NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2024 Annual Earnings Presentation

March 27, 2025

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Opening Remarks

Dr. Simon Leung

Group Vice Chairman

Agenda

Topic	Speaker
2024 Highlights	Dr. Simon Leung, Group Vice Chairman
2024 Financials	Wood Lau, Group Interim CFO
Gaming	Lin Chen, Group Senior Vice President
Mynd.ai	Dr. Simon Leung, Group Vice Chairman
Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

Key Highlights

Gaming

- Fully embrace "AI + Gaming" strategy, with R&D personnel reduced by 14% in 2024, focusing on innovative gaming experience

- Adherence to high-quality content strategy to drive user growth in our flagship IP - *Eudemons*

- Focused pipeline with emphasis on **EVERGREEN IP** sequels

Mynd.ai

- The education sector will continue to face industry-wide challenges, with expectations of recovery in 2026

- Recently launched ActivPanel 10 and its modular approach received warm reception from our customers. Pave way to deploy more CaaS services

- Completed the sale of early childhood development business, further enhancing our capital structure

- Continue our effort on costs reduction given the headwinds in the market

- Fiscal management of our balance sheet

Financial Highlights

Wood Lau

Group Interim CFO

Metrics Snapshot

65.2%

Gross Margin
(up 3.3 ppts. YoY)

23.4%

EBITDA Margin
(up 4.8 ppts. YoY)

756M
RMB

Proft Before Tax
(up 19% YoY)

2.1B
RMB

Net Cash
(up 13% YoY)

1.1B
RMB

Operating Cash Flow
(>1B for six consecutive years)

7.6%

Dividend Yield
(2024 full year dividend/
Mar 26th market close)

Key Financial Highlights

(RMB million)	FY2024	FY2023	YoY	Notes
Revenue	6,047	7,101	-14.8%	
Gaming and Application Services	3,938	4,189	-6.0%	Proactive optimization efforts in response to market demand evolution
Mynd.ai	2,106	2,910	-27.6%	Transformation period of IFPD market prolonged
Gross Profit	3,942	4,398	-10.3%	Gross profit decreased but gross margin improved 3.3 ppts. to 65.2%
Selling & Marketing Expenses	758	807	-6.1%	
as % of Revenue	12.5%	11.4%	+1.1ppts.	
Administrative Expenses	1,164	1,199	-2.9%	
as % of Revenue	19.3%	16.9%	+2.4 ppts.	
R&D Expenses	1,429	1,382	+3.4%	R&D team was optimized in Q4 2024, with cost savings expected to materialize in 2025
as % of Revenue	20.1%	19.5%	+0.6 ppts.	
EBITDA	1,418	1,325	+7.1%	Higher EBITDA
Profit before taxation	756	635	+19.1%	Higher PBT
Taxation	642	188	+341.5%	Included one-time non-cash deferred tax expense of RMB452M
Profit Attributable to Owners of the Company	311	550	-43.4%	Net profit up YoY 17.4% if taking out the one-time non-cash deferred tax expense
Operating Cash Flow	1,052	1,115	-5.7%	Stable operating cash inflow
Net cash at year end	2,098	1,851	+13.3%	Increased cash reverse

Segmental Financial Highlights

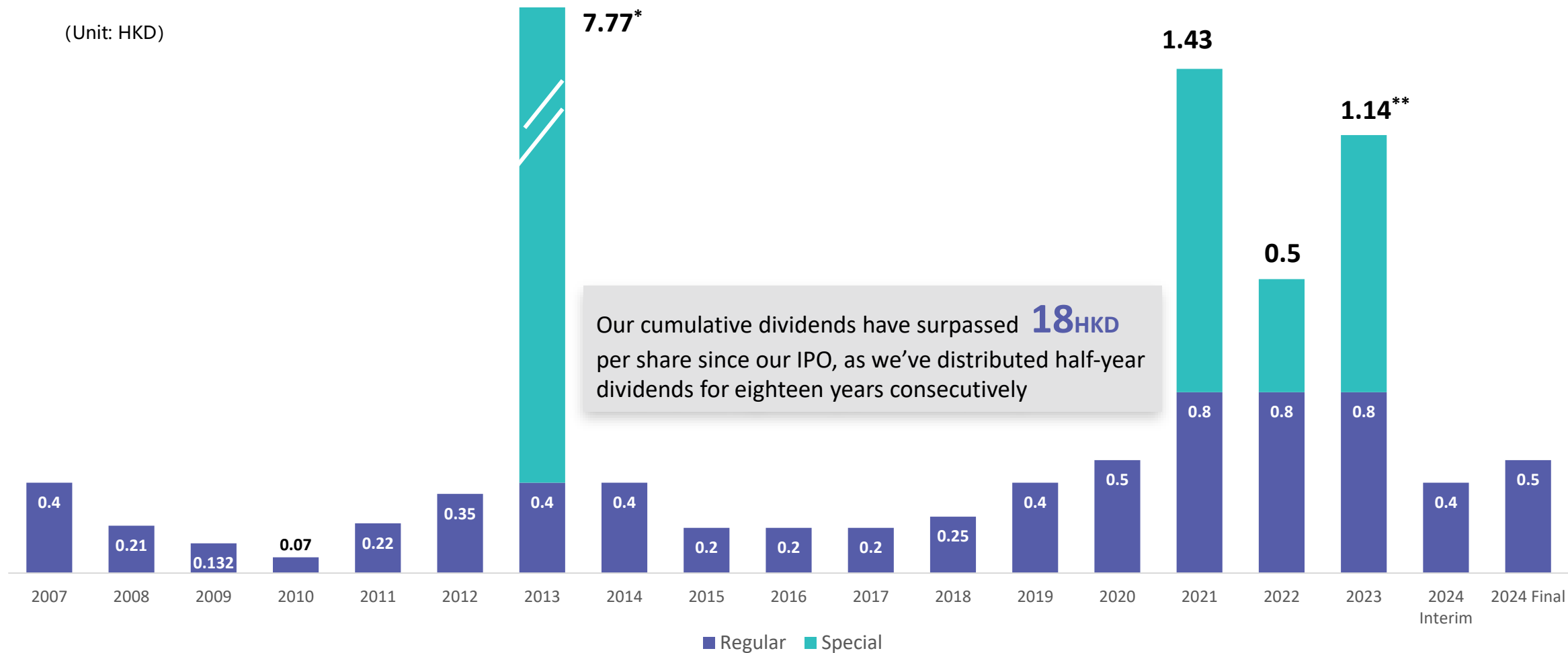| (RMB million)	Gaming and Application Services			Mynd.ai		
	FY2024	FY2023	YoY	**FY2024**	FY2023	YoY
Revenue	**3,938**	4,189	-6.0%	**2,106**	2,910	-27.6%
Gross profit	**3,399**	3,708	-8.3%	**547**	728	-24.9%
Gross profit margin (%)	**86.3%**	88.5%	-2.2 *ppts.*	**26.0%**	25.0%	+1.0 *ppts.*
Core segmental profit (loss)	**925**	1,399	-33.9%	**(297)**	(93)	+219.4%
Segmental operating expenses						
- Research and Development	**(1,227)**	(1,186)	+3.5%	**(202)**	(196)	+3.1%
- Selling and Marketing	**(488)**	(463)	+5.4%	**(266)**	(327)	-18.7%
- Administrative	**(705)**	(649)	+8.6%	**(362)**	(267)	+35.6%

Gaming and Application Services

- **Revenue from gaming** represents 87% of our revenue in Gaming and Application Services segment

- **Execute AI+ strategy:** Optimization taken place in 2024 Q4, delivering a full year cost saving impact in 2025

Mynd.ai

- **Gross Margin** improved by 1.0 ppts due to lower unit materials and freight cost

- **Segmental operating expenses** decreased by 3.4% excluding the OPEX from GEH Singapore (2024: RMB70M) which was sold in 2024 Q4.

Announced 2024 final dividend: 0.5 HKD/share, up 25% YoY

(Unit: HKD)

7.77*

1.43

1.14**

0.5

Our cumulative dividends have surpassed **18HKD** per share since our IPO, as we've distributed half-year dividends for eighteen years consecutively

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 Interim | 2024 Final |

Regular values: 0.4, 0.21, 0.132, 0.07, 0.22, 0.35, 0.4, 0.4, 0.2, 0.2, 0.2, 0.25, 0.4, 0.5, 0.8, 0.8, 0.8, 0.4, 0.5

■ Regular   ■ Special

Special dividend in 2013 representing share of our capital gain from the strategic sale of 91 Wireless
*** Including ~$0.14/ordinary share as a result of the Mynd.ai spin-off merger (dividend in species, most investors chose the cash option)*

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GAMING

Lin Chen

Group Senior Vice President

Fully embrace the "AI+Gaming" strategy, driving definitive cost/efficiency gains

Set AI as the most strategic initiative as significant progress were made by adopting it into our gaming business

Cost Savings and Efficiency Enhancements:

- Number of R&D personnel down by 14% in 2024;
- Efficiency for single process improved by 30-60% as we implemented AI throughout.

Improving Gaming experience:

- AI-powered cheat detection system: players' negative impression dropped substantially;
- AI companions: enhanced new user experience.
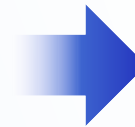
AI Organization:

- Develop the AI Content Factory in full scale;
- Further cut in R&D team in 2025.

Innovative Gaming Experience:

- Intelligent NPC + Open World MMO;
- AI generated games.

AI technology is set to revolutionize game development and production

Phase I - Tools
Improve by 20-30%

Phase II – AI Agent
Improve by 30-50%

Phase III – AI Organization
and AI Content Factory
Improve by 50%-200%

Large Language Models
(**ChatGPT, Deepseek,** etc.)

Vertical Models
(**MJ, Hunyuan,** etc.)

AI Agent Platform

Knowledge Library

AI Content Factory

AI Applications: from simple "production aide", to "AI Agents" capable of delivering complete tasks, to the "AI-driven intelligent production" in the future.

"AI driven Product Innovation": elevating gameplay and user experience

Traditional Gaming Experience:

1. The world is fictional, and the sense of immersion is based on limited rules;

2. The experience is predetermined, based on behavior trees;

3. Interactions with NPCs are merely functional;

4. Game content is consumed quickly in one-time manner;

5. If someone wins, someone else loses.

Future Gaming Experience:

1. The world is starting to approach reality;

2. The experience is emergent;

3. Interactions with NPCs are emotional;

4. Content is co-created by players and intelligent NPCs;

5. Everyone can create their own personal success.

Cultivating the **EVERGREEN IP** through sustainable operational excellence
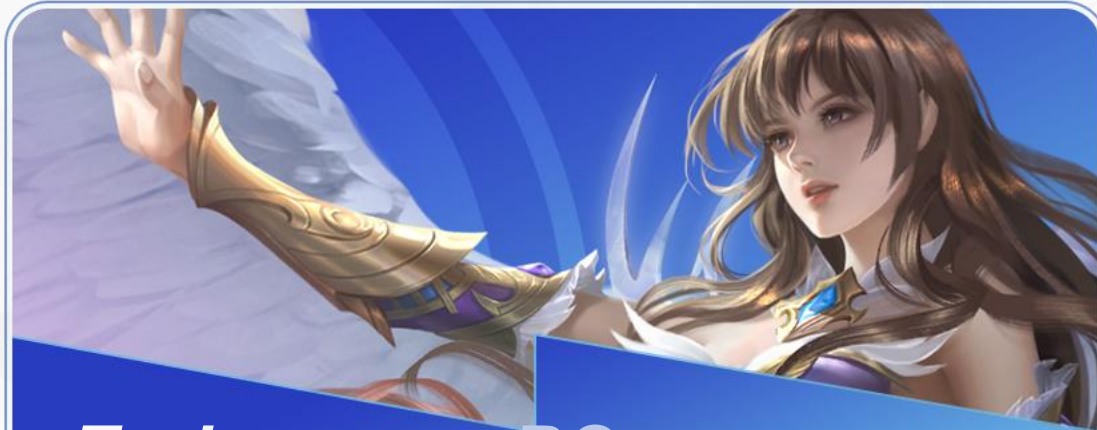
Eudemons - PC

1. Revenue down 6.7% YoY, as we proactively optimized the ecosystem and payment strategy from the long-term operation perspective

2. User activity grew, average MAU up 16.1% YoY, for the *PC-mobile Cross Platform Version*, average MAU up 37.5% YoY
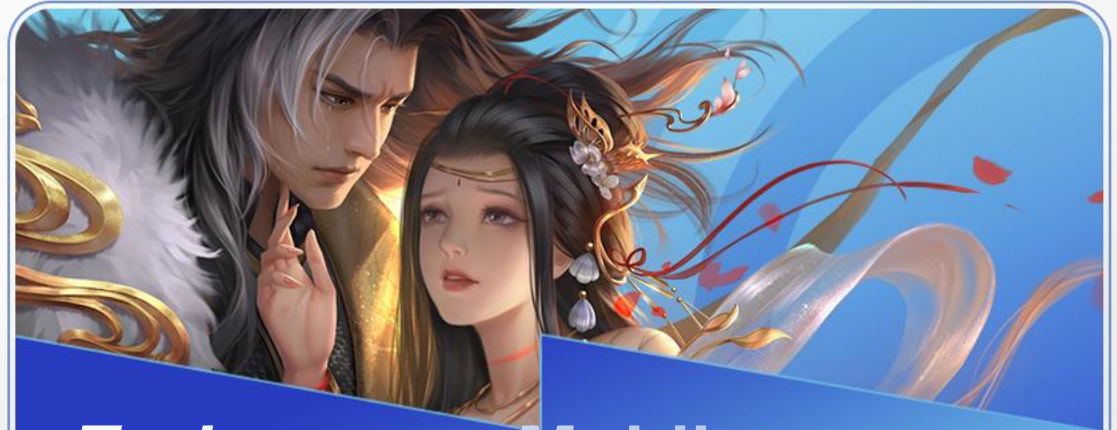
Eudemons - Mobile

1. Revenue down 12.9% YoY, mainly due to optimizations to certain co-publishing channels from the long-term ecosystem perspective

2. *Eudemons Pocket Version* average MAU up 18.1% YoY

High-quality content strategy for *Eudemons* led to healthy user growth

– *2024 content updates*

Year of the Dragon Eudemons

Major Event: Vigil of Winter

Miss EO Contest: Aurora Plumage

All-Round Eudemon: Ocean Chanter

Major Event: World Tree - Chapter of Rebirth

| ■ Jan | ■ Mar | ■ Jun | ■ Jul | ■ Aug | ■ Sep | ■ Oct | ■ Nov | ■ Dec |

The Anniversary Warlord Series

Spirit Eudemon: Mulan & Anniversary Cross-Server Family War

New Eudemon: Black Wukong

IP Collaboration: Eudemons Online x Umasou

High-quality content strategy for *Eudemons* led to healthy user growth – *2025 content schedule*

Anniversary	Expansion Closed Beta	Spirit Eudemon Version	Miss EO	Curio Expansion	Trendy Toy Carnival	Horse Eudemons
Cultural Heritage - Fairness Cup	**Public Welfare - Future for Elephants**	**Shandan Military Horse Farm Collaboration**	**Cultural Heritage - Jade Carving**	**Liangzhu Museum Collaboration**	**Trendy Top Brand IP Collaboration**	**Blood-Sweating Horse Collaboration**
—	—	—	—	—	—	—
March	**May**	**July**	**August**	**September**	**November**	**December**

Capturing the wave of content innovation: Gaming + Culture

Collaboration with various projects of traditional Chinese cultural trends, famous intangible cultural heritages, and public welfare initiatives not only leveraged the advantages of our games in interactive visual expression but also gains vast recognition from users and society. This is an important area for continuous efforts in the future.

The user acceptance of our content and the spending ratio continue to rise

Eudemons - PC

Year of the Dragon Eudemons comparing to *Year of the Rabbit Eudemons* increased by 24% in spending ratio, the *Spirit Eudemon: Mulan* during the National Day Event also saw 24% growth YoY

Eudemons - Mobile

Year of the Dragon Eudemons comparing to *Year of the Rabbit Eudemons* increased by 11% in spending ratio, *the Spirit Eudemon* during the National Day Event saw 122% growth YoY in spending ratio

* Spending Ratio: the percentage of accounts which conducted actual purchases with tokens to the total active accounts

Heroes Evolved: Long-term refined operations for "evergreen game"

Player confidence continues to rise

- Revenue **increased by 18.3%** YoY in 2024, ARPPU **increased 12.3% YoY**. Growth resumed for two consecutive years, returning to an upward trend;

- In Aug 2024, a collaboration with the popular Chinese comic *The Blood of Youth* was launched, and spending on the debut day hit the peak since Feb 2019;

- Viewership of the official live broadcast for the 2024 summer tournament **surged by 71%** compared to the 2023 autumn tournament, while the winter tournament's official live broadcast viewership **increased by an additional 88%** compared to the summer tournament.

Held the 10th anniversary event, sparking a huge wave of returning users

- On Jan 16th 2025, the anniversary day, activity metrics such as logged-in accounts, returning accounts, average online, etc. all hit their highest levels over the past three years;

- In Jan 2025, both the spending ratio and total in-game consumptions made significant breakthroughs, reaching their highest level since 2022.

PC revenue grew YoY by **18.3%**

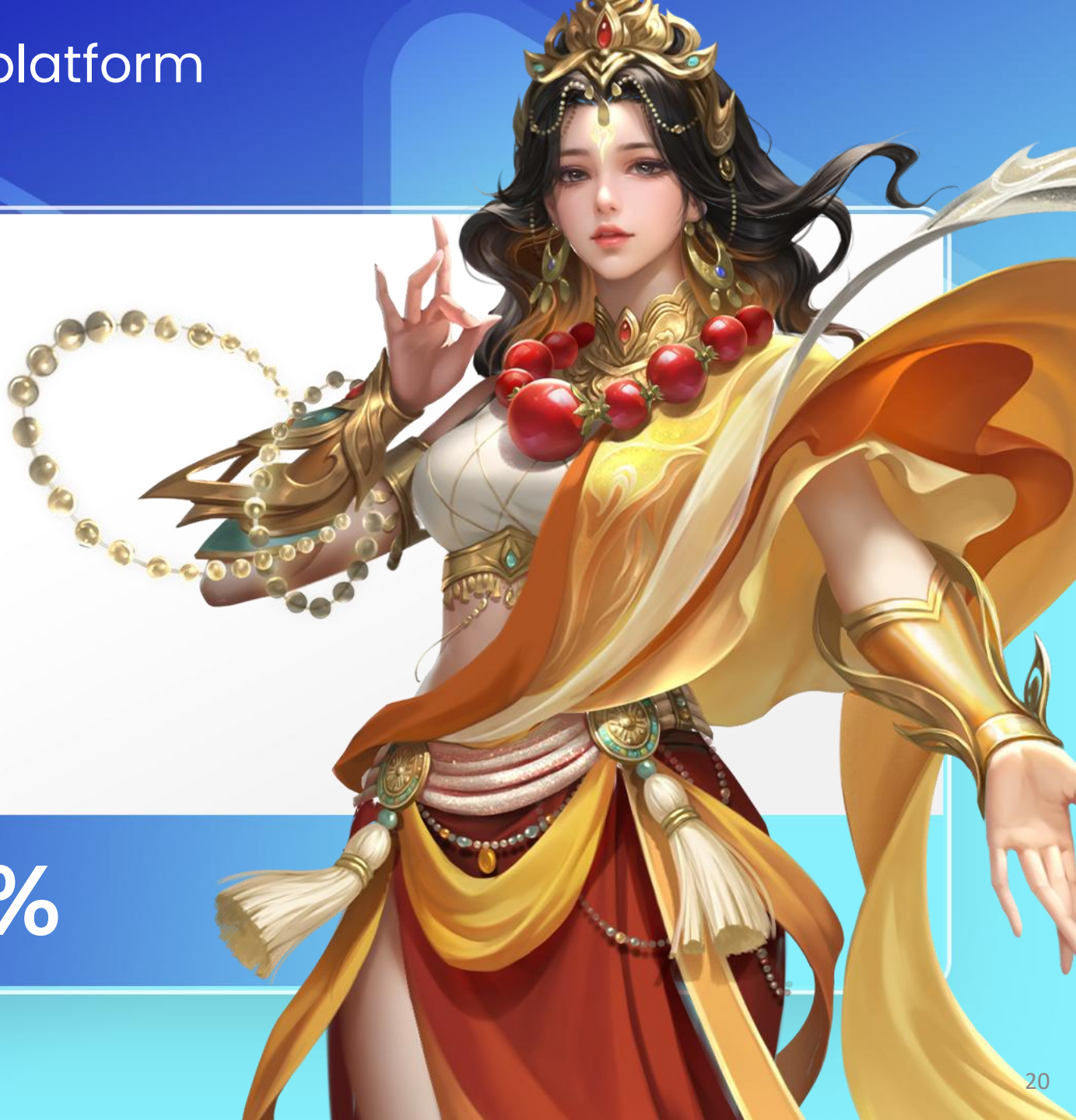# *Conquer* Overseas Version: cross-platform expansion drove revenue growth

Cross-platform ecosystem layout

- Achieved interoperability between PC and Mobile, increasing new user growth and long-term retention
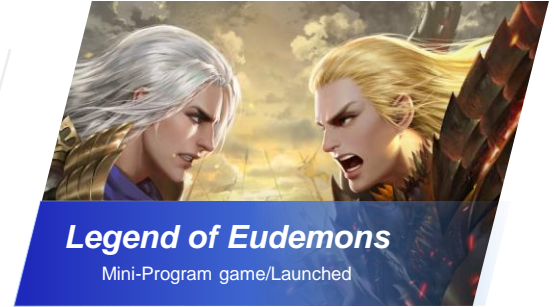
Module based deployments

- Better adapt to the diversity of regional user preferences, winning more opportunities to accelerate the progress of localized expansion
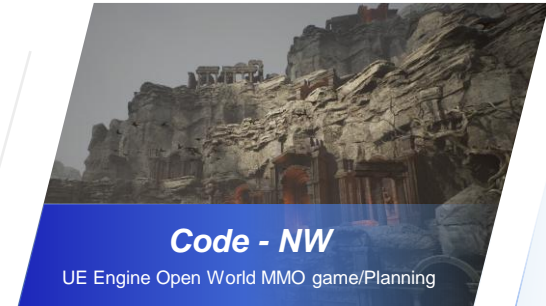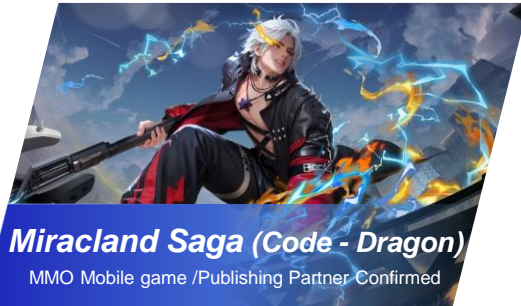
Revenue of the overseas version in local currency terms grew YoY by **8.8%**

Optimized pipeline based on the strategy of evergreen games

Eudemons Remake Version
MMO PC game/ETA: 25H2

Eudemons PC: New
MMO PC game/ETA: TBC

Legend of Eudemons
Mini-Program game/Launched

New IP

Miracland Saga (Code - Dragon)
MMO Mobile game /Publishing Partner Confirmed

Nebula Rangers
Top-down Shooting Mobile game/ETA: TBC

Code - NW
UE Engine Open World MMO game/Planning

Mynd.ai

Dr. Simon Leung

Group Vice Chairman

IFPD market adjustment prolonged, multiple efforts to enhance operational efficiency

Revenue

Down **27.6%** YoY

Gross Margin

Up **1.0** ppts YoY

Unit Freight Cost down 13%

Unit Materials Cost down 4%

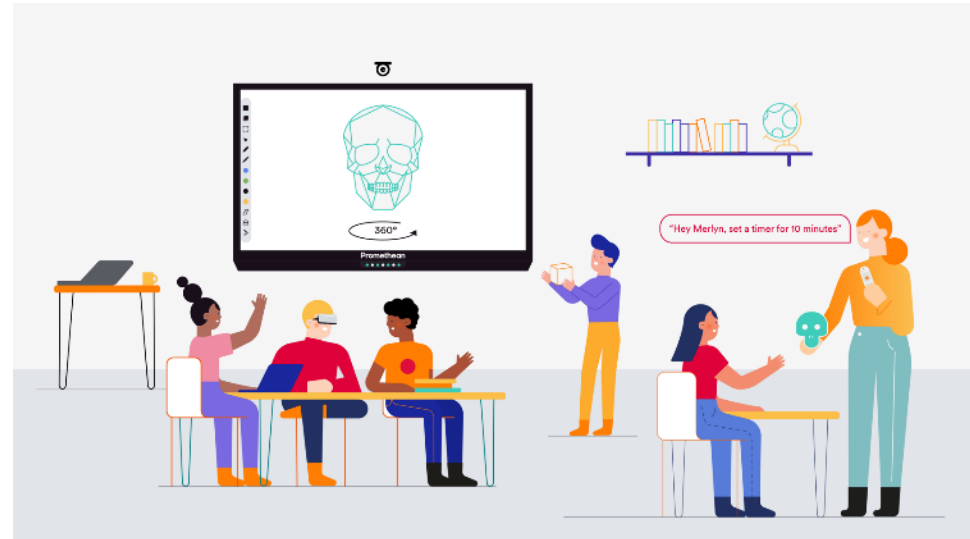Operation Cost (supply chain) down 17%

# of employee at year end down 15%

The market adjustment also means huge transformational opportunities

Global edtech Market：

~300Billion USD

Global Education IFPD Hardware: ~5 Billion USD

Estimated edtech Market Value in 2028
——According to *Futuresource* and *Technavio*

Classroom technology devices as the key gateway to AI:

- In the United States, the penetration rate of classroom technology devices in K12 classrooms has exceeded 90%, solidifying its role as essential classroom infrastructure

- Since most K-12 students' learning still revolves around in-class interactions, the one-to-many dynamic between teachers and students naturally accelerates the spread of educational software and content

- With our huge global install base, strong brand recognition among educators and worldwide distribution channels, we are best positioned to lead in AI technology in classrooms

The New IFPD Model ActivPanel 10 - Freedom of Choice, Simplicity and Adaptability

The ActivPanel SuiteTM Software - Enabling SaaS compatible to all OS environments
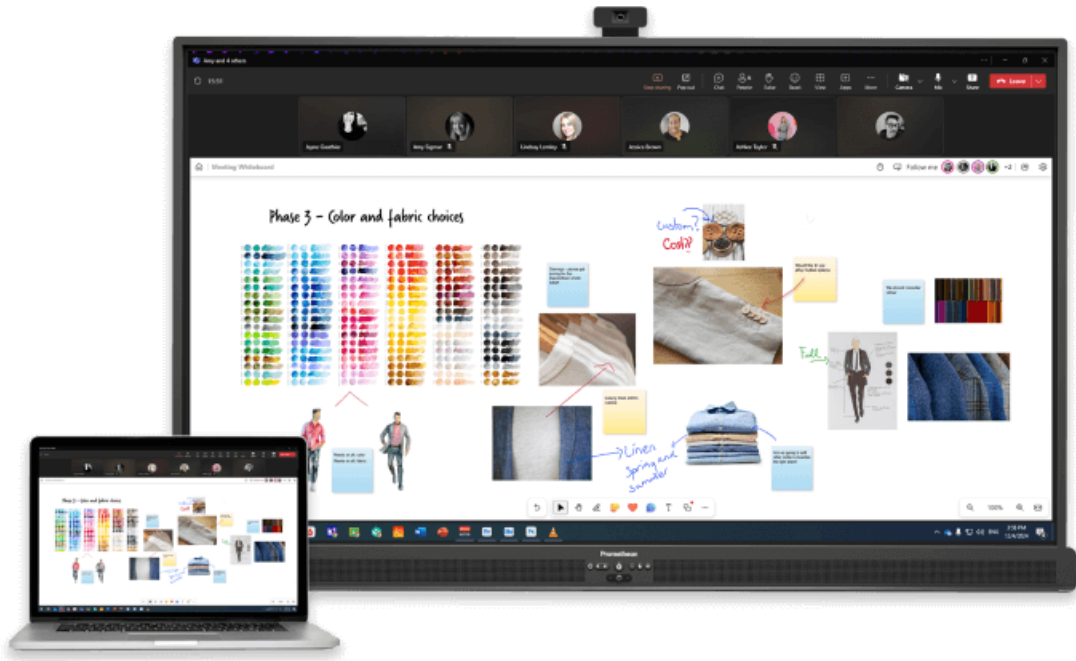
Business model evolving towards SaaS

Open OS environment for ActivPanel 10

ActivSuite^{TM} will consolidate our software offerings including Explain Everything Advanced

The ActivPanel 10 purchase will come with two seats of ActivSuite^{TM} subscriptions

Strive to establish ActivSuite^{TM} as the classroom gateway for various AI applications

Active measures to optimize our balance sheet

Sale of Non-Strategic Assets

Added **20M** USD

- Spinoff non-strategic assets
- 51% premium to book value
- Focus on main business with additional cash

Change of Operating Assets/Liabilities

Added **32M** USD

- Sold down older inventories
- Enhance cash cycle management
- Cash flow from combined* operations turned positive

ADS Offering Registration

Up to **50M** USD

- Filed with SEC on Jul 17th 2024
- Strengthen our capital reserve
- Secure equity financing when appropriate in the future

ADS Repurchases

342K USD

- Announced on Oct 21st 2024
- Up to 10M USD
- Started from Dec 2024

*: considering the divested Singapore business

Outlook

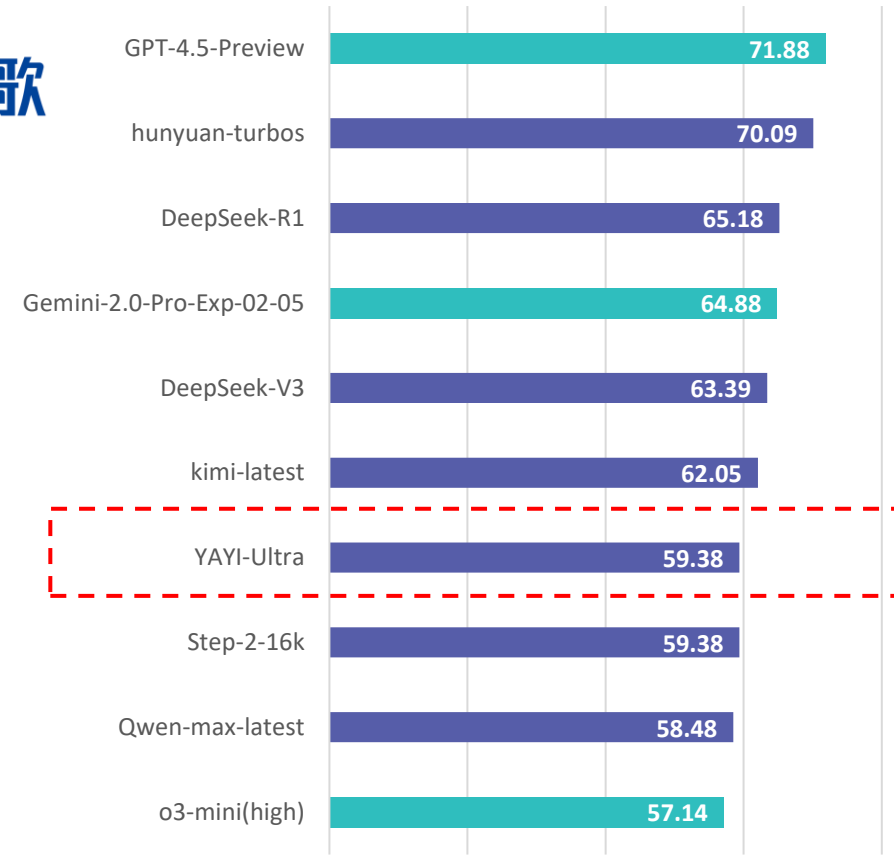**Dr. Simon Leung**

Group Vice Chairman

Major strategic cooperation to enter the global AI service market

- Wenge to invest 75M RMB worth of cash and AI assets into Cherrypicks, our HK based subsidiary

- NetDragon leverages its extensive experience and resources from years of serving local clients to establish the exclusive cooperation with Wenge in HK and overseas markets

- Wenge is incubated by the Institute of Automation at the Chinese Academy of Sciences. The 30B token **"Yayi" LLM** ranked fifth among all domestically developed LLMs, and has been deployed at scale in areas such as finance and education

NetDragon   **中科闻歌**

58%   27%

cherrypicks
創奇思

➕

YAYi 雅意

Cherrypicks will be transformed into a global AI service provider, with AI assets from NetDragon's strategic partner – Wenge

LLM ranking of AI Agent tests

Model	Score
GPT-4.5-Preview	71.88
hunyuan-turbos	70.09
DeepSeek-R1	65.18
Gemini-2.0-Pro-Exp-02-05	64.88
DeepSeek-V3	63.39
kimi-latest	62.05
YAYI-Ultra	59.38
Step-2-16k	59.38
Qwen-max-latest	58.48
o3-mini(high)	57.14

Source : SuperCLUE as of Mar 24th 2025, China based LLMs marked in blue

Commenced the development of "interactive educational games"

Our **"most beautiful education particle - photosynthesis"** garnered extensive attractions among educators at the *Global Smart Education Conference* held in Aug 2024

Interactive Experience

- Highly interactive experience
- Enhance learners' proactiveness
- Redefine traditional teaching methodologies

Immersive Learning

- Create highly realistic scenarios
- Implement quality script design
- Immerse learners in this innovative environment

Gamified Contents

- Utilize leading 3D gaming engine
- Adopt cutting-edge real-time rendering technology
- Develop engaging educational contents

Learner Centered

- Focus on learners' needs
- Improve learning efficiency and effectiveness
- Leverage the *AI Content Factory* to produce a high volume of creative contents efficiently

Outlook

Gaming

- Adhere to the "AI+Gaming" strategy

- Content first approach to ensure sustainable development of the flagship IP

- Optimized pipeline to drive future growth

Mynd.ai

- Continuously optimize the operational efficiency and capital structure

- ADS buyback to stabilize market expectations

- Strengthen market leadership with next-gen modular offerings

- Will start pursuing strategic alternatives to capture the edtech market

Q&A

Investor Relations Email: ir@netdragon.com