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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 2023**

#### **BUSINESS REVIEW AND OUTLOOK**

In 2023, NetDragon Websoft Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) delivered results that reflect strong focus in execution and making the right investments in key strategic initiatives to drive sustainable growth. Our gaming business achieved revenue of RMB3.8 billion for the full year, an 9.6% increase YoY, a strong turnaround compared to the 5.8% YoY decrease in 2022 vs 2021. We are proud to have delivered revenue growth for our gaming business in 9 out of the past 10 years, with 2022 as the only exception due to Covid-related macro slowdown of the domestic economy. During this 10-year period, our gaming revenue increased by 3.9 times, almost all coming from our organic growth driven by our focus in delivering high quality games to our players. In 2023, all of our core IPs delivered strong performance as we put our emphasis with relentless focus on driving gamers’ engagement and spending with quality contents, driven by continuous innovation and investment in AI technologies to stay ahead of the market. While we continued to generate significant growth for our existing games during the year, we invested heavily in a robust pipeline that includes new games in a broad array of genres. We believe our track record, our R&D capabilities along with the depth and breadth of our players’ base will put our gaming business in a unique position to perform in 2024.

Turning to our education business, 2023 was a landmark year as we successfully completed the spin-off listing of our overseas education business in the U.S. in December. Not only will this spinoff unlock value for our shareholders, it will also pave the way for our newly-listed entity, Mynd.ai, to expand beyond our competencies in hardware and establish ourselves as a leader in integrated hardware and software in the classroom environment. As hardware sales returned to a normalized pre-pandemic level in 2023, we believe the higher penetration and deeper adoption of interactive flat panel displays driven by the pandemic provided a solid foundation for a more robust usage of software applications on our hardware. As the market leader, we believe Mynd.ai is exceptionally well positioned to capitalize on this opportunity that will redefine the education landscape.

We continued to make positive progress on the ESG front in 2023. In December, our ESG rating was upgraded to “BBB” by MSCI, the globally renowned index provider. This marked a significant upgrade from the previous rating and underscores the market’s recognition of our achievements in ESG.

We are also pleased to announce that the Board has approved our final dividend proposal of HKD0.40 per ordinary share. Including dividends declared during our interim earnings, total dividends for the year will amount to HKD1.80 per ordinary share.

## **Gaming Business**

Our gaming revenue, which represents 89.7% of gaming and application services revenue, achieved a record high RMB3.8 billion in 2023, a 9.6% YoY growth on the back of macro-economic post-Covid recovery and execution of our strategy that focuses on driving sustainable growth, a strategy that has paid off in the past 10 years as gaming revenue increased by over 3.9 times during this period. During the year, our focus includes systematically expanding our gaming contents towards an optimal combination of “content driven” and “numerical attributes driven” spending, as we see gamers increasingly paying for enhanced experience in our games with innovative, high quality contents that are constantly updated and expanded with seamless integration into the gameplay. We also continued to strengthen our operations capability in areas including marketing, user acquisition, user retention and publishing, resulting in optimization of the pool of our active players that on the one hand promotes fairness in gameplay and hence fun for all our players, and on the other hand increases loyalty of players that translate to higher spending for simply a higher quality gaming experience.

In 2023, our domestic and overseas gaming revenue increased by 10.5% and 4.5% YoY, respectively. Our overseas revenue, which represented 15.0% of our gaming revenue, continued to be resilient despite a negative 5.7% growth of the overall overseas revenue of Chinese gaming developers in 2023 as the overseas gaming sector saw reduced activities post-Covid as well as headwinds caused by the broad-based changes around user privacy policies. We also achieved revenue growth in both PC and mobile segments. Revenue from PC games amounted to RMB3.2 billion, accounting for 84.3% of total gaming revenue with an 11.1% YoY growth. Mobile game revenue reached RMB589 million, accounting for 15.7% of total gaming revenue and registering a 2.0% YoY growth.

Our *Eudemons* IP performed exceptionally well in 2023 with revenue of RMB3.4 billion, a YoY increase of 12.4%, highlighting the evergreen vitality of this flagship IP as we continued to consolidate our competitive advantage in the MMORPG space. In particular, our flagship PC game, *Eudemons Online*, achieved revenue of RMB2.9 billion, a 14.0% YoY increase on the back of our growth strategy that entails i) high frequency of new contents and new gameplay mechanics, ii) enhancing gamers’ overall experience by truly addressing the needs of all players to achieve a balanced ecosystem, and iii) stepping up our service level for our paying users. Our strategy resulted in not just revenue growth, but also higher engagement of our players as *Eudemons* IP saw 50.4% YoY increase in playing time per user on average during the year.

Our content strategy also paid off on the mobile end as the MAU of the “cross platform” version (ie. mobile platform) of *Eudemons Online* increased by 50.4% YoY, representing 36.2% of MAU on the PC platform, while at the same time nearly 20% of its average paying users are active players on the “cross platform” version. The strong engagement level of our players on both PC and mobile platforms, as well as the increasing dual-platform attribute (ie. PC and mobile) of *Eudemons Online*, opens the door to significantly more engagement and monetization opportunities. In 2023, revenue of our mobile games under the *Eudemons* IP increased by 4.6% YoY. In particular, our top flagship mobile game, *Eudemons pocket version* achieved a 6.0% YoY increase in gross billings, driven by optimization of our publishing strategy resulting in more effective and efficient user acquisition, in addition to continuous enhancement in gameplay experience.

Our Heroes *Evolved* IP continued to turn around its performance with games under the IP achieving a 5.8% revenue growth YoY. The popularity of the *Heroes Evolved* IP saw a significant increase during the year as we achieved a record-breaking level of live-streaming audience attending the *Heroes Evolved* e-sports competition events during the second half of the year. As live e-sports events resumed post-Covid in 2023, we expect to build on our success in e-sports to step up the promotion of the *Heroes Evolved* IP and drive player acquisition, leveraging an existing base of over 300 million of players having played the games under this IP since its launch.

We also achieved a significant expansion for our *Conquer* IP in 2023. The success of the “MMO+casual” gameplay within the *Conquer Online* game resulted in the initiation of development of a new game (*Code-Alpha*) using this proven game play which is expected to be launched in 2024. We also started to create an ecosystem of online-to-offline competition to bring players’ engagement to a new level.

During the year, we made remarkable progress in the application of generative AI (aka. AIGC) to create value for different parts of our gaming business. We saw the utilization of AI for our art production tasks increased from 14% in Q1 to 58% in Q4 2023, while man-hour savings driven by AI increased by 300% as we increasingly benefited from training of AI large language model that resulted in efficient production of high-quality contents. With AIGC, we are able to deliver much more frequent content updates that serve to increase retention of players and drive monetization. In addition, we also strategically position our investment in AIGC in areas that complement our competitive strength. During the year, we achieved strong progress in developing the “AI Companion” technology in MOBA games, including significantly increasing the retention rate of players who played with AI companions based on our testing data. We are also progressing with R&D work in NPC (non-playing characters) that could be integrated in our new open-world MMORPG in the future.

Going forward, we expect to continue to drive revenue and profits growth for our gaming business with a two-pronged approach – growing revenue for our existing games and investing in a robust pipeline of new games with a diversified array of genres, including social casual, idle card, top-down shooter, MOBA, MMORPG and ACGN games. We will also expand our geographical markets in 2024, and expect to enter or expand our presence in markets such as Japan, the Middle East and Indonesia.

## Mynd.ai

In December 2023, we successfully completed the spin-off listing of our overseas education business via a merger of the business with NYSE-listed Gravitas Education Holdings Inc. (“GEHI”) at a valuation of USD800 million for the merged entity, which was renamed to Mynd.ai, Inc. Prior to the closing of the merger, GEHI divested all of its existing businesses, with the exception of its Singapore education business (which represented approximately 8% of Mynd.ai’s proforma revenue in 2023). NetDragon continues to consolidate the 2023 financial statements of Mynd.ai in its financials, as it holds 74.4% of the issued share capital of Mynd.ai as of 31 December 2023.

Revenue of Mynd.ai in 2023 was RMB2.9 billion, compared to RMB3.9 billion in the prior year. The decline in revenue is reflective of a return to a normalized operating environment following significant disruptions as a result of the Covid-19 pandemic. As it specifically relates to the education technology market, government-funded Covid relief programs across the world caused significant increases in customer demand (due to availability of funds) in both 2021 and 2022. These programs had mostly concluded by 2023. Mynd.ai’s revenue in 2023 represents a continued upward trend in revenue when compared to 2020 and prior years (pre-Covid).

Other 2023 financial highlights of Mynd.ai include:

- Gross Margin improved 1.3 percentage points versus 2022 to 25%, due to lower materials and freight costs, as well as exchange rate impact
- Cash flow from operations improvement of RMB23 million compared to 2022
- Cash balance at year end was RMB650 million compared to RMB203 million at year end 2022
- Core segmental loss of RMB93 million compared to profit of RMB30 million in 2022, primarily driven by lower sales volumes due to the market normalization as explained above

The Promethean brand under Mynd.ai continued to maintain its market leadership position. During 2023, Promethean captured 17.4% of the K-12 Interactive Flat Panel Displays volume market share globally ex-China. In Q4 2023 alone, Promethean was able to capture 21.1% of the global ex-China market share and continued to be the market leading brand in the United States, United Kingdom and Ireland, and Germany.

Promethean’s market leadership in the global K-12 market puts the company in position to continue to grow both its hardware and software business. In addition to driving the growth of its hardware business, Promethean recently launched its integrated SaaS offering, Explain Everything Advanced, to tap into the subscription-based software revenue opportunity, leveraging our global go-to-market channel. Over the course of 2024, Mynd.ai plans to continue to drive the evolution and growth of the software business, with enhancements to the core offerings and empowering its sales team to drive engagement with customers. Mynd.ai will also continue to invest in R&D to maintain its leadership both at the high-end of the market and foster deeper penetration of the broader, lower-cost market.

We believe Mynd.ai is exceptionally well positioned to win market share with the following differentiation:

- Huge installed base of existing Promethean users as the market leader, which is conducive for replacement sales and SaaS software sales
- Unparalleled focus in education with a deep understanding of the needs of schools
- Unique ability to understand and meet the needs of schools/teachers in different use cases with professional training by our inhouse team of education consultants
- Comprehensive support structure post-sales to ensure seamless integration into teachers' workflow
- Well-established global network of over 4,000 distributors/resellers built over 20 years with deep understanding of the value of Promethean panels
- Promethean's market reputation and its long history as the market leading brand lead to confidence that we can be a long-term technology partner

The spinoff listing of Mynd.ai has set the stage for the company to expand beyond hardware and integrate software applications into the offering to bring teaching and learning experience to a new level.

Looking forward, the catalysts for success for Mynd.ai will include continued growth of our hardware revenue, investing in the development of our software applications to scale SaaS revenue and expanding market leadership in both hardware and software space.

## Fiscal Year 2023 Financial Highlights

- Revenue was RMB7.1 billion, representing a 9.7% decrease YoY.
- Revenue from gaming and application services was RMB4.2 billion, representing 59.0% of the Company's total revenue and a 6.6% increase YoY.
- Revenue from Mynd.ai was RMB2.9 billion, representing 41.0% of the Company's total revenue and a 25.7% decrease YoY.
- Gross profit was RMB4.4 billion, representing an 1.9% increase YoY.
- Core segmental profit<sup>1</sup> from the gaming and application services was RMB1.4 billion, representing a 12.9% increase YoY.
- Core segmental loss<sup>1</sup> from Mynd.ai was RMB93 million for FY2023 compared to profit of RMB30 million for FY2022.
- EBITDA was RMB1.3 billion, representing an 8.7% decrease YoY.
- Operating profit was RMB821 million, representing a 28.6% decrease YoY.
- Non-GAAP operating profit<sup>2</sup> was RMB1.1 billion, representing a 12.7% decrease YoY.
- Profit attributable to owners of the Company was RMB550 million, representing a 34.1% decrease YoY.
- Non-GAAP profit attributable to owners of the Company<sup>2</sup> was RMB1.0 billion, representing a 24.9% decrease YoY.
- Operating cashflow was RMB1.1 billion, representing a 4.2% increase YoY.
- The Company declared a final dividend of HKD0.40 per ordinary share (2022: HKD0.40 per ordinary share), subject to approval at the coming annual general meeting.

## Segmental Financial Highlights

(RMB million)	FY2023		FY2022		Variance	
	Gaming and application services	Mynd.ai	Gaming and application services (restated)	Mynd.ai (restated)	Gaming and application services (restated)	Mynd.ai (restated)
Revenue	<b>4,189</b>	<b>2,910</b>	3,931	3,919	6.6%	-25.7%
Gross profit	<b>3,708</b>	<b>728</b>	3,375	927	9.9%	-21.5%
Gross margin	<b>88.5%</b>	<b>25.0%</b>	85.9%	23.7%	2.6%	1.3%
Core segmental profit (loss) <sup>1</sup>	<b>1,399</b>	<b>(93)</b>	1,239	30	12.9%	N/A
Segmental operating expenses <sup>3</sup>						
– Research and development	<b>(1,186)</b>	<b>(196)</b>	(1,019)	(204)	16.4%	-3.9%
– Selling and marketing	<b>(463)</b>	<b>(327)</b>	(514)	(419)	-9.9%	-22.0%
– Administrative	<b>(649)</b>	<b>(267)</b>	(618)	(263)	5.0%	1.5%

*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, intercompany finance costs, impairment loss (net of reversal), impairment loss and write off of intangible assets and inventories, fair value change and exchange difference on financial assets at fair value through profit or loss (“FVTPL”), fair value change and exchange difference on derivative financial instruments, interest expense, exchange loss and redemption loss on convertible and exchangeable bonds and redundancy payment.

*Note 2:* To supplement the consolidated results of the Company prepared in accordance with HKFRSs, the use of non-GAAP measures is provided solely to enhance the overall understanding of the Company’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 Company exclude share-based payments expense, amortisation of intangible assets arising on acquisitions of subsidiaries, impairment loss and write off of intangible assets and inventories, fair value change on financial assets at FVTPL, fair value change on derivative financial instruments, finance costs, interest income on pledged bank deposits, redemption loss of convertible and exchangeable bonds, reversal of impairment loss of intangible assets and exchange difference on financial assets at FVTPL, convertible and exchangeable bonds and derivative financial instruments.

*Note 3:* Segmental operating expenses exclude unallocated expenses/income such as 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 2023 together with the comparative figures in 2022 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>NOTES</i>	<b>2023</b> <i>RMB million</i>	<b>2022</b> <i>RMB million</i>
Revenue	4	<b>7,101</b>	7,866
Cost of revenue		<b>(2,703)</b>	(3,551)
Gross profit		<b>4,398</b>	4,315
Other income and gains		<b>264</b>	223
Impairment loss under expected credit loss model, net of reversal		<b>(3)</b>	(14)
Selling and marketing expenses		<b>(807)</b>	(945)
Administrative expenses		<b>(1,199)</b>	(975)
Research and development costs		<b>(1,382)</b>	(1,224)
Other expenses and losses		<b>(446)</b>	(213)
Share of results of associates and joint ventures		<b>(4)</b>	(17)
Operating profit		<b>821</b>	1,150
Exchange loss on financial assets at fair value through profit or loss, convertible and exchangeable bonds, convertible note and derivative financial instruments		<b>(21)</b>	(73)
Fair value change on financial assets at fair value through profit or loss		<b>75</b>	(33)
Fair value change on derivative financial instruments		<b>28</b>	15
Finance costs		<b>(268)</b>	(219)
Profit before taxation		<b>635</b>	840
Taxation	5	<b>(188)</b>	(76)
Profit for the year		<b>447</b>	764



	<b>2023</b>	2022
<i>NOTE</i>	<b><i>RMB million</i></b>	<i>RMB million</i>
Other comprehensive income (expense) 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>43</b>	47
Item that will not be reclassified to profit or loss:		
Fair value change on equity instruments at fair value through other comprehensive income	<u>(22)</u>	<u>(2)</u>
Other comprehensive income for the year	<u>21</u>	45
Total comprehensive income for the year	<u><b>468</b></u>	<u>809</u>
Profit (loss) for the year attributable to:		
– Owners of the Company	<b>550</b>	834
– Non-controlling interests	<u>(103)</u>	<u>(70)</u>
	<u><b>447</b></u>	<u>764</u>
Total comprehensive income (expense) for the year attributable to:		
– Owners of the Company	<b>570</b>	879
– Non-controlling interests	<u>(102)</u>	<u>(70)</u>
	<u><b>468</b></u>	<u>809</u>
	<b><i>RMB cents</i></b>	<i>RMB cents</i>
<b>Earnings per share</b>	7	
– Basic	<b>103.00</b>	154.15
– Diluted	<u><b>103.00</b></u>	<u>154.14</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2023**

	<b>2023</b>	<b>2022</b>
<i>NOTE</i>	<i>RMB million</i>	<i>RMB million</i>
<b>Non-current assets</b>		
Property, plant and equipment	2,422	1,936
Right-of-use assets	380	380
Investment properties	60	59
Goodwill	325	287
Intangible assets	868	739
Interests in associates and joint ventures	43	34
Equity instruments at fair value through other comprehensive income	45	56
Financial assets at fair value through profit or loss	453	404
Loan receivables	12	8
Other receivables, prepayments and deposits	351	94
Deferred tax assets	433	347
	<u>5,392</u>	<u>4,344</u>
<b>Current assets</b>		
Properties under development	70	343
Properties for sale	280	303
Inventories	405	807
Financial assets at fair value through profit or loss	38	84
Loan receivables	79	4
Trade receivables	8	702
Other receivables, prepayments and deposits	485	549
Amounts due from joint ventures	7	5
Tax recoverable	39	29
Pledged bank deposits	315	1
Bank deposits with original maturity over three months	329	207
Cash and cash equivalents	2,241	3,701
	<u>4,990</u>	<u>6,687</u>

		2023	2022
	<i>NOTES</i>	<i>RMB million</i>	<i>RMB million</i>
<b>Current liabilities</b>			
Trade and other payables	9	1,518	1,513
Contract liabilities		491	406
Lease liabilities		76	67
Provisions		127	94
Derivative financial instruments		107	31
Bank borrowings	10	1,033	737
Convertible and exchangeable bonds		3	16
Convertible note		1	–
Tax payable		80	100
		<u>3,436</u>	<u>2,964</u>
<b>Net current assets</b>		<u>1,554</u>	<u>3,723</u>
<b>Total assets less current liabilities</b>		<u>6,946</u>	<u>8,067</u>
<b>Non-current liabilities</b>			
Other payables	9	37	19
Lease liabilities		45	50
Bank borrowings	10	1	2
Convertible and exchangeable bonds		253	1,317
Convertible note		356	–
Convertible preferred shares		–	–
Deferred tax liabilities		80	80
		<u>772</u>	<u>1,468</u>
<b>Net assets</b>		<u><u>6,174</u></u>	<u><u>6,599</u></u>
<b>Capital and reserves</b>			
Share capital		39	40
Share premium and reserves		5,856	6,859
Equity attributable to owners of the Company		5,895	6,899
Non-controlling interests		279	(300)
		<u><u>6,174</u></u>	<u><u>6,599</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,115</b>	1,070
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(278)	(165)
Purchase of intangible assets	(344)	(129)
Placement of bank deposits with original maturity over three months	(622)	(275)
Withdrawal of bank deposits with original maturity over three months	500	702
Deposits made for acquisition of property, plant and equipment	–	(4)
Investments in an associate and joint ventures	(14)	(1)
Advance to a joint venture	(2)	(2)
Cash inflow (outflow) on acquisition of operation through business combination	28	(34)
Net cash outflow on disposal of a subsidiary	–	(3)
Placement of pledged bank deposits	(313)	–
Withdrawal of pledged bank deposits	–	8
Interest received	62	44
Repayment of loan receivables	1	19
Proceeds from disposal of property, plant and equipment	2	2
Proceeds from disposal of intangible assets	234	–
Purchase of financial assets at fair value through profit or loss	(11,199)	(11,767)
Proceeds from disposal of financial assets at fair value through profit or loss	11,171	11,549
Purchase of equity instruments at fair value through other comprehensive income	(10)	(50)
Advance of loan receivables	(130)	–
Net cash outflow on deregistration of a subsidiary	(1)	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(915)</b>	(106)

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>1,150</b>	878
Proceeds from shares issued upon exercise of share options	<b>5</b>	–
Redemption of convertible and exchangeable bonds	<b>(903)</b>	–
Repayment of bank borrowings	<b>(861)</b>	(537)
Dividends paid	<b>(877)</b>	(1,225)
Repayment of lease liabilities	<b>(76)</b>	(69)
Payment for repurchase and cancellation of shares	<b>(134)</b>	(68)
Acquisitions of additional equity interests from non-controlling interests	–	(10)
Contribution from non-controlling interests of a subsidiary	<b>1</b>	12
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,695)</b>	(1,019)
	<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,495)</b>	(55)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>3,701</b>	3,717
	<hr/>	<hr/>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>35</b>	39
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>2,241</b>	3,701
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

## 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 controlling shareholders are Messrs. Liu Dejian and Liu Luyuan. 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) gaming and application services, (ii) Mynd.ai business and (iii) property development business.

Mynd.ai, Inc. (“Mynd”), whose shares are listed on The American Stock Exchange, became an indirect non-wholly owned subsidiary of the Company upon completion of a series of transactions during the year. Mynd operates the Group’s overseas education business, which is known as the “Mynd.ai 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 NEW AND AMENDMENTS TO HKFRSs

### *New and amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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.

### ***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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</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	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

Except for the Amendments to HKAS 1 which affects classification of liabilities as current and non-current, 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 SEGMENT INFORMATION**

##### **Types of goods and services**

	<b>For the year ended 31 December 2023</b>			
	<b>Gaming and application services</b>	<b>Mynd.ai</b>	<b>Property development</b>	<b>Total</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
Revenue from sales of pre-paid game cards for online and mobile games	<b>3,759</b>	<b>–</b>	<b>–</b>	<b>3,759</b>
Sales of education equipment and related goods	<b>199</b>	<b>2,837</b>	<b>–</b>	<b>3,036</b>
Revenue from educational services	<b>150</b>	<b>73</b>	<b>–</b>	<b>223</b>
Revenue from provision of mobile solution, products and marketing services	<b>81</b>	<b>–</b>	<b>–</b>	<b>81</b>
Revenue from property development	<b>–</b>	<b>–</b>	<b>2</b>	<b>2</b>
	<b>4,189</b>	<b>2,910</b>	<b>2</b>	<b>7,101</b>

For the year ended 31 December 2022

	Gaming and application services <i>RMB million</i> (Restated)	Mynd.ai <i>RMB million</i> (Restated)	Property development <i>RMB million</i>	Total <i>RMB million</i>
Revenue from sales of pre-paid game cards for online and mobile games	3,430	–	–	3,430
Sales of education equipment and related goods	292	3,907	–	4,199
Revenue from educational services	125	12	–	137
Revenue from provision of mobile solution, products and marketing services	84	–	–	84
Revenue from property development	–	–	16	16
	<u>3,931</u>	<u>3,919</u>	<u>16</u>	<u>7,866</u>

### Segment information

Information reported to the Group’s chief operating decision makers (“CODM”), being the directors of the Company, for the purposes of resource allocation and assessment of segment performance, was based on the geographical locations of the customers. In the current year, the Group reorganised its internal reporting structure, which resulted in changes to the composition of its operating and reportable segments.

Specifically, the Group’s reportable segments under HKFRS 8 “Operating Segments” in the current year are as follows:

- Gaming and application services: Internet and technology-enabled services, including gaming and software and related or ancillary services;
- Mynd.ai: Overseas education business; and
- Property development.



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

	<b>For the year ended 31 December 2023</b>			
	<b>Gaming and application services</b>	<b>Mynd.ai</b>	<b>Property development</b>	<b>Total</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Segment revenue	<u>4,189</u>	<u>2,910</u>	<u>2</u>	<u>7,101</u>
Segment profit (loss)	<u>1,103</u>	<u>(315)</u>	<u>(59)</u>	<u>729</u>
Unallocated other income and gains				124
Unallocated corporate expenses and losses				<u>(218)</u>
Profit before taxation				<u>635</u>

	<b>For the year ended 31 December 2022</b>			
	<b>Gaming and application services</b>	<b>Mynd.ai</b>	<b>Property development</b>	<b>Total</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Segment revenue	<u>3,931</u>	<u>3,919</u>	<u>16</u>	<u>7,866</u>
Segment profit (loss)	<u>919</u>	<u>(16)</u>	<u>(7)</u>	896
Unallocated other income and gains				35
Unallocated corporate expenses and losses				<u>(91)</u>
Profit before taxation				<u>840</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>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Gaming and application services	5,555	6,861
Mynd.ai	3,052	2,679
Property development	<u>725</u>	<u>704</u>
Total segment assets	9,332	10,244
Unallocated	<u>1,050</u>	<u>787</u>
	<b><u>10,382</u></b>	<b><u>11,031</u></b>

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

## 5. TAXATION

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
The tax charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	<u>47</u>	<u>55</u>
PRC Enterprise Income Tax		
– Current year	217	225
– (Over) under provision in prior years	<u>(3)</u>	<u>3</u>
	<u>214</u>	<u>228</u>
Taxation in other jurisdictions		
– Current year	4	6
– Under provision in prior years	<u>6</u>	<u>–</u>
	<u>10</u>	<u>6</u>
Deferred taxation		
– Current year	(83)	(26)
– Net recognition of unused tax losses in prior years	<u>–</u>	<u>(187)</u>
	<u>(83)</u>	<u>(213)</u>
	<b><u>188</u></b>	<b><u>76</u></b>

## 6. DIVIDENDS

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Dividends recognised as distribution during the year:		
2022 Final – Hong Kong dollar (“HKD”) 0.40 (2022: 2021 Final – HKD0.40) per share	<b>191</b>	177
2023 Second special interim – distribution in specie (2022: Nil)	<b>66</b>	–
2023 Special interim – HKD1.0 (2022: 2021 Special interim – HKD1.43 and 2022 Special interim – HKD0.50) per share	<b>490</b>	863
2023 Interim – HKD0.40 (2022: 2022 Interim – HKD0.40) per share	<b>196</b>	185
	<b>943</b>	1,225

The 2023 final dividend of HKD0.40 (2022: HKD0.40) per share which has been proposed by the directors in the board meeting on 27 March 2024 and is subject to approval by the shareholders in the forthcoming annual general meeting, amounted to approximately RMB193 million (2022: RMB193 million).

## 7. 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>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the year attributable to the owners of the Company	<b>550</b>	834
	<b>Number of shares</b>	
	<b>2023</b>	2022
	<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>534,135</b>	540,694
Effect of dilutive potential shares from the Company’s share option scheme	–	27
Weighted average 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>534,135</b>	540,721

## 8. TRADE RECEIVABLES

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Trade receivables	743	690
Less: Allowance of credit losses	<u>(41)</u>	<u>(36)</u>
	<b><u>702</u></b>	<b><u>654</u></b>

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB832 million.

The Group generally allows a credit period ranging from 30 days to 60 days to its distribution and payment channels/trade customers.

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

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Trade debtors		
0 – 30 days	375	334
31 – 60 days	135	183
61 – 90 days	87	66
Over 90 days	<u>105</u>	<u>71</u>
	<b><u>702</u></b>	<b><u>654</u></b>

## 9. TRADE AND OTHER PAYABLES

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Trade payables	499	680
Accrued staff costs	361	358
Government grants	14	20
Other tax payables	45	34
Payables for purchase of property, plant and equipment	194	128
Consideration payables	19	29
Accrued expenses	56	65
Dividend payable	66	–
Others	<u>301</u>	<u>218</u>
	<b><u>1,555</u></b>	<b><u>1,532</u></b>
Analysed for financial reporting purpose:		
Current	1,518	1,513
Non-current	<u>37</u>	<u>19</u>
	<b><u>1,555</u></b>	<b><u>1,532</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>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
0 – 90 days	223	301
91 – 180 days	216	300
181 – 365 days	31	24
Over 365 days	29	55
	<u>499</u>	<u>680</u>

## 10. BANK BORROWINGS

The carrying amounts of the bank borrowings are repayable based on scheduled repayment dates as follows:

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Within one year	1,033	737
Within a period of more than one year but not exceeding two years	1	1
Within a period of more than two years but within five years	–	1
	<u>1,034</u>	739
Less: Amounts due within one year shown under current liabilities	<u>(1,033)</u>	<u>(737)</u>
Amounts shown under non-current liabilities	<u>1</u>	<u>2</u>

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

	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Variable-rate borrowings	272	376
Fixed-rate borrowings	762	363
	<u>1,034</u>	<u>739</u>
Secured	1,032	736
Unsecured	2	3
	<u>1,034</u>	<u>739</u>

As at 31 December 2023, the borrowings were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries (2022: pledge of certain properties and right-of-use assets of the Group, personal guarantee provided by a director of the Company, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries).

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2023, the Group had pledged bank deposits, bank deposits with original maturity over three months and cash and cash equivalents of approximately RMB2,885 million (31 December 2022: RMB3,909 million). The gearing ratio (consolidated bank borrowings/consolidated total equity) was 0.17 (31 December 2022: 0.11). As at 31 December 2023, total bank borrowings of the Group amounted to approximately RMB1,034 million (31 December 2022: RMB739 million) which included variable-rate loan of RMB272 million (31 December 2022: RMB376 million) and fixed-rate loan of RMB762 million (31 December 2022: RMB363 million). The bank borrowings of RMB1,032 million (31 December 2022: RMB736 million) were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group, corporate guarantee provided by the Company and its subsidiaries, the remaining bank borrowings of RMB2 million (31 December 2022: RMB3 million) were unsecured.

As at 31 December 2023, the Group had net current assets of approximately RMB1,554 million as compared with approximately RMB3,723 million as at 31 December 2022.

## 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>2023</b>	At 30 June 2023	At 31 December 2022
Research and development	<b>3,021</b>	3,068	2,960
Selling and marketing	<b>817</b>	916	961
Accounting, finance and general administration	<b>1,072</b>	981	952
Production	<b>245</b>	242	262
Total	<b><u>5,155</u></b>	<b><u>5,207</u></b>	<b><u>5,135</u></b>

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

As at 31 December 2023, 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 C3 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	216,384,938 (L)	40.73%
Leung Lim Kin, Simon (Note 3)	The Company	Beneficial owner	5,779,040 (L)	1.09%
Liu Luyuan (Note 2)	The Company	Beneficial owner and beneficiary of certain trust	216,384,938 (L)	40.73%
Liu Luyuan	NetDragon (Fujian)	Beneficial owner	RMB21,311,000 (L)	0.07%
Chen Hongzhan (Note 4)	The Company	Beneficial owner and beneficiary of certain trust	11,197,019 (L)	2.11%
Lee Kwan Hung, Eddie (Note 5)	The Company	Beneficial owner	583,019 (L)	0.11%
Liu Sai Keung, Thomas (Note 6)	The Company	Beneficial owner	500,019 (L)	0.09%
Li Sing Chung, Matthias (Note 7)	The Company	Beneficial owner	2,000 (L)	0.0004%

*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 35.97% of the issued voting shares of the Company (the “**Share(s)**”). Liu Dejian is also interested in 0.39% of the Shares 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 4.37% of the Shares which is represented by interest held as a beneficiary of certain trust holding in aggregate 21,541,819 Shares, and the rest being beneficial interest of 1,684,000 Shares.

Pursuant to the concert party agreement between Liu Dejian and Liu Luyuan, Liu Dejian and Liu Luyuan are deemed to be interested in 40.73% of the Shares 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 and their respective shares held as beneficial owner in each of their personal capacities.

3. Leung Lim Kin, Simon is interested in 1.09% of the Shares which is represented by beneficial interest of 1,779,040 Shares and the rest being the underlying shares of interest of 4,000,000 share options granted by the Company.
4. Chen Hongzhan is interested in 2.11% of the Shares 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.
5. Lee Kwan Hung, Eddie is interested in 0.11% of the Shares which is represented by personal interest of 383,019 Shares and the rest being underlying shares of interest of 200,000 share options granted by the Company.
6. Liu Sai Keung, Thomas is interested in 0.09% of the Shares which is represented by personal interest of 300,019 Shares and the rest being underlying shares of interest of 200,000 share options granted by the Company.
7. Li Sing Chung, Matthias is interested in 0.0004% of the Shares which is represented by personal interest of 2,000 Shares.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2023, 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 2023, 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 5% 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 <i>(Note 1)</i>	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100 (L)	35.97%
IDG Group <i>(Note 2)</i>	The Company	Beneficial owner	44,533,320 (L)	8.38%
Ho Chi Sing <i>(Note 2)</i>	The Company	Through controlled corporations	44,533,320 (L)	8.38%
Zhou Quan <i>(Note 2)</i>	The Company	Through controlled corporations	42,116,935 (L)	7.93%
Zheng Hui (deceased) <i>(Note 3)</i>	The Company	Beneficial owner and through controlled corporations	34,437,519(L)	6.48%

*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 2.05%, 4.88%, 1.00% and 0.45% 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.
3. Reference is made to the announcement of the Company dated 9 June 2023 in relation to the passing away of Zheng Hui, a former executive Director.

Zheng Hui (deceased) was interested in 100.00% of the issued share capital of Fitter Property Inc., which in turn was interested in 3.58% of the Shares. Zheng Hui was interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn was interested in 2.62% of the Shares. Zheng Hui was also interested in 0.28% of the issued Shares which was represented by beneficial interest of 1,497,000 Shares. Zheng Hui’s interests are now undergoing probate.

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 5% 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 2023.

## 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 2023 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 2023	Granted	Exercised	Cancelled	Lapsed	31 December 2023
<b>Independent non-executive Directors</b>								
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	16.01.2013	11.164	48,500	-	45,400	-	3,100	-
	04.12.2013	15.72	238,500	-	-	-	238,500	-
	31.03.2017	23.65	100,000	-	-	-	-	100,000
<b>Total</b>			<u>1,223,000</u>	<u>-</u>	<u>363,400</u>	<u>-</u>	<u>559,600</u>	<u>300,000</u>

## 2018 Share Option Scheme

Grantee	Date of grant	Exercise Price HKD	As at	Number of share options			As at	
			1 January 2023	Granted	Exercised	Cancelled	Lapsed	31 December 2023
<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>								
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	1,100,000	-	-	-	-	1,100,000
<b>Total</b>			<u>5,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,300,000</u>

### Notes:

- For vesting period and exercise period of the options granted under the 2008 Share Option Scheme and the 2018 Share Option Scheme, please refer to note 38 of the Notes to the Condensed Consolidated Financial Statements.
- The weighted average closing price of the shares immediately before various dates during 2023 on which the options were exercised was HKD16.51.

As at 31 December 2023, no options were granted under the 2018 Share Option Scheme. 47,041,969 Options are available for grant under 2018 Share Option Scheme at the beginning and the end of the period ended 31 December 2023.

## SHARE AWARD SCHEME

### The Company

The Board approved and adopted the share award scheme (the “**NetDragon Share Award Scheme**”) on 2 September 2008 to recognise the contributions of certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group 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 10 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 2023 are as follows:

Grantee	Date of grant	Average price per share (HKD) (Note)	Outstanding at 1 January 2023	Granted during period	Awards vested during period	Forfeited during period	Outstanding at 31 December 2023	Vesting period
<b>Executive Directors</b>								
Leung Lim Kin,	27 July 2023	18.96	-	240,000	240,000	-	-	27 July 2023
Simon	27 October 2023	18.96	-	120,000	120,000	-	-	27 October 2023
			-	360,000	360,000	-	-	
			-	360,000	360,000	-	-	

*Notes:*

1. These shares were purchased by the Trustee of the Share Award Scheme at an average price of HKD18.96 per share.
2. In 2023, the weighted average closing price of the shares immediately before the date of grant of the awarded shares was HKD14.41.

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”)**

Best Assistant approved and adopted the share award scheme (the “**Best Assistant Share Award Scheme**”) on 7 August 2012 and it was amended by the resolution passed on 5 August 2022 to extend a period of 10 years, 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.

Subject to early termination, the Best Assistant Share Award Scheme shall be valid and effective for a term of ten years commencing on 5 August 2022. 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 is also entitled to waive any vesting conditions. 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.

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 2023, all awarded shares (164,546,057 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 (“**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 USD52.5 million (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.

Following the BA Repurchase (as defined below) on 12 December 2023, all Series A Preferred Shares were repurchased by Best Assistant.

## **ACQUISITION OF EDMODO, LLC. 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, LLC (“**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 USD137.5 million, 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 million and (ii) the issue of 112,560,245 Best Assistant Series B Preferred Shares.

Following the BA Repurchase (as defined below) on 12 December 2023, all Series B Preferred Shares were repurchased by 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, the subscription price of the relevant warrant instrument is adjusted from HKD21.1998 to HKD19.6698 on 28 February 2022, and further adjusted to HKD18.8698 on 31 October 2022. The net proceeds raised from the issuance of Convertible and Exchangeable Bonds and warrants were also applied and fully utilized as intended.

On 18 April 2023, parties to the Purchase Agreement and certain other subsidiaries of the Company entered into a deed of amendment, conditional waiver and redemption in relation to the Convertible and Exchangeable Bonds, pursuant to which Best Assistant redeemed USD125 million of the principal amount of the Convertible and Exchangeable Bonds on 12 December 2023. The remaining USD25 million of the principal amount of the Convertible and Exchangeable Bonds remain outstanding.

As at 31 December 2023, no Convertible and Exchangeable Bonds were converted into ordinary shares of Best Assistant and no warrants were converted into shares of the Company.

## **MAJOR TRANSACTION IN RELATION TO THE MERGER, MAJOR DISPOSAL AND SPIN-OFF OF ELMTREE, AND DISTRIBUTION IN SPECIE**

### **Merger and Proposed Spin-off**

On 18 April 2023 (after trading hours), the Company, Best Assistant, Mynd.ai, Bright Sunlight Limited (“**Bright Sunlight**”) (a direct wholly-owned subsidiary of Mynd.ai) entered into an agreement and plan of merger (the “**Merger Agreement**”).



The transactions contemplated under the Merger Agreement involve, among other things: (i) the incorporation of eLMTree as a wholly-owned subsidiary of Best Assistant and Best Assistant transferring the education business of the Company outside of the PRC (comprising the businesses operated by Prometheus, Edmodo, Eternity (Thailand) Co., Ltd. and Sky Knight Investments Limited) to eLMTree; (ii) (a) all shares reserved by Best Assistant under the Best Assistant Share Award Scheme being granted, (b) certain inter-company loans from the Company or NetDragon BVI, on the one hand, to Best Assistant or any subsidiary thereof, on the other hand, being cancelled in exchange for the issuance of certain ordinary shares of Best Assistant to NetDragon BVI, and (c) interests in Best Assistant held by all existing shareholders of Best Assistant (except for one ordinary share of Best Assistant held by NetDragon BVI) being repurchased in exchange for ordinary shares of eLMTree (the “**BA Repurchase**”) or otherwise being procured that such shares of the Company are exchanged for newly-issued ordinary shares of eLMTree in any other manner permitted by applicable law; and (iii) Bright Sunlight merging with and into eLMTree with eLMTree surviving after the merger (the “**Merger**”).

The transactions contemplated under the Merger Agreement were approved by the shareholders at the extraordinary general meeting held on 14 July 2023. The closing of the Merger (the “**Closing**”) has taken place and the Merger has become effective on 13 December 2023. Upon the Closing, eLMTree has become a direct wholly owned subsidiary of Mynd.ai, a company listed on the NYSE American and the financial results of Mynd.ai and its subsidiaries (including eLMTree) will be consolidated into the consolidated financial statements of the Company.

### **Distribution in Specie**

To give due regard to the interests of the shareholders of the Company, upon the Closing, the Directors passed a resolution to declare a special dividend to shareholders by way of a distribution in specie (the “**Distribution in Specie**”) of 676,681 American depositary shares represented by ordinary shares of Mynd.ai held by the Company (indirectly through NetDragon BVI) after Closing (or cash alternative), in proportion to their respective shareholdings in the Company.

The distribution completed on 15 February 2024. The Company has paid an aggregate of approximately HKD71.7 million to shareholders in respect of the cash payments for the Distribution in Specie.

### **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 C3 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 C3 to the Listing Rules and the code of conduct of the Company regarding securities transactions by the Directors for the year ended 31 December 2023.

## **FINAL DIVIDEND**

At the Board meeting held on Wednesday, 27 March 2024, it was proposed that a final dividend of HKD0.40 per share for the year ended 31 December 2023, amounting to approximately RMB193 million be paid on or before Friday, 26 July 2024 to the shareholders of the Company whose names appear on the Company's register of members at the close of business on Friday, 14 June 2024. The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "2024 AGM") to be held on Thursday, 6 June 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) For determining the entitlement to attend and vote at the 2024 AGM**

The Company's register of members will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Friday, 31 May 2024 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 2023 to shareholders whose names appear on the register of members of the Company on Friday, 14 June 2024 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 Friday, 14 June 2024 to Monday, 17 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 June 2024.

## **PUBLICATION OF FINAL RESULTS AND 2023 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 2024 AGM will be held on Thursday, 6 June 2024. A notice convening the 2024 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 C1 to the Listing Rules.

## **SCOPE OF WORK OF MESSRS. 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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 27 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary 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 Li Sing Chung Matthias, Lee Kwan Hung, Eddie and Liu Sai Keung, Thomas. Li Sing Chung Matthias 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 2023 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 2023, the Company bought back a total of 9,844,500 shares on the Stock Exchange at an aggregate consideration of HKD146.7 million before expenses. All such shares were subsequently cancelled in June 2023. 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 <i>HKD million</i>
		Highest <i>HKD</i>	Lowest <i>HKD</i>	
April 2023	3,633,500	15.44	14.46	54.4
May 2023	4,450,000	15.62	13.96	66.0
June 2023	1,761,000	15.28	14.20	26.3

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 2023.

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

Hong Kong, 27 March 2024

*As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Liu Dejian, Dr. Leung Lim Kin Simon, Mr. Liu Luyuan and Mr. Chen Hongzhan and; one non-executive Director, namely Mr. Lin Dongliang; and three independent non-executive Directors, namely Mr. Li Sing Chung Matthias, Mr. Lee Kwan Hung, Eddie and Mr. Liu Sai Keung, Thomas.*