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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)**

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

### **BUSINESS REVIEW AND OUTLOOK**

NetDragon Websoft Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) delivered yet another year of strong all-round performance. 2021 marked the fifth consecutive year of growth in revenue, operating profits and net profits, and this would not be made possible without deep investments made in the technologies, IP and sales partnership network. In 2021, the revenue increased by 14.6% YoY, reaching RMB7.0 billion as both gaming and education businesses continued to grow strongly.

Education revenue in 2021 increased by 32.2% YoY, the highest growth rate in the past four years, as the Group saw accelerated the market growth driven by increasing demand for blended learning solutions around the world. As K-12 educators look for technology tools to educate and interact with students in the new normal of learning, Promethean products have proven to be the best option in the market as the Group continued to maintain the number one market share position in the international markets. The Group’s country rollout strategy also continued to make progress. During the second half of the year, the Group successfully completed the first pilot phase for English Smart Classroom Lab project in Thailand and expanded the strategic cooperation with Ghana Ministry of Education with a target to implement a country-wide blended learning platform. In Egypt, the Group recently signed a definitive contract to supply 94,000 Promethean interactive flat panels to K-12 schools across the country, another milestone in the long-term partnership with the Ministry of Education.

Gaming business recorded 6.1% in revenue growth and 7.8% in core segmental profits growth as the Group continued to pursue a balanced, sustainable growth strategy, which resulted in across-the-board revenue growth from PC and mobile platforms, as well as in both China and the overseas markets. The Group’s flagship IP Eudemons continued its upward growth trajectory with a 7.8% YoY revenue increase. The Group also saw the annual revenue from the Eudemons IP grew by nearly 3.5 times in the past 5 years on the back of a series of significant enhancements in content, gameplay and overall user experience. In December 2021, the Group successfully launched the new ACGN mobile game under the new IP Under Oath (終焉誓約), which not only attests to the ability in new genre development capability, but also significantly extends the reach to young players and lays a solid foundation for the overseas expansion to capitalize on the huge ACGN addressable market overseas.

The Group would like to reiterate the commitment to enhance shareholder value as the Group continues to execute capital return measures including share buyback and dividends in view of the confidence in future growth prospects and the ability to generate sustained free cash flow. In August 2021, the Group announced a 3-year share buyback program with a total repurchased amount of up to USD300 million, and to date, the Group has repurchased 16.2 million shares amounting to USD38.0 million. In total, the Group returned USD186.4 million to the shareholders in 2021 via a combination of share repurchase and dividends declared, including a USD100 million special interim dividend announced in January 2022.

## **Gaming Business**

Gaming business continued its growth momentum with both revenue and core segmental profit hitting new highs. Revenue of gaming business increased by 6.1% YoY to RMB3.6 billion, and core segmental profit increased by 7.8% YoY to RMB2.1 billion.

Eudemons Online (魔域), the Group's core flagship IP, achieved revenue growth of 7.8% YoY, and meanwhile has grown its revenue for 7 consecutive years. In 2021, the Group's focus was on understanding the needs of the players together with an optimal monetization strategy that leads to higher revenue generated as a result of an enhanced playing experience, while ensuring a balanced ecosystem within the games. The Group is also executed a multi-pronged content strategy that leads to expansion of monetizable contents (which add utilities to the players and creates a pleasant user experience on top of the core MMORPG elements. Furthermore, the Group launched two expansion packs and multiple rejuvenation marketing campaigns during the year for the flagship game Eudemons Online (魔域) to drive revenue growth. Another future revenue driver will be the upcoming new game Eudemons Mobile 2 (魔域手遊 2), which underwent several rounds of testing during 2021 and is expected to be launched within 2022.

In 2021, overseas revenue increased 7.9% YoY as the Group continued to replicate the successful model for Conquer Online (征服) in Egypt and expanded into the Philippines, U.S., Canada and Saudi Arabia. Further, as MOBA remains one of the most popular game genres globally, the Group see significant opportunities in the overseas markets for the other flagship game Heroes Evolved (英魂之刃) given its success in China with over 200 million registered users, and as such the Group has increased its efforts in developing new markets for this game including Pakistan and Vietnam.

The Group reached another key milestone by launching a new IP in 2021 as the Company commenced open-beta testing of the first ACGN mobile game Under Oath (終焉誓約) in December 2021 with over 1 million active users and 152,000 APA in the first month. The successful launch of this game represents an extension of game development capability to the ACGN genre, which is another major game genre with hundreds of millions of players globally. The Group currently aims to launch the first overseas version of Under Oath (終焉誓約) in Southeast Asia in the second half of this year.

The Group is also excited by the metaverse gaming space that gained tremendous traction in 2021. During 2021, the Group initiated planning of its first blockchain-based metaverse game under the well-known overseas IP Neopets (尼奧寵物) with an alpha launch of the game scheduled in the second half of 2022. The Group's vision for this game is to become the leading player in the "pet" asset class on the blockchain, and the Group expects to differentiate with a "Play-and-Earn" ecosystem with fun gameplay as the primary incentive to play, hence targeting both blockchain and mainstream players, as well as an existing base of 150 million Neopets' players.

Looking forward, the Group will continue to pursue a balanced growth strategy which will enable the Group to continue its growth trajectory in the long run. The Group expects its revenue growth to come from both existing games and new games. The Group will also ramp up its effort in exploring the opportunity to develop blockchain-based games, both based on its own IPs as well as new IPs.

## **Education Business**

Revenue from the education business increased by 32.2% YoY to RMB3.2 billion, while core segmental loss decreased by 28.4% YoY. The global pandemic in the past two years has led to fundamental changes in education as blended learning model has become a major global trend. The Group is in a strong position to capitalize on this unprecedented opportunity as Interactive Flat Panel Display ("IFPD") is widely seen as the "futureproof" technology to support hybrid learning, and the Group is the clear market leader in this category.

2021 is a year of accelerated market growth as the Group saw significant momentum in demand from K-12 schools around the world. Shipment volume of interactive flat panel displays in the global K-12 market increased by 24.3% YoY in 2021, representing the highest growth in the past 5 years. During the year, the Group continued to build on the market leadership position, leading to 32.2% YoY revenue growth for education business. Specifically, the Group delivered strong performance in all of the major markets as the Group maintained the No. 1 market share position in 4 of the top 5 countries in terms of revenue contribution, including the U.S., the U.K., Germany and France. The Group also continued to execute with operational excellence to overcome supply chain challenges, as the Group mitigated increase in materials cost and freight cost by strategically enhancing the product mix and adoption of best-in-class logistics planning. The gross margin for education business was 30.8% in 2021, compared to 31.0% in 2020.

The Group continued to make progress during the year with country rollout. In Thailand, the pilot for English Smart Classroom Lab Project was completed with significant quantifiable increase in students' learning outcomes, and on the back of that, the Group expects to move towards a nationwide paid pilot this year. In September 2021, the Group signed a MOU with Ghana Ministry of Education to secure a long-term partnership to develop a country-wide blended learning platform. The Group also reached another major milestone in Egypt recently by signing a definitive contract to supply 94,000 Promethean interactive flat panels to K-12 schools, and meanwhile large-scale adoption of Edmodo is expected in 2022. The Group believes the adoption of Edmodo in Egypt will lead to further revenue opportunities down the road as the Group expects Edmodo to be the go-to platform for contents and services for K-12 students, parents and teachers in the country.

In China, the Group continued to execute the B2G strategy by working closely with education departments and schools to identify and capture opportunities. During the year, the Group made solid progress with the Virtual Lab platform in partnership with National Center for Educational Technology ("NCET", a unit directly affiliated with the Chinese Ministry of Education) by successfully completing the nationwide pilot and covering more than 7,000 schools in 31 provinces that provided the foundation for commercial roll-out in 2022. In November 2021, the Group achieved another major win as the Group was awarded the tender to be the technical partner for the Ministry of Education's National K-12 Smart Education Platform Project. The Group expects this tender win will enable the Company to capitalize on future B2G revenue opportunities, which will become mainstream going forward in China.

Looking forward, the Group expects the overall education business to deliver another strong year in 2022. Global K-12 classroom penetration of interactive display is expected to rise from 18% to 30% by 2025, providing ample room for growth of Promethean panels, while increasing penetration of classroom panels will inevitably open up software and content monetization opportunities, which will put the Group in a great position as the leading blended learning service provider.

## Fiscal Year 2021 Financial Highlights

- Revenue was RMB7,035.5 million, representing a 14.6% increase YoY.
- Revenue from the games business was RMB3,641.6 million, representing 51.8% of the Group's total revenue and registering a 6.1% increase YoY.
- Revenue from the education business was RMB3,231.0 million, representing 45.9% of the Group's total revenue and registering a 32.2% increase YoY.
- Gross profit was RMB4,522.6 million, representing an 8.4% increase YoY.
- Core segmental profit<sup>1</sup> from the games business was RMB2,119.9 million, representing a 7.8% increase YoY.
- Core segmental loss<sup>1</sup> from the education business was RMB411.7 million, representing a 28.4% improvement YoY.
- EBITDA was RMB1,829.4 million, representing a 12.8% increase YoY.
- Operating profit was RMB1,385.5 million, representing a 27.4% increase YoY.
- Non-GAAP operating profit<sup>2</sup> was RMB1,507.0 million, representing a 14.6% increase YoY.
- Profit attributable to owners of the Company was RMB1,062.1 million, representing a 11.4% increase YoY.
- Non-GAAP profit attributable to owners of the Company<sup>2</sup> was RMB1,290.3 million, representing a 13.0% increase YoY.
- The Company declared a final dividend of HKD0.40 per ordinary share (2020: HKD0.25 per ordinary share), subject to approval at the coming annual general meeting. Total dividends for the year (including special interim dividend declared in January 2022) amounted to HKD2.23 per ordinary share (2020: HKD0.50 per ordinary share), representing approximately 93.8% of the total profit attributable to the owners for the year.

## Segmental Financial Highlights

(RMB'000)	FY2021		FY2020		Variance	
	Gaming	Education	Gaming (Restated)	Education (Restated)	Gaming	Education
Revenue	<b>3,641,562</b>	<b>3,231,003</b>	3,432,666	2,443,941	6.1%	32.2%
Gross profit	<b>3,473,642</b>	<b>995,312</b>	3,301,513	758,605	5.2%	31.2%
Gross margin	<b>95.4%</b>	<b>30.8%</b>	96.2%	31.0%	-0.8%	-0.2%
Core segmental profit (loss) <sup>1</sup>	<b>2,119,937</b>	<b>(411,730)</b>	1,967,160	(574,842)	7.8%	-28.4%
Segmental operating expenses <sup>3</sup>						
– Research and development	<b>(657,547)</b>	<b>(500,903)</b>	(634,272)	(536,678)	3.7%	-6.7%
– Selling and marketing	<b>(418,952)</b>	<b>(530,140)</b>	(401,142)	(483,215)	4.4%	9.7%
– Administrative	<b>(318,294)</b>	<b>(350,635)</b>	(306,586)	(291,157)	3.8%	20.4%

*Note 1:* Core segmental profit (loss) figures are derived from the Group'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 loss of goodwill and intangible assets, impairment of 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 gain on derivative financial instruments, interest expense and exchange gain on convertible and exchangeable bonds and redundancy payment.

*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 acquisitions of subsidiaries, impairment loss of goodwill and intangible assets, impairment of interest in an associate, fair value change on financial assets at FVTPL, fair value change on derivative financial instruments, finance costs, interest income on pledged bank deposits and exchange gain 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 audited consolidated financial results of the Group for the year ended 31 December 2021 together with the comparative figures in 2020 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Revenue	4	<b>7,035,496</b>	6,137,640
Cost of revenue		<b>(2,512,930)</b>	(1,966,376)
Gross profit		<b>4,522,566</b>	4,171,264
Other income and gains	4	<b>223,893</b>	230,884
Impairment loss under expected credit loss model, net of reversal		<b>(8,077)</b>	1,607
Selling and marketing expenses		<b>(955,413)</b>	(893,513)
Administrative expenses		<b>(955,673)</b>	(903,111)
Development costs		<b>(1,159,308)</b>	(1,175,928)
Other expenses and losses		<b>(266,118)</b>	(326,817)
Share of results of associates		<b>(14,807)</b>	(15,080)
Share of results of joint ventures		<b>(1,586)</b>	(1,783)
Operating profit		<b>1,385,477</b>	1,087,523
Interest income on pledged bank deposits		<b>819</b>	3,263
Exchange gain on financial assets at fair value through profit or loss, bank borrowings, convertible and exchangeable bonds and derivative financial instruments		<b>18,605</b>	45,302
Fair value change on financial assets at fair value through profit or loss		<b>20,299</b>	51,733
Fair value change on derivative financial instruments		<b>(2,879)</b>	43,323
Finance costs		<b>(185,896)</b>	(157,680)
Profit before taxation		<b>1,236,425</b>	1,073,464
Taxation	6	<b>(253,067)</b>	(217,644)
Profit for the year		<b>983,358</b>	855,820

	<i>NOTE</i>	<b>2021</b> <b><i>RMB'000</i></b>	2020 <i>RMB'000</i>
Other comprehensive (expense) income for the year, net of income tax:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(24,716)</b>	(11,568)
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>(2,645)</u>	<u>6,042</u>
Other comprehensive expense for the year		<u>(27,361)</u>	<u>(5,526)</u>
Total comprehensive income for the year		<u><b>955,997</b></u>	<u>850,294</u>
Profit (loss) for the year attributable to:			
– Owners of the Company		<b>1,062,060</b>	953,501
– Non-controlling interests		<u>(78,702)</u>	<u>(97,681)</u>
		<u><b>983,358</b></u>	<u>855,820</u>
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		<b>1,036,088</b>	944,235
– Non-controlling interests		<u>(80,091)</u>	<u>(93,941)</u>
		<u><b>955,997</b></u>	<u>850,294</u>
		<b><i>RMB cents</i></b>	<i>RMB cents</i>
<b>Earnings per share</b>	8		
– Basic		<b>191.67</b>	171.19
– Diluted		<u><b>191.58</b></u>	<u>170.96</u>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2021**

	<i>NOTE</i>	<b>2021 RMB'000</b>	2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,939,499</b>	1,992,708
Right-of-use assets		<b>428,278</b>	455,011
Investment properties		<b>77,062</b>	76,529
Intangible assets		<b>772,309</b>	625,771
Interests in associates		<b>35,119</b>	49,659
Interests in joint ventures		<b>14,977</b>	16,563
Equity instruments at fair value through other comprehensive income		<b>8,105</b>	10,808
Financial assets at fair value through profit or loss		<b>266,078</b>	281,194
Loan receivables		<b>8,220</b>	10,421
Other receivables, prepayments and deposits		<b>37,543</b>	62,841
Deposits made for acquisition of property, plant and equipment		<b>4,690</b>	3,630
Goodwill		<b>217,087</b>	241,332
Deferred tax assets		<b>135,076</b>	43,437
		<b>3,944,043</b>	3,869,904
<b>Current assets</b>			
Properties under development		<b>316,872</b>	263,915
Properties for sale		<b>205,273</b>	253,367
Inventories		<b>685,117</b>	316,909
Loan receivables		<b>22,207</b>	22,042
Trade receivables	9	<b>831,986</b>	525,353
Other receivables, prepayments and deposits		<b>481,455</b>	399,537
Contract assets		<b>11,692</b>	12,236
Amount due from a related company		<b>–</b>	47
Amounts due from joint ventures		<b>2,945</b>	974
Tax recoverable		<b>25,273</b>	14,035
Financial assets at fair value through profit or loss		<b>1,852</b>	5,781
Restricted bank balances		<b>7,828</b>	15,611
Pledged bank deposits		<b>1,047</b>	146,073
Bank deposits with original maturity over three months		<b>630,000</b>	33,021
Bank balances and cash		<b>3,717,246</b>	4,114,410
		<b>6,940,793</b>	6,123,311

	<i>NOTES</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
<b>Current liabilities</b>			
Trade and other payables	10	<b>1,455,221</b>	1,091,369
Contract liabilities		<b>357,240</b>	405,483
Lease liabilities		<b>63,571</b>	56,224
Provisions		<b>88,784</b>	71,501
Derivative financial instruments		<b>42,565</b>	40,894
Amount due to an associate		<b>936</b>	3,484
Amount due to a joint venture		–	593
Convertible and exchangeable bonds	11	<b>15,000</b>	15,351
Bank borrowings	12	<b>402,910</b>	154,597
Dividend payable to non-controlling interests		–	99
Tax payable		<b>127,882</b>	121,083
		<u><b>2,554,109</b></u>	<u>1,960,678</u>
<b>Net current assets</b>		<u><b>4,386,684</b></u>	<u>4,162,633</u>
<b>Total assets less current liabilities</b>		<u><b>8,330,727</b></u>	<u>8,032,537</u>
<b>Non-current liabilities</b>			
Other payables	10	<b>10,763</b>	5,409
Convertible preferred shares		–	–
Convertible and exchangeable bonds	11	<b>1,069,874</b>	976,765
Bank borrowings	12	–	191,073
Lease liabilities		<b>95,370</b>	116,453
Deferred tax liabilities		<b>80,111</b>	90,907
		<u><b>1,256,118</b></u>	<u>1,380,607</u>
<b>Net assets</b>		<u><b>7,074,609</b></u>	<u>6,651,930</u>
<b>Capital and reserves</b>			
Share capital		<b>39,795</b>	40,951
Share premium and reserves		<b>7,274,605</b>	6,766,393
Equity attributable to owners of the Company		<b>7,314,400</b>	6,807,344
Non-controlling interests		<b>(239,791)</b>	(155,414)
		<u><b>7,074,609</b></u>	<u>6,651,930</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,026,707</b>	1,329,651
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(138,165)	(253,747)
Placement of bank deposits with original maturity over three months	(730,000)	(35,214)
Acquisitions of subsidiaries	–	7,385
Acquisition of assets through acquisition of a subsidiary	–	(43,000)
Purchase of intangible assets	(292,643)	(63,589)
Deposits made for acquisition of property, plant and equipment	(5,724)	(3,065)
Investment in an associate	(22,837)	(20,000)
Investment in a joint venture	–	(6,000)
Repayment from associates	–	2,262
Advance to a joint venture	(1,971)	(695)
Repayment from a related company	47	802
Repayment from a director	–	400
Placement of restricted bank balance	(7,828)	(2,000)
Placement of pledged bank deposits	–	(340)
Withdrawal of bank deposits with original maturity over three months	132,861	–
Interest received	44,119	32,030
Repayment of loan receivables	1,720	3,693
Withdrawal of restricted bank balance	2,000	1,478
Proceeds from disposal of property, plant and equipment	1,649	1,014
Withdrawal of pledged bank deposit	145,000	–
Purchase of financial assets at fair value through profit or loss	(6,956,500)	(258,970)
Proceeds from disposal of financial assets at fair value through profit or loss	6,989,592	5,600
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(838,680)</b>	(631,956)

	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>412,134</b>	258,068
Proceeds from shares issued upon exercise of share options	<b>4,517</b>	2,024
Repayment of bank borrowings	<b>(344,033)</b>	(310,686)
Dividends paid	<b>(302,435)</b>	(255,070)
Repayment of lease liabilities	<b>(64,636)</b>	(62,815)
Payment for repurchase and cancellation of shares	<b>(242,384)</b>	(43,308)
Proceeds from issue of ordinary shares	–	696,627
Proceeds from issue of convertible and exchangeable bonds and unlisted warrants	–	1,034,889
Acquisitions of additional equity interests from non-controlling interests	<b>(7,000)</b>	(6,467)
Contribution from non-controlling interests of subsidiaries	–	2,000
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<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(543,837)</b>	1,315,262
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<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(355,810)</b>	2,012,957
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<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>4,114,410</b>	2,125,637
	<hr/>	<hr/>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(41,354)</b>	(24,184)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>3,717,246</b>	4,114,410
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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, 20/F, 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 consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 3. APPLICATION OF AMENDMENTS TO HKFRSs

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements:

Amendment 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*.

The Group also applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*, the Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* and the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***New and Amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018 – 2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the Amendments to HKFRS 3 *Reference to the Conceptual Framework*, the Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, the Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*, the Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*, the Amendments to HKAS 8 *Definition of Accounting Estimates*, the Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, the Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use* and the Amendments to HKFRSs *Annual Improvement to HKFRSs 2018 – 2020*, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue</b>		
Online and mobile games revenue	<b>3,641,562</b>	3,432,666
Education revenue (including sales of education equipment and related goods and educational services)	<b>3,231,003</b>	2,443,941
Mobile solution, products and marketing revenue	<b>87,158</b>	67,163
Property project revenue	<b>75,773</b>	193,870
	<b><u>7,035,496</u></b>	<u>6,137,640</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Other income and gains</b>		
Government grants ( <i>Note</i> )	114,032	157,618
Interest income on bank balances, loan receivables and refundable rental deposits	54,014	32,064
Value-added tax incentives	17,936	15,955
Waiver of other payables	–	7,089
Bargain purchase gain arising from acquisition of subsidiaries	–	6,524
Rental income arising from subleases	4,792	5,349
Net gain arising from early termination of lease agreements	426	951
Covid-19 related rent concession	–	248
Game implementation income	–	200
Net gain on disposal of property, plant and equipment	–	11
Gain on disposal of domain name	17,011	–
Gain on fair value change of investment properties	2,222	–
Others	13,460	4,875
	<b>223,893</b>	<b>230,884</b>

*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 amounted to RMB99,815,000 (2020: RMB140,340,000) for the year ended 31 December 2021 and is recognised in profit or loss and (ii) the purchase of property, plant and equipment, which is recognised as deferred income upon receipt and is recognised to 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 RMB14,200,000 (2020: RMB7,317,000).

During the current year, the Group received government grants of RMB17,000 in respect of Covid-19-related subsidies, which related to workers and entrepreneurs subsidies provided by the Thailand Government. The government grants received are wholly recognised in profit or loss in the current year.

During the year ended 31 December 2020, the Group received government grants of RMB9,961,000 in respect of Covid-19-related subsidies, of which RMB9,941,000 related to subsidy from the Employment Support Scheme provided by the Hong Kong government for the period from June to November 2020 and RMB20,000 related to employment subsidy provided by the PRC government. The government grants received were wholly recognised in profit or loss for the year ended 31 December 2020.

## 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:

### 2021

	Online and mobile games <i>RMB'000</i>	Education <i>RMB'000</i>	Mobile solution, products and marketing <i>RMB'000</i>	Property project <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>3,641,562</u>	<u>3,231,003</u>	<u>87,158</u>	<u>75,773</u>	<u>7,035,496</u>
Segment profit (loss)	<u>2,239,884</u>	<u>(710,162)</u>	<u>(2,797)</u>	<u>11,679</u>	1,538,604
Unallocated other income and gains					62,850
Unallocated corporate expenses and losses					<u>(365,029)</u>
Profit before taxation					<u>1,236,425</u>

### 2020

	Online and mobile games <i>RMB'000</i>	Education <i>RMB'000</i>	Mobile solution, products and marketing <i>RMB'000</i>	Property project <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>3,432,666</u>	<u>2,443,941</u>	<u>67,163</u>	<u>193,870</u>	<u>6,137,640</u>
Segment profit (loss)	<u>2,302,812</u>	<u>(846,292)</u>	<u>(47,736)</u>	<u>90,815</u>	1,499,599
Unallocated other income and gains					34,131
Unallocated corporate expenses and losses					<u>(460,266)</u>
Profit before taxation					<u>1,073,464</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 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>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Online and mobile games	<b>5,427,573</b>	4,769,546
Education	<b>4,295,644</b>	3,817,395
Mobile solution, products and marketing	<b>76,323</b>	84,801
Property project	<b>594,513</b>	619,567
	<hr/>	<hr/>
Total segment assets	<b>10,394,053</b>	9,291,309
Unallocated	<b>490,783</b>	701,906
	<hr/>	<hr/>
	<b>10,884,836</b>	9,993,215
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
The tax charge comprises:		
Hong Kong Profits Tax		
– Current year	<b>57,505</b>	46,640
– Over provision in prior years	<b>(1,007)</b>	(1,822)
	<hr/>	<hr/>
	<b>56,498</b>	44,818
	<hr/>	<hr/>
PRC Enterprise Income Tax		
– Current year	<b>223,772</b>	176,570
– Withholding tax	<b>373</b>	68
– Under provision in prior years	<b>37,717</b>	2,409
	<hr/>	<hr/>
	<b>261,862</b>	179,047
	<hr/>	<hr/>
Taxation in other jurisdictions		
– Current year	<b>34,510</b>	22,477
– Under (over) provision in prior years	<b>1,540</b>	(1,131)
	<hr/>	<hr/>
	<b>36,050</b>	21,346
	<hr/>	<hr/>
Deferred taxation		
– Current year	<b>(101,343)</b>	(27,567)
	<hr/>	<hr/>
	<b>253,067</b>	217,644
	<hr/> <hr/>	<hr/> <hr/>

## 7. DIVIDENDS

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2021 Interim – HKD0.40 (2020: 2020 Interim dividend of HKD0.25) per share	<b>185,236</b>	128,780
2020 Final – HKD0.25 (2020: 2019 Final dividend of HKD0.25) per share	<b>117,100</b>	126,290
	<b>302,336</b>	255,070

The special dividend of HKD1.43 (2020: HKDNil) per share which has been proposed and approved by the directors in the board meeting on 31 January 2022, amounted to approximately RMB632,197,000 (2020: RMBNil) and was paid on 28 February 2022.

The final dividend of HKD0.40 (2020: HKD0.25) per share which has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting, amounted to approximately RMB178,317,000 (2020: RMB118,044,000).

## 8. EARNINGS PER SHARE

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the year attributable to the owners of the Company	<b>1,062,060</b>	953,501
	<b>Number of shares</b>	
	<b>2021</b>	2020
	<b>'000</b>	<b>'000</b>
Weighted average number of shares in issue during the year for the purpose of basic earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	<b>554,115</b>	556,993
Effect of dilutive potential shares from the Company's share option scheme	<b>259</b>	747
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)	<b>554,374</b>	557,740

## 9. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	858,250	554,403
Less: Allowance of credit losses	<u>(26,264)</u>	<u>(29,050)</u>
	<b><u>831,986</u></b>	<b><u>525,353</u></b>

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB689,360,000.

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade debtors		
0 – 30 days	374,790	253,872
31 – 60 days	264,081	115,077
61 – 90 days	107,186	35,820
Over 90 days	85,929	113,985
Receivables aged over 90 days with extended credit terms		
Due within one year	<u>–</u>	<u>6,599</u>
	<b><u>831,986</u></b>	<b><u>525,353</u></b>

## 10. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	681,135	361,934
Accrued staff costs	331,730	286,563
Government grants	24,941	66,915
Receipt in advance	140	169
Other tax payables	28,352	25,713
Advertising payables	18,242	11,973
Payables for purchase of property, plant and equipment	104,930	115,222
Consultancy fee payables	7,215	15,137
Consideration payables	6,400	28,641
Payables for purchase of intangible assets	–	10,230
Accrued expenses	156,252	106,327
Payable for share repurchase	7,381	12,780
Compensation payable	23,035	–
Others	<u>76,231</u>	<u>55,174</u>
	<b><u>1,465,984</u></b>	<b><u>1,096,778</u></b>
Analysed for financial reporting purpose:		
Current	1,455,221	1,091,369
Non-current	<u>10,763</u>	<u>5,409</u>
	<b><u>1,465,984</u></b>	<b><u>1,096,778</u></b>

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 90 days	<b>614,099</b>	307,331
91 – 180 days	<b>6,599</b>	7,707
181 – 365 days	<b>5,391</b>	23,131
Over 365 days	<b>55,046</b>	23,765
	<b>681,135</b>	361,934

## 11. 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 USD150,000,000 (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, a wholly owned subsidiary of Best Assistant and non-wholly owned subsidiary of 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 31 December 2021 and 31 December 2020.

### 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 year is set out as below:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>992,116</b>	–
Issue of convertible and exchangeable bonds, net of transaction costs	–	948,093
Interest accrued	<b>165,181</b>	129,865
Settlement of interest	<b>(48,435)</b>	(25,641)
Exchange adjustments	<b>(23,988)</b>	(60,201)
	<b>1,084,874</b>	992,116
Less: Interest payable within one year (shown under current liabilities)	<b>(15,000)</b>	(15,351)
Amount shown under non-current liabilities	<b>1,069,874</b>	976,765

## 12. BANK BORROWINGS

The carrying amounts of the bank borrowings are repayable\*:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within one year	<b>365,300</b>	121,774
Within a period of more than one year but not exceeding two years	–	184,244
Within a period of more than two years but within five years	–	6,829
	<b>365,300</b>	312,847
The carrying amounts of bank borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	<b>37,610</b>	32,823
	<b>402,910</b>	345,670
Less: Amounts due within one year shown under current liabilities	<b>(402,910)</b>	(154,597)
Amounts shown under non-current liabilities	–	191,073

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's bank borrowings is as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Variable-rate borrowings	<b>191,544</b>	273,099
Fixed-rate borrowings	<b>211,366</b>	72,571
	<b>402,910</b>	345,670
Secured	<b>368,509</b>	310,464
Unsecured	<b>34,401</b>	35,206
	<b>402,910</b>	345,670

As at 31 December 2021, 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 (2020: 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).

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2021, the Group had restricted bank balances, pledged bank deposits, bank deposits with original maturity over three months and bank balances and cash of approximately RMB4,356.1 million (31 December 2020: RMB4,309.1 million). The gearing ratio (consolidated bank borrowings/consolidated total equity) was 0.06 (31 December 2020: 0.05). As at 31 December 2021, total bank borrowings of the Group amounted to approximately RMB402.9 million (31 December 2020: RMB345.7 million) which included variable-rate loan of RMB191.5 million (31 December 2020: RMB273.1 million) and fixed-rate loan of RMB211.4 million (31 December 2020: 72.6 million). The bank borrowings of RMB368.5 million (31 December 2020: RMB310.5 million) were secured by a pledge of property of a subsidiary, right-of-use assets and corporate guarantee provided by the Company and its subsidiaries and the remaining bank borrowings of RMB34.4 million (31 December 2020: RMB35.2 million) were unsecured.

As at 31 December 2021, the Group had net current assets of approximately RMB4,386.7 million as compared with approximately RMB4,162.6 million as at 31 December 2020.

## STAFF INFORMATION

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

	At <b>31 December</b> <b>2021</b>	At 30 June 2021	At 31 December 2020
Research and development	<b>2,605</b>	3,378	3,721
Selling and marketing	<b>1,107</b>	1,305	1,386
Accounting, finance and general administration	<b>889</b>	1,043	1,088
Production	<b>233</b>	238	247
Total	<b><u>4,834</u></b>	<b><u>5,964</u></b>	<b><u>6,442</u></b>

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

As at 31 December 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)	46.00%
Leung Lim Kin, Simon (Note 4)	The Company	Beneficial owner	5,446,310 (L)	1.00%
Liu Luyuan (Note 2)	The Company	Beneficial owner and beneficiary of certain trust	250,822,457 (L)	46.00%
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)	46.00%
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)	2.05%
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)	0.12%
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 35.04% of the issued voting shares of the Company. Liu Dejian is also interested in 0.35% 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 4.26% 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 3.49% 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 2.55% 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 46.00% 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 1.00% 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 2.05% 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 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 31 December 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 31 December 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)	35.04%
IDG Group (Note 2)	The Company	Beneficial owner	55,533,320 (L)	9.82%
Ho Chi Sing (Note 2)	The Company	Through controlled corporations	55,533,320 (L)	9.82%
Zhou Quan (Note 2)	The Company	Through controlled corporations	50,470,735 (L)	9.26%

### 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 2.00%, 6.03%, 1.23% and 0.56% 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 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 31 December 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 and movement during the year ended 31 December 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	31 December 2021
<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	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	-	46,192	-	295,675	-
	22.07.2011	4.60	8,000	-	8,000	-	-	-
	23.04.2012	5.74	127,517	-	41,850	-	-	85,667
	12.09.2012	7.20	50,250	-	-	-	-	50,250
	16.01.2013	11.164	131,250	-	82,750	-	-	48,500
	25.04.2014	14.66	278,000	-	278,000	-	-	-
<b>Total</b>			<u>2,111,384</u>	<u>-</u>	<u>456,792</u>	<u>-</u>	<u>295,675</u>	<u>1,358,917</u>

## 2018 Share Option Scheme

Grantee	Date of grant	Exercise Price HKD	As at	Number of share options			As at	
			1 January 2021	Granted	Exercised	Cancelled	Lapsed	31 December 2021
<b>Executive Directors</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	-	-	-	1,000,000	1,000,000
<b>Total</b>			<b>6,300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>5,300,000</b>

### Notes:

- For vesting period and exercise period of the options granted under the 2008 Share Option Scheme and the 2018 Share Option Scheme.
- The weighted average closing price of the shares immediately before various dates during 2021 on which the options were exercised was HKD19.25.

## 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 year ended 31 December 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 December 2021	Vesting period
<b>Executive Directors</b>								
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
<b>Others</b>								
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 employees and directors, were outstanding as at 31 December 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 31 December 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. The net proceeds raised from the issuance of Series A Preferred Shares of Best Assistant were also applied and fully utilized as intended.

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 90.28% to approximately 83.40%.

As at 31 December 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 31 December 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 WARRANTS 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 a result of the payment of the Company’s dividend and pursuant to the relevant warrant instrument, effective as of 28 February 2022, the subscription price of the relevant warrant instrument is adjusted from HKD21.1998 to HKD19.6698. The net proceeds raised from the issuance of Convertible and Exchangeable Bonds and warrants were also applied and fully utilized as intended.

As at 31 December 2021, no Convertible and Exchangeable Bonds were converted into ordinary shares of Best Assistants and no warrants were converted into shares of the Company.

## **USE OF PROCEEDS FROM TOP-UP PLACING AND SUBSCRIPTION**

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 places 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 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. On such basis, the net price of each Top-up Subscription Share is approximately HKD23.44.

As at 31 December 2021, all net proceeds from the Top-up Placing and Subscription, have been utilised as intended for funding the expansion of education business.



## **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 year ended 31 December 2021.

## **FINAL DIVIDEND**

At the Board meeting held on Tuesday, 29 March 2022, it was proposed that a final dividend of HKD0.40 per share for the year ended 31 December 2021, amounting to approximately RMB178,317,000 be paid on or before Friday, 8 July 2022 to the shareholders of the Company whose names appear on the Company's register of members at the close of business on Thursday, 9 June 2022. The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "2022 AGM") to be held on Thursday, 2 June 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) For determining the entitlement to attend and vote at the 2022 AGM**

The Company's register of members will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which time no transfer of shares will be registered. In order to ensure that the shareholders are entitled to attend and vote at the AGM, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 27 May 2022 for registration of the relevant transfer.

### **(b) For determining the entitlement to the proposed final dividend**

The Board has recommended the payment of a final dividend of HKD0.40 per share for the year ended 31 December 2021 to shareholders whose names appear on the register of members of the Company on Thursday, 9 June 2022 subject to the approval of the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 9 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, 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 for registration not later than 4:30 p.m. on Wednesday, 8 June 2022.

## **PUBLICATION OF FINAL RESULTS AND 2021 ANNUAL REPORT**

The final results announcement of the Company is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://ir.nd.com.cn>). The annual report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://ir.nd.com.cn>) in due course.

## **ANNUAL GENERAL MEETING**

The forthcoming AGM will be held on Thursday, 2 June 2022. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

## **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 year 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.

## **SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in the results announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the results announcement.

## **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 audited consolidated financial statements for the year ended 31 December 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 LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2021, the Company bought back a total of 12,967,500 shares on the Stock Exchange at an aggregate consideration of HKD238,755,418 before expenses. All such shares were subsequently cancelled in February 2022. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Details of the share buy-backs are as follows:

Month of purchase	Number of ordinary shares bought back	Price per share		Aggregate consideration paid HKD
		Highest HKD	Lowest HKD	
August 2021	332,500	17.14	16.56	5,628,360.50
September 2021	6,734,000	19.36	17.32	124,236,922.50
October 2021	850,000	18.56	17.28	15,233,030.00
November 2021	1,200,000	17.96	16.76	20,906,060.00
December 2021	3,851,000	20.45	17.56	72,751,045.00

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2021.

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

Hong Kong, 29 March 2022

*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.*