

# NetDragon Websoft Holdings Limited

Ticker: 777.HK

## Investor Presentation

Jan 2024



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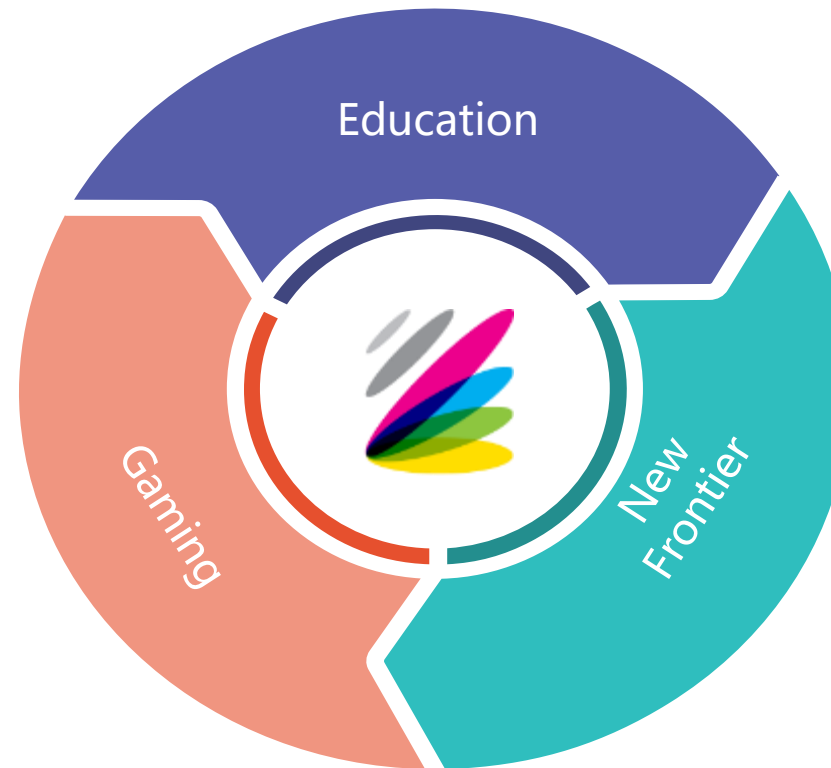
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# NetDragon at a glance

- #1 global classroom technology brand\* in a US\$47B addressable market
- Global largest 1M classrooms' installed base (ex-China) puts us in the best position to rollout AI in classrooms
- Strong competitive moat as the top education brand in classrooms with global distribution channel built over 20 years as market leader



- Ranked amongst the TOP 15 gaming companies in China\*\*
- 2.8x top line + 4.9x bottom line growth from 2016 to 2022
- Generated ~RMB 10B of core segmental profit during the same period

- Embracing the new AI paradigm:
  - ✓ AI tools for classrooms with SAAS model
  - ✓ AIGC in gaming production
  - ✓ Actively exploring LLM partnership

\* #1 market share by shipment volume ex-China according to the Futuresource Consulting <Quarter 2 2023 World Interactive Displays> report, Aug 2023

\*\* Ranked by CGIGC "Competitive Report on Listed Gaming Enterprises in 2022" in terms of industry position, growth and stability



# NetDragon Milestones

## 1999-2006

Pioneer in domestic online gaming R&D



1999: Founding of ND



2001: Founded the first gaming portal site 17173(sold to Sohu)



2002: Launched *Monster Online*, amassed more than 1M registered users



2003: Open beta of Wuxia themed MMORPG *Conquer*



2006: Open beta of the first western fantasy themed MMORPG *Eudemons*

## 2007-2014

Incubation of 91 Wireless; entering the EdTech Industry



2007: HKEX IPO, transferred to main board in next year



2010: Founded the first mobile app platform 91 Wireless



2010: Started EdTech incubation and launch the domestic Huayu brand



2013: Sold 91 Wireless to Baidu for US\$1.9B

## 2015-2022

Double “flywheels” driving rapid growth



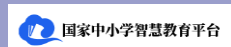
2015: Open beta of flagship mobile game *Eudemons Pocket Version*



2015: Acquired Promethean



2016: Included in the first batch of China Connect qualified stocks



2021: Won the bid to develop the National Smart Education Platform led by China MOE

## 2023 onwards

Integration of education AI and accelerating gaming growth



2023: Spun-off global education business as a separate US listed company: mynd.ai



2023: Strategic investment in the leading AR technology provider ROKID



Accelerate growth of the gaming business, with intensive R&D investment to strengthen pipeline



# Gaming Business

Well-established and emerging IPs to drive sustained profitability growth

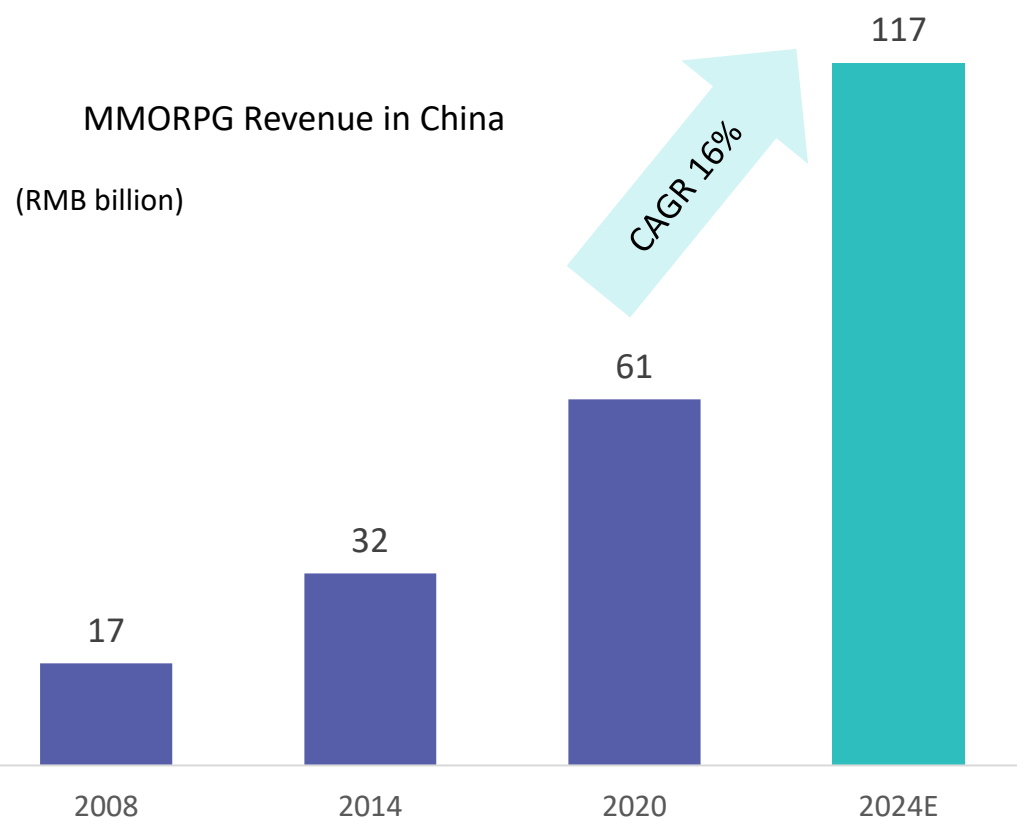
# Investment highlights

- ① Our Core Market: MMORPG – fast growing genre with huge upside potential
- ② Flagship IP Eudemons - Iconic, non-replicable IP with unique scarcity value
- ③ Exceedingly high R&D barrier to produce MMORPG titles of similar scale
- ④ Strong profitability with high margin riding on strength of IPs and heavy organic traffic
- ⑤ Growth strategy leveraging sustained growth of existing games and strong pipeline
- ⑥ Well positioned to expand into overseas market with proven business model
- ⑦ Integrating AIGC in targeted areas to drive quality contents

01

## Our Core Market: MMORPG – fast growing genre with huge upside potential

Strong growth trajectory for MMORPG market in China



1

Chinese gaming market was **dominated by MMORPG** prior to the mobile game era (post-2014), creating a deep, loyal base of players in this genre

2

Successful cross-platform evolution of MMORPG games leading to a **CAGR of 16% from 2020 to 2024**

3

**Unique gameplay and virtual community** continue to attract multi-generations of gamers

4

MMORPG is best-positioned for evolving into **metaverse** era given its strong user interaction, and comprehensive virtual economic / social system

5

MMORPG genre accounts for more than **90% of our 2022** gaming revenue



## Flagship IP Eudemons - Iconic, non-replicable IP with unique scarcity value



First-mover and most influential western fantasy MMORPG in China



**+21 Years**

- Accumulated gross billings surpassed RMB 90 billion in China
- The IP is operated by Century Huatong in China, which is currently trading at **15.1x PE(2021)\***, with FY17/21 revenue CAGR of 4%



**+19 Years**

- Continue to be a core revenue contributor to Activision Blizzard
- Microsoft announced in Jan 2022 to acquire Activision Blizzard for US\$68.7B by an all cash offer, at **18.3x EV/EBITDA (2021)**



**+16 Years**

- **Gross billing surpassed RMB 4 billion since 2019**
- **Robust pipeline of new games to drive revenue growth**

2000

2004

2006

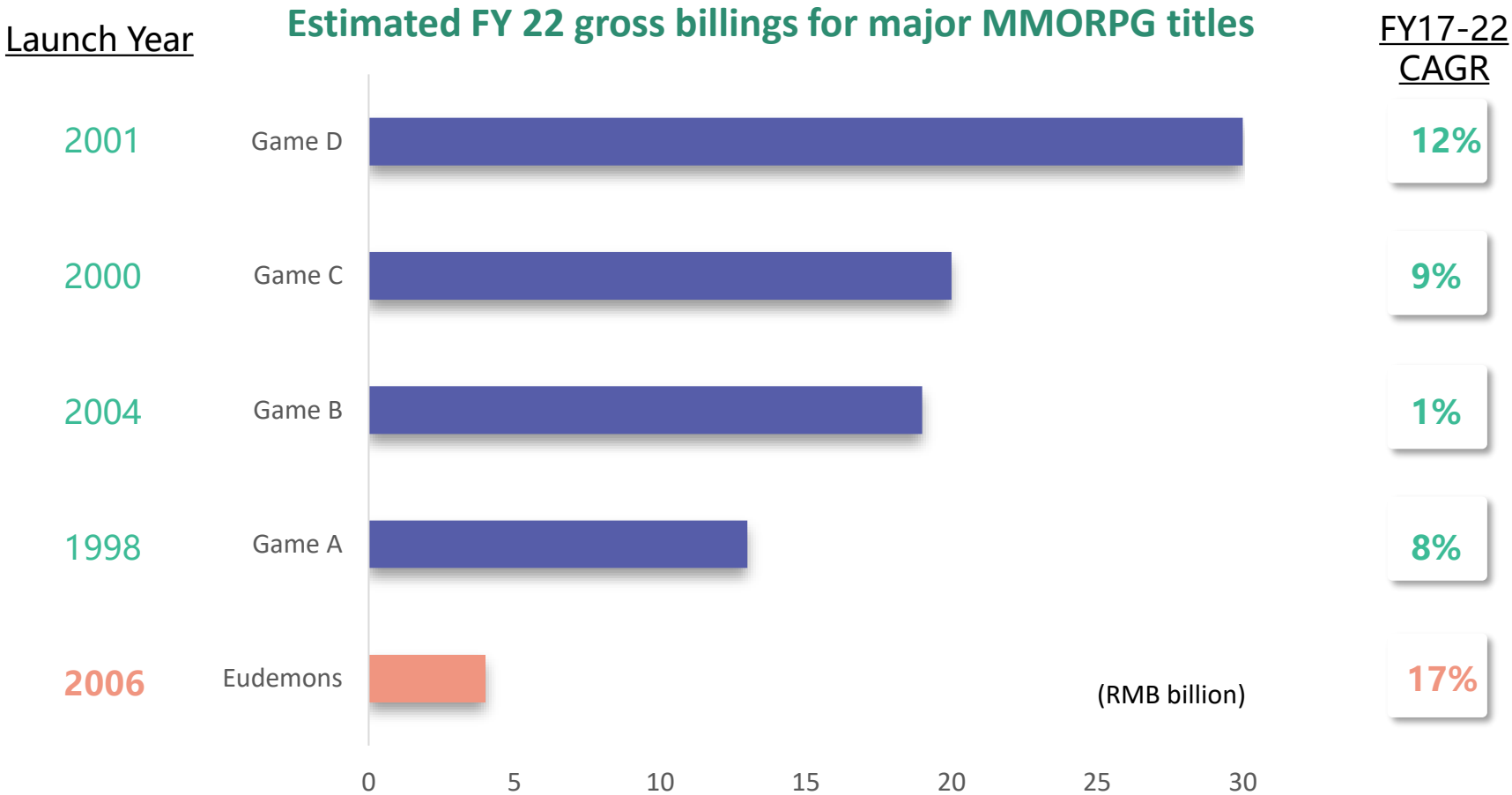
### What We Have In Common...

- Iconic IP from early era of online games with **high scarcity value**
- Continuous growth from efforts in **expanding the IP Ecosystem** to other media forms
- **“Brotherhood”** culture icon with huge population of closely-bonded hardcore players
- Core players reaching the life stage with increased and **strong paying capabilities**



## 02 Flagship IP Eudemons - Iconic, non-replicable IP with unique scarcity value

Exceptional growth track record with massive room for future growth compared to other major titles



Along with a small group of iconic, non-replicable MMORPG IPs, our *Eudemons* IP demonstrated an exceptional track record of consistent historical revenue growth on the back of our innovation in content and gameplay enhancements that drove a **2.2x increase in MAU**, a **2.3x revenue increase** for our legacy Eudemons Online game (PC/Dual Platform), and a **2.2x revenue increase** for our *Eudemon* mobile games from 2017 to 2022.

*Note: Gross billings and CAGR are estimated in reference to relevant company filings and industry research*

## Flagship IP Eudemons - Iconic, non-replicable IP with unique scarcity value

- Value of iconic IPs is further proven by the recent success of “Remake Versions”

	<u>Launch Year</u>	<u>“Remake Version” performance</u>
	1997	Final Fantasy VII Remake Version was released in April 2020, and became one of the best selling PS games historically with the first three days sales reaching 3.5M copies, surpassing the IP’s most recent update (FF 15).
	2007	TLBB: Vintage Version (天龙八部：怀旧版) launched in 4Q20 boosted the gaming segment of SOHU significantly. For the eight quarters after the launch, <b>average quarterly revenue was up ~50% comparing to 3Q20.</b>
	2002	JXQY I: Gui Lai (剑网I: 归来) was ranked 3 <sup>rd</sup> on IOS games board in the first week of its launch in 4Q21. For the four quarters since the launch, <b>average quarterly revenue was up more than 1/3.</b>

The “Remake Version” bet on the nostalgia of gamers’ community by bringing back the original gameplay and artistic designs of the original IP title launched often more than one decade ago. The success of legacy MMORPG IPs’ “Remake Version” in recent years has reinforced the belief in IP longevity and user stickiness. **Our “Remake Version” of Eudemons IP is planned to be launched in 2024.**

02

## Flagship IP Eudemons - Iconic, non-replicable IP with unique scarcity value



1H23 growth driven by continuous innovation

1

**PC revenue up 10.4% YoY and 22.0% HoH**

Deepening our efforts in gameplay innovation and content enhancement

2

**APA of Cross-Platform Version up 15.8% HoH**

Driving returning users; APA accounting for nearly 20% of total

3

**Total APA of the IP up 12.0% HoH**

Paying users bounced back sequentially along with players' activities (MAU also up 5.3% HoH)

4

**Mobile revenue up 9.5% YoY and 10.8% HoH**

Continuing to optimize our self-publishing strategy to attract new users

5

**Launched 4 expansion packs**

Maintaining robust, high quality content update via R&D and AIGC adoption

6

**Launch of Eudemons Mobile II in March**

Also initiated development work for overseas version



## Exceedingly high R&D barrier to produce MMORPG titles of similar scale

Long development cycle combined with low hit rate means high scarcity value for existing MMORPG hits

A successful MMORPG title requires multiple years of effort and hundreds of millions (in RMB) in R&D cost, yet with a very low hit rate – **only four** new titles in past 5 years have generated more than RMB 5 billion gross billings in China:

Blockbuster new titles*	Duration (years)	Cost (RMB million)
New Game 1	3	650
New Game 2	4.5	400+
New Game 3	5	600
New Game 4	2.5	270

Our R&D expense for gaming reached **RMB 411 million** in 1H23, representing **21.4%** of our gaming revenue

\* Best performing MMORPG/ARPG titles since 2017, R&D duration and cost are based on media reports/ developers' announcement

04

## Strong profitability with high margin riding on strength of IPs and heavy organic traffic

Unique strength of Iconic IP enabling a highly profitable business model...

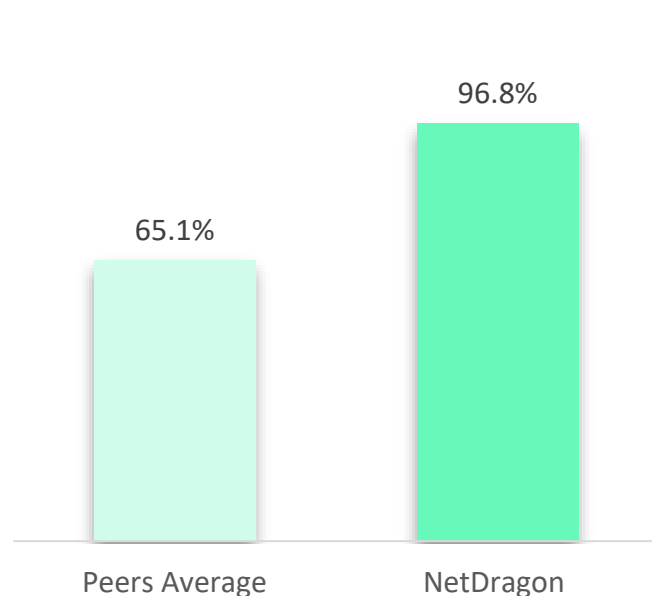


*Note: based on our 2022 financials*

## Strong profitability with high margin riding on strength of IPs and heavy organic traffic

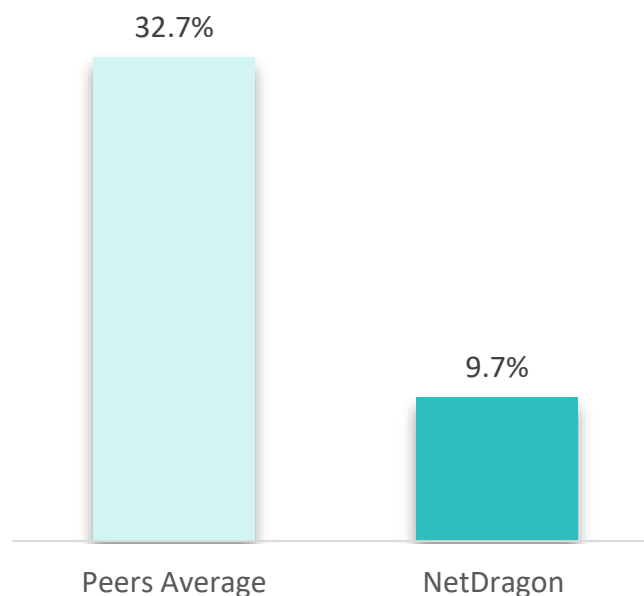
...putting us amongst the highest in terms of profitability compared to our peers

### Gross Margin



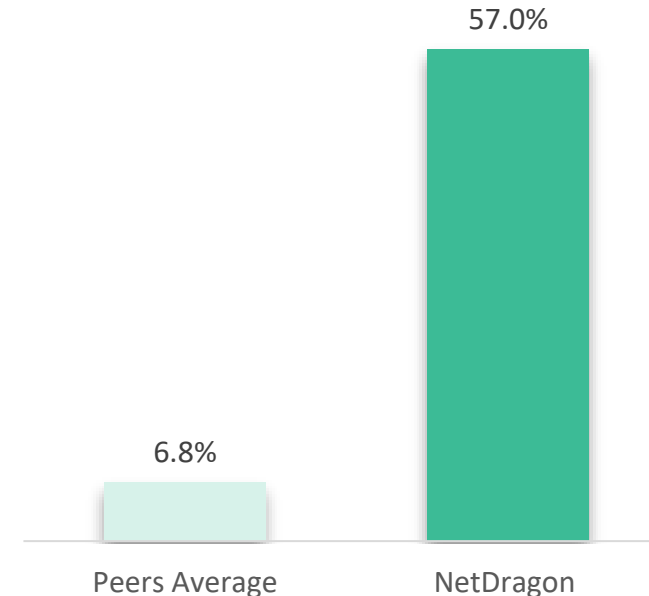
- 95% of our gaming revenue is from self-published titles
- 84% of our revenue is from PC games (i.e. no 3<sup>rd</sup> party mobile platform revenue share)

### Selling expense %



- We spent less than 1/3 of selling expenses per unit revenue of our peers on average, due to strong IP recognition and large loyal user base

### EBIT Margin



- We are significantly more profitable than our peers

Source: 1H23 company filings

Note: Peers include Tencent, NetEase, 37 Interactive, Century Hua Tong, Perfect World, G-Bits, Giant Network, XD.com, CMGE, and IGG. Some of them only disclose gross margin for gaming segment



05

## Growth strategy leveraging sustained growth of existing games and strong pipeline

Our top titles launched > 5 years ago will continue to drive our revenue growth...

### Top titles aged 5 + Years by FY22 Revenue

### FY17-22 Revenue CAGR%

Eudemons Online CN

↑ 14%



Eudemons (Mobile)

↑ 13%

Eudemons Online EN

↑ 98%



Conquer (Overseas)

↑ 13%

Conquer CN

↑ 9%

Collectively represented  
>90% of FY22 Revenue

05

## Growth strategy leveraging sustained growth of existing games and strong pipeline

... together with our diversified pipeline of new games



### Eudemons Remake Version

(MMO PC Game)

Estimated Launch: 24Q4

### Eudemons Mobile II:

Overseas Version

(MMO Mobile Game)

Estimated Launch: 24Q4

### New Eudemons PC

(MMO PC Game)

Estimated Launch: 25H1

### Eudemons Pocket Version 2.0

(MMO Mobile Game)

Estimated Launch: 25Q4



### Code - Alpha (Overseas Casual)

(Casual Board Mobile Game)

Estimated Launch: 24H1

### Code – Nirvana

(MOBA Mobile Game)

Estimated Launch: 24Q4

### Heroes Evolved 2.0

(MOBA Mobile Game)

Estimated Launch: 25H2

## New IPs

### Under Oath Overseas Version

(ACGN Mobile Game)

Estimated Launch: 24H1

### Huan Kong Cheng Zhi Ge

(Idle Card RPG Mobile Game)

Estimated Launch: 24H1

### Code – Ge Cao

(Roguelike Mobile Game)

Estimated Launch: 24H2

### Code – Dragon

(MMO Mobile Game)

Estimated Launch: 24H2



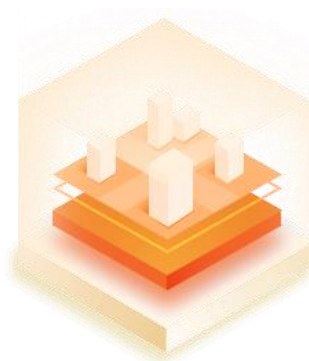
## Strategic Partnership

- Partnering with a world renowned 3A gaming publisher for our ACGN game *Under Oath* in the overseas market
- First overseas ACGN game to be launched in Japan, followed by SEA, Korea, etc.



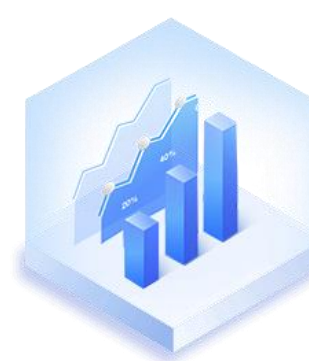
## Scale with Proven Model

- Replicate our successful Egypt model for *Conquer Online* (>50% of *Conquer* overseas revenue with heavy localized strategy through on-the-ground channel) and expand into other emerging markets with similar user profile and huge growth potential



## Expand with Localized Content / Gameplay

- Expanding our *Heroes Evolved* IP into Vietnam and Pakistan with stronger gameplay adaptivity for local players as well as localized contents (eg. heroes)
- *Heroes Evolved 2.0* (to launch in 2H25) to target global audience



## M&A

- Actively pursue global M&A opportunities to extend our overseas presence and drive growth



## 07 Integrating AIGC in targeted areas to drive quality content

### ☒ Art Production

We have made solid progress in utilizing AIGC in our art production process, leveraging years of art experience and resources to train tailored AI models to address diverse project needs, spanning various aspects including character concept art, environment concept art, UI, etc. In particular, we have achieved >30% efficiency improvement in character concept art production with AIGC.





## Integrating AIGC in targeted areas to drive quality content

### Smart NPC



1

### Visualization

Transitioning from logging NPC decisions/actions to a visualized RPG Maker

2

### Integrating Memory System

Utilizing NPC's memories to shape NPC's personalities, which in turn influence their decisions.

3

### Group Evolution

Conducting group evolution tests, where multiple NPCs coexist and evolved within an environment through unordered interactions

4

### Decision Model Iteration

Utilizing a smaller AI model approach to iterate the NPC decision model

## Integrating AIGC in targeted areas to drive quality content

### AI Gaming Companion

#### Guidance mode

Help players onboard and progress

**for casual players**

- Less decision pressure
- Enable players to focus on interaction / feedback
- Enhanced gaming experience

#### AI Gaming Companion

Strong AI algorithm to achieve better human player simulation

#### Combat mode

Assist players to achieve higher levels via advanced practices

**for hardcore players**

- More challenging opponents
- More in-game features
- Higher gaming objectives and competition goals

Create **high quality in-game battles** by integrating AI, enhancing gaming experiences for different levels of users



# Our growth trajectory remains intact following release of the NPPA draft proposals

Our view is that the underlying intention of the draft proposals is to promote long term, sustainable growth of the industry, and to encourage industry players to focus on quality rather than short-term monetization measures. NetDragon's focus on quality gaming contents combined with strong tier-one IP will put us in a position to benefit from this trend. We also believe the specific measures in the current draft proposal will not have material negative impact on our business.

## Key clauses of the NPPA proposal

Online games should not offer inducements such as daily login rewards, first-time top up bonuses and continuous recharge incentives



We have immaterial revenue from these inducement measures, so **the impact is close to zero.**

Online games should implement a recharge limit for users and disclose these restrictions in the service terms



In-game recharges are driven by various factors including quality of content, promotional activities and game design, and our focus has always been to offer premium quality contents combined with strong IP to attract spending. Therefore, we believe this article in the current draft proposal **will not materially affect gamers' motivation or desire to spend in our games.** In the future, we will sharpen our focus on our core operational strategy: developing high quality content and gaming experiences for the users.

Online games should set reasonable number of times and chances for gamers to get desired virtual items, and gamers should have the choice to directly buy a virtual item



There are already previously issued rules from Ministry of Culture (文化部) in Dec 2016 with explicit requirements for games to disclose the number of times and chances for gamers to get desired virtual items, as well as the requirement to give gamers the choice to buy their desired items, so we believe this proposal is largely **for continuity purpose.**

Gaming companies must publish their games within one year of obtaining the “banhao” license



We **don't** have any games expected to be published with “banhao” that was issued beyond the required 1-year period.

Gaming companies should not use exaggerated advertising contents to acquire users



We **don't** use these advertising practices. Our focus is on our strong IP and premium quality contents, which have always been our strength.



# Education Business

Expanding with path to achieve category dominant leadership

# Investment highlights

- 1 The #1 market leader in a **US\$47B+ immediate addressable market**
- 2 Proprietary access to **extensive distribution channels** through **long-standing relationships** with local partners
- 3 Unrivalled **market-leading flagship products** with strong industry recognition and a sticky user base
- 4 On track to **roll out SAAS subscription offering** to put us in position to scale recurring software revenue
- 5 **In strong position to evolve to CAAS model**, embracing the future of AI Education
- 6 **Completed spin-off of overseas education business as a U.S. listco** to unlock shareholder value



01

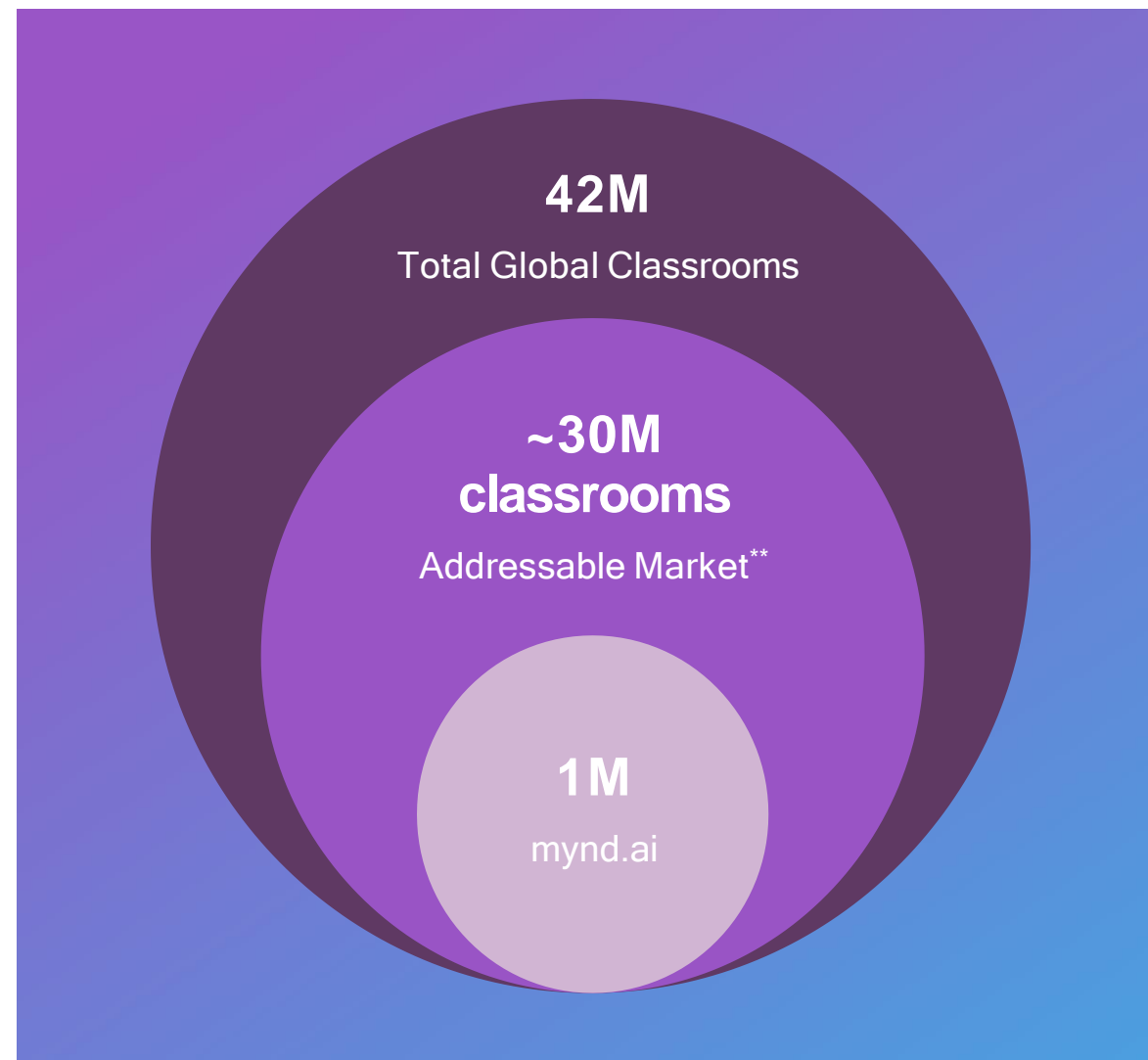
The #1 global market leader in a US\$47B+ immediate addressable market

## Long Growth Runway

Current penetration of 1 million classrooms:

- Solid relationships with teachers and IT professionals
- Entrenched relationships
- Ability to become the pipeline for software

Significant market opportunity with remaining 42 million classrooms globally



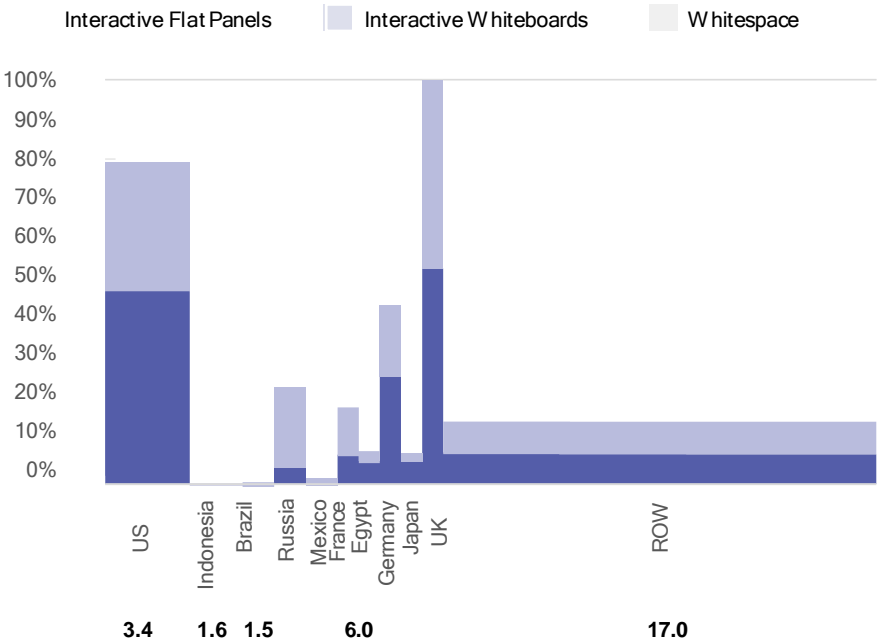
\* Market share and penetration numbers based on Futuresource Consulting <Quarter 2 2023 World Interactive Displays> report, Aug 2023

\*\* Total addressable market does not include China and India



The #1 global market leader\* in a US\$47B+ immediate addressable market

Global K-12 Classroom Penetration of Interactive Displays



~30M global  
# of classrooms  
(excl. China and India)



~ 76%  
un-penetrated



~\$2,000 ASP\*\*  
of Interactive Classroom Displays  
per Classroom



Immediate Addressable Market of  
~\$47B

\* Market share and penetration numbers based on Futuresource Consulting <Quarter 2 2023 World Interactive Displays> report, Aug 2023

\*\* ASP is for illustrative purpose only (Our ASP for the newest model ActivPanel 9 in 2022 was US\$ 2,229)



02

## Proprietary access to extensive distribution channels through long-standing relationships with local partners



Deep channel network built over 20+ years to enable product reach into classrooms



Dedicated professional development and training team with local knowledge to ensure customized implementation on the ground



Global penetration supported by our local partner network to enable B2G (educational authorities) and B2B (schools) channel reach

Serving global markets for

**20+ Years**

with deep knowledge of educators' pain points

Cooperation with global partners

**4,000+**

**Channel Partners**

Countries Covered Worldwide

**150+**

03

## Unrivalled market-leading flagship products with strong industry recognition and a sticky user base

Strong industry recognition and a sticky user base successfully grew Promethean into the market leader in classroom technology



**>1 Million Classrooms\***  
(installed base)



**40+ Million Students\***



**150+ Countries**



**#1 Market Share\*\***



# Promethean®

## Interactive Classroom Technology

- Global #1 Market Leader in K-12 Classroom Interactive Display\*\*
- Hardware + Software integration (display panel + lesson prep & delivery software)
- Enables interactive teaching and collaboration

\* Classroom data is based on the below Futuresource report, # of students is estimated according to the average class size for U.S. primary, middle and high schools (24.8 students/class) based on the most recent study by National Center for Education Statistics, the federal institution for all education-related statistics in the U.S.

\*\* #1 market share by K-12 classroom interactive display sales volume for global (excl. China) market, according to Futuresource Consulting <Quarter 2 2023 World Interactive Displays> report, Aug 2023

03

# Unrivalled market-leading flagship products with strong industry recognition and a sticky user base

Our overall competitive edge positions us to win in the market



Promethean

Other Brands

Understanding of Educators' Needs	Sales Network	Complex Implementation Capability	Installed Base	Brand Recognition
<b>Deep understanding of education</b> Knowledge gained from serving all major markets for 20 years+	<b>Leading global sales network</b> Over 4,000 distributors and resellers, covering 150+ countries	<b>High</b> Track record of multiple large school district rollouts and country rollouts	<b>Largest* globally (excl.-China)</b> Estimated >1M classroom installed base for future replacement sales	<b>Top interactive front-of-class brand</b> Market leader for >20 years and #1 in market share (excl. China)
Major players are either not focused on education or entered edtech space only in recent years	Many new entrants are competing on price in setting up their sales network	Mostly Low to Medium with lack of track record	Mostly much smaller	Most other large global brands do not serve K-12 as their primary market

\* According to Futuresource Consulting <Quarter 2 2023 World Interactive Displays> report, Aug 2023



## Unrivalled market-leading flagship products with strong industry recognition and a sticky user base



Launched the all new ActivPanel LX panel to expand our offerings to the value segment

**2Q23**

Product launched; Shipment started in June in the U.S. (our largest market)

**8%**

% of 1H panel volume represented by LX, while we built strong traction into 2H

**>40%**

Estimated % of global ex. China front-of-class interactive display addressable market (untapped by Promethean in the past prior to LX launch)

**>5M**

units of installed base\* globally with the old IWB (Interactive Whiteboard) technology to be replaced by IFP in next several years

**1M**

units of installed base of Promethean displays globally including a significant share using IWB\*\*

**>40%**

% of our LX sales pipeline in the U.S. with new customer accounts, demonstrating ability to penetrate into a new customer category\*\*\*

\* According to the Futuresource Consulting <Quarter 2 2023 World Interactive Display> report, Aug 2023 (Global classrooms with IWB installed)

\*\* Based on company estimates according to historical shipment records

\*\*\* Based on company estimates as of mid-August 2023

## On track to roll out SAAS subscription offering to put us in position to scale recurring software revenue




Mynd.ai = the platform, not the provider

Our goal is to become the unified platform for digital content in K-12 classrooms, empowering teachers with seamless connectivity so they can focus on what they do best: inspiring young minds.

### How?

- Agnostic hardware that integrates across technology providers to give teachers quick and simple access to the technology they find most important
- Explain Everything platform helps teachers everywhere create engaging, customizable lessons with interactive presentations, video tutorials and assignments
- Everything you need in one place with Explain Everything at the center of lesson creation and delivery, providing integrated solutions to help teachers augment their lessons in real time
- Addition of AI tools to reduce the time spent by teachers finding content, creating lessons, and conducting assessments
- The classroom is here to stay, but from now on, there will always be tech at the front of the room. mynd.ai aims to be the tech platform of choice.



Moving from a predominant hardware sales model to generating SAAS revenue by leveraging the hardware platform



05

**In strong position to evolve to CAAS model,  
embracing the future of AI Education**

## **The Evolution of mynd.ai**

**Evolve from being a hardware provider to being a SaaS business, specifically Classroom as a Service (CaaS), built on the foundation of our hardware business:**

- creating an agnostic platform that hosts a multitude of content providers
- delivering a set of complimentary SaaS offerings for a frictionless teaching experience
- establishing the company as a unified provider for K-12 market

Simultaneously expand the hardware business into the workplace/corporate market as an additional long-term growth channel.



05

In strong position to evolve to CAAS model, embracing the future of AI Education

## CaaS is the Future

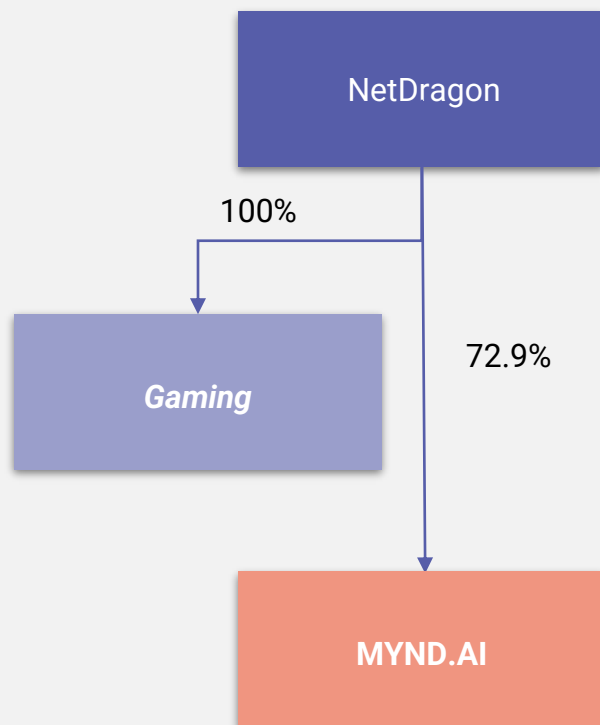
- The hardware is a product, not a subscription, which will require a transition to new model in 3-5 years when it naturally ages out
- Integrates selected software within the Explain Everything whiteboard platform starting in ~2024
- The platform aggregates content and is an attractive landing for software providers
- Teacher support before, during and after class
- Integration of AI to assist teachers in reaching students:
  - predictive resource provisioning for live classrooms
  - interactive feedback to adjust lessons to student needs in real time
  - measuring learning outcomes for students
- Recording lessons
- Integrating features/software from multiple providers

## Spun-off mynd.ai to unlock shareholder value, ensure sustainable growth and secure more capital market flexibility

 Achieving multiple critical objectives with the listing



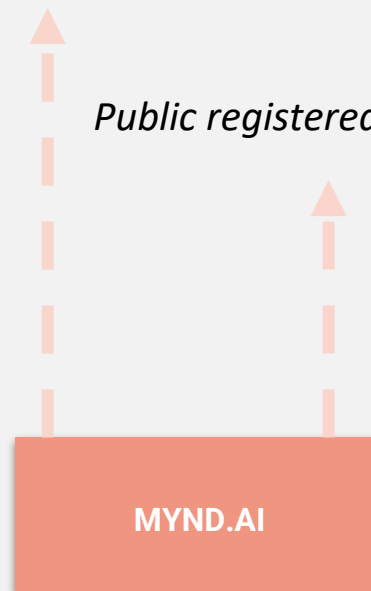
### Unlock Shareholder Value



### Fundraising Platform

*PIPE from Strategic Investors*

*Public registered offering*



### Ensure Sustainable Growth

- Majority of our overseas education revenue is from the U.S.
- Having our overseas education business in an U.S. listed entity will:
  - ✓ Ensure regulatory compliance in the U.S.
  - ✓ Provide the necessary strategic / operating flexibility to achieve sustainable growth



## Outlook

# Outlook



## Gaming

- ◆ On track to achieve solid revenue growth for the full year
- ◆ Continue to drive growth of existing flagship games
- ◆ Drive progress of our planned new game launches to drive long term growth



## Education

- ◆ Penetrate the massive low-to-mid end of the IFPD market with our new LX product
- ◆ Launch our first integrated software subscription offering to initiate recurring revenue
- ◆ Implement cost rationalization for our China education business





## Financials & Capital Return Measures

## Financial Highlights

(RMB million)	1H23	1H22	YoY
Revenue	<b>3,681</b>	4,240	-13.2%
Gaming	<b>1,920</b>	1,776	+8.1%
Education	<b>1,720</b>	2,410	-28.6%
Gross Profit	<b>2,287</b>	2,323	-1.5%
Selling & Marketing Expenses	<b>443</b>	442	+0.2%
as % of Revenue	<b>12.0%</b>	10.4%	+1.6 ppts
Administrative Expenses	<b>570</b>	464	+22.8%
as % of Revenue	<b>15.5%</b>	10.9%	+4.6 ppts
R&D Expenses	<b>641</b>	586	+9.4%
as % of Revenue	<b>17.4%</b>	13.8%	+3.6 ppts
EBITDA	<b>916</b>	878	+4.3%
Operating Profit	<b>699</b>	745	-6.1%
Profit Attributable to Owners of the Company	<b>500</b>	565	-11.5%
Operating Cash Flow	<b>457</b>	480	-4.8%
Cash and Bank Balance	<b>4,173</b>	3,903	+6.9%

## Segmental Financial Highlights

(RMB million)	Education			Gaming		
	1H23	1H22	YoY	1H23	1H22	YoY
Revenue	<b>1,720</b>	2,410	-28.6%	<b>1,920</b>	1,776	+8.1%
Gross profit	<b>419</b>	610	-31.3%	<b>1,858</b>	1,699	+9.4%
Gross profit margin (%)	<b>24.4%</b>	25.3%	-1.0 pts	<b>96.8%</b>	95.7%	+1.1 pts
Core segmental profit (loss)	<b>(249)</b>	(36)	-591.7%	<b>1,094</b>	1,006	+8.7%
Segmental operating expenses						
- Research and Development	<b>(225)</b>	(226)	-0.4%	<b>(411)</b>	(353)	+16.4%
- Selling and Marketing	<b>(238)</b>	(252)	-5.6%	<b>(187)</b>	(188)	-0.5%
- Administrative	<b>(192)</b>	(177)	+8.5%	<b>(156)</b>	(152)	+2.6%

### Education

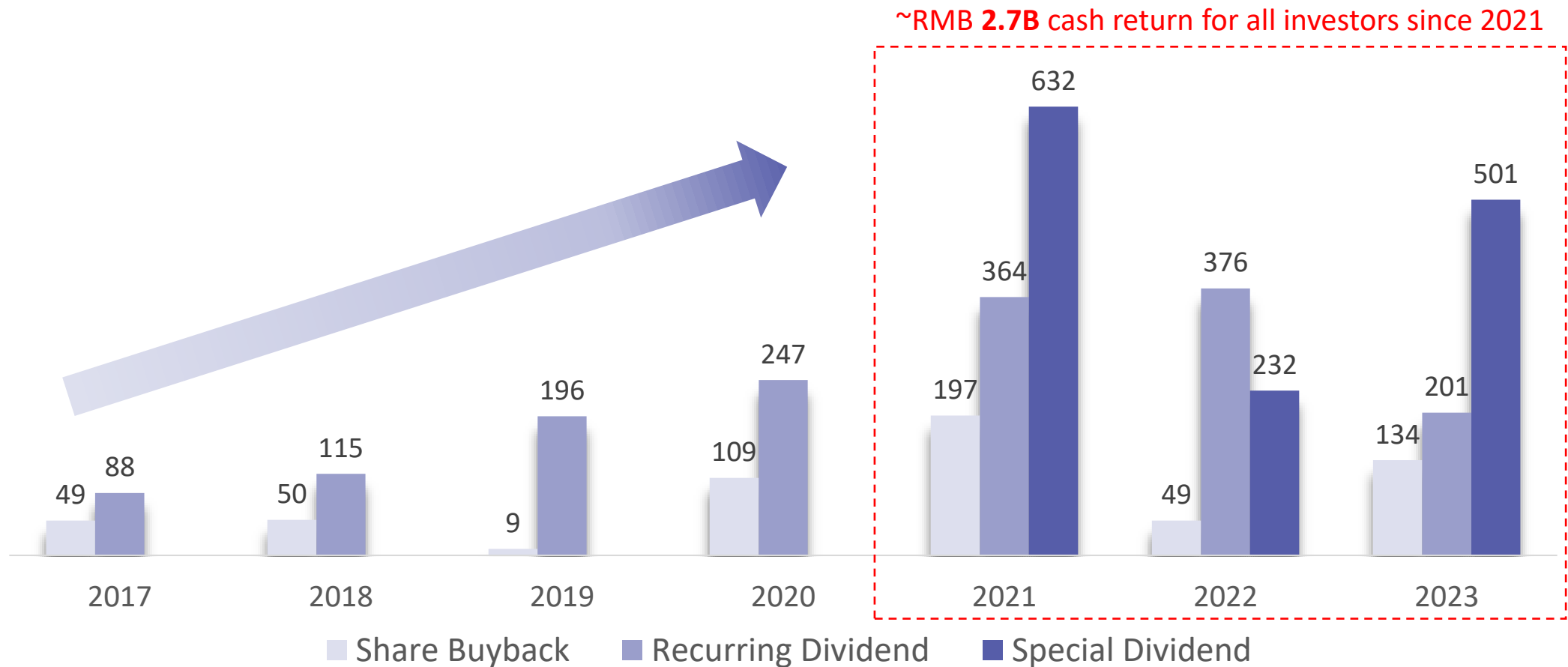
- **Gross margin** dropped by 1.0 pts YoY, but went up on a HoH basis with 3.7 pts increase vs 2H 2022
- **Core segmental loss** increased due to lower revenue and gross profits, while our business overhead was largely flat (total segmental operating expense increased by 0.1% YoY)

### Gaming

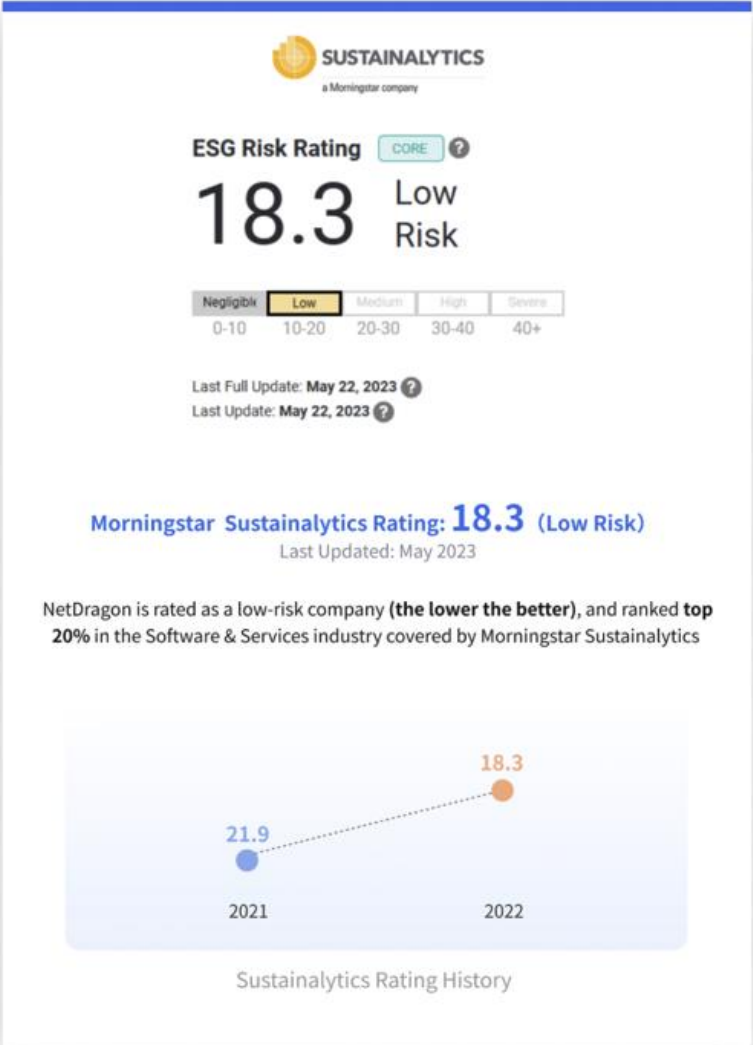
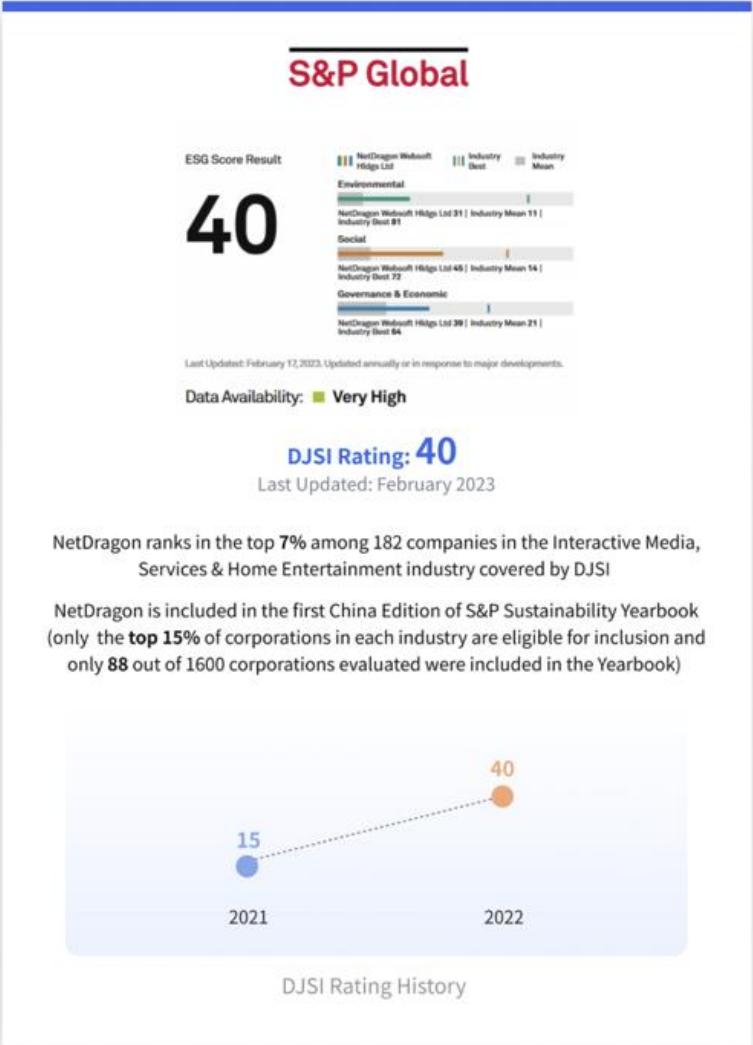
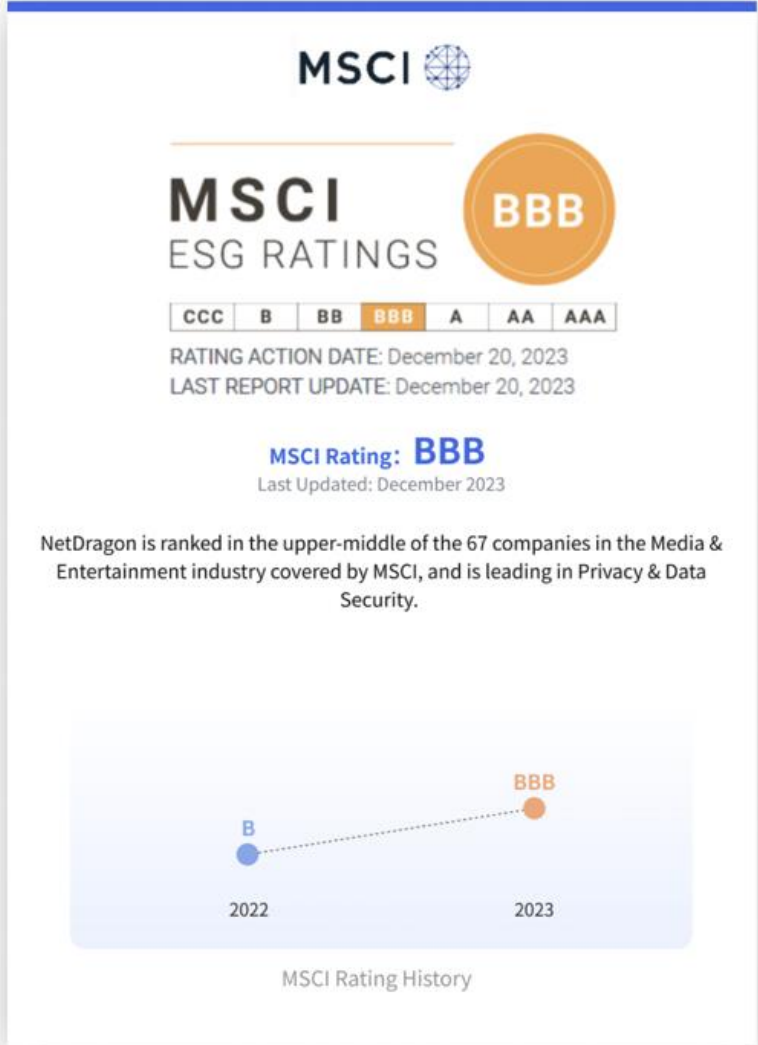
- **Revenue** increased by 8.1% YoY, driven by various in-game events, content updates and innovative game-play
- **Core segmental profit** increased by 8.7% YoY due to higher gross profits from revenue increase, and higher gross margin % attributed to optimized management of our server costs

## Increase shareholder cash return via special dividends and share buybacks

(RMB million)



# NetDragon continues to excel in ESG performance







# Management Team

# Visionary, multi-disciplinary leadership team with unparallel commitment to build our business with global impact

## Dr. LIU Dejian

Founder and Chairman

- Top 10 China Business Figures, 2016\*
- Entrepreneur of the Year, 2013\*\*
- Co-Dean of the Smart Learning Institute of Beijing Normal University
- Doctorate in Education from Beijing Normal University
- Ahead-of-the-curve product designer
- Conceived, successfully scaled and commercialized “first-mover” ideas including:
  - ① 1st gaming portal (17173.com)
  - ② 1st “free-to-play” MMORPG (Eudemons Online)
  - ③ Largest smartphone appstore platform (91 Wireless)

## Dr. Simon LEUNG

Vice Chairman

- Former Chairman & CEO, Greater China, Microsoft
- Former President, Asia Pacific, Motorola
- Former CEO , Asia Pacific, Harrow International School
- Doctorate in business administration from Hong Kong Polytechnic University and honorary doctorate in laws from University of Western Ontario



\* Awarded in award event hosted by ifeng.com & Phoenix TV

\*\* Awarded in Cyzone Entrepreneur Conference in June 2013

# A global executive management team with track record in execution



**WANG Song**  
Chief Product Officer

Chief Designer of “Eudemons Online”, NetDragon’s most popular and most profitable MMORPG

Expert in game design and user experience



**Ben YAM**  
Chief Financial Officer

Former Senior Vice President, Softbank Asia / SAIF Partners (Asian PE fund with US\$4B AUM)

Sat on board of 7 TMT portfolio companies

MS from Columbia University

CFA, CA, CPA



**Vin RIERA**  
CEO of mynd.ai

Former Director and CEO of Collegis Education

Former Director and CEO of Edmentum

Served in executive leadership roles at Gateway, Inc. and Orange Business Services



**CHEN Hong**  
CTO,  
Fujian Huayu (China)

Former CTO of SVMsoft (Joint Venture of VMware and Sugon)

Former Director of VMware

10+ years of experience in software engineering and development

MBA from Tsinghua University



**LI Jia**  
CTO,  
TQ Digital

Former Director of R&D in YooZoo from 2017 to 2019

Co founded Shanghai Xinzhi Gaming in 2012, and successfully published *Magic Land M*, a MMORPG game with western fantasy backgrounds

15+ years experiences in gaming R&D, framework engine, middle office infrastructure buildup



**LIN Chen**  
Senior Vice President

In charge of gaming design and QA

Joined NetDragon in 2009 and performed various roles in the gaming segment, such as Director of QA, Director of Design Centre, etc. promoted to Senior Vice President in 2018

BS from Tongji University



**YU Biao**  
Chairman of Fujian  
Huayu (China)

Head of planning and operation of Huayu Education (China)

20+ years of experience in education management



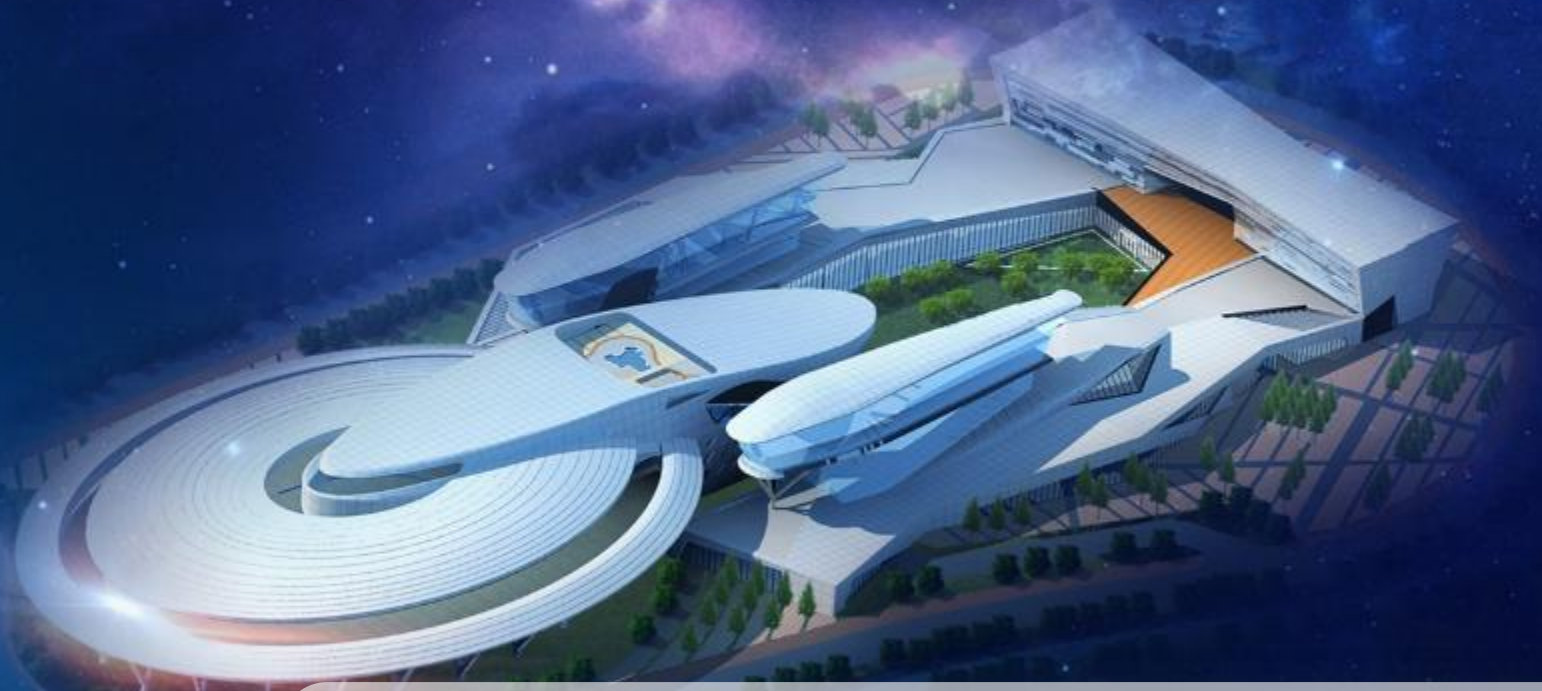
**LIN Wei**  
President of Fujian  
Huayu (China)

Responsible for sales operation and marketing of education products in China

15+ years of experience in IT, mobile Internet, and education industries

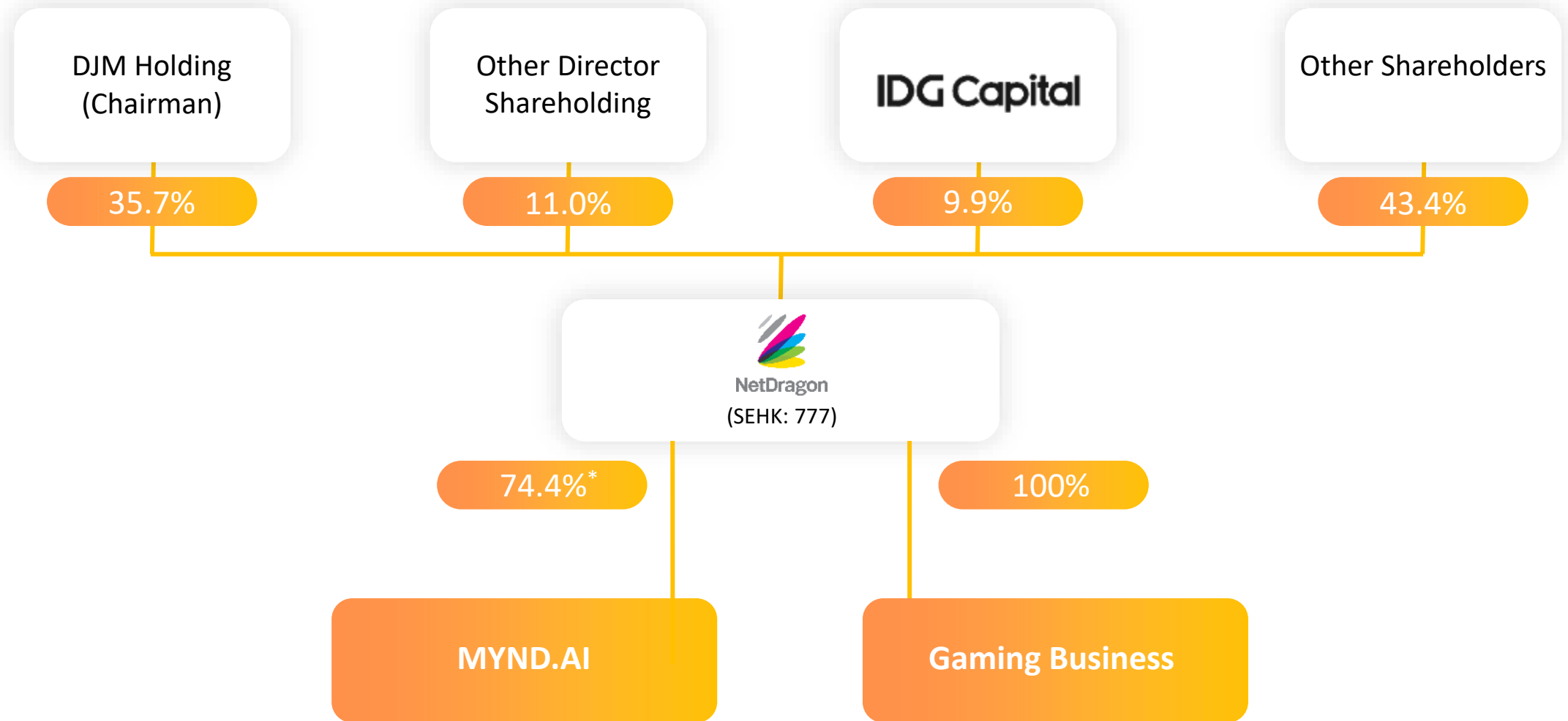


# Q&A



Investor Relations Email: [ir@netdragon.com](mailto:ir@netdragon.com)

## Appendix: Shareholding Structure



\* On the issued share capital basis