

NetDragon Websoft Holdings Limited (777.HK)

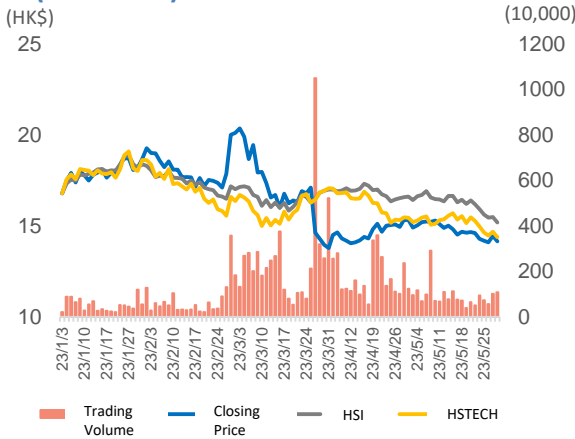
Investor Newsletter

June 2023

Stock Information (As of 31 May 2023)

Stock Code ----- 777.HK
 Stock Price ----- HK\$14.14
 52-Week Stock Price Range --- HK\$13.08-20.70
 Market Cap ----- HK\$7.65 billion
 Issued Share Capital ----- 541 million shares

Share Prices And Trading Volume (2023 YTD)



About NetDragon

NetDragon Websoft Holdings Limited (HKSE: 0777) is a global leader in building internet communities with a long track record of developing and scaling multiple internet and mobile platforms that impact hundreds of millions of users.

Established in 1999, NetDragon is one of the most reputable and well-known online game developers in China with a history of successful game titles including *Eudemons Online*, *Conquer Online*, *Heroes Evolved* and *Under Oath*. In recent years, NetDragon has also started to scale its online education business on the back of management's vision to create the largest global online learning community, and to bring best-in-class blended learning solutions to every school around the world. For more information, please visit ir.netdragon.com.



Analyst Reports

Date	Firm	Rating	Target Price (HK\$)
May 2023	Huafu Securities	Coverage, Buy	20.52
April 2023	CITIC Securities	Buy	22.00
April 2023	CCB International	Outperform	20.30
April 2023	GF Securities	Buy	20.01
April 2023	BOCOM International	Buy	20.00
April 2023	Essence Securities	Buy	20.00
April 2023	BOC International	Buy	N/A*

*As required by BOC International compliance department, report did not include target price for listed companies

NetDragon Websoft Holdings Limited

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Achievements & Accolades

NetDragon was awarded “2022 Best Performing Listed Companies with Stable Returns” by Sullivan Tele-Trend Cloud Technology (January 2023) NetDragon was enlisted as one of the “2022 Best Performing Listed Companies with Stable Return” by Sullivan Tele-Trend Cloud Technology. The award shortlisted top 10 best performing HKEX listed companies by various metrics including market capitalisation, dividend yield and share price performance in 2022. The award demonstrates market recognition of the Company's effort to provide investors with return that outperformed the broader market during the year. (Link to the news: <https://mp.weixin.qq.com/s/E0VWftUXERT3Aed5CFqa1A>)

NetDragon has been included in the Shanghai-Hong Kong Stock Connect (March 2023) NetDragon was included in the Shanghai-Hong Kong Stock Connect mechanism on 13 March 2023. In 2016, the Company was included in the first batch of Shenzhen-Hong Kong Stock Connect constituents. Mainland Chinese investors can now trade stock via both Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect mechanisms. This recent inclusion is expected to further raise NetDragon's profile and liquidity in the capital market as this will certainly attract more investors from mainland China.

Promethean's ActivPanel won multiple Ed-tech awards In the first half of 2023, Promethean's flagship product ActivPanel 9 won several major awards, including the iF Design Award, Red Dot Design Award, Tech & Learning Awards of Excellence: Best of 2022 and the Cool Tool Award from The EdTech Awards 2023.

Shareholder Value Enhancement Measures

USD
300M

**3-year
share buy-back program**
(Up to US\$300 million)

70%+

2022 payout ratio

~9%

Dividend yield
(TTM)

10%+

ROE
from 2020 to 2022

- Following the announcement of the spin-off of our overseas education business on 18 April 2023, the company continued to conduct share buyback for over a month. From 19 April to 31 May, NetDragon had purchased over 8 million shares, with a total amount of HK\$120 million (approximately US\$15 million).
- Since the announcement of the share buy-back program in August 2021, NetDragon had repurchased approx. 24 million shares with a total amount of **HK\$410 million (approx. US\$52 million)** up to May 31, 2023. In addition, the Company declared two rounds of special dividends, totaling HK\$1.93 per share, amounting to **HK\$1.04 billion (approx. US\$140 million)**.
- In summary, the Company has provided investors with a total of **HK\$1.5 billion (approx. US\$190 million)** in cash returns through a combination of share buy-back and special dividends for the period from 31 August 2021 to 31 May 2023.
- Upon closing of the spin-off, NetDragon intends to distribute approx. 1.5% of the shares of the then newly listed overseas education company (MYND.AI) to all NetDragon's shareholders as a special dividend by way of the Distribution in Specie.

ESG

DJSI Rating: 40
S&P Global

Last Updated: February 2023

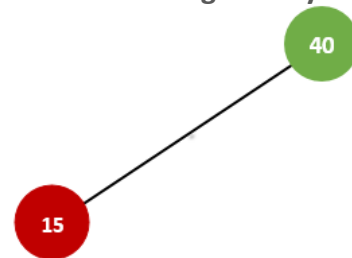
NetDragon ranks in the top 7% among 182 companies in the Interactive Media, Services & Home Entertainment industry covered by DJSI

ESG Score Result

40



DJSI Rating History



Last Updated: February 17, 2023. Updated annually or in response to major developments.

Data Availability: ■ Very High

2021

2022



Gaming Business

Business Development



- On 17 March, *Eudemons Online* joined hands with Yue Ruhuo, a renowned author with multi-millions of fans, to launch a *Eudemons* IP novel “Ancient Dragon God”.
- On 17 March, *Eudemons Online Pocket Version* launched new expansion pack “Era of Elven”.
- On 17 March, *Eudemons Online Mobile* launched new expansion pack “Shadow Knight Rising”.
- On 23 March, *Eudemons’* 17th-anniversary classic sequel *Eudemons Mobile 2* launched the open beta testing on all platforms, with gross billing on the first day exceeding RMB 10 million. *Eudemons Mobile 2* strengthened user experiences with all round enhancement in content, technology and gameplay.
- On 24 June, *Eudemons Online* will launch new expansion pack “Miracle of Creation Return of Titan”.



- On 14 February, the overseas version of *Conquer* launched new expansion pack “Dragon’s Ascension”.
- In April, *Conquer* celebrated its 20th anniversary by introducing a variety of in-game events for players.



On 6 January, *Heroes Evolved* launched an IP crossover with the popular Japanese anime “*Bofuri: I Don’t Want to Get Hurt, so I’ll Max Out My Defense*”, bringing a different inter-dimensional experience to every player.



In January, Web 3.0 game *Neopets Metaverse* completed a US\$4 million financing round from industry leaders including Polygon Ventures, Blizzard Avalanche Ecosystem Fund, Hashkey Capital and IDG Capital.

New Game Pipeline



Under Oath
(Japan)



Eudemons PC
(Remake version)

New Eudemons PC
Eudemons Pocket 2.0

23H2

24H1

24H2

Code-DPS

Eudemons Mobile 2
(Overseas version)

Heroes Evolved 2.0
Code-Dragon

Gaming Outlook

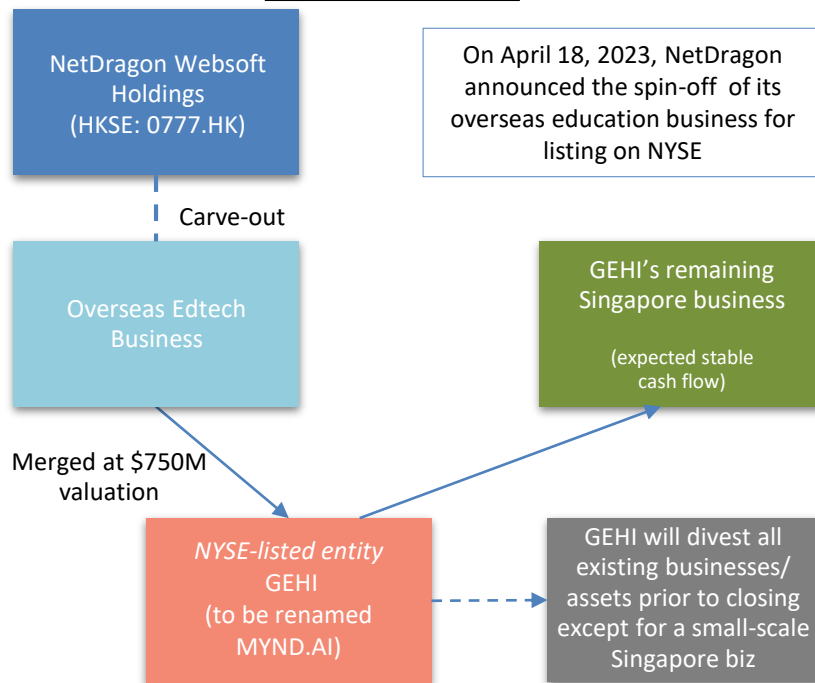
- ◆ Revenue growth is expected to get back on track in 2023, with positive contribution from all our three major IPs - *Eudemons*, *Conquer*, and *Heroes Evolved*
- ◆ Strong pipeline to drive future growth, with two new titles to be launched in the second half of 2023 and four new titles to be released in 2024 under the *Eudemons* IP
- ◆ Actively expanding into overseas markets, targeting to double overseas gaming revenue in two years
- ◆ Capturing global M&A opportunities, enhancing R&D capabilities



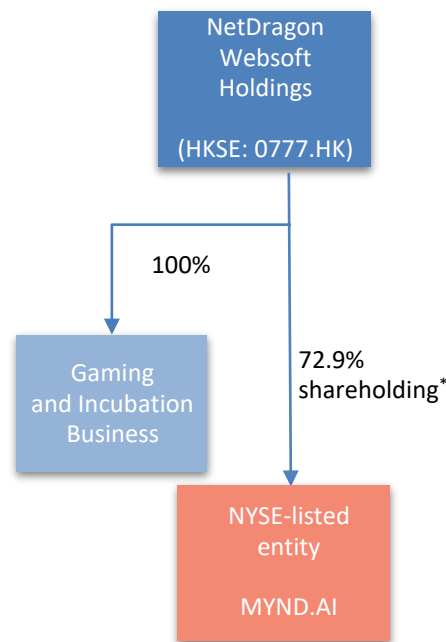
Education Business

Spinoff Overseas Edtech Business for NYSE Listing

Transaction structure



At Completion (Q3 2023 expected)



* % of issued share capital

Transaction Objectives

- ◆ Listing of overseas education business on NYSE will provide investors, financial institutions, and rating agencies with greater transparency, laying a solid foundation to unlock shareholder value.
- ◆ Forming an independent fundraising platform to bring in a wider range of global investors with broadened financing alternatives including the option to raise PIPE financing and registered offering.
- ◆ This spin-off will be conducive to ensuring regulatory compliance in the U.S. while providing necessary strategic and operating flexibility to achieve sustainable growth as majority of our overseas education revenue is from the U.S.

Growth Drivers into the Future

New Normal for Education



The pandemic has resulted in critical-mass adoption, and turned front-of-class interactive display into “must have”, hence setting the stage for widespread penetration globally

Growing Penetration in a largely untapped global market



Interactive classroom display penetration globally (ex. China) is still less than 12%*

Market Share Growth with Expansion in Value Segment



Expand beyond our traditional premium market segment with our lower-priced LX panel model launched in Apr 2023, further opening ourselves up to 40%-50% of the total addressable market

Break-out growth from our AI-enabled panels with hardware + SAAS revenue model



Aiming to roll out our AI-enabled panel product in 2nd half 2023 with immediate SAAS revenue stream that goes along with sales of the hardware

* According to the Futuresource Consulting < Q1 2023 Global Interactive Displays Market Report>, May 2023