

## **NetDragon (0777.HK) 2025 Interim Results Presentation**

10:00 AM, August 29, 2025, Hong Kong Time

10:00 PM, August 28, 2025, Eastern Time

### **NetDragon's Management Team**

Dr. Simon Leung, Group Vice Chairman and Executive Director

Mr. Wood Lau, Group Interim CFO

Mr. Lin Chen, Group Senior Vice President

### **MC:**

Dear investors, good morning. Thank you for joining NetDragon Websoft Holdings Limited for our 2025 interim results presentation.

The presentation will be broadcasted on Roadshow China, Futu, Wind, and East Money Platform. The results PPT is available for download on the front page of our company website at [ir.netdragon.com](http://ir.netdragon.com).

Before the start of our presentation, please allow me to introduce the management who are joining us today.

Dr. Simon Leung, Group Vice Chairman and Executive Director

Mr. Wood Lau, Group Interim CFO

Mr. Lin Chen, Group Senior Vice President

Now let's pass our time to Dr. Simon Leung to host our presentation.

### **Simon:**

Thank you.

Good morning. Exactly that time of the year again. Good to be here with all of you.

So in front of me is actually the agenda for today. I think we can flip it and go to the next page.

What I'm gonna do today is actually very quickly tell you what we have done in the last 6 months, I have to say the last 6 months is actually a lot of challenges, but at the same time, there's a lot of excitement going on. You know, in the education side, we are facing some market challenges, both in the US and Europe. But that's, I mean, the market will rebound, but we took advantage of the last 6 months. We did a lot of work and also taking advantage of the advent of AI. We have done a lot of optimization of our cost structures so to position ourselves for the short-term growth and also for the long-term growth. So today we're gonna spend a lot of time telling you what we have done in terms of our cost structure and what we did in terms of product to set ourselves up to be successful in the second half of the year and beyond.

What I'm gonna do is very quickly highlighting what we have done in both gaming and education. In gaming, as I said before, because of AI, we also realized that we want to extend the life of our Eudemons gaming, so we have done a lot of work to position ourselves for future growth. Lin Chen is gonna talk to us about it.

The other good news is actually we have seen revenue increase in some of the other games in addition to Eudemons, which is good news.

On education, I have to admit the challenging market condition because of the uncertainty – actually, the budget, tariff, economic situation. But we are in a good position because we've done a lot of work in our cost optimization, which is gonna show up in the second half of the year and beyond.

We also bring in new products, both expanding our education offerings with Digital Signage and also get getting into our enterprise area so we can mitigate the decline of the education market in the short term.

We also bring in low-end product to address the move to the lower end of the market with the emerging market coming on board.

SaaS revenue is progressing well.

And AI. AI would not only help us with our cost optimization, but I think it's gonna be our future. Mynd actually embraced AI in more ways. I can talk a little bit more in detail.

With that, I will turn it over to Wood. Wood can spend some time, because there's a lot of ins and outs on our financial. Please be patient and Wood is going to take you through a lot of that. I will come back at the very end to talk to you about the outlook, and hopefully also offer you some exciting news in terms of how we intend to return capital to the shareholders.

Wood, open it up.

**Wood:**

Good morning, everyone. Let's review the financial part.

We faced challenges in the first half and our revenue dropped about 28% from RMB3.3 billion to RMB2.4 billion.

Our gaming business - it dropped about 18% to about RMB1.7 billion. But the performance has been stabilized, because you know, we have a proactive optimization of our key IPs Eudemons since October last year. It showed the first half is already stabilized performance. So hopefully we'll have a better second half in the performance.

Our Mynd business has decreased about 45% to about RMB614 million because of the extending demand adjustment. And another factor is we sold the Singapore early education business last year, so the Mynd business has been down temporarily.

For the profitability, in the actual term, the cost margin has decreased by about 24% to RMB1.6 billion. But our gross profit percentage has been increased by 2.9 percentage points to about 69.5%.

Although we faced challenges, our operating expenses have been decreased significantly, reflecting the impact of our cost reduction and AI strategy to improve our efficiency.

The cost saving effectiveness will be fully realized in the second half and beyond, Particularly, in the selling and distribution expenses, we've down about 4%. For the administrative expenses, we've down about 14%. And R&D expenses, we've down about 22%. This will pave the way for our profitability in the second half and beyond.

The profit attributable to shareholders of the company was down to about RMB30 million. And bear in mind we have two non-operating items here. One is the Ethereum holding. Based on the market price of the June 30, we made an impairment loss of about RMB92

million in the first half. But based on the current market price, it will be reversed. The whole amount will be reversed in the second half. So this is one-off non-operating impact here.

The other item is the one-off severance payment related to our staff optimization plan. It will be about RMB154 million in the first half. It will pave the way for our cost saving plan in the futures.

So the adjusted profit will be, you know, the decreases, narrowed down to about 24% here.

And in view of our strong balance and cash assets, so we declare the interim dividends for about HKD50 cents, still HKD0.5 dollar per share. It will have a more detailed share return plan in the later stage.

Turn to the segmental performance. The segmental performance here, the games revenue represents about 88% of our total game and application service segment. Our segmental opex is down about 15%. Why? because of the AI strategy and our cost saving plans came in. Bear in mind, it will be only the early stage to reflect the impact. The full year impact will be reflected in the second half and the future.

Our core segmental profit, although it's dropped, but already we recovered from half-year-over-half-year significantly. In the second half of last year, the core segmental profit was only about RMB240. So we have already rebounded to about RMB500 million in this half year. So another angle to see this is that our gaming and application service business has been very healthy.

For the Mynd business, it's about down 45% as mentioned the reasons before. We have been continuing doing the cost saving and optimization here. The segmental opex is down about 16% worldwide, and we will continue to optimize our cost structure.

End of my part: While the challenges remain, but with our ongoing effort to streamline our operation and enhance efficiencies will pave the groundwork for our future stability and profitability.

So now we turn to Lin Chen for talking about the gaming business.

**Lin Chen (Translation):**

Dear investors, good morning. I'm delighted to present NetDragon's gaming performance in the first half of 2025.

First, I'd like to highlight our most important strategy, the AI strategy, and the results we've achieved from implementing it in the first half of the year. Firstly, it has led to direct and significant progress in cost reduction and efficiency improvement. With the application of AI, we've increased our overall efficiency by 15%. We've also made initial progress in establishing an AI content factory. From introducing AI capabilities to enhancing security and infrastructure, we've fully deployed AI throughout our entire production cycle.

In the second half of the year, we will continue to reshape our talent pipeline with a core focus on our AI strategy, so as to maximize the effectiveness of our workforce with the support of AI. We see great room for improvement in overall AI efficiency, and we hope to leverage AI further in the second half of the year to boost the efficiency of our game content production.

We're also pleased to see that the application of AI isn't limited to art design. With AI integration across all aspects, including game design, programming, and operations, it will provide substantial production support for the next phase. This contributes to our efforts in cost reduction and efficiency improvement.

With the completion of our AI infrastructure, we'll have the opportunity to better innovate and offer enhanced game experiences to our users and players.

In the first half of this year, the integration of AI with our core, classic gameplay, such as with Eudemons, has already yielded initial results. With the deployment of the AI content factory, we expect to deliver more, better game experiences in the second half of the year. This will allow us to better serve our players while providing us with advantages and new possibilities for content innovation.

Okay, next page.

What you can see here is our early investment in AI technology, including the transformation of our entire production line, which is gradually being reflected in our internal production processes and products. Over the past year, there has been significant progress within the industry in multi-agent collaboration and the advancement of AI capabilities. When it comes to the tangible effects on our games, it's clear that we're not

just applying AI to individual functions. Instead, we're integrating all AI applications into a complete production line, which will dramatically disrupt our traditional production models.

From an internal production perspective, we've basically reached a point where game quests can be fully generated end-to-end by AI, starting from a single sentence. This will be fully implemented and launched in the second half of this year. At the same time, our entire organizational assets and knowledge base will help us further strengthen our core competitiveness.

When our AI technology reaches a certain pivotal point, not only game developers but also content creators will be able to generate more interactive content through the entire AIGC system. This includes intelligent NPCs, which, with the support of AI, will have the potential to produce intelligent content. These advancements will provide a significant boost to our large-scale MMO games.

Okay, next page.

Here you can see that in the first half of this year, we've integrated AI with some of our classic gameplay in our game products. Our Spirit Eudemons is one of the most beloved pieces of content among our players. In the past, players could only interact with them in traditional ways. But with the support of AI, players can now have deeper and more meaningful interactions with their favorite characters. From our perspective, this is a great example of how AI can empower our products.

Okay, next page.

Next, I'd like to present the performance of our IPs in the first half of this year.

First, our Eudemons IP. Starting from the second half of last year, we made adjustments to certain gameplay from the perspective of maintaining long-term, healthy operation. These adjustments were designed to lay a solid foundation for the game's evergreen operation and long-term sustainability.

The content adjustments were mainly made to align with players' preferences. We are pleased to see that, for an MMO game, one of the leading indicators, which is user activity, has already shown a year-over-year increase with our ongoing adjustments. At the same time, player acceptance and feedback of our core paid content have also improved.

It will take a gradual process for these adjustments to yield results. We hope to first see them reflected in user activity and feedback, and later have positive returns in terms of stable revenue and continued growth.

Here, you can see that our adjustment strategies and progress on PC and mobile platforms are not the same. We are pleased to observe that the adjustments on the mobile platform have yielded better results ahead of those on PC. Nevertheless, we have preliminarily achieved our expectations in both content and user activity.

Okay, next page.

With a view to long-term operations, we continue to uphold our strategy of delivering high-quality content to ensure the healthy growth of our user base.

Regarding content production, with the support of AI, we now have the opportunity to produce more, higher-quality content. In addition to our classic content, such as Year Eudemons and Spirit Eudemons, we also receive positive responses from players to our cultural content. The production of cultural content requires meeting certain standards in quality and quantity. With the infrastructure or underlying capabilities we've established, we now have the opportunity to deliver better, higher-quality content to our users.

Okay, next page.

In the first half of this year, both the policy landscape and the domestic environment have been highly favorable for IP crossovers in gaming. "Game +" has become a widely recognized and welcomed model, both by the government and within the industry.

In the first half of this year, we have made significant progress in areas like "Game + Cultural Tourism", "Game + Public Welfare", and "Game + Intangible Cultural Heritage". These achievements are partly due to the growing interest in combining cultural content with games. We are also pleased to have partnered with some very strong IPs. By integrating these contents with our games, we can improve both online and offline engagement, enhance our user reputation, and increase players' confidence in paying. This is a crucial focus for our long-term operations and provides a notable boost for the games.

Okay, next page.

Next, let's talk about our Conquer IP.

The Conquer IP has a global presence, and we're pleased to see its overseas revenue continue to grow. This reflects the effects of our efforts over the past few years in content development, global competition, and international promotion, which have steadily yielded the results we aimed for.

Speaking of the global promotion of Chinese culture, particularly intangible cultural heritage, both domestic and overseas users show interest in China's cultural offerings. This provides us with an opportunity to tap into global cultural resources to further strengthen and expand this IP.

At the same time, in terms of our global competition mechanisms, we have achieved excellent results through our themed events and the long-term operational experience we've accumulated.

In overseas markets, we will leverage our mature gameplay to expand our global influence.

Okay, next page.

Next, our Heroes Evolved IP.

We're excited to celebrate the 10th anniversary of the Heroes Evolved IP this year, which also represents a great example of our long-term operations. On the PC platform, in particular, it has recorded continuous YoY growth for five consecutive half-year periods. This achievement follows challenges faced in previous years, during which we made proactive adjustments, maintained high-quality content output, and continued to run our Esport events for our players. With these ongoing content efforts, we are pleased to see the IP experience a strong resurgence in growth. This also solidifies our confidence in long-term investment and our commitment to content quality.

Okay, next page.

Finally, I'd like to talk about our game pipeline for the future. In the first half of this year, we made adjustments and refocused our efforts on the existing products in our pipeline, based on their current market performance and alignment with our future AI strategy. First, we will concentrate our resources on our new flagship product, Code-MY.

At the same time, we've observed that expanding our existing IPs and assets with the support of AI is highly cost-effective and offers strong potential for greater success. Moreover, the return on investment is also very positive.

The first area of focus is the overseas expansion of our existing content. Whether it's our Conquer IP, Eudemons IP, or Heroes Evolved IP, all can be empowered for accelerated global expansion through our AI production line. At the same time, we aim to activate our existing legacy IPs, such as UNDEROATHX, which can be effectively revived through modifications on pricing of in-game items, allowing us to better access downstream



markets. Additionally, a mobile game for Zero Online will be launched through collaboration with our partners next year. Legend of Eudemons is an extension of our Eudemons IP into the mini-program gaming space. We conducted user acquisition efforts for it in the first half of this year and have already seen some promising early data.

Looking ahead, the most important thing is that, with the complete deployment of our AI production line, we see the most crucial opportunity in the AI-driven gaming sector: advancing our future products by focusing on the following areas.

Next page.

One area of our focus is our major new product. In the first half of this year, we conducted initial user testing for this major product, and we received very positive feedback. At the same time, we will step up the use of AI production capabilities to further refine the quality and content, with the goal of delivering better, higher-quality content to our users.

Next page.

Next, our AI capabilities have achieved excellent results in empowering our existing products.

In the past, each new version required a separate team for R&D. Every time we added a new region or language version, a small R&D team would be needed to support it. In a way, this hindered our ability to expand our product line and reach overseas markets.

Users expect to experience our game content across multiple platforms and regions, including PC, mobile, and mini-program, both within China and overseas. Our earlier investment in the AI production line can play a significant role to accelerate such expansion remarkably.

We have leveraged AI capabilities to efficiently produce multi-platform content and launch multi-language versions globally for Conquer, Eudemons, and Heroes Evolved.

Next page.

Next, AI content is a key focus and an area we are very excited about moving forward. We aim to further advance AI-native games, as gaming is about experience and monetization. To achieve this, we will break down our AI efforts into several distinct aspects and roadmaps to ensure that our games provide a truly great experience for players.

One area we will continue to invest in is Intelligent NPCs. In the second half of this year, we will launch unique communities and content formed by multi-NPCs. We believe that for

MMO games, the communities and interactions created by NPCs will play a crucial role. Players will not only be able to chat with NPCs, but also trade, team up, and develop deeper emotional connections with them. This will significantly enhance the health of our entire community. Furthermore, as we form NPC-based communities, it will create a social network that links together and builds a unique ecosystem with NPCs. This is highly viable and opens up vast potential.

In terms of AI-generated content, we aim for AI to not only generate a single eudemon or boss, but to create complete quests and gameplay. Once we achieve this, we will gradually launch our featured servers, ultimately building high-quality lightweight games. In this area, we have already seen some promising emergent content internally, even exceeding our expectations. We are firmly confident that this will provide a significant boost to our entire product line, including both existing and upcoming products.

Overall, we plan to maintain stable revenue and growth through the sustainable long-term operation of our IP products. We will continue to promote the healthy development of NetDragon's gaming business by expanding our existing IPs and leveraging AI-driven gaming.

Okay, thank you all. I'll now hand it over to Simon, thanks.

**Simon:**

Okay. Thank you, Lin Chen.

What I'm gonna do is actually to go through very quickly on some of the highlights and some of the activities that we have done in Mynd. Because it is a separate public company, so I can't go into detail, but I'll give you some directional comment.

This one is actually to show you that we have done a lot of work in terms of managing our cost structure, managing our cash, reduction of debt. Good news is actually on our flagship product AP10 (ActivPanel 10), which is a very different architecture than the one before, which is our future architecture - allow us to not only grow in the education business but to expand into enterprise. So this indication is actually very exciting. And also, during hard time we still increased our gross margin, that means the team has done a lot of work in terms of managing the business going forward.

Next page. We talked a lot about moving into a SaaS kind of business. Actually we're making good progress. So we're very encouraged about it and we're gonna continue the effort going forward.

Next page. This one is actually very related to the previous page but also related to the direction of Mynd and also the direction of NetDragon, which is fully embracing AI. So we are very happy, we announced that we have signed a definitive agreement to acquire a what we name AI voice assistant technology, which we expect to complete in Q3. We're gonna integrate that in Mynd. We're gonna integrate that into our panel. It's actually to allow us, the panel to help teachers in the classroom and also help student to learn in the classroom. So this will become the platform for us to deploy even more AI services going forward. This is part and parcel of our SaaS growing kind of strategy.

Next page. This is just to show you our products continue to be getting accolades from all these different industries and everything. So we continue to focus on the excellency of our products.

Okay. The following is actually what I'm gonna do is to tell you is actually as a company some of the activities we do to show you how we embrace AI as a whole. I think you've seen this announcement before. I'm gonna reiterate. One of the prominent AI companies in China actually is gonna be investing into Cherrypicks. They will be joining, one of their founder will be joining the Board, which is to take all their technology in AI exclusively to not only do it in Hong Kong but overseas. So this is a very tight cooperation if you will it's that we'll become one force outside of China to take advantage of Cherrypicks' go-to-market resources and also go-to-market experience and also our execution excellence to really work together to not only do some good work in Hong Kong on AI but also overseas. So this is actually very very exciting for us.

Next one is actually also AI-driven. I think we talked about it. We made some press announcement. It's our work with the (Ministry of) Higher Education in Thailand. Now, by the way, this effort is not only limited in Thailand. Actually, we have a lot of activities going on around the world, but this is the one that we are very exciting because Thailand has a national agenda. They want to move into different industries, especially EV, semiconductor and all that. But how to train their people is actually the one big challenge. So we leverage AI – we're gonna use AI to work with them, to scale the training, and then we can help them to advance the national agenda.

So this one is actually resonate with a lot of developing countries. So we're very excited about this. As a matter of fact, I'll be going to Paris next week. It's actually a UNESCO conference to share our experiences with a lot of the emerging countries, not only in Asia, but also in Middle East, and also in Africa. So personally and the company are very excited about it.

Next, last but not least, this is going to be the foundation for us on how to scale the previous business model. So this is actually we call it AI content factory. It is not a new concept in terms of content factory, but it's a new implementation with AI. So we can use AI to help all our partners and ourselves to create a lot of volumes and volumes of content that we can use AI to help scale. So very excited about this. Two weeks ago in Beijing, we also talked a lot about it in one of the conferences. We're gonna talk about it at many different conferences upcoming. So again, I see this as part and parcel of our strategy on the previous page.

Okay, let's spend some time on the outlook. The first one I want to talk about is we're gonna announce how do we return capital to our shareholders. Very proud to say we're gonna be providing, returning no less than HKD 600 million to the shareholders, basically in two categories.

One is through dividend, actually that's why we announced HKD50 cents dividend, which is actually slightly higher than the previous year, which is 2024. I think we did HKD40 cents in 2024.

And then we will be doing some share buyback. The reason we do that is actually we are very confident with all the work that we are doing. Even though we have some market challenges in education, with the cost optimization, with the new technology we bring in, with the expanding of our technology and also our product line in gaming - we have new games we're expanding into overseas, so we are very confident not only in our second half of 2025, and also in the year of 2026 and beyond. So that's why we want to show that we have confidence now. This is what we will be doing now, share buyback. I hope you're as excited as I am on this one.

Okay, last but not least, I'm gonna comment on the outlook, which is actually the second half of this year. Again, I mean, I said it before we are confident. I think Lin Chen has spent a lot of time explaining how we position ourselves back to growth in the gaming business, not only in Eudemons, but also in other games and also overseas.

In Mynd, there is an indication in from somewhere in Europe, the market will be coming back. Whether it's late 2025 or 2026 is really depending on how fast they move. For example, Germany, they have approved their DigitalPakt 2.0. So that actually is a very big project which we were a big part of. We will take advantage of that. I think with, hopefully, the tariff situation will stabilize. Once we have that and the budget situation clear up in the US, the market will come back. So again, with the optimization of cost that we have done, we will be well-positioned to reap the benefit. So that's why we are excited about it.

AI, I mean Merlyn Mind's integration in our panel is exciting. So we will be well-positioned to take advantage of AI to grow our business.

So overall, while we have some challenges in the first half of 2025, I think we have done a lot of good work to take advantage of the challenging situation. And we do cost optimization and also product positioning and embracing AI. I think that would set us up for good success in the second half of 2025 and beyond.

So with that, I'm gonna stop talking and I'm gonna open it up for Q&A.

**MC:**

Thank you, Dr. Leung and management.

Now is time for the Q&A. You're welcome to raise question in two ways. First, if you would like to raise questions through the teleconferencing system, you may press \*1, \*1 on your keypad, and our operator will break you through. Second, if you would like to raise questions by our webcast platform, please enter your questions in the chatbox and we will read it out shortly.

Let's welcome our first question.

So the first question is coming from our webcast platform. It's from Prime Asia Asset Management. Can NetDragon at some point have some color on the traction in terms of revenue from AI education and education software, SaaS, etc.

**Simon:**

Thank you for the question. I thought I did do that, maybe I'll reiterate. First of all, in Mynd, we announced the integration of the Merlyn Mind technology into our panel. So that is the

start of our AI SaaS revenue going forward. It's a separate company. I can't comment on more specific.

On the NetDragon side, there are actually two ways to look at it. One is actually if you look at the work we have done in Thailand, I mean this is actually very complicated business model... more than happy to go through them offline that's gaining a lot of traction in terms of using AI to drive education.

The other one is actually what I talked about, the AI content factory. It's something that we have been gearing up to do as a company-wide effort that we're gonna help our partner to convert all the content, whether it's a text, video or whatever into AI courseware. Again, it's actually, from a technology standpoint, it's very complicated, but it's very exciting. We're more than happy to go through it offline. Thank you.

**MC:**

Thank you, doctor. Our next question also comes from Prime Asia Asset Management. It's about our gaming business. Can you later explain the short-term factors that result in slowdown in gaming in the second half of 2024 and the first half of 2025? And is gaming likely to return to growth into the second half of 2025?

Over to you, Lin Chen.

**Lin Chen: (Translation)**

Okay. First, I'd like to address the revenue challenges we've faced over the past period, which I believe were a result of several factors. In the long-term operation of MMO games, as player preferences for content and spending patterns evolve, the proportion of numerical-attributes-driven spending versus content-driven spending will shift. Players tend to be more interested in paying for content, while their fatigue towards traditional numerical-attributes-driven spending may gradually increase. In response, we have made proactive adjustments to our content structure and lowered some of the payment thresholds over the past period. In my view, making adjustments based on evolving content preferences over a game's long lifecycle is quite normal. We hope that the changes we've made will gradually guide player spending toward purchases driven by

higher-quality content. This will certainly be more beneficial for our long-term development.

As for the impact on revenue, we expect to stabilize and maintain a steady half-over-half performance in the second half of this year, though we had a slight decline in the first half. We hope that with these adjustments, and with the expansion of our existing IPs, we will regain growth opportunities in (2026). Thank you.

**MC: (Translation)**

Thank you, Lin Chen.

Our next question comes from Sun Mengqi at BOCOM International. Can you share more about the new games in your pipeline and the plans for their launch? Thank you.

**Simon:**

Lin Chen, please.

**Lin Chen: (Translation)**

Okay, let me provide more details on our products.

First, Code-MY, our next-generation high-quality PC game, which we've been meticulously developing with the utmost commitment. This product has already undergone some user testing this year, and the data has verified our expectations. We are looking forward to launching it next year, provided the game license is ready by then.

Next, the overseas expansion of our existing products. We are going to launch two new language versions of Eudemons overseas.

As for Code-Alpha, the localized gameplay version of our Conquer series, we are set to launch it in Southeast Asia through collaboration with our partners in the second half of this year. There are also other regions under discussion, and we expect to expand into one or two additional markets in the second half of this year.

Another game is UNDEROATHX. This month, we've launched a new version in lower-tier markets, which has already generated incremental revenue. Moving forward, we plan to distribute it through more channels.

The Zero Online mobile game is also in collaboration with our partners and is expected to launch next year.

We see the mini-game segment as a promising market. With the multi-channel integration of our Eudemons mini-game, we aim to further boost its revenue. If this model proves successful, we look forward to activating more users for other existing IPs on mini-game platforms.

Lastly, in terms of AI gaming, I believe that over the next year, our AI capabilities will primarily help drive user activity and revenue in our existing games. As for fully AI-generated games, I think it will take another six months or one year of experience and refinement. I'm positive that we will have a strong opportunity to bring such games to market in a year.

**MC: (Translation)**

Thank you, Lin Chen.

Our next question is from Liu Wenxuan, analyst at Hua Chuang Securities: Dear management, how do you view the competitive landscape of the gaming industry in China this year? What kind of content updates or new product iterations will the Eudemons series launch to stand out from the competition?

**Simon:**

Lin Chen, please.

**Lin Chen: (Translation)**

Okay. First, I believe everyone here is familiar with the domestic gaming market, which has several key characteristics. The first is the importance of evergreen games and IPs. Not just for NetDragon, but for all game companies, there has been a growing investment



in evergreen IPs. This is because everyone understands that in the current existing market, evergreen IPs can consistently generate revenue and provide relatively stable, healthy development.

For us, this is also a positive factor. We believe that by continuing to refine and optimize the existing content of the Eudemons IP and expanding our channels, this IP will be able to achieve sustainable growth. And this will be a significant advantage for us.

Looking ahead, there are many growth opportunities in the market. Firstly, growth in the user base, including on mini-game and console games. I believe these are areas we should actively embrace to capture more traffic. Whether it's through live streaming, e-sports, or mini-games, we will proactively engage and invest in these segments to drive better user acquisition.

Next, in terms of content, whether it's "search, strike, withdraw" or other trending gameplay, I believe the market will always bring gameplay that players love and enjoy. We will actively incorporate these new content types into both our existing and new product lines. These are what we aim to actively embrace and integrate.

Finally, there's AI. Every company is looking to incorporate AI into production and game content. I'm confident that we will also take even more proactive steps in this area. Thank you.

**MC: (Translation)**

Thank you, Lin Chen.

Before we move on to the next question, I'd like to remind all investors once again: If you'd like to ask a question, please submit it through our webcast platform in the Q&A section, and we will read it aloud. Thank you.

Okay. Our next question comes from Yao Zhengyang at CITIC Securities: Can you please share the company's outlook for Mynd.ai's business from the second half of this year through 2026? What are the products in your education pipeline going forward?

**Simon: (Translation)**

I'll answer that. First, I'd like to reiterate that while Mynd is our subsidiary, it is a separate listed company, so I can only speak directionally on the matter.

From a market perspective, we believe the market should stabilize and eventually rebound, driven by factors such as Germany's DigitalPakt 2.0 and budget stabilization in the U.S., as I mentioned earlier. The biggest challenge, however, is confidence, as many schools and districts are still uncertain about their budget situations. That said, we're seeing stabilizing trends, and with that, growth should follow. As for the specific timing, it's difficult to say.

Going forward, firstly, we have introduced some new products. We have developed a more affordable product that will help us expand into markets where our previous offerings might have been too expensive, such as in some developing countries. This product will allow us to reach markets we couldn't previously access.

Additionally, in terms of AI, as I mentioned earlier, we've integrated Merlyn Mind, an award-winning technology, into our panel products. This integration will elevate our panels to the next level and should positively impact our sales. We also aim to increase the ASP as well as our profit margins. These are my directional comments regarding Mynd.

**MC: (Translation)**

Thank you, Dr. Leung.

The next question comes from Tian Peng, analyst at Sinolink Securities. In the first half of this year, there was some impairment of intangible assets. Could you please share more details about this? Is it a one-time thing?

**Simon:**

Over to you, Wood.

**Wood: (Translation)**

Actually, we've been a long-time investor in Ethereum.

As of the end of June, we held approximately 12,000 Ethereum. Based on the market price on June 30, we recognized an impairment loss of around RMB92 million. However, that was based on the market price on June 30. As you can see, Ethereum has been performing very well recently. According to today's market price, the RMB92 million impairment will likely be reversed in the second half of the year.

To explain why we recorded an impairment loss on intangible assets, crypto currencies we purchased are categorized as intangible assets under Hong Kong's accounting standards. Therefore, when the market price declines, we need to recognize an impairment, but if it recovers, we can reverse the provision we made.

**Simon: (Translation)**

Let me also add a bit more. On the company level, we view blockchain, Web3, and crypto as promising areas. This is why we've invested not only in Ethereum but also in other crypto assets. Overall, we are in a very healthy position here. While it might not yet be reflected in our financial statements, we are quite excited about it. We also have other investments, all of which are currently showing very healthy returns, although this hasn't yet been reflected in our financial statements. As for the Ethereum (impairment) in the first half of the year, it's really just a matter of time. We're not concerned at all.

**MC: (Translation)**

Thank you both for your answers.

The next question is about a recent collaboration. An investor has asked about the product launch event two weeks ago, hosted by Cherrypicks, a NetDragon subsidiary, and Zhongke Wenge. They would like to know how the collaboration is structured, the division of responsibilities, how our resources and advantages complement each other, and what the goals are for future market expansion.

**Simon: (Translation)**

This is a very good question. In my view, the collaboration between the two of us is a perfect match. Wenge has strong technological capabilities, especially in AI. As a spinoff from the Chinese Academy of Sciences, they excel in AI with their own LLMs and various AI applications, which are already being extensively used in China. On the other hand, Cherrypicks brings a strong sales team and excellent execution capabilities.

In simple terms, the division of responsibilities is that Wenge provides the AI technologies, while we handle the promotion. Our promotional efforts will focus not only on Hong Kong but also on global markets. Initially, of course, we will focus on expanding into various Southeast Asian countries.

Essentially, this is the direction we're taking. Our collaboration is very close-knit, and this is why one of Wenge's founders will be joining Cherrypicks' Board of Directors.

**MC: (Translation)**

Thank you, Simon, for the answer.

The next question seeks to gain a deeper understanding of the company's AI strategy and efforts going forward. You've already discussed this, but are there any additional details you can share?

**Simon: (Translation)**

I can talk about this from several perspectives. From the company's perspective, AI is at the core of our development. As Lin Chen just mentioned, we've applied AI extensively in gaming, and the same is true in education. The entire company is using AI extensively.

Basically, there are two aspects. First, AI is helping us reduce our costs, which is very healthy. Previously, many companies believed that the more staff, the better. But today, it's quite the opposite. And that's very healthy because we are doing more with fewer people. This is from an internal management perspective.

AI is also helping us in product design. As Lin Chen mentioned, AI has been assisting the gaming business. Going forward, AI will be at the core of both our gaming and education

segments. We have a simple way to put it - AI Everywhere at NetDragon. So, as you can see, all our products are expected to have AI components.

**MC: (Translation)**

Thank you, Simon.

The next question is from an investor at Ping An Fund: How do you view the long-term operation of Eudemons going forward? What changes has Code-MY made, and how are they activating users? Thank you.

**Lin Chen: (Translation)**

Okay. First, the biggest characteristic of MMO games is that they are content-oriented. Within the MMO genre, games with different themes and cultures always have their respective user bases that appreciate these elements. Therefore, for the long-term operation of Eudemons, I believe the first key point is to maintain the very characteristics and gameplay that set it apart, as these are distinct features. I believe these unique elements will continue to have a dedicated following in the long term. At the same time, we will evolve to keep up with the times, continually improving content quality. We will further develop the IP and strengthen its user base. I think this is the key to Eudemons' long-term sustainable operation.

As for Code-MY, we have made quite some changes. Since the existing Eudemons game already has a substantial base of older users with established habits, our primary focus with Code-MY is adopting a new engine that delivers high quality.

Secondly, it's important that we've lowered many entry barriers for users. Whether for new players or returning users who may have preconceptions about Eudemons, some barriers might seem too high, because we've already built a ton of features historically. Therefore, we would simplify its application and accessibility, lowering the entries significantly, to make it easier for a wider range of players to engage with Eudemons. Basically, that's it. Thank you.

**MC: (Translation)**

Thank you, Lin Chen.

Our next question is a follow-up from this investor at Ping An Fund. The company implemented strong cost-saving measures during the first half of this year, including adjustments and optimizations for some R&D and production staff. What are your plans for cost saving going forward? What will be your cost saving measures for the second half of the year? Thank you.

**Simon: (Translation)**

Let me answer that. We will definitely continue to look for ways to reduce costs, but without impacting our profitability. AI will be one part of that effort. Actually, it's more about cost optimization rather than reduction. This optimization is an ongoing effort, it's something we continuously work on. It applies not only to our gaming business but also to education. It is already one of our strategies.

**Wood: (Translation)**

Let me add a bit more. The effects of our cost-saving efforts have already begun to manifest slightly in the first half of the year, but their full impact has yet to materialize. Some of our cost reduction and efficiency improvement measures were initiated in the second half of 2024 and continued through the first half of 2025, and we are still waiting for their full effects to show. Specifically, you can see the steps we took in the second half of last year and the first half of this year. So, you can expect that in the second half of this year, our opex, or operating expenses, may decrease even further compared to the first half. This is because the reductions we made in the first half won't be reversed right away. That's not our purpose. When I spoke with Simon about cost reduction and efficiency improvement, I said that let's take action on these measures first. The full effect might be more evident in the second half comparing to the first half.

**Simon: (Translation)**

Yes, this is crucial, and there are two aspects to consider. First, it's a one-time thing, a one-time figure. Secondly, since we took action in the first half of the year, if you annualize it based on the June run-rate numbers, the impact in the second half should be much greater than the reduction in the first half.

**MC:**

Thank you. Thank you both for your answers.

Next, we have an interesting question. Since the company currently holds an Ethereum treasury, will you consider turning yourself into something like MicroStrategy, a company with a crypto treasury?

**Simon:**

I don't think we will, to be honest. We are not in that business. But that said, I think we're gonna be looking at different business models leveraging blockchain, web3, this is something we know, and AI, right?

So if you gonna look at what we will do going forward besides AI, we can be, because we believe blockchain will play a big role in education and eventually web3... No, I can't go into more detail. But the bottom line is we're not gonna be a MicroStrategy.

**MC: (Translation)**

Thank you, Simon.

In the interest of time, we'll move to the final question, which is about the company's strategic collaboration with national agendas. The company has made strong progress with the Thailand AI education platform. What can we expect in the second half of the year? And looking ahead, what other projects aligned with national strategies will continue to be carried out? Thank you.

**Simon: (Translation)**

I hope that in the second half of the year, you could see some truly exciting announcements from us, though I won't go into the details here.

Actually, for every project we do, we're not just looking at a single country. We see Thailand as an exemplary place, which is why we started working there first. If you look at its so-called business model - the one we're running with our Thai partner - it actually has great potential across all Southeast Asian countries, as well as in some Middle East and African countries.

Actually, I touched on this a little earlier. For example, two weeks ago I was at a large conference in Beijing, which was attended by many ministers of education from African countries, and I spoke with them about this project. Next week, there's an event called Digital Learning Week in Paris, which I'll also attend and I'll give a keynote speech. This will again show the audience that our work isn't focused solely on Thailand or Southeast Asia. We're looking at many other regions as well.

At the end of September, I'll likely visit Africa for a World Bank event, where I'll give two speeches. I'll use that opportunity to present NetDragon and the concepts we're implementing in Thailand. Hope this has given you a sense of the direction we're heading. Thank you.

**MC:**

Thank you, Dr. Leung. Thank you, Wood. Thank you, Lin Chen. This successfully concludes our presentation today.

Once again, I would like to thank you all for joining us. If you would like to communicate with the management further, please contact us for one-on-one meeting arrangements. Thank you and we wish you all a great day.

**Simon: (Translation)**

Thank you.