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Results Presentation

2017 Second Quarter and Interim Results

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NETDRAGON

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“However beautiful the strategy,
you should occasionally look at the results.”

Winston Churchill

Overview

Achieving Profitability in H1 2017

- On the back of record-high revenue in Q2 of approximately RMB 1.1 billion
- **All round** strong performance in gaming and learning
- Gaming
 - Continuing to execute our strategy to leverage our successful IPs
 - Mobile game revenue continuing to be major growth driver
 - Very strong pipeline to drive revenue growth
- Learning
 - Robust international revenue growth driven by both overall market growth and our market share gains
 - Scaling of revenue and users in China picking up momentum
 - Continual progress with “One Belt One Road” Initiative
- Acquisition of Jumpstart opening up tremendous opportunities in IPs and B2C user acquisition
- Declared interim dividend of HK\$0.10/share

Operational Updates

Learning

- Strong overall performance in Q2 with 32.5% YOY increase in revenue
- Rapid adoption of interactive classroom learning technologies in both Mature and Emerging markets
- Achieved significant global market share gains in major markets including
 - U.S., U.K., Eastern & Central Europe and Central Asia
- Continue to leverage ClassFlow™ to be a key differentiator
- Cost rationalization strategy continues to bear fruit
 - achieving growth on a lower overhead cost base
- Product adoption in China accelerating on the back of a robust sales backlog
- 101 Education PPT user scaling making progress with an installed user base of over 450,000 teachers to date
 - 220,000 new teachers in the second quarter alone
 - Momentum expects to continue

Gaming

- Achieved record high revenue for games business in Q2 as we continue our success in our IP strategy
- Sustained momentum in both new player acquisition and monetization
 - ARPU and APA increased by 49.1% and 4.8% YoY respectively
 - MAU and DAU increased by 44.9% and 16.8% YOY respectively
- Eudemons Online PC and Pocket versions continues to perform exceptionally well with prepaid monthly income exceeding RMB 100 million in May and June
- Effectiveness of our user engagement strategy has raised revenue of the Eudemons IP to a new level that we expect will continue to grow significantly as more new games are being developed under this IP
 - New Eudemons mobile game (in partnership with Kingsoft) targeted for launch within the next 2 months
 - 4 more new games under development under the Eudemons IP
- Heroes Evolved pocket version ranked as “the top 3 downloaded mobile game” for seven consecutive months on Tencent Open Platform right after the official launch in Dec 2016; MAU grew to over 6 million
- New MMO game Tiger Knight just officially launched in China in August on Tencent Wgame Platform and quickly achieved Top 3 “weekly popularity ranking” for new games and 88% players’ positive rating

Financial Highlights

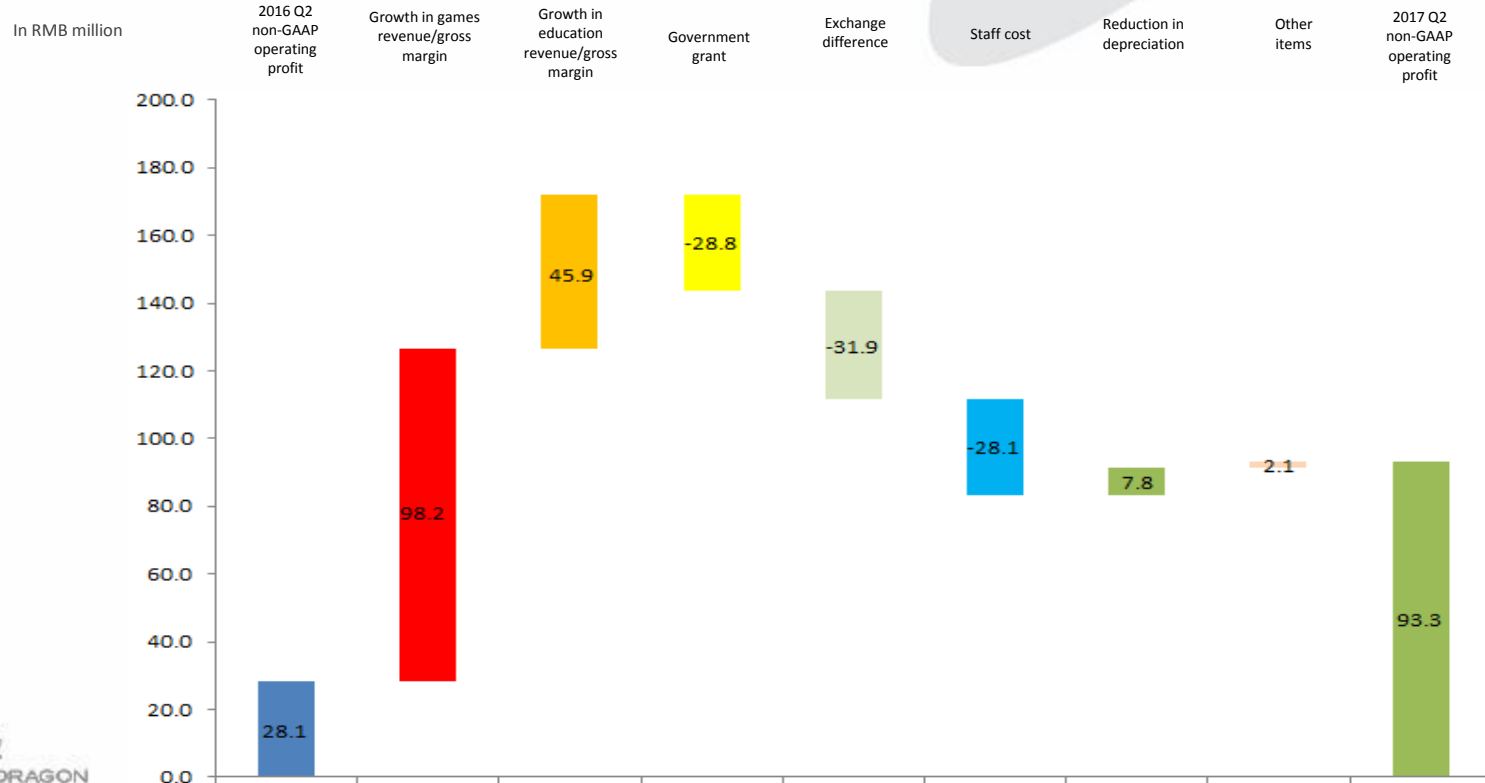
Financial Highlights

<i>(RMB million)</i>	2017 Q2	2017 Q1	2016 Q2
Revenue	1,061.8	713.4	786.9
Gross profit	587.5	445.8	437.4
Operating profit/(loss)	80.1	(60.5)	9.2
Non-GAAP operating profit/(loss) ¹	93.3	(45.7)	28.1
Cash, cash equivalents and liquid investment	977.0	883.8	1,206.2
Cash per Share ² (RMB)	1.97	1.79	2.43

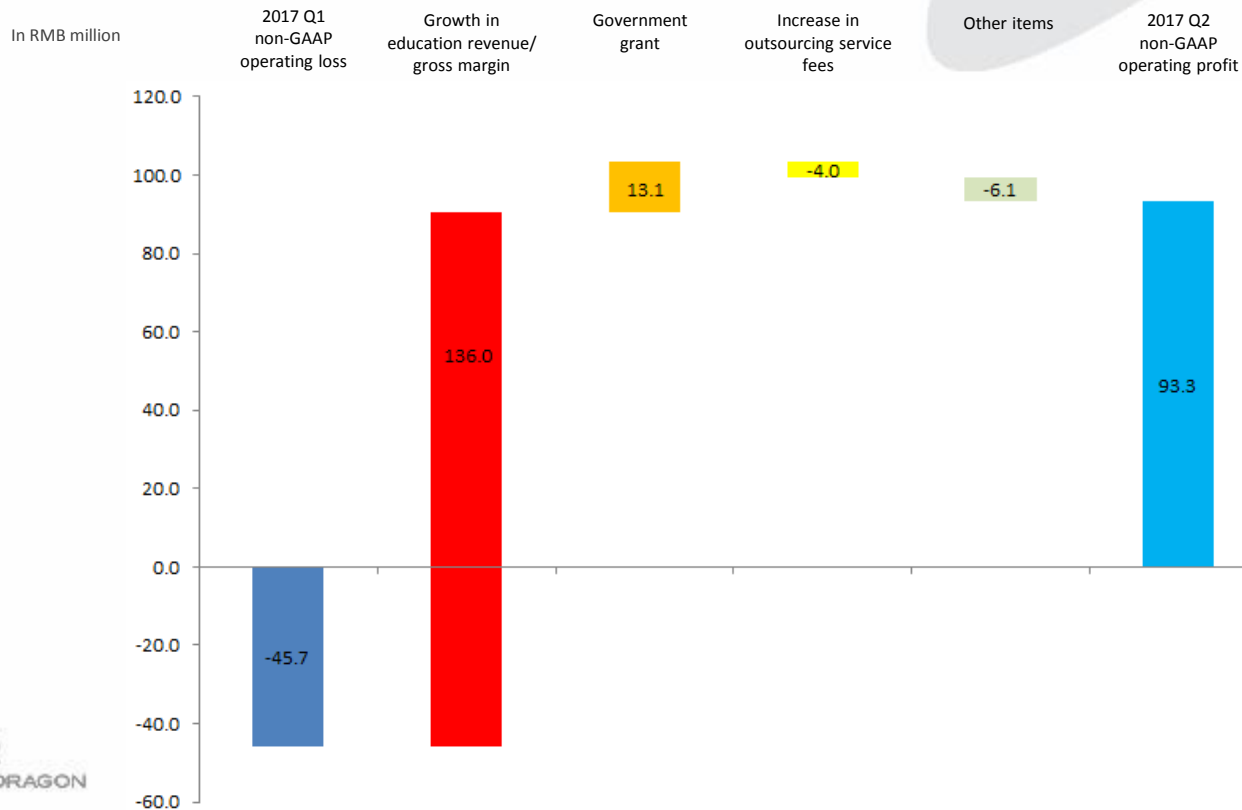
Note 1: The non-GAAP financial measure of the Group excludes share-based payments expense and amortization of intangible assets arising on acquisition of subsidiaries.

Note 2: Cash referred to cash, cash equivalents and liquid investments.

Non-GAAP Operating Profit Bridge - YoY



Non-GAAP Operating Profit Bridge - QoQ



Segmental Financial Highlights

	2017 Q2		2017 Q1		2016 Q2	
(RMB '000)	Gaming	Education	Gaming	Education	Gaming	Education
Revenue	403,904	636,306	398,501	297,771	296,697	480,107
Gross profit	377,898	204,609	377,275	68,563	279,736	155,803
Gross profit margin (%)	93.6%	32.2%	94.7%	23.0%	94.3%	32.5%
Core segmental profit (loss) ¹	165,349	(31,425)	168,761	(157,799)	99,356	(87,695)
Segmental operating expenses ² :						
- Research and development	103,633	94,831	99,527	88,960	82,060	91,390
- Selling and marketing	47,480	97,713	49,638	94,338	37,732	95,323
- Administrative expenses	68,038	32,698	65,871	36,104	66,586	39,090

Note 1: Core segmental profit (loss) figures are derived from the Company's reported segmental profit (loss) figures (presented in accordance with HKFRS 8) but exclude non-core/operating, non-recurring or unallocated items including government grants, fair value change and finance cost of convertible preferred shares.

Note 2: Segmental operating expenses exclude unallocated expenses/income such as depreciation, amortization and exchange gain (loss) that have been grouped into SG&A categories on the Company's reported consolidated financial statements but cannot be allocated to specific business segments for purpose of calculating the segmental profit (loss) figures in accordance with HKFRS 8.

Financial Highlights – Learning

- Strong all round performance for our learning business
- International – Q2 highlights
 - 30.0% revenue growth YOY (on an already strong Q2 2016 -- Q2 being the traditional peak quarter)
 - 32.2% gross margin
 - Operating profits of RMB 78.6 million
 - Strong sales backlog paving the way for a Q3 with expected robust YOY growth
 - Cost optimization effort continuing to pay off as SG&A was reduced by 14.4% YOY
- China – Q2 highlights
 - 77.1% revenue increase YOY
 - RMB 113million in contracted sales during the quarter, which is >5 times of the amount in Q2 last year
 - RMB 230million of sales backlog as of end of Q2
 - Robust sales momentum demonstrating beginning of widespread product adoption
- Core segmental loss in Q2 significantly narrowed by 64.2% YOY to RMB 31.4million on the back of operating leverage and cost optimization

Financial Highlights – Gaming

- Gaming business performed exceptionally well in Q2 as predicted
- 36.1% YOY increase in revenue on the back of success of our user engagement strategy
- 53.0% YOY increase in mobile gaming revenue as we expect mobile games will continue to drive revenue growth
- 66.4% YOY increase in segmental profit supported by revenue growth and operating leverage
- New games expected to start revenue contribution in 2H 2017 including:
 - Eudemons mobile game in partnership with Kingsoft
 - Heroes Evolved pocket version
 - Tiger Knight

Outlook

Outlook

- Expect overall Profitability in 2017
- Learning
 - Sales traction in emerging markets continues in 2H
 - Developed markets continuing to grow
 - On track to launch Social Commerce in Q4
 - Monetization of ClassFlow™ community
 - User scaling of 101 Education PPT in China to continue momentum into 2H
 - accelerate user acquisition and user engagement
 - China revenue in 2H to grow significantly on the back of RMB 230million of sales backlog as of end of Q2
- Gaming
 - Continue to drive growth with launch of new games in 2H
 - 5 new games under Eudemons IP and 3 new games under Heroes Evolved IP in the development pipeline
 - Monetization of Heroes Evolved pocket version to accelerate in 2H

Why JumpStart?

- The Company
 - Leading education gaming company in the world
 - Founded in 1994
 - Studios in Los Angeles and Bangalore
 - Strong market position in US and Europe
- Key assets
 - Strong IP in School of Dragon, JumpStart, Neopets, etc.
 - Strong relationship with Universal/DreamWorks
 - Strong Gaming Design DNA
- Community/Social Commerce
 - B2B/B2C contents
 - Part of Monetization
 - Part of Customer Acquisition
- Growth Strategy
 - Geographical expansion (China and Asia)
 - Double down on owned IPs (JumpStart and Neopets)
 - Continue to work with Universal/DreamWorks and others



Q&A

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Thank you!

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