

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**SUPPLEMENTAL ANNOUNCEMENT  
CONNECTED TRANSACTION  
CAPITAL CONTRIBUTION AGREEMENT IN RESPECT OF  
THE TARGET COMPANY**

Reference is made to the announcement of NetDragon Websoft Holdings Limited (the “**Company**”) dated 29 April 2022 in relation to, among others, the proposed Capital Contribution to the Target Company (the “**Announcement**”). Unless otherwise defined, terms used herein shall have the same meanings as defined in the Announcement.

The Company would like to provide the shareholders and potential investors of the Company with the following supplemental information in relation to the Capital Contribution.

**BASIS OF CONSIDERATION**

Further to the information as provided under the paragraph headed “CONSIDERATION AND THE BASIS OF DETERMINATION OF THE CONSIDERATION” of the Announcement, the Board also considered the following factors in relation to the Capital Contribution:

**1. Target Company’s current operating and financial performance and future profitability**

The Target Company is principally engaged in the research and development of touch user interface (TUI) material and products, as well as provision of TUI solutions. It provides a wide range of innovative touch-screen devices and equipment from 7” display to 105” display for end-use applications of consumer electronic products, such as tablets, commercial and vehicle displays, electronic whiteboards, etc.

As compared to other traditional TUI products’ developers, the Target Company adopts an advanced metal mesh touch sensor technology in production of the TUI material and products and provides higher degree of flexibility and lower resistivity, along with higher optical transmission and higher touch sensitivity, which in turn provides a better user experience.

Besides, the Target Company has registered more than 150 international and domestic patent applications for inventions, utility models and designs. The Target Company's registered patents are all developed and designed by their own research and development team, which helped build a strong foundation of the Target Company's core business for its growth and future development.

Since the Target Company is still at its initial stage of development, it is believed that the Target Company will realize a rapid growth of its business with great potential for future development, taking into account the advanced metal mesh touch sensor technology that the Target Company possess, the strong intellectual properties foundation that the Target Company built in the past few years which are valuable intangible assets of the Target Company, as well as the growing market demands and trends in application of such technology.

Despite that the Target Company recorded a net loss for the years ended 31 December 2020 and 2021, to the best of the Directors' knowledge, information available and having made all reasonable enquiries, the loss was mainly due to research and development of TUI products and the expansion of production lines, as well as increased cost in expansion of sales network, which is common among start-up companies.

To illustrate the growth potential, the audited and unaudited operating revenue of the Target Company for the year ended 31 December 2020 and 2021 was approximately RMB142.7 million and RMB312.3 million, respectively, representing a significant year-on-year increase of approximately 118.7%.

## **2. Fair market valuation of comparable companies**

Since the Target Company is principally engaged in the research and development of touch user interface (TUI) material and products, as well as provision of TUI solutions, there is no substantial machinery or production equipment required for its business operation and is regarded as asset-light industry. Therefore, the net asset value is not considered to be an appropriate benchmark for the valuation of the Target Company as it fails to consider the earning ability of the Target Company and hence is unable to reflect the fair market value of the business.

As the Target Company recorded loss for the year ended 31 December 2021, price-to-earning ratio cannot be used and therefore a price-to-sales ratio was taken into account when determining the valuation. The Company referred to comparable industry peers of the Target Company which, similar to the background of the Target Company, are private companies with similar business model in the research and development of TUI products in the PRC and their price-to-sales ratio ranged from approximately 8 times to 12 times. Based on the Target Company's financial results for the year ended 31 December 2021, the implied price-to-sales ratio for the Capital Contribution was approximately 6 times, which is lower than those for the comparable industry peers of the Target Company. In view of the lower price-to-sales ratio and that the Target Company is at its development stage, the Directors consider the Capital Contribution as an attractive investment.

### 3. Synergy effect with existing business of the Group

It is believed that the technologies, research and development capabilities, and production capacity of the Target Company could further enhance the Group's technological competitiveness, which could be applied to, among others, the Group's education business to improve its development and sale of education-technology solutions with better quality of interactive displays and interactive boards for educational use. At the same time, the Company will also be able to merge and strengthen the marketing resources of the Target Company and introduce the Target Company's products to the Group's existing marketing network.

Based on the foregoing, the Board considers that the consideration for the Capital Contribution is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION OF THE TARGET COMPANY'S ULTIMATE CONTROLLERS

As disclosed in the Announcement, the Target Company is indirectly held as to approximately 61.53% by the family members of Mr. LIN Dongliang, a non-executive Director. As informed by Mr. LIN Dongliang, as at the date of the Announcement, the Target Company was ultimately controlled by Mr. LIN Xing (林行), as to 48.53% through five entities which are shareholders of the Target Company. Mr. LIN Xing (林行) is the son of Mr. LIN Dongliang and thus he is connected person of the Company.

In addition, as informed by Mr. LIN Dongliang, the Target Company is also owned as to:

1. 13.00% by Ms. Xing Li (行力) indirectly through an entity which is shareholder of the Target Company. Ms. Xing Li (行力) is the mother of Mr. LIN Xing (林行) (the controlling shareholder of the Target Company) and spouse of Mr. LIN Dongliang, a non-executive Director and thus she is connected person of the Company; and
2. 2.67% by Mr. Lin Sen (林森) held in his personal capacity as shareholder and through an entity which is shareholder of the Target Company. Mr. Lin Sen (林森) is the brother of Mr. LIN Dongliang and thus he is connected person of the Company.

Therefore, the Company wishes to clarify that when aggregated with the interest held by Mr. LIN Xing (林行), Ms. Xing Li (行力) and Mr. Lin Sen (林森) who are all considered as family members of Mr. LIN Dongliang, as well as Mr. LIN Dongliang's interest in the Target Company as set out above, the Target Company is indirectly held as to approximately 64.20% by Mr. LIN Dongliang and his family members.

Based on publicly available information, the remaining 35.80% equity interest of the Target Company is owned as to 12.25% by Yi Shi Teng Technology Co., Ltd.\* (易視騰科技股份有限公司), and 23.55% by seven existing shareholders of the Target Company and each of them holds less than 10% equity interest of the Target Company. Based on publicly available information, Yi Shi Teng Technology Co., Ltd.\* (易視騰科技股份有限公司) is a PRC limited liability company principally engaged in software and system platform development, digital home and set-top box operation, IoT equipment R&D and sales and its largest shareholder is Longshine Technology Co., Ltd. (朗新科技集團股份有限公司), an A-share listed Company on Shenzhen Stock Exchange (300682.SZ).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. LIN Xing (林行), Ms. Xing Li (行力), Mr. Lin Sen (林森), Mr. LIN Dongliang and their respective controlled entities in the Target Company which are connected persons of the Company, the other eight existing shareholders of the Target Company, the other Investors and their respective ultimate controllers are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

There is no change to the listing implications as disclosed in the Announcement and the entering into of the Capital Contribution Agreement by TQ Online with the Target Company and other Parties continues to constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, all other information as set out in the Announcement remain unchanged.

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

Hong Kong, 23 May 2022

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

\* *for identification purposes only*