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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 2021

BUSINESS REVIEW AND OUTLOOK

NetDragon Websoft Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is excited about the overall achievements in the first half of 2021 and the strong momentum of both gaming and education business. Revenue increased by 18.9% year-on-year (“YoY”), reaching RMB3.4 billion, and at the same time the Group achieved a 59.2% YoY increase in operating profit. The outstanding operating performance is a testimony to unique core competencies built over years of investment in people, technologies and infrastructure.

Education business recorded one of the strongest growth performances in recent years. Riding on its global market leadership position, the Group’s flagship classroom technology subsidiary Promethean continued to gain further market share, resulting in a 25.2% YoY revenue growth on the back of fast-growing market demand for classroom technology. The Group continued to make progress with the execution of country strategy. With the recent signing of a memorandum of understanding (“MOU”) with the Ministry of Education in Thailand to launch the English Smart Classroom Lab project, where the Group will deliver a unique blended learning solution targeting the English-learning use case. In addition to Egypt and Thailand, where see the Group’s largest near-term revenue opportunities, the Group is in discussion to pursue multiple opportunities in several other countries. Given the strong business performance and confidence in the outlook, the Group has recently started to commence the planning work for the public listing of education business. Shareholders of the Company and potential investors should note that the possible public listing of education business as mentioned is still at preliminary stage; and if it proceeds, it will be subject to approvals from, among others, the relevant regulatory authorities including but not limited to the Hong Kong Stock Exchange, the final decision of the Board, market and other conditions. There is no assurance that the aforementioned possible public listing will proceed or as to when it may take place. Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Gaming business returned to double digit growth in both revenue and core segmental profit. The Group continued to see rising players' activities and engagement in the Group's flagship intellectual properties ("IP") Eudemons, with the monthly active users ("MAU") for the IP increasing by 5.5% YoY, which led to strong revenue growth for the IP. The Group's flagship game Eudemons Online achieved yet another record high in monthly revenue of over RMB290 million. The Group's two flagship mobile games, Eudemons Online Pocket Version and Eudemons Online Mobile, also saw significant increase in their MAU and daily active users ("DAU"). Meanwhile, the Group continued to execute various growth initiatives for two other flagship IPs, Conquer and Heroes Evolved, with the objective of building a solid foundation to drive long-term growth. Looking forward, the Group has a robust pipeline of new gaming titles which will further expand and diversify the portfolio.

The Group is also committed to maximizing the capital return for the shareholders and at the same time be able to invest in the future. To follow through on this long-term commitment, the Group would like to take the opportunity to announce that the board has authorized (1) a committed 3-year share buy-back program up to a total repurchased amount of USD300 million and subject to the buy-back mandate approved by the Shareholders at the annual general meeting in each year, being 10% of the issued share capital, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Codes on Takeovers and Mergers and Share Buy-Backs, and (2) the increase of interim dividend by 60% to HKD0.40 per ordinary share. The decision to commit to this share buy-back program and increasing cash dividend underscores the confidence in the long-term business outlook and the future cash generation abilities. The Group will implement these measures while maintaining a strong balance sheet and liquidity profile, as the Group expects the free cash flow generated each year will be more than sufficient to fund the share buy-back and dividends combined. Meanwhile, the net cash as of end of the first half of 2021 sits at RMB4.1 billion, which will enable the Group to capitalize on strategic and acquisition opportunities going forward.

Gaming Business

During the period, the gaming business continued the momentum from the second half of last year with both revenue and core segmental profit returning to double digit growth. Revenue of gaming business increased by 12.2% YoY to RMB1,847.5 million, while core segmental profit increased by 13.3% YoY to 1,069.2 million.

Eudemons, the Group's flagship IP, continued to achieve strong performance with revenue growing 14.1% YoY and 5.3% sequentially. The growth was driven primarily by new gameplay techniques, enriched contents and implementation of effective localized operations in overseas markets. During the period, Eudemons Online Pocket Version and Eudemons Online Mobile achieved combined MAU and DAU increase of 25.7% and 20.1%, respectively, as the Group finetuned the user acquisition strategy, enhanced the quality of user engagement and launched three new expansion packs together with robust marketing activities. The Group also continued to run IP crossovers including a partnership with the movie "Godzilla vs. Kong" to boost players' spending.

Conquer Online recorded a revenue growth of 3.7% YoY. The Group continue to see tremendous global opportunities for the Conquer IP as the Group aim to replicate the successful model in Egypt to multiple countries. This started to bear fruit in countries such as the Philippines, the US, Canada and Saudi Arabia in the first half of 2021, and while the Group scale the revenue in these markets, the Group expects to enter into more countries, particularly in Latin America and Southeast Asia, in the second half of the year.

The Group continued to implement its growth initiatives for Heroes Evolved IP, including increasing the investment in hero skins as well as enriching the RPG gameplay, resulting in a 24.5% YoY revenue increase for the Heroes Evolved PC Version. The Group has also made positive progress with mobile strategy for this IP, including strengthening the gameplay and monetization of Heroes Evolved Pocket Version, as well as developing a PC-mobile cross platform version.

In the context of recent regulatory trend in the gaming sector, the Group has been actively responding to the regulatory changes, and the Group has taken all necessary steps to ensure that gaming business is in compliant with all the relevant regulations. During the first half of 2021, players under 18 years of age contributed less than 1% of gaming revenue, and therefore the anti-addiction regulatory measures are not expected to have a material impact on the business. In addition, the Group has also obtained the necessary gaming license approval for new games that the Group is planning to launch in the near term.

Looking forward, the Group will continue to drive revenue and profit growth by maximizing the Group's IP value and optimizing the game portfolio through the launch of new games. The Group's pipeline is robust with multiple new games under development and testing, including Eudemons Mobile 2 and Under Oath (a new IP). In the coming months, the Group also expects to make meaningful progress in strengthening the Neopets IP through strong marketing initiatives, as well as the planned launch of a new Neopets Match-3 game.

Education Business

In the first half of 2021, the education business recorded a YoY growth of 23.7% to RMB1,407.6 million. The revenue growth combined with cost management effort resulted in the core segmental loss of the education business to narrow significantly by 29.6% YoY to RMB265.8 million. Under the backdrop of the Covid-19 outbreak, the demand for blended learning solutions and EdTech continued to pick up during the period. Governments around the world have been on the forefront to promote online education and distance learning to ensure students' learning is undisrupted. The Group believes that Covid-19 pandemic has resulted in a paradigm shift where a blended learning model to make quality education available anywhere, anytime has become a necessity and this trend will sustain in the long run.

Leveraging the favourable macro trend, Promethean achieved significant sales growth in the first half of 2021, with a YoY growth of 28.1% in shipment units. Product mix enhancement served to drive ASP growth, which together with cost discipline resulted in increase of the gross margin from 27.1% to 33.0% YoY. Promethean continued to maintain its position as the largest player in the international K-12 interactive panel market as its market share increased by 3.5 percentage points HoH to 24.5%. In particular, Promethean gained market share in its top three major markets including the U.S., the U.K., and Germany. With a strong sales backlog at the end of the first half of 2021, the Group is confident in the revenue growth for Promethean in the second half of 2021 as it further consolidates its leadership position in the market.

The Group continued to make progress with the execution of country strategy. The Group's discussion in Egypt is on track towards securing the first large-scale order under the signed MOU. And in August 2021, the Group achieved another milestone in bringing blended learning solutions to a key ASEAN country. The Group signed a MOU with the Office of the Basic Education Commission under the Ministry of Education Thailand to launch the English Smart Classroom Lab Project. This project will aim to help students in Thailand take advantage of technologies to gain deep understanding of the English language while ensuring that students at rural area get the same quality education as students in big cities. The Group has also been in discussion to pursue multiple opportunities in several other countries, as well as exploring acquisitions and investment opportunities that would accelerate the expansion of the geographical footprints.

In China, the "Opinions on Further Alleviating the Burden of Homework and After-school Tutoring for Students in Compulsory Education" (the "Opinions") were announced by the General Office of the CPC Central Committee and the General Office of the State Council on 24 July 2021 and have affected many EdTech companies in China. However, the Group is not negatively impacted as the Group has no after-school tutoring business. On the contrary, as the Group's business model focus in China has always been on to-G and to-B markets, the current regulatory environment is expected to bring new market opportunities as greater emphasis is now put on strengthening in-school education. In the first half of 2021, the Group signed a strategic cooperation framework agreement with the National Center for Educational Technology ("NCET"), a unit directly affiliated to the Chinese Ministry of Education, to develop more education products and projects in the areas of virtual simulation technology, AI, online learning and gamified education for potential rollout in certain regions across the country. Leveraging such in-depth cooperation with NCET, the Group is in a strong position to capitalize on the market opportunities arising from the new regulatory environment that favours partnership between government and corporates to improve in-school education quality across the country.

Looking forward, the Group is optimistic about the growth trajectory in the second half of 2021 as the Group continues to build on market leadership position, broad market coverage, and ability to execute country-level rollouts. Furthermore, with the continuous growth in the top line and increasing operating leverage, the Group believes that the core segmental loss of education business will continue to narrow in the second half of 2021.

Stock Buy-Back Program

The Board of the Company has authorized a committed share buyback program of up to USD300 million to be carried out within three years. The objective of the program is to maximize the capital return for the shareholders and at the same time maintain the cash the Group needs to invest in the future, including mergers and acquisitions, and to provide flexibility of responding effectively to strategic opportunities. With the announcement of this program, the Group aims to return a substantial portion of free cash flow to investors in the next three years via a combination of share buyback and dividends. Meanwhile, the net cash as of 30 June 2021 is RMB4.1 billion, which will enable the Group to capitalize on future acquisition, investment and strategic opportunities.

The detailed execution of the buyback program will be on the open market carried out on the Hong Kong Stock Exchange in accordance with (and subject to limits prescribed by) the Group's general mandate to buy back Shares granted by its shareholders at the annual general meeting for the relevant year, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Codes on Takeovers and Mergers and Share Buy-Backs and in accordance with applicable securities laws. The extent to which the Company repurchases its shares, the number of shares and the timing of any repurchases will depend on general market conditions, regulatory requirements, and other considerations.

FINANCIAL HIGHLIGHTS AND REVIEW

2021 First Half Financial Highlights

- Revenue was RMB3,356.2 million, representing an 18.9% increase YoY.
- Revenue from the games business was RMB1,847.5 million, representing 55.0% of the Group's total revenue and registering a 12.2% increase YoY.
- Revenue from the education business was RMB1,407.6 million, representing 41.9% of the Group's total revenue and registering a 23.7% increase YoY.
- Gross profit was RMB2,233.9 million, representing a 19.5% increase YoY.
- Core segmental profit¹ from the games business was RMB1,069.2 million, representing a 13.3% increase YoY.
- Core segmental loss¹ from the education business was RMB265.8 million, representing a 29.6% improvement YoY.
- EBITDA was RMB892.1 million, representing a 42.4% increase YoY.
- Non-GAAP operating profit² was RMB753.9 million, representing a 48.1% increase YoY.
- Profit attributable to owners of the Company was RMB430.7 million, representing a 28.0% increase YoY.
- Non-GAAP profit attributable to owners of the Company² was RMB566.7 million, representing a 26.1% increase YoY.
- Net cash balance was RMB4.1 billion as at 30 June 2021.
- The Company declared an interim dividend of HKD0.40 per ordinary share for the six months ended 30 June 2021, representing a 60.0% increase YoY.

Segmental Financial Highlights

(RMB'000)	2021 First Half		2020 First Half	
	Gaming	Education	Gaming	Education
Revenue	1,847,548	1,407,641	1,647,334	1,137,941
Gross profit	1,765,923	431,055	1,583,529	285,208
Gross margin	95.6%	30.6%	96.1%	25.1%
Core segmental profit (loss) ¹	1,069,173	(265,772)	943,605	(377,294)
Segmental operating expenses ³				
– Research and development	(322,611)	(272,141)	(305,790)	(258,219)
– Selling and marketing	(200,100)	(235,190)	(178,765)	(242,625)
– Administrative	(170,948)	(172,155)	(157,773)	(141,526)

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, finance costs of financial instruments, intercompany finance costs, impairment loss (net of reversal), impairment of intangible assets and interest in an associate, fair value change and exchange loss on financial assets at fair value through profit or loss ("FVTPL"), fair value change and exchange difference on derivative financial instruments and interest and exchange difference on convertible and exchangeable bonds.

Note 2: To supplement the consolidated results of the Group prepared in accordance with HKFRSs, the use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. The non-GAAP measures are not expressly permitted measures under HKFRSs and may not be comparable to similarly titled measures for other companies. The non-GAAP measures of the Group exclude share-based payments expense, amortisation of intangible assets arising on acquisition of subsidiaries, impairment of intangible assets and interest in an associate, fair value gain of financial assets at FVTPL, fair value change on derivative financial instruments, finance costs, interest income on pledged bank deposits and exchange difference on financial assets at FVTPL, bank borrowings, convertible and exchangeable bonds and derivative financial instruments.

Note 3: Segmental operating expenses exclude unallocated expenses/income such as depreciation, amortisation and exchange difference 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 2021 together with the comparative figures in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue	4	3,356,174	2,822,858
Cost of revenue		<u>(1,122,299)</u>	<u>(953,587)</u>
Gross profit		2,233,875	1,869,271
Other income and gains	4	86,859	105,907
Impairment loss under expected credit loss model, net of reversal		(4,237)	(15,242)
Selling and marketing expenses		(437,997)	(427,022)
Administrative expenses		(485,206)	(441,632)
Development costs		(594,854)	(568,906)
Other expenses and losses		(94,341)	(84,054)
Share of losses of associates		(7,828)	(2,043)
Share of losses of joint ventures		<u>(4,636)</u>	<u>(1,850)</u>
Operating profit		691,635	434,429
Interest income on pledged bank deposits		819	1,595
Exchange gain (loss) on financial assets at fair value through profit or loss, bank borrowings, convertible and exchangeable bonds and derivative financial instruments		7,522	(22,726)
Net gain on financial assets at fair value through profit or loss		12,052	14,930
Fair value (loss) gain on derivative financial instruments		(21,319)	6,971
Finance costs		<u>(91,039)</u>	<u>(64,677)</u>
Profit before taxation		599,670	370,522
Taxation	6	<u>(216,042)</u>	<u>(92,728)</u>
Profit for the period		<u>383,628</u>	<u>277,794</u>

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>NOTE</i>	RMB'000	RMB'000
Other comprehensive (expense) income 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		(3,403)	9,145
Item that will not be reclassified to profit or loss:			
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		<u>(2,504)</u>	<u>1,390</u>
Other comprehensive (expense) income for the period		<u>(5,907)</u>	<u>10,535</u>
Total comprehensive income for the period		<u>377,721</u>	<u>288,329</u>
Profit (loss) for the period attributable to:			
– Owners of the Company		430,732	336,499
– Non-controlling interests		<u>(47,104)</u>	<u>(58,705)</u>
		<u>383,628</u>	<u>277,794</u>
Total comprehensive income (expense) attributable to:			
– Owners of the Company		425,338	346,368
– Non-controlling interests		<u>(47,617)</u>	<u>(58,039)</u>
		<u>377,721</u>	<u>288,329</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share	8		
– Basic		77.45	60.93
– Diluted		<u>77.39</u>	<u>60.84</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	9	1,943,925	1,992,708
Right-of-use assets		452,628	455,011
Investment properties		78,200	76,529
Intangible assets		747,956	625,771
Interests in associates		22,098	49,659
Interests in joint ventures		11,927	16,563
Equity instruments at fair value through other comprehensive income		8,437	10,808
Financial assets at fair value through profit or loss		281,670	281,194
Loan receivables		8,836	10,421
Other receivables, prepayments and deposits		77,892	62,841
Deposits made for acquisition of property, plant and equipment		864	3,630
Goodwill		239,125	241,332
Deferred tax assets		42,942	43,437
		3,916,500	3,869,904
Current assets			
Properties under development		296,808	263,915
Properties for sale		210,588	253,367
Inventories		396,251	316,909
Loan receivables		22,248	22,042
Trade receivables	10	611,384	525,353
Other receivables, prepayments and deposits		441,856	399,537
Contract assets		17,625	12,236
Amount due from a related company		47	47
Amounts due from joint ventures		992	974
Tax recoverable		11,976	14,035
Financial assets at fair value through profit or loss		2,920	5,781
Restricted bank balances		13,611	15,611
Pledged bank deposits		1,062	146,073
Bank deposits with original maturity over three months		762,862	33,021
Bank balances and cash		3,619,985	4,114,410
		6,410,215	6,123,311

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>NOTES</i>		
Current liabilities			
Trade and other payables	11	1,089,092	1,091,369
Contract liabilities		379,690	405,483
Lease liabilities		64,263	56,224
Provisions		78,521	71,501
Derivative financial instruments		61,717	40,894
Amount due to an associate		757	3,484
Amount due to a joint venture		752	593
Convertible and exchangeable bonds	13	15,000	15,351
Bank borrowings	12	291,796	154,597
Dividend payables		115,870	99
Tax payable		148,975	121,083
		<u>2,246,433</u>	<u>1,960,678</u>
Net current assets		<u>4,163,782</u>	<u>4,162,633</u>
Total assets less current liabilities		<u>8,080,282</u>	<u>8,032,537</u>
Non-current liabilities			
Other payables	11	4,972	5,409
Convertible preferred shares		–	–
Convertible and exchangeable bonds	13	1,022,756	976,765
Bank borrowings	12	–	191,073
Lease liabilities		114,505	116,453
Deferred tax liabilities		85,409	90,907
		<u>1,227,642</u>	<u>1,380,607</u>
Net assets		<u>6,852,640</u>	<u>6,651,930</u>
Capital and reserves			
Share capital		40,622	40,951
Share premium and reserves		7,020,345	6,766,393
Equity attributable to owners of the Company		<u>7,060,967</u>	<u>6,807,344</u>
Non-controlling interests		<u>(208,327)</u>	<u>(155,414)</u>
		<u>6,852,640</u>	<u>6,651,930</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021

Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Capital		Capital reserve RMB'000	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 RMB'000		Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
			redemption reserve RMB'000	Other reserve RMB'000								comprehensive income reserve RMB'000	through other comprehensive income reserve 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	

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 2021	40,951	2,219,742	6,865	(145,030)	10,035	481,583	118,044	22,449	(19,135)	52,831	(114,782)	(3,381)	4,137,172	6,807,344	(155,414)	6,651,930
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	430,732	430,732	(47,104)	383,628
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-	-	(3,658)	(1,736)	-	(5,394)	(513)	(5,907)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-	(3,658)	(1,736)	430,732	425,338	(47,617)	377,721
Repurchase and cancellation of shares	(334)	(64,851)	334	-	-	-	-	-	-	-	-	-	(334)	(65,185)	-	(65,185)
Shares issued upon exercise of share options	5	592	-	-	-	-	-	-	-	(166)	-	-	-	431	-	431
Recognition of share awards granted by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28	28
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	11,705	-	-	-	11,705	-	11,705
Awarded shares and share options forfeited	-	-	-	-	-	-	-	-	-	(11,841)	-	-	6,781	(5,060)	-	(5,060)
Awarded shares vested to employees	-	-	-	-	-	-	-	-	6,482	(7,001)	-	-	519	-	-	-
Acquisition of additional equity interests of subsidiaries from non-controlling interests	-	-	-	3,494	-	-	-	-	-	-	-	-	-	3,494	(5,324)	(1,830)
Final dividend for 2020 declared	-	-	-	-	-	-	(118,044)	-	-	-	-	-	944	(117,100)	-	(117,100)
Interim dividend for 2021 proposed	-	-	-	-	-	-	185,232	-	-	-	-	-	(185,232)	-	-	-
At 30 June 2021 (unaudited)	40,622	2,155,483	7,199	(141,536)	10,035	481,583	185,232	22,449	(12,653)	45,528	(118,440)	(5,117)	4,390,582	7,060,967	(208,327)	6,852,640

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Six months ended 30 June	
	2021	2020
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
NET CASH FROM OPERATING ACTIVITIES	<u>474,911</u>	<u>528,448</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(72,985)	(111,352)
Placement of bank deposits with original maturity over three months	(730,000)	(35,214)
Withdrawal of pledged bank deposits	145,000	–
Withdrawal of restricted bank deposit	2,000	–
Acquisition of a subsidiary	–	(5,137)
Acquisition of assets through acquisition of a subsidiary	–	(43,000)
Purchase of intangible assets	(189,061)	(28,421)
Deposits made for acquisition of property, plant and equipment	(1,592)	(2,426)
Investment in associates	(2,837)	(20,000)
Investment in a joint venture	–	(6,000)
Advance to a joint venture	(18)	(622)
Purchase of financial assets at fair value through profit or loss	(3,022,000)	(251,320)
Proceeds from disposal of financial assets at fair value through profit or loss	3,033,846	–
Repayment from associates	–	99
Repayment from a related company	–	194
Other investing activities	<u>29,660</u>	<u>18,353</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(807,987)</u>	<u>(484,846)</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	127,827	168,944
Proceeds from issue of ordinary shares	–	696,627
Proceeds from shares issued upon exercise of share options	431	1,950
Proceeds from issue of convertible and exchangeable bonds	–	982,944
Repayment of bank borrowings	(180,586)	(110,288)
Repayment of lease liabilities	(33,677)	(30,619)
Payment for repurchase and cancellation of shares	(65,185)	–
Acquisition of additional equity interests of subsidiaries from non-controlling interests	(1,830)	–
Contribution from non-controlling interest of a subsidiary	–	2,000
	<u>–</u>	<u>2,000</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(153,020)</u>	<u>1,711,558</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(486,096)	1,755,160
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,114,410	2,125,637
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(8,329)</u>	<u>29,423</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u><u>3,619,985</u></u>	<u><u>3,910,220</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

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. 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.

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 HKFRSs and application of certain accounting policy 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 2021 are the same as those presented in the Group’s consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 “*Covid-19-Related Rent Concessions beyond 30 June 2021*”.

Except for the Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*, the application of the amendments to HKFRSs in the current interim 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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Online and mobile games revenue	1,847,548	1,647,334
Education revenue (including sales of education equipment and related goods and educational services)	1,407,641	1,137,941
Mobile solution, products and marketing revenue	39,150	37,583
Property project revenue	61,835	–
	<u>3,356,174</u>	<u>2,822,858</u>
Other income and gains		
Government grants (<i>Note</i>)	34,811	48,527
Interest income on bank balances, loan receivables and refundable rental deposits	30,658	13,180
Value-added tax incentives	8,928	9,579
Net foreign exchange gain	–	29,756
Rental income arising from subleases	2,516	1,072
Gain on fair value change of investment properties	2,333	–
Net gain on disposal of property, plant and equipment	377	318
Compensation income	305	–
Covid-19-related rent concession	–	205
Game implementation income	–	199
Others	6,931	3,071
	<u>86,859</u>	<u>105,907</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 RMB28,571,000 (six months ended 30 June 2020: RMB45,120,000) is recognised in profit or loss during the six months ended 30 June 2021 and (ii) the purchase of property, plant and equipment, which was 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 RMB6,240,000 (six months ended 30 June 2020: RMB3,153,000) is recognised in profit or loss during the six months ended 30 June 2021.

During the current interim period, the Group did not receive government grants in respect of Covid-19-related subsidies.

During the six months ended 30 June 2020, the Group received government grants of RMB725,000 in respect of Covid-19-related subsidies, of which RMB705,000 related to subsidy from the Employment Support Scheme provided by the Hong Kong government for the period from June to August 2020 and RMB20,000 related to employment subsidy provided by the PRC government. Included in the government grants received, the Group recognised RMB254,000 in profit or loss during the six months ended 30 June 2020 and RMB471,000 was deferred and recognised as deferred income in other payables which would 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 2021

	Online and mobile games RMB’000	Education RMB’000	Mobile solution, products and marketing RMB’000	Property project RMB’000	Total RMB’000
Segment revenue	<u>1,847,548</u>	<u>1,407,641</u>	<u>39,150</u>	<u>61,835</u>	<u>3,356,174</u>
Segment profit (loss)	<u>1,115,550</u>	<u>(385,185)</u>	<u>210</u>	<u>19,894</u>	<u>750,469</u>
Unallocated other income and gains					36,335
Unallocated expenses and losses					<u>(187,134)</u>
Profit before taxation					<u>599,670</u>

Six months ended 30 June 2020

	Online and mobile games RMB’000	Education RMB’000	Mobile solution, products and marketing RMB’000	Property project RMB’000	Total RMB’000
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>

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

Segment profit (loss) represents the profit earned by or loss incurred from each segment without allocation of unallocated other 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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Online and mobile games	5,235,436	4,769,546
Education	3,698,698	3,817,395
Mobile solution, products and marketing	77,560	84,801
Property project	<u>597,526</u>	<u>619,567</u>
Total segment assets	9,609,220	9,291,309
Unallocated	<u>717,495</u>	<u>701,906</u>
	<u>10,326,715</u>	<u>9,993,215</u>

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, certain financial assets at FVTPL, 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

	Six months ended 30 June 2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
The tax charge comprises:		
Hong Kong Profits Tax		
– Current period	29,974	22,287
– Over provision in prior years	<u>(146)</u>	<u>–</u>
	29,828	22,287
PRC Enterprise Income Tax		
– Current period	129,182	87,388
– Withholding tax	345	21
– Under provision in prior years	<u>37,555</u>	<u>2,487</u>
	167,082	89,896
Taxation in other jurisdictions		
– Current period	23,376	(6,305)
– Under provision in prior years	<u>426</u>	<u>115</u>
	23,802	(6,190)
Deferred tax		
– Current period	<u>(4,670)</u>	<u>(13,265)</u>
	<u>216,042</u>	<u>92,728</u>

7. DIVIDENDS

During the current interim period, a dividend of Hong Kong dollar (“HKD”) 0.25 per share (2020: HKD0.25 per share in respect of the year ended 31 December 2019) was approved by the shareholders as the final dividend for the year ended 31 December 2020 amounted to RMB117,100,000 and was subsequently paid on 9 July 2021. The aggregate amount of the final dividend for the year ended 31 December 2019 paid in 2020 amounted to approximately RMB126,290,000.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.40 per share, amounting to HKD222,613,000 (equivalent to RMB185,232,000) in aggregate, will be paid to the shareholders of the Company whose names appear in the register of members on 18 October 2021.

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:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings for the purpose of basic and diluted earnings per share:		
– profit for the period attributable to owners of the Company	430,732	336,499
	556,126	552,248
	455	815
	556,581	553,063

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 RMB514,000 (six months ended 30 June 2020: RMB607,000) for cash proceeds of RMB891,000 (six months ended 30 June 2020: RMB925,000), resulting in a gain on disposal of RMB377,000 (six months ended 30 June 2020: RMB318,000).

During the current interim period, the deposits of approximately RMB4,358,000 (six months ended 30 June 2020: RMB8,236,000) were transferred to property, plant and equipment and the Group paid approximately RMB72,985,000 (six months ended 30 June 2020: RMB111,352,000) for the acquisition of property, plant and equipment to expand its operations which mainly included RMB22,498,000 (six months ended 30 June 2020: RMB30,883,000) in plant and equipment and RMB20,420,000 (six months ended 30 June 2020: RMB53,291,000) 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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade debtors		
0 – 30 days	363,811	253,872
31 – 60 days	112,246	115,077
61 – 90 days	36,360	35,820
Over 90 days	98,967	113,985
Receivables aged over 90 days with extended credit terms		
Due within one year	–	6,599
	611,384	525,353

11. TRADE AND OTHER PAYABLES

	30 June 2021 <i>(Unaudited)</i> RMB'000	31 December 2020 <i>(Audited)</i> RMB'000
Trade payables	445,266	361,934
Accrued staff costs	206,521	286,563
Government grants <i>(Note a)</i>	34,188	66,915
Receipt in advance	142	169
Other tax payables	20,640	25,713
Advertising payables	18,025	11,973
Payables for purchase of property, plant and equipment	88,927	115,222
Consultancy fee payables	7,540	15,137
Consideration payables <i>(Note b)</i>	8,800	28,641
Payables for purchase of intangible assets	6,138	10,230
Accrued expenses <i>(Note c)</i>	195,454	106,327
Payable for share repurchase	–	12,780
Others <i>(Note d)</i>	62,423	55,174
	1,094,064	1,096,778
Analysed for financial reporting purpose:		
Current	1,089,092	1,091,369
Non-current	4,972	5,409
	1,094,064	1,096,778

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 be 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.
- (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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
0 – 90 days	352,799	307,331
91 – 180 days	12,088	7,707
181 – 365 days	60,159	23,131
Over 365 days	20,220	23,765
	<u>445,266</u>	<u>361,934</u>

12. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB127,827,000 (six months ended 30 June 2020: RMB168,944,000). The bank borrowings as at 30 June 2021 carry interest at (i) one-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.20% or 2.35% per annum, (ii) benchmark interest rate of three-year borrowings of the People’s Bank of China (the “PBC”) plus 0.15% to 0.35% per annum, (iii) benchmark interest rate of five-year borrowings of the PBC plus 0.10% per annum or (iv) interest rate of 1.00% or 3.85% per annum, and are repayable from 2021 to 2022. The borrowings were secured by a pledge of property of a subsidiary, right-of-use assets, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries.

The bank borrowings as at 31 December 2020 carried interest at (i) one-month HIBOR plus 2.20% to 2.35% per annum, (ii) higher of twelve-month London Interbank Offered Rate plus 0.50% or 3.40% per annum, (iii) benchmark interest rate of three-year borrowings of the PBC plus 0.10% to 0.35% per annum, (iv) benchmark interest rate of five-year borrowings of the PBC plus 0.10% per annum or (v) interest rate of 1.00% or 3.85% per annum, and are repayable from 2021 to 2034. The borrowings were secured by a pledged bank deposit, a pledge of property of a subsidiary, right-of-use assets, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries.

13. 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 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.

Convertible and exchangeable 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”), a non-wholly owned subsidiary of Best Assistant and the Company, 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 recognised 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 convertible and exchangeable option was classified as derivative financial instrument. The fair value of the convertible and exchangeable option was insignificant and the carrying amount is recognised as nil at initial recognition and at the end of the reporting period.

Warrants

Simultaneously with the issue of the convertible and exchangeable bonds, the Company issued to the Investor the warrants with a subscription price of HKD21.1998 per share. The warrants are 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 warrants were 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.

The effective interest rate of the debt host component is 16.62%. The movement of the debt host component of the convertible and exchangeable bonds for the period/year is set out as below:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
At 1 January	992,116	–
Issue of convertible and exchangeable bonds, net of transaction costs	–	948,093
Interest accrued	79,839	129,865
Settlement of interest	(24,212)	(25,641)
Exchange adjustments	(9,987)	(60,201)
	<u>1,037,756</u>	<u>992,116</u>
Less: interest payable within one year (shown under current liabilities)	(15,000)	(15,351)
Amount shown under non-current liabilities	<u><u>1,022,756</u></u>	<u><u>976,765</u></u>

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021, the Group had pledged bank deposits, bank deposits with original maturity over three months, restricted bank balances and bank balances and cash of approximately RMB4,397.5 million (31 December 2020: RMB4,309.1 million). The gearing ratio (consolidated bank borrowings/consolidated total equity) was 0.04 (31 December 2020: 0.05). As at 30 June 2021, total bank borrowings of the Group amounted to approximately RMB291.8 million (31 December 2020: RMB345.7 million) which included variable-rate loan of RMB129.3 million (31 December 2020: RMB273.1 million) and fixed-rate loan of RMB162.5 million (31 December 2020: RMB72.6 million). The bank borrowings of RMB256.9 million (31 December 2020: RMB310.5 million) were secured by a pledge of property of a subsidiary, right-of-use assets, corporate guarantee provided by the Company and its subsidiaries and a pledged bank deposit and the remaining bank borrowings of RMB34.9 million (31 December 2020: RMB35.2 million) were unsecured.

As at 30 June 2021, the Group had net current assets of approximately RMB4,163.8 million as compared with approximately RMB4,162.6 million as at 31 December 2020.

STAFF INFORMATION

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

	At 30 June 2021	At 31 December 2020	At 30 June 2020
Research and development	3,378	3,721	3,726
Selling and marketing	1,305	1,386	1,456
Accounting, finance and general administration	1,043	1,088	968
Production	238	247	275
Total	<u>5,964</u>	<u>6,442</u>	<u>6,425</u>

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

As at 30 June 2021, 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)	45.07%
Leung Lim Kin, Simon (Note 4)	The Company	Beneficial owner	5,446,310 (L)	0.98%
Liu Luyuan (Note 2)	The Company	Beneficial owner and beneficiary of certain trust	250,822,457 (L)	45.07%
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)	45.07%
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)	2.01%
Chao Guowei, Charles (Note 6)	The Company	Beneficial owner	438,500 (L)	0.08%
Lee Kwan Hung, Eddie (Note 7)	The Company	Beneficial owner	632,519 (L)	0.11%
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 34.33% 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 4.17% 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 3.42% 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 2.50% 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 45.07% 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 Luyuan and Zheng Hui are interested in 0.07% and 99.89%, 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)”) respectively. Liu Luyuan and Zheng Hui have agreed to act in concert to acquire interests in the registered capital of NetDragon (Fujian). All of 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 0.98% of the issued voting shares of the Company which is represented by beneficial interest of 1,446,310 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 2.01% 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 0.11% of the issued voting shares of the Company which is represented by personal interest of 114,519 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 2021, 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 2021, 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)	34.33%
IDG Group (Note 2)	The Company	Beneficial owner	65,533,320 (L)	11.78%
Ho Chi Sing (Note 2)	The Company	Through controlled corporations	65,533,320 (L)	11.78%
Zhou Quan (Note 2)	The Company	Through controlled corporations	61,609,135 (L)	11.07%

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 1.95%, 7.57%, 1.55% and 0.71% 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 Investors 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 issued voting shares of any other member of the Group as at 30 June 2021.

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 2021 are as follows:

2008 Share Option Scheme

Grantee	Date of grant	Exercise Price <i>HKD</i>	As at	Number of share options				As at
			1 January 2021	Granted	Exercised	Cancelled	Lapsed	30 June 2021
Independent non-executive Directors								
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	04.12.2013	15.72	318,000	-	-	-	-	318,000
	31.03.2017	23.65	100,000	-	-	-	-	100,000
Others								
Employees	28.04.2011	4.80	341,867	-	46,192	-	295,675	-
	22.07.2011	4.60	8,000	-	-	-	-	8,000
	23.04.2012	5.74	127,517	-	9,825	-	-	117,692
	12.09.2012	7.20	50,250	-	-	-	-	50,250
	16.01.2013	11.164	131,250	-	21,500	-	-	109,750
	25.04.2014	14.66	278,000	-	-	-	-	278,000
Total			<u>2,111,384</u>	<u>-</u>	<u>77,517</u>	<u>-</u>	<u>295,675</u>	<u>1,738,192</u>

2018 Share Option Scheme

Grantee	Date of grant	Exercise Price <i>HKD</i>	As at	Number of share options			Lapsed	As at
			1 January 2021	Granted	Exercised	Cancelled		30 June 2021
Executive Directors								
Leung Lim Kin, Simon	24.01.2020	21.07	4,000,000	-	-	-	-	4,000,000
Independent non-executive Directors								
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
Others								
Employees	24.01.2020	21.07	2,000,000	-	-	-	1,000,000	1,000,000
Total			6,300,000	-	-	-	1,000,000	5,300,000

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.

Details of the shares awarded under the NetDragon Share Award Scheme during the period ended 30 June 2021 are as follows:

Grantee	Date of grant	Average price per share (HKD) (Note)	Outstanding at 1 January 2021	Granted during period	Awards vested during period	Forfeited during period	Outstanding at 30 June 2021	Vesting period
Executive Directors								
Leung Lim Kin, Simon	19 April 2018	18.96	436,320	-	190,890	27,270	218,160	30 April 2018 – 30 April 2022
Leung Lim Kin, Simon	26 March 2021	18.96	-	120,000	120,000	-	-	26 March 2021
Others								
Employees	19 April 2018	18.96	340,320	-	112,790	79,450	148,080	30 April 2018 – 30 April 2022
			776,640	120,000	423,680	106,720	366,240	

Note: These shares were purchased by the Trustee of the Share Award Scheme at an average price of HKD18.96 per share.

366,240 awarded shares granted to a number of selected participants, including directors and employees, were outstanding as at 30 June 2021. The awarded shares, will be transferred to the selected directors or 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.

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 2021, 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 Legacy Continuation Fund Pte Ltd. (formerly held by Vertex Asia Fund Pte. Ltd.) (“Vertex”), Hong Kong Alpha Group Limited (formerly known as 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 90.08% to approximately 83.19%.

As at 30 June 2021, 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 acquired 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 2021, 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. The issue of Convertible and Exchangeable Bonds and the Warrants to the Investor is a strategic collaboration with the Investor, an institutional investor with extensive experience and active investments in the Greater China education sector.

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.

As at 30 June 2021, no Convertible and Exchangeable Bonds were converted into ordinary shares of Best Assistant and no warrants were converted into 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 ordinary 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 ordinary 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”). The aggregate nominal value of the Top-up Subscription Shares is USD330,000. The closing price per share as quoted on the Stock Exchange on the date of the Placing and Subscription Agreement was HKD23.20. The Directors are of the view that the Top-up Placing and Subscription will benefit the Group’s long term development and broaden the Company’s equity base to facilitate the future growth and development of its business.

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 to not less than six placees and the 33,000,000 Top-up Subscription Shares had been allotted and issued to Mr. Liu Dejian 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 HKD773.44 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. On such basis, the net price of each Top-up Subscription Share is approximately HKD23.46.

The total funds raised from the Top-up Placing and Subscription and details of the use of proceeds are as follows:

Net proceeds raised from the Top-up Placing and Subscription	Intended use of the proceeds	Utilised proceeds as of 30 June 2021	Unutilised proceeds as of 30 June 2021
HKD773.44 million	General corporate purpose and to fund the expansion of education business	HKD450.50 million	HKD322.94 million

Subject to development of the Covid-19 pandemic and the global economic conditions, the Group will gradually utilise the unutilised net proceeds depending on its business needs and is expected to utilise the residual amount of such net proceeds within several years.

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 2021.

INTERIM DIVIDEND

On 26 August 2021, the Board has resolved to declare an interim dividend of HKD0.40 per share for the six months ended 30 June 2021 (2020: HKD0.25 per share). The interim dividend will be paid to the shareholders whose names appeared on the register of members of the Company on 10 September 2021. It is expected that the interim dividend will be distributed on or before 18 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 10 September 2021 to Monday, 13 September 2021, 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 2021, 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, 9 September 2021.

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 2021 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 2021, 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, 26 August 2021

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.