
Receipt in advance	<b>156</b>	387
Other tax payables	<b>22,499</b>	37,310
Advertising payable	<b>49,937</b>	58,244
Payables for purchase of property, plant and equipment	<b>76,267</b>	107,674
Consultancy fee payable	<b>7,079</b>	8,643
Refundable rental deposits	–	419
Consideration payable ( <i>Note b</i> )	<b>30,069</b>	8,800
Payables for purchase of intangible assets	<b>18,440</b>	15,890
Accrued expenses ( <i>Note c</i> )	<b>173,887</b>	101,451
Other payables ( <i>Note d</i> )	<b>39,168</b>	66,914
	<b>1,171,331</b>	996,797
Analysed for financial reporting purpose:		
Current	<b>1,162,691</b>	980,522
Non-current	<b>8,640</b>	16,275
	<b>1,171,331</b>	996,797

### Notes:

- (a) The amount represents government grants which are (i) the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to compensation for development costs already incurred and (ii) the costs incurred by the Group for purchasing property, plant and equipment, which will recognise in profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure.
- (b) The amount represents the remaining consideration payable for acquisition of several subsidiaries.
- (c) Accrued expenses mainly represent accrued duty and freight fee, legal and professional fees and other miscellaneous items for operating activities.
- (d) Others mainly represent office and server service expenses payables and other miscellaneous items for operating activities.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
0 – 90 days	412,472	213,218
91 – 180 days	72,203	31,801
181 – 365 days	37,448	14,999
Over 365 days	15,920	9,609
	<b>538,043</b>	<b>269,627</b>

## 12. CONVERTIBLE AND EXCHANGEABLE BONDS

On 9 March 2020, Best Assistant Education Online Limited (“Best Assistant”) issued convertible and exchangeable bonds with an aggregate principal amount of United State dollar (“USD”) 150,000,000 (equivalent to RMB1,038,900,000) to Nurture Education (Cayman) Limited (the “Investor”). Simultaneously, the Company issued unlisted warrants to the Investor in March 2020. The warrants shall entitle the Investor with the rights to subscribe for ordinary shares of the Company. The convertible and exchangeable bonds 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 fifth anniversary from the bond issue date (“Maturity Date”). The convertible and exchangeable bonds are denominated in USD.

### Conversion and exchange option

The convertible and exchangeable bonds are exercisable at the option of bondholders, in whole or in part and can either be (i) convertible into ordinary shares of Best Assistant at an initial conversion price of USD0.5367 per conversion share at any time and from time to time during the period from the conversion period; or (ii) exchangeable for ordinary shares of Promethean World Limited (“Promethean”) at an initial exchange price of USD2.2146 per exchange share at any time and from time to time during the exchange period, in the event that Promethean pursues a qualified initial public offering which refers to a firmly underwritten initial public offering of ordinary shares of Promethean on an internationally recognized exchange with a minimum net proceeds and market capitalisation as set out in the terms and conditions of the convertible and exchangeable bonds. At initial recognition, the conversion and exchange option was classified as derivative financial instrument and measured at a fair value of nil.

### Warrants

Simultaneously with the issue of the convertible and exchangeable bonds, the Company issued to the Investor the warrant with a subscription price of HKD21.1998 per share. The Warrant is allotted to subscribe at any time and from time to time during the issue date to Maturity Date for up to 11,502,220 shares. At initial recognition, the warrant was classified as derivative financial instrument at a fair value of approximately RMB86,795,000.

### Redemption

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 interest received on the principal amount of the convertible and exchangeable bonds). The early redemption event is contingent upon the occurrence of any of (i) the third anniversary from the bond issue date; or (ii) change of control of Best Assistant or Promethean; or (iii) a liquidity event. The early redemption option is considered as closely related to the host debt and is therefore accounted for as part of the amortised cost accounting of the host debt contract.

### 13. SECURED BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB168,944,000 (six months ended 30 June 2019: RMB77,063,000). The secured bank borrowings as at 30 June 2020 carry interest at (i) higher of twelve-month London Inter-Bank Offer Rate plus 0.50% or 3.40% per annum, (ii) one-month Hong Kong Inter-Bank Offer Rate plus 2.20% or 2.35% per annum, (iii) benchmark interest rate of three-year borrowings of the People's Bank of China (the "PBOC") plus 2.11% to 7.37% per annum, (iv) benchmark interest rate of five-year borrowings of the PBOC plus 0.1% per annum or (v) interest rate of 1.00% or 4.94% or 6.00% per annum, and are repayable from 2020 to 2034. The borrowings were secured by a pledged bank deposit, a pledge of property of a subsidiary, leasehold lands included in right-of-use assets, corporate guarantee provided by the Company and corporate guarantee provided by the Company's subsidiaries.

### LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2020, the Group had pledged bank deposits, bank deposit with original maturity over three months, restricted bank balances and bank balances and cash of approximately RMB4,106.5 million (31 December 2019: RMB2,286.5 million). The gearing ratio (consolidated secured bank borrowings/consolidated total equity) was 0.08 (31 December 2019: 0.08). As at 30 June 2020, total secured bank borrowings of the Group amounted to approximately RMB473.7 million (31 December 2019: RMB407.2 million) which were variable-rate loans. The bank borrowings were secured by a pledged bank deposit, a pledge of property of a subsidiary, leasehold lands included in right-of-use assets and corporate guarantee provided by the Company and its subsidiaries.

As at 30 June 2020, the Group had net current assets of approximately RMB3,784.5 million as compared with approximately RMB2,186.0 million as at 31 December 2019.

### STAFF INFORMATION

For the period under review, the breakdown of the number of employees of the Group is set out below:

	At 30 June 2020	At 31 December 2019	At 30 June 2019
Research and development	3,726	3,751	3,479
Selling and marketing	1,456	1,427	1,310
Accounting, finance and general administration	968	967	1,004
Production	275	315	329
Total	<u>6,425</u>	<u>6,460</u>	<u>6,122</u>

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (“SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of Company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
Liu Dejian (Note 2)	The Company	Beneficial owner, through a controlled corporation and beneficiary of a trust	250,822,457 (L)	44.48%
Liu Dejian (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB299,880,000 (L)	99.96%
Leung Lim Kin, Simon (Note 4)	The Company	Beneficial owner	5,353,580 (L)	0.95%
Liu Luyuan (Note 2)	The Company	Beneficial owner and beneficiary of certain trust	250,822,457 (L)	44.48%
Liu Luyuan (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB299,880,000 (L)	99.96%
Zheng Hui (Note 2)	The Company	Beneficial owner and through controlled corporations	250,822,457 (L)	44.48%
Zheng Hui (Note 3)	NetDragon (Fujian)	Beneficial owner	RMB299,880,000 (L)	99.96%
Chen Hongzhan (Note 5)	The Company	Beneficial owner and beneficiary of certain trust	11,197,019 (L)	1.99%
Chao Guowei, Charles (Note 6)	The Company	Beneficial owner	438,500 (L)	0.08%
Lee Kwan Hung, Eddie (Note 7)	The Company	Beneficial owner	656,519 (L)	0.12%
Liu Sai Keung, Thomas (Note 8)	The Company	Beneficial owner	818,019 (L)	0.15%



*Notes:*

1. The letter “L” denotes the shareholder’s long position in the shares, underlying shares and share capital of the relevant member of the Group.
2. Liu Dejian is interested in 100.00% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 33.88% of the issued voting shares of the Company. Liu Dejian is also interested in 0.37% of the issued voting shares of the Company which is represented by beneficial interest of 1,884,000 shares and a beneficiary of a trust of 197,019 shares.

Liu Luyuan is interested in 4.12% of the issued voting shares of the Company which is represented by interest held as a beneficiary of certain trust holding in aggregate 21,541,819 shares, and the rest being underlying shares of interest of 1,684,000 share options granted by the Company.

Zheng Hui is interested in 100.00% of the issued share capital of Fitter Property Inc., which in turn is interested in 3.37% of the issued voting shares of the Company. Zheng Hui is interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn is interested in 2.47% of the issued voting shares of the Company. Zheng Hui is also interested in 0.27% of the issued shares of the Company which is represented by beneficial interest of 1,497,000 shares.

Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who have agreed to act in concert to acquire interests in the shares in the Company. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 44.48% of the issued voting shares of the Company through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Liu Luyuan, a trust in favour of Liu Dejian, Fitter Property Inc., Eagle World International Inc. and their respective shares held as beneficial owner in each of their personal capacities.

3. Liu Dejian, Liu Luyuan and Zheng Hui are interested in 3.23%, 0.07% and 96.66%, respectively, of the registered capital of Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) (“NetDragon (Fujian)”). Liu Dejian, Liu Luyuan and Zheng Hui have agreed to act in concert to acquire interests in the registered capital of NetDragon (Fujian). All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 99.96% of the registered capital of NetDragon (Fujian).
4. Leung Lim Kin, Simon is interested in 0.95% of the issued voting shares of the Company which is represented by beneficial interest of 1,353,580 shares and the rest being the underlying shares of interest of 4,000,000 share options granted by the Company.
5. Chen Hongzhan is interested in 1.99% of the issued voting shares of the Company which is represented by personal interest of 156,200 shares and interest held as a beneficiary of certain trust holding in aggregate of 11,040,819 shares.
6. Chao Guowei, Charles is interested in 0.08% of the issued voting shares of the Company which is the underlying shares of interest of 438,500 shares options granted by the Company.
7. Lee Kwan Hung, Eddie is interested in 0.12% of the issued voting shares of the Company which is represented by personal interest of 138,519 shares and the rest being underlying shares of interest of 518,000 share options granted by the Company.
8. Liu Sai Keung, Thomas is interested in 0.15% of the issued voting shares of the Company which is represented by personal interest of 300,019 shares and the rest being underlying shares of interest of 518,000 share options granted by the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2020, none of the Directors and chief executive of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 30 June 2020, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or, who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Name of Company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed (Note 1)	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100 (L)	33.88%
IDG Group (Note 2)	The Company	Beneficial owner	78,033,320 (L)	13.84%
Ho Chi Sing (Note 2)	The Company	Through controlled corporations	78,033,320 (L)	13.84%
Zhou Quan (Note 2)	The Company	Through controlled corporations	73,211,635 (L)	12.98%

### Notes:

1. The letter "L" denotes the shareholder 's long position in the share capital of the relevant member of the Group.
2. The 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., being interested in approximately 1.92%, 9.18%, 1.88% and 0.86% respectively, in the Company who are deemed to be acting in concert to acquire interests in the Company, and their respective controlling entities. The controlling structure of each of the above partnerships is as follows:
  - a) IDG Technology Venture Investments, L.P. is controlled by its sole general partner, IDG Technology Venture Investments, LLC, which in turn is controlled by its managing members, Zhou Quan and Ho Chi Sing.
  - b) IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Zhou Quan and Ho Chi Sing.
  - c) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100.00% by Ho Chi Sing.

Save as disclosed above, the Directors are not aware of any persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group as at 30 June 2020.

## SHARE OPTION SCHEME

Pursuant to the resolution of the shareholders of the Company dated 24 May 2018, the Company adopted a new share option scheme (the “2018 Share Option Scheme”) to replace the existing share option scheme which expired on 12 June 2018 (the “2008 Share Option Scheme”). Details of the share options outstanding movement during the period ended 30 June 2020 are as follows:

### 2008 Share Option Scheme

Grantee	Date of grant	Exercise Price HKD	As at	Number of share options				As at
			1 January 2020	Granted	Exercised	Cancelled	Lapsed	30 June 2020
<b>Independent non-executive Directors</b>								
Chao Guowei, Charles	04.12.2013	15.72	238,500	-	-	-	-	238,500
	31.03.2017	23.65	100,000	-	-	-	-	100,000
Lee Kwan Hung, Eddie	04.12.2013	15.72	318,000	-	-	-	-	318,000
	31.03.2017	23.65	100,000	-	-	-	-	100,000
Liu Sai Keung, Thomas	23.04.2012	5.74	300,000	-	300,000	-	-	-
	04.12.2013	15.72	318,000	-	-	-	-	318,000
	31.03.2017	23.65	100,000	-	-	-	-	100,000
<b>Others</b>								
Employees	28.04.2011	4.80	341,867	-	-	-	-	341,867
	22.07.2011	4.60	8,000	-	-	-	-	8,000
	23.04.2012	5.74	130,017	-	2,500	-	-	127,517
	12.09.2012	7.20	50,250	-	-	-	-	50,250
	16.01.2013	11.164	174,450	-	35,700	-	-	138,750
	25.04.2014	14.66	278,000	-	-	-	-	278,000
<b>Total</b>			<b>2,457,084</b>	<b>-</b>	<b>338,200</b>	<b>-</b>	<b>-</b>	<b>2,118,884</b>

*Note:*

1. During the period under review, 300,000 share options were exercised by Director of the Company.

## 2018 Share Option Scheme

Grantee	Date of grant	Exercise Price HKD	As at	Granted	Number of share options			As at
			1 January 2020		Exercised	Cancelled	Lapsed	30 June 2020
<b>Executive Director</b>								
Leung Lim Kin, Simon	24.01.2020	21.07	-	4,000,000	-	-	-	4,000,000
<b>Independent non-executive Directors</b>								
Chao Guowei, Charles	24.01.2020	21.07	-	100,000	-	-	-	100,000
Lee Kwan Hung, Eddie	24.01.2020	21.07	-	100,000	-	-	-	100,000
Liu Sai Keung, Thomas	24.01.2020	21.07	-	100,000	-	-	-	100,000
<b>Others</b>								
Employees	24.01.2020	21.07	-	2,000,000	-	-	-	2,000,000
<b>Total</b>			<b>-</b>	<b>6,300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,300,000</b>

## SHARE AWARD SCHEME

### *The Company*

The Board approved and adopted the share award scheme (the “NetDragon Share Award Scheme”) on 2 September 2008 and it was amended by the resolution passed on 31 August 2018 to extend a period of 10 years, in which selected employees of the Group are entitled to participate. Unless early terminated by the Board, the NetDragon Share Award Scheme shall be valid and effective for a term of ten years commencing on 31 August 2018. The Board shall not grant any award of shares if the nominal value of awards in aggregate granted by the Board under the NetDragon Share Award Scheme is over 10% of the issued capital of the Company from time to time.

Pursuant to the rules of the NetDragon Share Award Scheme, the Group has signed an agreement with Bank of Communications Trustee Limited (the “Trustee”), for the purpose of administering the NetDragon Share Award Scheme and holding the awarded shares before they are vested.

120,000 awarded shares were granted to Leung Lim Kin, Simon, vice chairman and executive director of the Company on 13 January 2020. 776,640 awarded shares granted to a number of selected participants were outstanding as at 30 June 2020. The awarded shares, which were purchased at a price of HKD18.96 per share by the Trustee, will be transferred to the selected employees at nil consideration, subject to receipt by the Trustee of (i) transfer documents duly signed by the Trustee and the selected employee within the period stipulated in the vesting notice issued by the Trustee to the selected employee; and (ii) a confirmation letter from the Company that all vesting conditions having been fulfilled.

Among the 438,320 vested awarded shares as at 30 June 2020, a total of 310,890 awarded shares were vested by the Directors.

Subject to the acceptance by the relevant selected employees, such transferred awarded shares may be held by the selected employees in their own names or such nominees, including any trustees, as designated by the selected employees.

### ***Best Assistant Education Online Limited (“Best Assistant”)***

On 7 August 2012, Best Assistant adopted a share award scheme as amended on 13 February 2015 (the “Best Assistant Share Award Scheme”) in which selected participants include senior management employees of Best Assistant and/or its subsidiaries (“Best Assistant Group”), consultants to Best Assistant Group employed by any member of the Company, its associated companies or their subsidiaries (excluding Best Assistant Group) and any person who contributes to the development of Best Assistant Group which has been certified and determined by the board of directors of Best Assistant with the affirmative vote of one director appointed by IDG Investors, Vertex or Alpha.

Subject to early termination, the Best Assistant Share Award Scheme shall be valid and effective for a term of ten years commencing on 7 August 2012. Best Assistant may also transfer shares awarded under the Best Assistant Share Award Scheme whether vested or unvested to other trusts and if there is a change in control of Best Assistant, all awarded shares shall immediately be vested. The board of directors of Best Assistant may also waive any vesting conditions with the affirmative vote of one director appointed by IDG Investors, Vertex or Alpha. The maximum number of shares which may be granted to the participants under the Best Assistant Share Award Scheme shall not exceed ten percent (10%) of the total issued share capital of Best Assistant from time to time or such number of shares as determined by the board of directors of Best Assistant with the affirmative vote of one director appointed by IDG Investors, Vertex or Alpha.

Pursuant to the rules of the Best Assistant Share Award Scheme, Best Assistant has signed an agreement with the Trustee, for the purpose of administering the Best Assistant Share Award Scheme and holding the awarded shares before they are vested.

Subject to, inter alia, the receipt by the Trustee of (i) the prescribed transfer documents duly signed by the selected participants within the period stipulated in the vesting notices; and (ii) confirmation from Best Assistant that all vesting conditions having been fulfilled, the awarded shares will be transferred to the selected participants at nil consideration upon vesting.

As at 30 June 2020, no awarded shares were granted under the Best Assistant Share Award Scheme.

### **ISSUE OF SERIES A PREFERRED SHARES BY BEST ASSISTANT**

On 6 January 2015, Best Assistant entered into a subscription agreement (“Series A Agreement”) with IDG-Accel China Growth Fund-L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P. (together referred to as “IDG Investors”), Vertex Asia Fund Pte. Ltd. (“Vertex”), Alpha Animation and Culture (Hong Kong) Company Limited (“Alpha”), Catchy Holdings Limited, DJM Holding Ltd., Creative Sky International Limited and NetDragon Websoft Inc. (“NetDragon BVI”), a direct wholly owned subsidiary of the Company (collectively referred to as “Series A Investors”) for the allotment and issue of an aggregate of 180,914,513 Series A preferred Shares (“Series A Preferred Shares”) for a total consideration of USD52,500,000 (equivalent to approximately HKD409.5 million). The Series A Agreement and the issue and allotment of the Series A Preferred Shares were completed on 13 February 2015.

Assuming all of the Series A Preferred Shares are fully converted into ordinary shares of Best Assistant, the Company's interest in ordinary shares of Best Assistant will be reduced from 90.36% to approximately 83.40%.

As at 30 June 2020, no Series A Preferred Shares have been converted into ordinary shares of Best Assistant.

## **ACQUISITION OF EDMODO, INC. AND ISSUE OF SERIES B PREFERRED SHARES BY BEST ASSISTANT**

On 6 April 2018, Best Assistant, Digital Train Limited ("Digital Train") as purchaser, a wholly-owned subsidiary of Best Assistant, Educate Merger Sub, Inc. ("Merger Sub"), a wholly-owned subsidiary of the purchaser, Edmodo, Inc. ("Edmodo"), Fortis Advisors LLC, in its capacity as representative of the shareholders of Edmodo, and the Company, solely with respect as guarantor for the timely performance of the obligations of Best Assistant and Digital Train, entered into an agreement and plan of merger (the "Agreement and Plan of Merger"), pursuant to which Digital Train will acquire Edmodo, for consideration in the form of cash and stock collectively valued in the amount of USD137,500,000, by way of merger under the laws of the State of Delaware.

Upon closing which took place on 2 May 2018, the Merger Sub merged with and into Edmodo, the separate corporate existence of Merger Sub ceased, and Edmodo shall continue its corporate existence as a wholly owned subsidiary of Digital Train in accordance with Delaware law.

The consideration (subject to downward adjustment as provided in the Agreement) was satisfied by (i) payment of an amount in cash equal to USD15,000,000 and (ii) the issue of 112,560,245 Best Assistant Series B Shares.

As at 30 June 2020, no Series B Preferred Shares have been converted into ordinary shares of Best Assistant.

## **ISSUE OF SECURED CONVERTIBLE AND EXCHANGEABLE BONDS BY BEST ASSISTANT AND ISSUE OF UNLISTED WARRANT UNDER SPECIFIC MANDATE**

On 10 November 2019, the Company, Best Assistant, NetDragon BVI, Digital Train, Promethean World Limited, Nurture Education (Cayman) Limited (the "Investor"), Madison Pacific Trust Limited as the Agent and the Security Agent entered into the Bond and Warrant Purchase Agreement (the "Purchase Agreement"), pursuant to which (i) Best Assistant agreed to issue to the Investor and the Investor agreed to purchase the Convertible and Exchangeable Bonds in the aggregate principal amount of USD150 million (equivalent to approximately HKD1,174.5 million); and (ii) simultaneously with the issue of the Convertible and Exchangeable Bonds, the Company would issue to the Investor the unlisted warrants.

Closing of the Purchase Agreement took place on 9 March 2020, and Best Assistant has issued to the Investor, Convertible and Exchangeable Bonds which can be converted to 279,510,479 ordinary shares of Best Assistant, representing 11.16% of the total outstanding share capital of Best Assistant on a fully diluted and as-converted basis, and the Company has issued the unlisted Warrant to the Investor which can be converted to 11,502,220 Warrant Shares of the Company.

## **TOP-UP PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

On 13 February 2020, the Company entered into the placing and subscription agreement (the “Placing and Subscription Agreement”) with DJM Holding Ltd. (the “Vendor”), Mr. Liu Dejian and China International Capital Corporation Hong Kong Securities Limited (the “Placing Agent”), pursuant to which (i) the Vendor agreed to place, through the Placing Agent, on a fully underwritten basis, 33,000,000 shares held by the Vendor (the “Top-up Placing Shares”) at the price of HKD23.70 per Top-up Placing Share; and (ii) the Vendor conditionally agreed to subscribe for 33,000,000 new Shares to be subscribed for by the Vendor, being the number of the Top-up Placing Shares actually placed by the Placing Agent on behalf of the Vendor pursuant to the terms of the Placing and Subscription Agreement (the “Top-up Subscription Shares”) at the Price of HKD23.70 per Top-up Subscription Share (the “Top-up Placing and Subscription”).

Completion of the Top-up Placing took place on 17 February 2020 and the Top-up Subscription took place on 25 February 2020. A total of 33,000,000 Top-up Placing Shares have been successfully placed and the 33,000,000 Top-up Subscription Shares had been allotted and issued pursuant to the General Mandate. The aggregate gross proceeds from the Top-up Placing and Subscription are approximately HKD782.10 million and the aggregate net proceeds from the Top-up Placing and Subscription are approximately HKD774.28 million after deducting the commission payable to the Placing Agent, professional fee and other related costs and expenses in relation to the Top-up Placing and Subscription.

## **MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code under Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standard of dealings as set out on the Model Code under Appendix 10 to the Listing Rules and the code of conduct of the Company regarding securities transactions by the Directors for the six months ended 30 June 2020.

## **INTERIM DIVIDEND**

On 27 August 2020, the Board has resolved to declare an interim dividend of HKD0.25 per share for the six months ended 30 June 2020 (2019: HKD0.15 per share). The interim dividend will be paid to the shareholders whose names appeared on the register of members of the Company on 11 September 2020. It is expected that the interim dividend will be distributed on or before 19 October 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 11 September 2020 to Monday, 14 September 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend for the six months ended 30 June 2020, all share transfers 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 not later than 4:30 p.m. on Thursday, 10 September 2020.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors or any of their respective associates (as defined under the Listing Rules) has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the period under review, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## **AUDIT COMMITTEE**

The Company established the audit committee (the “Audit Committee”) on 15 October 2007 which has adopted written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control systems, which include financial, operational and compliance controls and risk management functions.

The Audit Committee reviews the interim and annual consolidated financial results of the Group. In addition, the Audit Committee also reviews and approves the pricing policy and the performance for the continued connected transactions and connected transactions relating to structure contracts, other contracts and control documents of the Group.

Our Audit Committee comprises three independent non-executive Directors, namely Chao Guowei, Charles, Lee Kwan Hung, Eddie and Liu Sai Keung, Thomas. Chao Guowei, Charles is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company. The Group’s interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30 June 2020, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 27 August 2020

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