

NetDragon Websoft Holdings Limited (777.HK)

Investor Newsletter

February 2024

Stock Information (As of 31 December 2023)

Stock Code ----- 777.HK

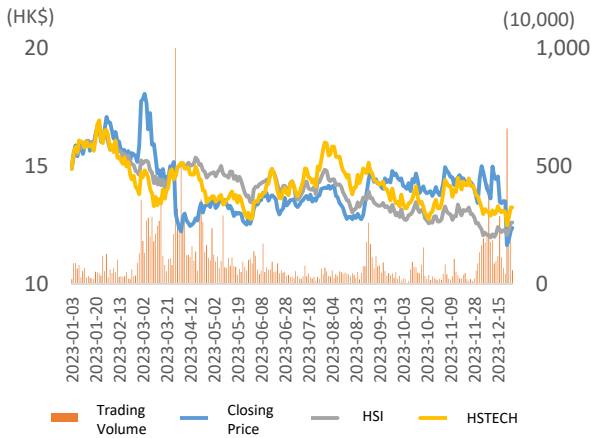
Stock Price ----- HK\$ 12.38

52-Week Stock Price Range ---- HK\$ 11.12-18.37

Market Cap ----- HK\$ 6.58 billion

Issued Share Capital ----- 531 million shares

Share Prices And Trading Volume (2023)



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 the vision to create the largest global online learning community, and to bring best-in-class learning solutions to every school around the world. For more information, please visit ir.netdragon.com.



Analyst Reports

Date	Firm	Rating	Target Price (HK\$)
Dec 2023	Guotai Junan Securities	Buy	22.49
Dec 2023	CITIC Securities	Buy	21.00
Dec 2023	BOC International	Buy	N/A*
Sep 2023	SPDP International	Coverage, Buy	20.00
Sep 2023	BOCOM International	Buy	20.00
Sep 2023	Essence Securities	Buy	18.40
Sep 2023	Topsperity Securities	Buy	N/A*
Aug 2023	CCB International	Outperform	22.40

NetDragon Websoft Holdings Limited

Investor Relations Department

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Disclaimer

*As required by compliance department, report did not include target price

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Company News

NetDragon designated as the "Top 15 Competitive Listed Gaming Enterprises in China"

(August 2023) Gamma Data released the "2022-2023 Competitiveness Report of Listed Game Enterprises", in which NetDragon was rated the top "S" grade for its competitive strengths and was once again named one of the "Top 15 Competitive Listed Game Enterprises".

NetDragon's education product was recognized by the five Ministries and selected in the "2023 Annual VR Pioneer Application Case List"

(October 2023) Huayu, a subsidiary of NetDragon, has received recognition for its submission of the "VR Empowering Primary and Secondary School Experimental Course Teaching Applications". This case was selected in the "2023 Annual VR Pioneer Application Case List" by the Ministry of Industry and Information Technology, the Ministry of Education, the Ministry of Culture and Tourism, the National Radio and Television Administration, and the General Administration of Sport (only 70 cases were chosen nationwide).

Promethean's ActivPanel won two Ed-tech awards

In the second half of 2023, Promethean's flagship product, ActivPanel 9, won two industry honours, including the 2023 Tech Advocate Award for "Best Classroom Audio-Visual App or Tool" and the Tech & Learning "Best of Show Award".

NetDragon selected "China's Top 100 Internet Enterprises" for the 11th consecutive year

(October 2023) The Internet Society of China officially unveiled "Top 100 Chinese Enterprises in Comprehensive Strength for 2023". As a leading online gaming developer, operator and distributor, as well as a prominent digital education enterprise in China, NetDragon has been included in the list for 11 consecutive years.

NetDragon completed a US\$20M investment in Rokid and formed strategic partnership to target metaverse opportunities

(November 2023) NetDragon completed a strategic investment of US\$20 million as the lead investor in the latest equity fundraising round of Rokid Corporation Ltd. Parallel to the investment, the two companies signed a 5-year strategic partnership agreement to pursue metaverse opportunities globally using Rokid's state-of-the-art AR technologies.

NetDragon awarded "Golden Hong Kong Stocks Award 2023"

(December 2023) NetDragon won the "Golden Hong Kong Stock Award 2023" amongst over 1,000 listed companies. Only ten listed companies were honored with the "Golden Hong Kong Stock Award", with NetDragon being selected alongside well-known companies such as Baidu Group, Lenovo Group, East Buy, and BYD Co., Ltd.

NetDragon announced the completion of the merger for the spin-off listing of the overseas education business

(December 2023) NetDragon merged its core overseas education business with the NYSE-listed GEHI at a valuation of US\$800 million for the merged entity. The merged entity was renamed to Mynd.ai and the stock symbol was officially changed from "GEHI" to "MYND". Following the completion of the merger, NetDragon now holds 74.39% of the issued share capital of Mynd.ai.

NetDragon honored the "Best Shareholder Relations Award" and the "Best Capital Market Communication Award"

(January 2024) NetDragon won the "Best Shareholder Relations Award" and the "Best Capital Market Communication Award" in the 7th China IR Awards event, reflecting the company's broad acknowledgment in the industry for its efforts in investor relations management. Hundreds of listed companies applied for the assessment this year, and the scores were determined through IR questionnaire responses, online voting, and professional agency evaluations.

Shareholder Returns

100%+

**1H2023
payout ratio**

~15%

**Dividend yield
(TTM)**

10%+

ROE
3 consecutive years from 2020 to 2022

RMB
6.06

Net cash per share
(As of June 2023)

RMB
13.43

Net assets per share
(As of June 2023)

- Since the announcement of the 3-year share buyback program (up to US\$300 million) in August 2021, NetDragon has repurchased approx. 26 million shares for **HK\$440 million (approx. US\$56 million)**. Additionally, the Company declared three rounds of special dividends totaling **HK\$1.57 billion (approx. US\$200 million), or HK\$2.93 per share**. In summary, NetDragon has returned a total of **HK\$2.01 billion (approx. US\$260 million)** to investors through share buybacks and special dividends.
- Following the completion of the spin-off, the NetDragon board has approved the declaration of a special dividend to shareholders through a distribution in specie (or cash alternative). Qualifying shareholders will be entitled to one MYND ADS for every whole multiple of a lot held (1,000 shares), or in lieu of ADS, a cash payment of approx. **HK\$137.38 (equivalent to US\$17.59)**.



Gaming Business

Business Development



- On 25 June, *Eudemons Online Pocket Version* launched the new expansion pack “Thor Rising”, featuring the global debut of the new character “God of Thunder” for the *Eudemons* IP.
- On 19 September, *Eudemons Online Pocket Version* released the new expansion pack “Han Dynasty”, introducing the autumn-exclusive pet “Desert Melody · Zhaojun”.
- On 25 September, *Eudemons Online Mobile* launched the new expansion pack “Desert Elegance”, awakening the new character “Vampire”.
- On 22 December, *Eudemons Online* launched the new expansion pack “Divine War: Blazing Hearts”, creatively enhancing the gameplay of legion mode.
- On 22 December, *Eudemons Online Pocket Version* launched the new expansion pack “Immortal Soul of Warrior”, enhancing the characters of “Berserkers” and “Warriors”.



- On 24 October, *Conquer* launched the new expansion pack “Martial World”, featuring collaborative promotions with Didi Global, Tmall, ZuiPin, PP TV, and Taopiaopiao.



- Heroes Evolved* continues to drive player engagement through esports events, hosting multiple events including Heroes Evolved Summer Invitational, Heroes Evolved Autumn Development League (HDL), and Heroes Evolved Autumn Elite League (HEL) in August and November.



- Under Oath Overseas Version* has signed a collaboration agreement with a renowned AAA gaming publisher and started to test in December, with a Japanese market debut expected in the first half of 2024.

New Game Pipeline



Eudemons Remake Version
(MMO PC Game)
Estimated Launch: 24Q4

Eudemons Mobile II: Overseas Version
(MMO Mobile Game)
Estimated Launch: TBD

New Eudemons PC
(MMO PC Game)
Estimated Launch: 25H2

Eudemons Pocket Version 2.0
(MMO Mobile Game)
Estimated Launch: 25Q4



Code - Alpha (Overseas Casual)
(Casual Board Mobile Game)
Estimated Launch: 24H2

Code - Nirvana
(MOBA Mobile Game)
Estimated Launch: 25H2

Heroes Evolved 2.0
(MOBA Mobile Game)
Estimated Launch: TBD

New IPs

Under Oath Overseas Version
(ACGN Mobile Game)
Estimated Launch: 24H1

Huan Kong Cheng Zhi Ge
(Idle Card RPG)
Estimated Launch: TBD

Code - Ge Cao
(Roguelike Mobile Game)
Estimated Launch: 24H2

Code - Dragon
(MMO Mobile Game)
Estimated Launch: 24H2

Outlook

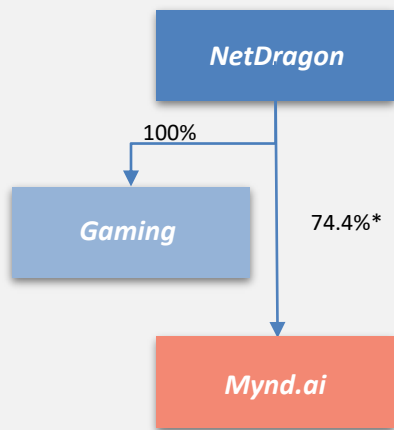
- ◆ Continue to drive revenue growth of existing flagship games
- ◆ Robust pipeline of new games in 2024 to provide new growth momentum
- ◆ New games also expected to drive long-term growth
- ◆ Putting strategic emphasis on development and integration of AI technologies



Education Business

Successfully Concluded Spinoff of Overseas Education Business

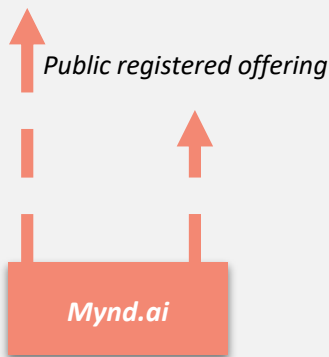
Unlock Shareholder Value



* % of issued share capital

Fundraising Platform

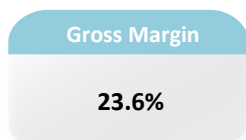
PIPE from Strategic Investors



Ensure Sustainable Growth

- Majority of overseas education revenue is from the U.S.
- Having 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

Mynd.ai Financial Data**



** Based on pro forma income statements/balance sheet for Mynd.ai for the 12 months ending December 31,2022

Mynd.ai Investment Highlights



Robust cash reserves of ~\$80M



Strong opportunity for top-line growth in market with stable funding from local, state, and federal sources used to advance quality of education



Growing and evolving SaaS business



Leading position with installed hardware base and extensive data to enhance penetration



North America revenue (70%) positions for high attach of SaaS business, with additional international growth potential



Anticipated vigorous M&A pipeline & accelerated organic growth through new product offerings

Outlook

- ◆ Transitioning from a hardware sales model to a SaaS model and scaling software subscription revenue
- ◆ Creating an agnostic platform that host a multitude of content providers and establishing the company as a unified provider for the K-12 market
- ◆ Moving towards Classroom as a Service (CaaS) to embrace the upcoming era of AI education



ESG News

NetDragon included in the first "The Sustainability Yearbook (China Edition)" by S&P Global

(June 2023) NetDragon was included in the first "The Sustainability Yearbook 2023 (China Edition)" by S&P Global due to its dedication in ESG commitment and practices. Among 1,600 Chinese corporations evaluated across 60 industries, only 88 companies were selected for the first edition of the yearbook. Notably, NetDragon secured an impressive ESG score of 40, placing it in the top 7% within the Interactive Media, Services, and Home Entertainment industry evaluated by S&P Global.

NetDragon's Chairman Dr. Liu Dejian attended UNESCO IITE Governing Board Session and proposed a series of progressive ideas

(July 2023) Dr. Liu Dejian, Chairman of NetDragon, as the only member on the UNESCO IITE Governing Board with an entrepreneurial background, participated in the 23rd session of UNESCO IITE (UNESCO Institute for Information Technology in Education), providing a series of forward-thinking ideas and suggestions. He advocated for the creation of a digital human identity for UNESCO IITE, a guidebook to assist global teachers in navigating the challenges posed by AI technology, the establishment of a one-stop Open Educational Resources (OER) repository and "a Wikipedia for teaching methods", and providing teachers with high-tech teaching resources and tools.

NetDragon honored as "2022-2023 Gaming Company with Outstanding Social Responsibility"

(July 2023) NetDragon was recognized by People's Daily as "2022-2023 Gaming Company with Outstanding Social Responsibility". As a listed company, NetDragon has consistently shouldered the social responsibility and continuously leveraged its cultural influence to serve society. This recognition underscores NetDragon's outstanding performance in social responsibility for five consecutive years.

NetDragon honored as "Fujian's Top 10 Cultural Enterprises" for the 10th time

(October 2023) The 12th "Fujian Top 10 Cultural Enterprises" ceremony took place in Fuzhou, where NetDragon received this recognition for the 10th time. As one of the top 10 cultural enterprises in Fujian, NetDragon strategically leverages advanced technological advantages and digital operational resources to foster continuous innovation. The Company independently develops high-quality online gaming IPs, provides best-in-class digital education solutions, and has been recognized as a national cultural industry demonstration base and a key enterprise for cultural exports in China.

NetDragon upgraded to 'BBB' by MSCI ESG rating

(December 2023) NetDragon's Environmental, Social, and Governance (ESG) rating is upgraded to BBB by the globally renowned index institution, MSCI. This marked a significant upgrade from the previous rating and underscores the market's recognition of the Company's achievements in the ESG domain. Notably, NetDragon excelled in the "Privacy and Data Security" category, surpassing industry averages and receiving high acclaim from MSCI as reflected in its rating.

ESG Rating

