# NetDragon (0777.HK) 2025 Annual Results Presentation

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**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 Annual Results Presentation.

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 today.

**Simon:**
Thank you! Good morning, good afternoon, good evening, depending on where you are.
It's that time of the year. Great to have everybody on the call.

We're gonna go through the same thing. Frankly, I'm gonna talk a little bit about the highlights and then Wood's gonna take us through the financials and then we'll go through gaming with Lin Chen. Then I'll talk about Mynd and education a little bit. And then I'm gonna wrap it up with the outlook. Then we'll go into a very active, hopefully, Q&A.

So today's theme is, besides going through all the businesses and the progress and all that, I think you're gonna hear a lot about AI. I mean, we've been kind of talking about embracing AI. I mean, we coined a term called 'AI NOW'. So you will see what's going on in 2025, but more importantly,

what's gonna happen in 2026.

If you look at the AI technology, 2026 is an inflection year. It really, because of the coming of AIGC, it's actually going to make a huge difference. Before, AI is there to assist you. But now AI is gonna do things for you. Lin Chen's gonna talk a little bit about that, how it's gonna help us to the future growth. I'm gonna talk about the education side - how does it create more opportunity for us. As far as we are concerned, we're gonna take advantage of that transition or inflection. I would say we're gonna go from optimization, which is actually about cost. Now, by the way, we're gonna continue to optimize our cost, but more importantly, how do we leverage AI for growth.

With that, I'm gonna go into the highlights of the year. As you get here, we spend a lot of time optimizing our gaming business. I'm not gonna steal Lin Chen's thunder by going on all the details. If you look at a lot of the chief statistics, MAU and all the different things and growth, it actually is there. So while we are optimizing our core structure, which is actually quite difficult - my analogy is that you're flying a plane and you're changing the engine at the same time. So congratulations to Lin Chen's team by making it happen.

But I think more importantly is how do we create native AI games going forward. I think Lin Chen's gonna talk about it. The next one I'm gonna talk about, frankly, is education rather than just Mynd. The good news is actually we're making progress on Mynd. It frankly is a challenging environment because of the worldwide economy, the uncertainty of some of the policies in the U.S., given that it's our biggest market.

Coming into 2026, we felt optimistic. At the beginning of the year, which is January, we have seen now a war in Iran. So what we're gonna do is actually we're gonna continue with our cost optimization. AI is gonna play a key role in that. I'll talk about our outlook for 2026 for Mynd.

At the same time, we expanded our product line, so we can expand our addressable market. And then again, that is leveraging our big install base of 1million classrooms around the world, so we can maintain our revenue. We've seen growth and then we are also gonna be looking at how we can get back to profitability very quickly.

It's very encouraging. We've seen a lot of country opportunities for us, both in Africa and in Asia, which I will go into a little bit more detail later on, and some specific opportunity for us leveraging the AI technology, which is the developing around the world. And the AI expertise that we have is going to give us a lot of great opportunity in those markets. With that, I'm gonna hand it to Wood to go through the financials.


**Wood:**
Thank you, Simon.

Good morning, everyone. Let me walk you through our financial highlights in 2025.

Despite challenging backward environment and revenue pressure, we still achieved a meaningful recovery in H2 2025. In this part profitability improved significantly. You can see, our operating profit grew by 47% YoY to RMB 164 million. Half-over-half, it also grew by 41%. Our operating margin in H2 2025 grew to 7.9% and almost 3 percentage points YoY and HoH. More importantly, our opex in H2 dropped by 28% YoY and 7% HoH to RMB1.3 billion. This demonstrates our cost saving initiative and operating efficiency improvement that will transform into our margin recovery.

And now turning to the full year performance. Revenue for 2025 was RMB4.5 billion, down 26% YoY. As we break this down, gaming and application services decreased by 17% to 3.3 billion. This was due to the optimization of our flagship IP to support its long-term development and sustainability. Mynd declined by 43%, primarily due to the disposal of the Singapore early education business in H2 2024, as well as a prolonged demand adjustment cycle. But, as mentioned by Simon, once the market condition stabilizes, we will expect customer demand to gradually recover.

Gross profit was RMB3.1 billion, down 20% YoY. On our opex side, both selling and marketing expenses decreased by 30% due to the proactive measure to tighten our marketing spending. Administrative expenses down 20% YoY. The R&D expenses down 25% to 1 billion, due to further organizational adjustment to better align with AI.

When you see the bottom line, the profit attributable to the owners of the company in 2025 is RMB151 million. Then, we have two one-off adjustments here. One is an Ethereum impairment in 2025 of about RMB59 million, versus the disposal gains in 2024. Another one-off severance payment in 2025 amounted to RMB220 million. This paved the way of our cost saving and opex saving. Despite that, the adjusted profit attributable to owner actually was higher than last year.

Turning to the segmental performance, the gaming and application services revenue went down 17% to RMB3.3 billion. However, our gross margin is still kept at a high level at 87%, and our core segmental profit only decreased 3% to about 897 million. Even though we have suffered lower revenue, but at the same time we largely offset it by cost saving. So the core segmental profit margin increased by 3.9 percentage points to 27.4%. Talking about the opex. The segmental opex expenses declined 22% YoY due to our AI strategy to fully capture the cost saving effect. Overall, you can see our gaming and application services is still highly profitable and cash generative.

Talking about the Mynd business, revenue declined by 43% to RMB1.2 billion, due to the disposal of the Singapore early education business and a prolonged demand adjustment. The gross margin was still kept stable at 25% this year. While the core segmental loss enlarged to about RMB358 million. But our operating expenses declined by 21% YoY. So, the Mynd business is at a

better position for growth in the next few years.

In summary, while 2025 was a year of revenue adjustments, we have successfully restored profitability momentum in H2 this year through cost optimization and strategic focus. Our gaming businesses remains profitable and highly cash generative while Mynd will be at a better position once the market conditions are improved and stabilize.

Now I hand over to Lin Chen to talk about the gaming business.

**Lin Chen (Translation):**

Good morning, everyone. I'm Lin Chen and I'm very pleased to present NetDragon's gaming business results for 2025.

First, we remain committed to our strategy of building healthy, evergreen IPs with sustainable operations.

For MMO games, the key metrics we have always focused on are user activity, user return rates, and user acceptance of new content. We are very pleased to see that, all of these indicators have remained highly positive in 2025 for our long-running MMO *Eudemons*,. We also made proactive adjustments based on user feedback and acceptance, which has laid a very solid foundation for the games' long-term operations going forward.

This year also marks the 20th anniversary of the *Eudemons Online*, a long-standing, evergreen title. We strongly believe that the *Eudemons* IP will continue to unlock even greater momentum in the future. Next slide.

In 2025, following a number of proactive adjustments to both payment thresholds and returning point thresholds, we are pleased to see a significant increase in the payment rate for our core Eudemons, including the Year Eudemon and our National Day Eudemon. At the same time, we have also lowered the threshold for returning users in our expansion packs. We can see this has greatly increased the number of returning users, which in turn has provided strong support for our long-term user activity, and overall operations. Next slide.

In terms of conventional content marketing for the MMO games, with the support of AI, this year we have not only been able to launch new content with each expansion, but also optimize some of our existing legacy systems within our long-term expansion content. In addition, we have introduced integrated marketing content that combines cultural elements with gameplay-driven content. This has been a major boost to the long-term stability of the game and the health of its player ecosystem.

As you can see from our *Conquer* IP, we had already proactively carried out a number of optimizations and adjustments earlier on, and this was reflected very quickly in our operating metrics. This proves that our MMO expertise accumulated over time is both reusable and highly verifiable.

First, the overseas expansion of our game content aligns with a major national strategic direction. Riding on the strong momentum of Chinese IPs and cultural exports, we have been able to bring our uniquely Chinese content to many countries around the world more effectively. This has driven YoY growth in our overseas gaming revenue and enabled us to overcome some of the forex challenges.

At the same time, within the broader MMO genre, our integration of MMO and casual gameplay elements has also been well received by users. We have separated these gameplays and launched them as a standalone title, *Alpha Code*. Following its initial rollout in Egypt, Indonesia, etc. it has already received highly positive feedback and contributed to our revenue growth.

As a next step, we will also work with local publishing partners in more regions to bring these gameplays to more countries. As a result, you can see an even stronger YoY growth rate for the *Conquer* IP in H2. As we continue to execute these strategies, we expect this very positive growth momentum to continue through the year. Okay, next slide.

Next is our *Heroes Evolved* IP, which represents our presence in the MOBA segment. In fact, starting three years ago, we proactively optimized our overall content strategy based on a long-term, sustainable approach. We are very pleased to see that, driven by the dual engines of content and esports, we achieved a record high in revenue for the entire *Heroes Evolved* IP in 2025. This is not only a result of our content marketing efforts, but we have also seen an overall improvement in monetization. From the ARPPU, it is very clear that our monetized content is gaining traction among a larger player base.

Our earlier content efforts into "gaming + cultural tourism" and "gaming + public welfare" have also laid a solid foundation for improving user acceptance of our IP and driving revenue growth. We also hope to continue expanding this trend and carry its momentum through this year. Okay, next slide.

Next is an area we have remained firmly committed to: continuously deepening game content as a cultural product. Whether it is "gaming + cultural tourism", "gaming + public welfare", or "gaming + intangible cultural heritage", we already achieved strong results through individual initiatives in the past. What is important this year is that we are turning "gaming + cultural tourism" into a full-fledged series initiative. Last year, with government support, we secured access to ten cultural tourism IPs across Fujian Province. This gives us the opportunity to develop them into a complete series this year, helping drive user base growth of our IPs.

We are also very glad to see that during Chinese New Year this year, Fujian's cultural tourism sector saw a notable YoY increase in both revenue and visitor traffic, which further validates our vision in developing culture-driven content.

At the same time, as the brick-and-mortar economy continues to grow, it can also drive stronger online-to-offline (O2O) integration for our games, further expanding the influence of our IP.

At the same time, powered by AI productivity, we are able to create derivative content based on our IPs, such as AI comic-style dramas and AI-powered interactive mini games, which in turn enables us to launch more and better game products. Next slide.

Next, our investment in AI, which is the most important aspect. First of all, we are very happy to see that we actually began our AI deployment and overall transformation the year before last. At our previous results presentation, we mentioned that we achieved 15% AI-driven efficiency enhancement, with a target of reaching 25% (by the end of 2025). In fact, we successfully met this target in 2025. As you can see, whether in terms of profit margin or R&D expenses, the data shows that our expected targets were met through the cost reduction and efficiency gains driven by AI adoption in our long-term operations.

Moreover, I believe another crucial point is that, in 2025 and prior, AI mainly served as a tool, with its primary advantage being efficiency enhancement. In H2 2025, however, our focus was on building our AI Content Factory. In doing so, we no longer treat AI merely as a tool. Instead, we build AI agents, or even AI employees, to establish overall AI-driven game production capabilities as part of our future AI-driven organization.

This year, we will see a significant qualitative leap. So far, we have already deployed more than 200 AI employees or AI agents. We are highly confident that this number will exceed 1,000 this year, and could even reach 5,000. At that point, AI could account for as much as 50% of our total R&D workload. Moreover, given the rapid progress in AI, we are confident that we can increase this share even further next year.

What does this mean for us? It means this will drive major innovation in how we develop games overall. For instance, in new game development, a team of just two to three people will be able to complete a rapid, lightweight prototype within one month. At the same time, in the genres where we have strong expertise, such as MMO and MOBA, we will have the opportunity to apply our knowhow in integrating casual and RPG gameplay mechanics on a larger scale, thereby expanding into more market opportunities.

Looking ahead, for both the Group and the gaming business, our top priority is to transform into an AI-powered organization and fully leverage our competitive advantages in AI. Since our strategic deployment in this area began two years ago, we are now in a very favorable position

and have established a strong lead. Okay, next slide.

Let me give you an example. In the past, we had initiated projects for roguelike and match-three games. Traditionally, these games would require dozens or even hundreds of people, and just creating a demo could take around three months. However, in H2 2025 and H1 2026, we have been able to produce a playable demo within two to three weeks with only one or two core creators, assisted by a dozen or so AI agents. This was previously unimaginable and represents at least a tenfold increase in efficiency.

We can see, a producer with an art background can discuss the design of a match-three game in natural language with AI system designers, AI numerical designers, and AI level designers within our AI Content Factory. Through interactions with the lead designer and producer, AI can generate a design that meets their satisfaction. This design then goes directly into the AI Content Factory to produce art assets and code, ultimately creating a playable demo.

This year, we will also integrate this with the intelligent advertising system of our AI Operations Center, forming a complete closed loop to accelerate AI implementation and commercialization. To me, this represents a shift from quantitative improvements to qualitative breakthroughs. Once AI's substitution in R&D reach 50% or even 70%, it will immediately give us a significant advantage.

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Beyond the efficiency gains AI brings to our R&D, another area we value highly is how AI can enhance and optimize player experience.

Currently, we view AI along two dimensions. First, it can help reduce negative player experiences through anti-cheat measures and companion features. This has already been technically implemented and validated.

The second and equally important dimension is our intelligent NPCs. In the past, we focused on developing their intelligence, such as how they could communicate better with players and interact more effectively. In fact, last month alone, we deployed 1,000 intelligent NPCs on a single MMO server. These NPCs transform our previously developed AI capabilities into interactive behavior. We're pleased to report that with these 1,000 NPCs, players are highly engaged, and they even interact with these NPCs in ways that generate unexpected interesting experiences beyond what we originally designed. For us, productizing NPCs, especially as they contribute to revenue growth in H2, is very important.

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In summary, the AI impetus in 2026 will be a continuously amplifying process. Once we establish a closed loop, we hope it will substantially contribute to commercialization.

This operates on two dimensions. First, for the operation of our long-term IPs, AI significantly reduces costs and enhances efficiency in content development and player experience, particularly through intelligent NPCs. We are very confident that in H2 of this year, we can translate these capabilities into tangible improvements in our workflows and monetization.

The third dimension is highly imaginative and represents a true disruption in how we develop games. Once we close the loop between operation plan, development, and operational execution, AI can function as a self-operating system, continuously generating new ideas and content for our games by collecting information, creating content, and producing outputs. With AI's support, we are confident that the revenues and profits of our long-term IPs will receive a significant boost in H2 of the year.

Looking ahead to new opportunities, AI also provides two important advantages. First, it greatly expands our ability to experiment within our existing genres. For example, why are we exploring the match-three and roguelike genres, which are essentially a combination of casual and hardcore gameplay? Games like *Staff & Sword Legend* and many others in the industry have shown that the combination of an easily accessible casual entry point and a mature back-end monetization model is a market-validated approach. With AI, we can rapidly and continuously iterate on these casual-plus-hardcore games, expanding opportunities for new products.

At the same time, AI can help revive classic game IPs, allowing us to better expand NetDragon's legacy IPs. Moreover, by combining AI-native games with intelligent NPCs and AI-driven production capabilities, our ability to explore new game genres will see significant growth.

To wrap up, by committing to the long-term operation of our evergreen IPs, we are confident in maintaining the stability and healthy development of our fundamental base. With AI's support both in driving product metrics and exploring new opportunities, we believe that in H2 of the year and into next year, our gaming business will continue to demonstrate strong stability and a trend toward renewed growth.

Okay, thank you.


**Simon:**
OK. Thank you, Lin Chen. Now you know what I meant by 'AI Everywhere' and 'AI Now', like Lin Chen talked about AI a lot. I would imagine you probably work with AI in the morning and then sleep with AI at night. That's what he does.

So what I'm gonna do is that you go to Mynd and education a little bit and talk about our 'AI Now' initiative, some of our commitment, and then I will go through the outlook of the year.

Actually, the financials are not pretty, but it's encouraging because we are improving YoY. We're gonna be taking very aggressive cost cutting both on optimization of people using AI, leveraging AI, it's actually in a way no different from what we've been doing with gaming. So we're gonna do exactly the same with Mynd and with education going forward. While we're waiting for the market to recover - it will recover. We're gonna see some movement in 2026. If the Middle East situation improves, I think there will be even more obvious growth coming back.

Next, while we are doing a lot of optimization, we also bring our new product. Our flagship AP10 came out last year. So this year is gonna be the first full year that with AP10 in action, which is actually really encouraging news. The reason we spent so much time on AP10 is actually again related to AI, in order to deploy AI services on the panel, you cannot rely on the old architecture because it's actually Android-based, very limited. So what we did is that we unbundled architecture from or we unbundled the OPS from the panel. So we have flexibility of either putting in Android OPS or a PC or even a Mac, to allow us to deploy services on all the panels to help students and teachers teaching and learning along the way. So again, that's 'AI Everywhere'.

Next. To address for the low-end market to help us to expand the market. We brought two things. One is ActivPanel LE, which is the lowest end that we have. We can bring it into Asia-Pacific, Africa and those emerging countries. And also we brought in the digital signage that we can complement our panel to go into the school because there are some requirements for digital signage in different schools in the developed market.

Next. Another very encouraging news is that at one of the largest education show in the world - it's actually held in London every year, we won the Company of the Year award. That's very encouraging to the team. Also, we have the Best of Show award at the ISE, which is in the U.S. So, we continue to get recognition from the industry.

Next. Okay, let me change here and talk about some of the company-wide, group-level initiative.

Next. the first one is again related to education but also related on some of the opportunities that I talked about either in Africa or in Asia-Pacific. I'm gonna give you two examples. I think you have heard of one of them, or maybe you have heard of both of them before, but I'll go into a little bit more details.

It's moving really fast. In Thailand, we've been working with the Higher Education Ministry to provide training to help them to expand the industry focus. We have them to move into EV, to move into semiconductor. While they are changing the government, we never stop. We are working with them in creating new learning for them. The big one is actually is helping young

people in Thailand to learn how to use AI, which is actually very important. So I think everybody knows about AI. But how do you use the different tools？How do you use it to apply to your day-to-day work？More importantly, we are also helping them to assess their learning because it's actually an opportunity, how do you know you're progressing. So assessment and keeping track of your improvement is very important. And ultimately, how do we help you after learning of the AI tools to help your career? Is that an important element? So not only we work with the Ministry, but we also work with big corporations in Thailand because hiring is quite different now. Before, you hire according to your job spec, but now a lot of people are looking for candidates with the right quality, and then you bring them in and then you put them into different jobs so they can flourish, because with all the AI capabilities that they have.

The next one is Cameroon, which I personally attended. This is the opening of one of the intelligent classrooms. What they struggle with in Cameroon, because being a developing country, is actually teacher quality, its ability to bring software and features into the more remote area. This whole idea of intelligent classroom started in Egypt and we now bring it into Cameroon. Actually, I am in the picture. You may not see it. It is very satisfying sitting there looking at the teacher telling the Prime Minister who sat right next to me, how they are leveraging our technology to address one of the key needs they have, which is education. I talk a little bit more about the new concept that we have and how to help them even address that education needs further in Cameroon and in other emerging countries.

Next. This is the country, sorry, company-wide initiative we call 'AI Employee,' which this is kind of like a workflow. This is actually the workflow for AI content manufacturing. If you will, it's actually how do we leverage these AIs to do a lot of the work for us. This applies both in the education and also in what Lin Chen was talking about. Just to give you an idea of how we approach everything at the company.

Next. Let's talk about the outlook a little bit. I know you want us to do that, so next page.

We'll continue to commit to enhance the shareholder return with all the aspects and with the trust that you have in us. We will commit to provide dividend of no less than HKD 1 a year. I think we announced HKD50 cents for last year in H2. To go forward, we're gonna commit the same, if not more. The core segment is actually we're gonna maintain our profitability while we are applying AI and we'll return to growth, actually towards the end of the year. We're gonna maintain our net cash. Between dividend and also buyback, we'are gonna return no less than HKD600 million to the shareholders.

The last one is actually we have been investing in different companies. We are seeing the possibility of us realizing some of the returns. I put 'XXX' instead of a dollar value here. We are

expecting hundreds of millions of returns in that one. Cannot commit, but this actually lying in sight.

Okay, next one. Another very encouraging news is actually what every company is trying to strive to, which is ESG. We got rated A (by MSCI), which is very encouraging and very we are very happy with that.

Last but not least, I'll make some comments from a directional standpoint. I think we talked a lot about gaming. We believe we can continue to apply AI to help us to optimize our cost and to position us to growth towards the end of H2 along the year. That's very important.

For education, for Mynd, we're expecting a EBITDA break-even this year, through very aggressive cost optimization. And also, we are only assuming a slight market recovery, but we know the Middle East is actually an uncertainty. That's why we are using very aggressive cost optimization direction to make sure we go to a EBITDA break-even situation.

We optimize our hardware product portfolio by growing deeper and wider, i.e. companion products with our panel. We talk about AI. The key is actually how we bring new services into our classroom solution leveraging our AP10 to put services into, so we can build our SaaS revenue stream. We're realizing our country's strategy, like Cameroon, like Thailand, I can assure you those are not the two countries we're working on.

Last but not least, I want to touch on only a little bit, I want to tee it up, I do intend to take everybody through the entire strategy going forward for the investor community and also the PR community or the media, which is what we call a sovereign education large language model (LLM). The reason for that is actually two-fold. One, education is actually every country's assets going forward. So most countries want to be in control, not everybody can own his own ChatGPT, Gemini, DeepSeek, Qwen or all that. Having their own is very important. So we're gonna leverage open source LLMs, but we localize it you know for the country or even for school. I think that's the other important message.

Go back to some of the developing countries, because they don't have the telecom infrastructure of having a local LLM, like DeepSeek saved on the PC to support the whole school. It's gonna be very very powerful. So we're moving towards that and actually were working with the Cameroon on that one to address one of the key element of problem that they have, which is the lack of infrastructure.

This also applied to developed countries or areas. Hong Kong just announced, I think it's a HKD2.5 billion initiative on AI. Actually, a school gets maybe HKD500,000. So having a LLM for each individual school catering to the individual needs is gonna be very powerful. So we are looking at how do we take this not only to the developing countries, but also to the more

developed either regions or countries. So this is really a global initiative that we're working on.

To sum it up, we did a lot of work in 2025. We'll continue to do a lot of work, leveraging our commitment and our knowledge of AI. The change in 2026 is not only we use AI to optimize our cost, but more importantly, to use AI, to leverage AI for growth. So with that, thank you so much. I think it's time to open up.

**MC:**

Thank you, Dr. Leung and management. Now it's time for our Q&A section. You're welcome to raise question in two ways. First, if you would like to raise questions in our conferencing system, you may press star one, star one on your keypad and our operator will rip you through. Second, if you would like to raise questions via our webcast platform, please enter your questions by clicking the Q&A button at the bottom of your screen.

We welcome question in both English and Chinese.

Let's welcome our first question. The first question comes from several investors on the online platform. The question is: what are the company's plans for shareholder returns going forward? How confident are you in your overall cash flow and future growth, and how will these support your shareholder return plans? Thank you.

**Simon:**

I'll answer the first one, and then Wood answer the next one.

If you can put the chart back up, the one with all the commitment to... I think this is how we do it. I committed to, let me reiterate, 2026 dividend is no less than HKD 1, okay? Actually, the total return will be no less than HKD 600 million. It's actually kind of the same commitment as last year.

How do we fund it? If you look at the other three columns, it's actually we maintain our segmental profit in gaming. We're going to have EBITDA break-even in Mynd. We will also continue to optimize our cost. Because of that, we expect to maintain our cash level, if not doing better.

The last one is actually is the upside, right? So we expect, I don't know whether this is gonna be the next year because here it said the next 12 months. Now we are in March, we will see some of the investments that we have made, most likely in the AI area, that will come into fruition. So that's what I committed. I kind of anticipated that questions gonna come up. Wood, do you have comments to add on the cash flow?

**Wood (Translaiton):**

Yes. As you can see, our operating cash flow is over RMB300 million. Some investors may be concerned about how we plan to support a dividend payout of over RMB400 million. But it's important to note, first, that our gaming segment generated around RMB900 million in core segmental profit. In other words, gaming remains a highly profitable and cash-generating business. This level of profit, RMB900 million, is more than sufficient to support our corporate actions in Hong Kong, including the shareholder returns Simon mentioned earlier.

In the past, we delivered a shareholder return program of HKD600 million through dividends and buybacks. This year, we remain confident in our ability to continue committing to HKD 600 million shareholder return plan. This confidence is underpinned by the strong profitability and cash generation of our core business. Our gaming business alone is sufficient to support this plan. Even without factoring in other income streams, which may provide additional upside, we already have ample reserves to execute our plans. Thank you.

**Simon (Translaiton):**

Thank you.

**MC:**

Our next question.

The next questions come from Mr. Wang Shizhen, an analyst at First Shanghai Securities. He has a total of four questions, and I'll start with the first two. The first is: how much further room do you have for cost reduction and efficiency improvement this year, and how might this be reflected financially? The second is: regarding AI's enablement in gaming, management expects to see more noticeable results starting in H2 of the year. Looking at overall gaming performance, how much growth do you expect for the full year? Thank you.

**Simon (Translation):**

Lin Chen, please go ahead and answer the second question first. We'll then go back to the first question, as it relates to the company as a whole. Lin Chen, please.

**Lin Chen (Translation):**

Okay, I'll elaborate. First, in terms of AI-driven efficiency gains, we achieved around 15% two years ago and 25% last year. This year, our expectation is to reach 50%. From these figures alone, you can see that there will be a significant change this year. From a technology perspective, AI is evolving at a very rapid pace. Especially on the front lines, for example in AI coding, as LLMs

continue to advance，AI coding might have delivered around 20% efficiency improvement

previously, but once the models are upgraded, that figure can immediately increase to 30% to 40%.

This is why we are very confident about H2 of the year. As our AI adoption increases, and as our teams continue to improve their AI skillsets, along with the development of AI employees, we expect to see an acceleration in H2.

For game development, quality needs to surpass a certain threshold before its impact can scale exponentially. In the past, some AI-generated assets, such as artwork, were not fully accepted by players, largely because they fell short of that threshold. Players might feel we're being perfunctory to use AI-generated content. However, if we apply AI carefully and effectively, once that quality threshold is crossed, there will be a step change in user acceptance of AI-generated content.

Therefore, in terms of efficiency gains in the game development, we expect at least an additional 10% to 15% improvement in H2, which is similar to last year's progress. On the quality side, we are also very confident that, with rapid AI advancements in H2, once that quality threshold is exceeded, user acceptance will increase significantly, with a multiplier effect.

This forms the basis of our expectations for H2, both in terms of R&D cost structure and revenue performance. For the financial aspects, I'll pass it over to Wood. Thank you.

**Simon (Translation):**

Let me just add a quick point. For us, AI is about two things. The first is cost optimization, but more importantly, it's about how AI can help drive growth. So please note that on one hand, we are using AI to cut costs. On the other hand, we are also investing in AI to support our future development. We are striking a balance here.

The gaming business has been moving faster than the education business, so we are learning from the experience in gaming and applying those learnings. I believe, in education, the room for growth could be greater than in gaming. That's what I wanted to add.

**Wood (Translation):**

From a financial perspective, as mentioned earlier, our total opex in 2025 was around RMB2.6 billion. From this standpoint, further cost reduction and efficiency gains could be in the teens, as Lin Chen just mentioned. It's likely to in the double-digit range.

If we look at gaming revenue, there are two aspects to consider. AI will indeed help, particularly in H2. However, there are some uncertainties: as I mentioned, we may need to actively adjust

certain gameplay mechanics, which could affect our 2026 revenue. So there are both positive and negative effects, making it difficult to give a precise estimate. That's roughly the situation.

**Simon (Translation):**

To elaborate a bit further, on the Mynd side, why we could move toward a break-even point even though the market remains quite challenging - this is not unique to us, every company in the industry faces similar challenges. We are fully embracing AI, whether in customer service, development, or backend functions like finance and HR. In particular, as I mentioned earlier, 2026 is the era of AIGC. We will also fully leverage multi-agent systems, which will further enable us to reach the break-even goal.

**MC (Translation):**

Thank you both. Next, we have two follow-up questions from the analyst at First Shanghai.

The first is: how do we expect our overall U.S. business, particularly the education segment, to perform this year? The second question was partly addressed by Simon earlier. The analyst would like to ask whether the rise of various AI agents and large models will pose a direct competitive threat to our education business, or whether they will serve to enhance and support it?

**Simon (Translation):**

Could you please repeat that? Didn't quite catch it.

**MC (Translation):**

will these AI developments compete with our education business, or can they be leveraged to elevate it overall?

**Simon (Translation):**

Okay. I might not have made myself clear. AI can absolutely support us, and I've emphasized this several times. It not only helps reduce costs but also drives our growth. Mynd's greatest advantage is that we have over one million displays installed worldwide, particularly in the U.S. This allows us to integrate AI services directly into classrooms, supporting both teachers and students. We can also extend these services to the home, assisting students with learning and helping parents engage more effectively in the learning process. This represents a very strong monetization opportunity for Mynd. This is why we are embracing AI.

The U.S. market will certainly recover, because there are demands for new technology. There are two factors. One is what we call the "replacement cycle". We know how many older displays are

in use now. Of course, current political factors make the situation somewhat uncertain, but we expect the market to return one day. That said, we are not waiting passively. We are using this period to strengthen our infrastructure and leverage AI. AI helps us reduce costs while maintaining service quality. This is what we have been working on. So, to answer your question directly: if not for the situation in the Middle East, we would have expected the U.S. market to recover in H2 of the year. However, to be honest, the outlook is not entirely clear at the moment. In about a month, when we have a better understanding of the situation in the Middle East, we should be able to provide a more precise answer.

**MC:**
Thank you, Simon.
Our next questions come from the platform, which are English questions. So first of all, how is the company's progression with our overseas business expansion with our partner Zhongke Wenge, our partnership with Zhongke Wenge. The second question is also related to AI. Is there capex

plan or capex guidance for our AI-related development or investment？

**Simon:**
Wood, would you wanna take the capex?

**Wood:**
Yes. Of course, we have 'AI Now' in the AI area. When you look at our capex, in 2025 our capex was about RMB150 million. So we are almost to double our investment including AI area, so we will be expect to have a RMB300 million into the capex including the AI area.

**Simon:**
I'll go back to the first one. So number one is actually is going really well. First of all, we in the verge of announcing a few a new product, not only for Hong Kong, but for overseas. I'm not gonna steal Cherrypicks's thunder. When that happens, which is imminent, by the way, I will invite you to join us in the conferences in all that.

The other one is actually, when I talk about the sovereign LLM, which is actually is localized LLM. I did use an example of maybe DeepSeek, but definitely Wenge's LLM is part of the consideration. We're very happy with the progress, and we are very excited about the prospects.

I'll probably describe it at the high level right now because I don't want to steal thunder from Cherrypicks. So I can rest assure you is actually our relationship with Wenge is gonna coming to

fruition sometime this year.

**MC:**

Thank you, Simon. Thank you, Wood. Our next question is also regarding our education business. What is the latest development of our Thailand project? And what's the target in H2? And other than Cameroon, what are the national level projects we are working on?

**Simon:**

I have to say, I thought I'd talk about all that. Can you put the chart back up? On Thailand, so this is actually what's happening. It's actually we are moving forward on what we did, but we are expanding into the area that's very important. It's to use AI to teach people how to use AI tools. At the same time, we help them to assess. We also help the enterprise to look at how they can kind of pivot to a new way of recruiting talents. Like I said before, you have a jobs spec, you look at the experiences. I think now the new way of recruiting you are looking for talent, you're looking for capabilities. So that's what we do. So it's moving very fast forward. Because the encouraging news is actually the election is over. Actually the party that comes into working with us actually is returning to be the main party in Thailand. So we fully expect this to continue and to expand. I can't talk about some of the other ones. I can assure you Cameroon is not the only country that we're working on. So just to share with you not trying to be too personal. My wife is actually not very happy with my travel schedules. So you know I'm traveling around to work on different projects.

The other thing I don't know whether you remember last September, I was in Paris with the team attending a UNESCO conference. That was a very good success. As a result of that, there is a lot of countries in Africa, in the Middle East and also in Southeast Asia to come to talk to us. But our key is actually is not to talk to or work on every single one of them. The key of us is actually is to focus on the work that we can bring a lot of value from it. Thank you.

**MC (Translation):**
Thank you.
The next question is from Everbright Securities. Regarding the education business, could you elaborate on your developments in AIGC or monetization? Regarding the gaming business, will any new games be launched in H2 2026? Thank you.

**Simon (Translation):**
Okay, Lin Chen, you go first.

**Lin Chen (Translation):**

Okay. For 2026, the launches currently confirmed include one I have introduced in the slides, *Code-Alpha* under the *Conquer* IP. It is expected to launch in Southeast Asia, Japan, and other regions in H2 of the year, or potentially as early as Q2.

The second is a mobile game developed in collaboration with a partner from our MMO IP *Zero*. It just received its game license approval this week, and in principle, it should launch in Q3. Since it will be developed and operated by that partner, we will be under a revenue-sharing arrangement.

Looking ahead, from H1 to H2 this year, we expect a significant number of AI-native games to enter testing. Ideally, commercialization could occur by the end of the year. These are the main developments we anticipate. Thank you.

**Simon (Translation):**

Okay. As I briefly mentioned earlier, I'll explain again how we use AI to support our education business. This includes two aspects. The first involves our installment. We leverage Promethean's presence in over one million classrooms. With our hardware in place, we introduce new services that assist teachers in their work, helping them prepare lessons, create and grade assignments, and perhaps most importantly, support them in teaching in the classroom, functioning like a teaching assistant.

For students, AI can monitor learning behaviors and identify concepts or topics they struggle with. Our devices include a motion capture feature that tracks students' actions and facial expressions to gauge their understanding. Based on this information, the system can alert the teacher to focus on specific areas. This is another in-classroom support.

The same approach can be extended from school to home. Each student can have an AI tutor at home, which understands their progress in class and provides personalized guidance at home. This is the first aspect, our devices

The second aspect is what we call greenfield. Greenfield has two parts. One targets developed countries, like those in Europe. Our AI services, integrated with Promethean classroom technology, can be offered to schools, districts, or countries.

The other part focuses on emerging markets. We integrate sovereign LLMs for education into Promethean's offerings, to be specific, Promethean's affordable products, to support those countries. Importantly, our current designs do not require internet connectivity. A single LLM deployed in a school can support all teaching activities there. This represents a very large

opportunity. This is why Cameroon has been so enthusiastic, and why many schools in Hong Kong have also welcomed the solution. We are confident in this area. We have invested extensively in AI and have a good understanding of its development, so we will continue to leverage AIGC to advance our growth.

**MC (Translation):**

Thank you, Simon. In the interest of time, we will move to one final question. This last question is also related to sovereign education AI, which Simon just mentioned. Investors are very interested in this. Given the large market for sovereign education AI, what kind of partnership or revenue model do you envision for promoting it? Are there any developments likely to occur in the near future?

**Simon (Translation):**

Could you repeat the latter part?

**MC (Translation):**

What kind of progress in sovereign education AI might we expect to see in the near future?

**Simon (Translation):**

To be honest, we know that we must work with some partners, because the world is simply so big.

For example, in the U.S., we will definitely fully leverage Promethean's capabilities. Promethean also has many partners, such as CDW, who bring new ideas and collaborate with us on their implementation. However, sovereign LLMs are quite special, so we must be directly involved ourselves. Whether in marketing or sales support, we will participate, and we will strengthen our governance in these areas.

As part of our country strategy, we work with local partners. Take Cameroon as an example. I cannot travel there frequently, so I only go at critical times. My colleagues, who travel from Hong Kong to Cameroon, must transfer in Turkey. The flight from Hong Kong to Turkey is 12 hours, followed by another 7 hours from Turkey to Cameroon, plus a long layover. It is quite physically demanding. That is why we must leverage local capabilities. This is also why the Prime Minister of Cameroon was so welcoming to our approach: it not only addresses local educational challenges but also supports technological development. We work with local partners and IT people within the Ministry of Education, with the aim of training them to support this initiative.

As another example, well, I cannot name the people, but Hong Kong has around 2,000 schools. We are familiar with some, but not all, so it depends on the specifics. As I mentioned, our LLMs are deployed on servers, so naturally some hardware providers with established brands may serve as partners. Similarly, companies that provide telecommunication services or work on system integration (SI) may also be our partners. In this area, Cherrypicks and Wenge are also our partners in Hong Kong. I hope this gives you a general idea. My apologies, but I cannot go into detail about our partners at this stage.

**MC (Translation):**

Thank you, Simon.

Thank you, Dr. Leung. Thank you, Wood and Lin Chen. This 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 arrangement. Thank you and we wish you have a great day.

**Simon (Translation):**

Thank you!