

# 2025 ANNUAL REPORT

## 網龍網絡控股有限公司

NETDRAGON WEBSOFT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 777



NETDRAGON  
WEBSOFT HOLDINGS  
LIMITED

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# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of NetDragon Websoft Holdings Limited (the "Company", "we") together with its subsidiaries (collectively referred to as the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2025.

In 2025, following our strategy to "Fully Embrace AI," the Company further introduced the "AI Now" strategy to fully implement our transformation. We have made encouraging progress across our core verticals of education, gaming and AI+ strategic investments across various sectors. We have taken initial steps of transforming into an AI organisation, advancing toward our long-term vision of becoming a global leader in AIGC. Meanwhile, we continued our operational optimisation initiatives. Our overall operating expenses for the year decreased by 22.2% YoY, while operating profit in the second half of the year increased by 47.7% YoY. We expect the benefits of cost optimisation to be further realised in 2026, laying a solid foundation for the Company's long-term value creation.

## SEIZING THE OPPORTUNITIES OF THE AI WAVE AND ADVANCING STRATEGIC TRANSFORMATION

In education AIGC, leveraging our AI Content Factory, we achieved multiple breakthroughs in product innovation, content creation, and AI integration, building a digital education ecosystem centered on "gamified learning" and laying a strong foundation for scalable, intelligent and immersive learning experiences. Our US-listed subsidiary, Mynd.ai has reduced the segmental operating expenses by 21.1% YoY in 2025, whilst the adjusted EBITDA loss has been reduced by 61.8% QoQ in 4Q 2025.

In gaming AIGC, we have built a closed-loop system comprising AI Creative Center, AI Production Center and AI Operations Center, significantly shortening the development cycle for new games while improving R&D efficiency and cost effectiveness. We are also actively incubating AI-native games, expanding into new genres such as Match-3 and Roguelike, exploring the next-generation gaming experiences driven by AI as the core operational logic, and will develop multiple new titles. Our flagship IP maintained solid profitability, with the core segmental profit margin of the gaming and application services reaching 27.4%, representing an increase of 3.9 percentage points YoY, whilst the profit scale remained solid.

In AI+ strategic investments, we are focusing on unlocking the potential of AI computing power and AIGC production capacity. We will continue to invest in various frontier sectors such as AI and AR.

We have recently launched the AI Employee Matrix, fully reconstructing the entire content production chain. AI employees can autonomously handle the complete closed-loop workflow – spanning from creative ideation, intelligent image generation, material refinement to video rendering – 7x24 hours without interruption. They precisely take on highly repetitive and time-sensitive tasks, enabling the rapid production of massive volumes of high-quality content. Compared with the traditional human-powered model, this approach significantly shortens production cycles, substantially reduces costs, ensures consistent quality, and enables the shift of content production from "human-driven" to "intelligence-driven", achieving the goals of standardization, scale, and extreme speed. The AI Employee Matrix has already begun to take over certain repetitive and standardised

# CHAIRMAN'S STATEMENT

tasks across our internal workflows. Looking ahead, we expect to deploy more AI employees in our gaming business by the end of 2026, while our education business will also progressively increase its adoption of AI employees. Going forward, with the AI Employee Matrix, we are deepening human-machine collaboration, liberating productivity, allowing focus on creativity and quality enhancement, and injecting powerful new momentum of large-scale intelligent content supply into fields such as education and gaming.

## DEEPENING GLOBAL COLLABORATIONS AND EXPANDING THE AI ECOSYSTEM

During the year, we have established several significant strategic collaborations to support our long-term development. We have entered into a partnership with Volcengine, ByteDance's cloud and AI service platform. Together, the two parties will build a deep competitive moat integrating technology, resources, and ecosystem in China's higher education and vocational education sectors. By scaling the production of next-generation AIGC educational resources, we aim to create a globally co-created and shared innovative education ecosystem. We established a long-term cooperation with Thailand's Ministry of Higher Education, Science, Research and Innovation (MHESI) to systematically advance an AI-driven "Learn-to-Career" ecosystem in Thailand. With the support of the World Bank, we signed a cooperation agreement with Ministry of Secondary Education of Cameroon (MINESEC) to jointly promote the digital transformation of 250 schools across the country. In addition, our Hong Kong subsidiary Cherrypicks successfully secured the strategic investment from Zhongke WengAI, a leading AI enterprise in China and has repositioned as the exclusive overseas expansion platform and commercialisation partner for Zhongke WengAI in overseas markets. Supported by these strategic partners, we are well placed to accelerate our progress toward becoming a global leader in AIGC creation.

## COMMITTED TO SHAREHOLDER RETURNS AND SUSTAINABLE DEVELOPMENT

Supported by the positive outcomes of our strategic investments and solid cash position, we remained committed to enhancing shareholder returns. The Board has approved a final dividend of HKD0.5 per ordinary share, bringing total dividends for the year to HKD1.0 per ordinary share. Since announcing a shareholder return program of no less than HKD600 million on 29 August 2025, we have fulfilled our commitment through dividends and share repurchases with the inclusion of the proposed final dividend. The core segmental profit from gaming, and application services for the year remained solid at RMB897 million. As of December 2025, our net cash and liquid investments position remained robust at RMB2.0 billion. Based on our confidence in the Company's long-term sustainable development, we commit to distribute a total of no less than HKD600 million to shareholders over the next 12 months through dividends and share repurchases.

## CHAIRMAN'S STATEMENT

Our ongoing efforts in key aspects of sustainable development, such as environmental protection, social responsibility, and corporate governance, have continued to receive widespread recognition. Recently, the Company's MSCI ESG rating was further upgraded from BBB to A, extending the strong momentum of positive achievements in ESG over the past five years. The company will continue to adhere to its long-term commitment to creating lasting and sustainable value for nature, society, and all stakeholders, including shareholders, customers, and employees.

I would like to express my sincere gratitude to our employees and management team for their unwavering dedication over the past year, and my heartfelt thanks to our shareholders, customers and partners for their continued trust and support. In 2026, we will continue to advance our "AI Now" strategy, leveraging technological innovation to drive business transformation and efficient operations to reinforce our foundation for growth. As we move steadily toward our goal of becoming a global leader in AIGC creation, we remain committed to delivering long-term value to our investors and jointly opening a new chapter of high-quality development.

**Liu Dejian**

*Chairman*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Dr. Liu Dejian (*Chairman*)  
Dr. Leung Lim Kin, Simon (*Vice Chairman*)  
Mr. Liu Luyuan (*Chief Executive Officer*)  
Mr. Chen Hongzhan  
Ms. Lin Yun

### Non-executive Director

Mr. Lin Dongliang

### Independent non-executive Directors

Mr. Li Sing Chung Matthias  
Mr. Liu Sai Keung, Thomas  
Dr. Lo Wing Yan, William *JP*

## COMPLIANCE OFFICER

Mr. Liu Luyuan

## COMPANY SECRETARY

Mr. Lau Hak Kin

## QUALIFIED ACCOUNTANT

Mr. Lau Hak Kin, *HKICPA, FCCA, CFA*

## AUDIT COMMITTEE

Mr. Li Sing Chung Matthias (*Chairman of the Committee*)  
Mr. Liu Sai Keung, Thomas  
Dr. Lo Wing Yan, William *JP*

## REMUNERATION COMMITTEE

Dr. Lo Wing Yan, William *JP* (*Chairman of the Committee*)  
Mr. Li Sing Chung Matthias  
Mr. Liu Sai Keung, Thomas

## NOMINATION COMMITTEE

Mr. Liu Sai Keung, Thomas (*Chairman of the Committee*)  
Mr. Li Sing Chung Matthias  
Ms. Lin Yun  
Dr. Lo Wing Yan, William *JP*

## AUTHORISED REPRESENTATIVES

Mr. Liu Luyuan  
Mr. Lau Hak Kin

## HONG KONG LEGAL ADVISER

Jingtian & Gongcheng LLP

## PRC LEGAL ADVISER

Jingtian & Gongcheng

## AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Registered Public Interest Entity Auditors

# CORPORATE INFORMATION

## PRINCIPAL BANKERS

Bank of America  
The Hongkong and Shanghai Banking Corporation Limited

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## STOCK INFORMATION

Listing Place

Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

777

Listing Date

24 June 2008

Stock Name

NETDRAGON

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE IN PRC

851 Building,  
58 Wenquan Branch Road,  
Fuzhou

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2001-05 & 11, 20/F.  
Harbour Centre, 25 Harbour Road  
Wan Chai, Hong Kong

## COMPANY WEBSITE

[www.nd.com.cn](http://www.nd.com.cn)

# GROUP FINANCIAL SUMMARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				2025 RMB million
	2021 RMB million	2022 RMB million	2023 RMB million	2024 RMB million	
<b>Revenue</b>	7,036	7,866	7,101	6,047	<b>4,475</b>
Cost of revenue	(2,513)	(3,551)	(2,703)	(2,105)	<b>(1,329)</b>
<b>Gross profit</b>	4,523	4,315	4,398	3,942	<b>3,146</b>
Other income and gains	224	223	264	398	<b>128</b>
Impairment loss under expected credit loss model, net of reversal	(8)	(14)	(3)	2	<b>(25)</b>
Selling and marketing expenses	(956)	(945)	(807)	(758)	<b>(659)</b>
Administrative expenses	(956)	(975)	(1,199)	(1,164)	<b>(935)</b>
Research and development costs	(1,160)	(1,224)	(1,382)	(1,429)	<b>(1,013)</b>
Other expenses and losses	(266)	(213)	(446)	(249)	<b>(368)</b>
Share of results of associates and joint ventures	(16)	(17)	(4)	3	<b>6</b>
<b>Operating profit</b>	1,385	1,150	821	745	<b>280</b>
Interest income on pledged bank deposits	1	-	-	13	<b>32</b>
Exchange gain (loss) on pledged bank deposits, financial assets at fair value through profit or loss, bank borrowings, convertible and exchangeable bonds and derivative financial instruments	19	(73)	(21)	5	<b>(21)</b>
Fair value change on financial assets at fair value through profit or loss	20	(33)	75	67	<b>33</b>
Fair value change on derivative financial instruments	(3)	15	28	87	<b>20</b>
Finance costs	(186)	(219)	(268)	(161)	<b>(132)</b>
<b>Profit before taxation</b>	1,236	840	635	756	<b>212</b>
Taxation	(253)	(76)	(188)	(642)	<b>(176)</b>
<b>Profit for the year</b>	<u>983</u>	<u>764</u>	<u>447</u>	<u>114</u>	<b><u>36</u></b>

# GROUP FINANCIAL SUMMARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

	For the year ended 31 December				2025 RMB million
	2021 RMB million	2022 RMB million	2023 RMB million	2024 RMB million	
Attributable to:					
– Owners of the Company	1,062	834	550	311	151
– Non-controlling interests	(79)	(70)	(103)	(197)	(115)
Profit for the year	<u>983</u>	<u>764</u>	<u>447</u>	<u>114</u>	<u>36</u>
<b>Earnings per share</b>					
– Basic (RMB cents)	191.67	154.15	103.00	58.60	28.58
– Diluted (RMB cents)	<u>191.58</u>	<u>154.14</u>	<u>103.00</u>	<u>58.60</u>	<u>28.58</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				2025 RMB million
	2021 RMB million	2022 RMB million	2023 RMB million	2024 RMB million	
Non-current assets	3,944	4,344	5,392	4,746	4,351
Current assets	6,941	6,687	4,990	5,686	5,582
Non-current liabilities	(1,256)	(1,468)	(163)	(152)	(89)
Current liabilities	(2,554)	(2,964)	(4,045)	(4,414)	(4,456)
Non-controlling interests	<u>240</u>	<u>300</u>	<u>(279)</u>	<u>(39)</u>	<u>45</u>
Equity attributable to owners of the Company	<u>7,315</u>	<u>6,899</u>	<u>5,895</u>	<u>5,827</u>	<u>5,433</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## (1) FINANCIAL HIGHLIGHTS AND REVIEW

### Fiscal Year 2025 Financial Highlights

- Revenue was RMB4.5 billion, representing a 26.0% decrease YoY.
- Revenue from gaming and application services was RMB3.3 billion, representing 73.2% of the Group's total revenue and a 16.8% decrease YoY primarily attributable to the optimisation of flagship IP to support its long-term development and sustainability.
- Revenue from Mynd.ai business was RMB1.2 billion, representing 26.7% of the Group's total revenue and a 43.2% decrease YoY primarily due to the impact of disposal of Singapore early education business in the second half of 2024, and a prolonged demand adjustment cycle. Customer demand is expected to recover as market conditions stabilise.
- Gross profit was RMB3.1 billion, representing a 20.2% decrease YoY, whereas gross profit margin increased by 5.1 percentage points YoY to 70.3%.
- Operating expenses decreased by 22.2% YoY to RMB2.6 billion, reflecting the impact of our cost reduction and efficiency improvement measures, which are expected to be fully realised in 2026.
- Core segmental profit<sup>1</sup> from gaming and application services was RMB897 million, representing a 3.0% decrease YoY, as the lower revenue was partially offset by cost savings. Core segmental profit margin increased by 3.9 percentage points YoY to 27.4%.
- Core segmental loss<sup>1</sup> from Mynd.ai business was RMB358 million, compared to a loss of RMB297 million in 2024. Core segmental loss<sup>1</sup> for the second half of 2025 was RMB163 million, representing a 12.4% decrease YoY.
- Profit attributable to owners of the Company was RMB151 million, representing a 51.4% decrease YoY, affected by an impairment loss of cryptocurrencies as of 31 December 2025, as well as one-off expenses associated with the staff optimisation plan.
- The Company declared a final dividend of Hong Kong dollar ("HKD") 0.50 per ordinary share (2024: HKD0.50 per ordinary share), subject to approval at the coming annual general meeting.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (1) FINANCIAL HIGHLIGHTS AND REVIEW (Cont'd)

### Segmental Financial Highlights

(RMB million)	FY2025		FY2024		Variance	
	Gaming and application services	Mynd.ai business	Gaming and application services	Mynd.ai business	Gaming and application services	Mynd.ai business
Revenue	3,276	1,197	3,938	2,106	-16.8%	-43.2%
Gross profit	2,852	299	3,399	547	-16.1%	-45.3%
Gross margin	87.1%	25.0%	86.3%	26.0%	+0.8ppts	-1.0ppts
Core segmental profit (loss) <sup>1</sup>	897	(358)	925	(297)	-3.0%	20.5%
Segmental operating expenses <sup>2</sup>						
– Research and development	(820)	(193)	(1,227)	(202)	-33.2%	-4.5%
– Selling and marketing	(406)	(251)	(488)	(266)	-16.8%	-5.6%
– Administrative	(658)	(211)	(705)	(362)	-6.7%	-41.7%

*Note 1:* Core segmental profit (loss) figures are derived from the Company's reported segmental profit (loss) figures (presented in accordance with HKFRS 8), but exclude non-core/operating, non-recurring or unallocated items including redundancy payments, interest expense and exchange difference on convertible and exchangeable bonds and convertible note, impairment loss (net of reversal), fair value loss on investment properties, impairment loss and write off of intangible assets, net gain on disposal of subsidiaries, fair value gain and exchange difference on financial assets at fair value through profit or loss, government grants, fair value gain and exchange loss on derivative financial instruments, reversal of impairment loss of inventories and intangible assets, gain on deemed disposal of an associate, intercompany finance costs, underprovision of tariff expenses in prior years, project expenses, write-down of inventories and waiver of other payables.

*Note 2:* Segmental operating expenses exclude unallocated expenses/income such as directors' emoluments and certain selling and marketing and administrative expenses that have been grouped into SG&A categories on the Company's reported consolidated financial statements, but cannot be allocated to specific business segments for purpose of calculating the segmental profit (loss) figures in accordance with HKFRS 8.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (2) BUSINESS REVIEW AND OUTLOOK

### Gaming and Application Services

In 2025, revenue from our gaming and application services business amounted to RMB3.3 billion, representing a decrease of 16.8% YoY. We further advanced our strategic focus in the application services business by reducing the equity interests in several subsidiaries, which contributed to the decline in segmental revenue. Segmental operating expenses for the year decreased by 22.1% YoY driven by cost savings from the AI+ strategy with the full-year impact to be realised in 2026. Core segment profit was RMB897 million, representing a decrease of 3.0% YoY only, as the lower revenue was partially offset by the benefits from cost savings for the year.

**In the gaming sector, our AIGC capabilities are now delivering tangible results, reinforcing our R&D strategy to focus on AI-native games:** Across our flagship evergreen IPs, we have fully leveraged our AIGC capabilities to further shift user activities toward content-driven and culture-driven spending, while fostering healthier community development. We also continued to explore incremental growth through format innovation and regional expansion, alongside ongoing investments in content innovation and cultural expression.

The average monthly active users (MAU) of the Eudemons IP increased by 11.1% YoY in 2025, with an increase of 7.1% in the second half of 2025 HoH. Eudemons IP has delivered both HoH and YoY MAU growth for four consecutive half-year periods, ensuring the long-term operation of this evergreen IP and significantly narrowing the YoY decline in overall gaming revenue in the second half. Revenues from Conquer IP and Heroes Evolved IP increased by 6.4% and 21.3% YoY, respectively. Among them, Conquer IP focused on the global dissemination of Chinese martial arts culture, with overseas market revenue accounting for nearly 70% of its total revenue. Heroes Evolved IP adhered to the dual engines of content innovation and esports events, with PC revenue achieving YoY growth for three consecutive years and reaching a record high in 2025.

In 2025, under the guidance of the Fujian Provincial Department of Culture and Tourism, we launched the “Digital Mountains & Seas – Game Empowering Fujian Culture & Tourism” project in collaboration with the Xinhua News Agency and other partners. Our core gaming IPs subsequently entered into cross-sector collaborations with cultural and tourism departments in Fuzhou, Quanzhou, Wuyishan, Nanping, and other regions, deeply integrating with various world heritage, intangible cultural heritage and distinctive cultural tourism IPs. By applying a range of cutting-edge AI technologies such as digital capture and game integration, we create a new paradigm for “Gaming + Culture Tourism.”

# MANAGEMENT DISCUSSION AND ANALYSIS

## (2) BUSINESS REVIEW AND OUTLOOK (Cont'd)

### Gaming and Application Services (Cont'd)

Our “AI+Gaming” strategy has been fully implemented in our operations. In 2025, segmental R&D expenses for the gaming and application service decreased by 33.2% YoY, while the share of AI-driven workload in overall game development increased to 25%. Our AI anti-cheat features have covered multiple core gameplay scenarios of Eudemons IP, further improving the in-game environment and ecosystem health. AI companion agents have been fully applied across both Conquer IP and Heroes Evolved IP, significantly improving player retention. In addition, more than 1,000 second-generation intelligent NPCs have been deployed in the Zero IP, delivering encouraging results. We have also successfully established an initial development pathway for AI-native games and built a closed-loop system comprising AI Creative Center, AI Production Center and AI Operations Center. This has significantly reduced the production cost and development cycle of new gaming products, giving us greater resources and more time to continue iterating and experimenting with new ideas, genres and gameplay while enhancing both the scale and quality of our R&D pipeline. We plan to deploy more AI agent employees, to increase the share of AI-driven workload to 50% by the end of 2026.

Looking ahead, for mature fields with fully validated business models, we will leverage our AIGC capabilities to replicate success quickly and efficiently. Furthermore, we will position AI-native games as a strategic focus, building a diversified product portfolio centered on new forms of content and user experience. In 2026, the Company plans to expand into new genres, including Match-3 and Roguelike, and will develop multiple new titles.

**In the application services sector, we are sharpening our strategic focus and accelerating commercial expansion with education AIGC:** Our AI Content Factory has achieved significant advances in automation and intelligence, substantially improving the production efficiency of foundational AIGC elements such as AI textbooks, AI courseware, resource granules, and interactive educational games while further reducing production costs. In the integration of “gamified learning” and “AI+Education,” we continue to make learning more emotionally engaging and immersive. We will remain committed to the core vision that “Knowledge is Experience, Learning is Gaming,” and continue to drive the digital transformation of education globally.

We have recently launched the AI Employee Matrix, fully reconstructing the entire content production chain. AI employees can autonomously handle the complete closed-loop workflow – spanning from creative ideation, intelligent image generation, material refinement, to video rendering – 7×24 hours without interruption. They precisely take on highly repetitive and time-sensitive tasks, enabling the rapid production of massive volumes of high-quality content. Compared with the traditional human-powered model, this approach significantly shortens production cycles, substantially reduces costs, ensures consistent quality, and enable the shift of content production from “human-driven” to “intelligence-driven”, achieving the goals of standardization, scale, and extreme speed. With the AI Employee Matrix, we are deepening human-machine collaboration, liberating productivity, allowing focus on creativity and quality enhancement, and injecting powerful new momentum of large-scale intelligent content supply into fields such as education.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (2) BUSINESS REVIEW AND OUTLOOK (Cont'd)

### Gaming and Application Services (Cont'd)

Our country rollout strategy also continued to make progress. In February 2026, our strategic partnership with Thailand's Ministry of Higher Education, Science, Research and Innovation (MHESI) was further deepened. Together, we will develop an AI-enabled learning platform, competency assessment framework, and career transition mechanism, building an AI-driven "Learn-to-Career" ecosystem that connects education, skills development and productivity enhancement, and supports Thailand in cultivating a future-ready workforce. In March 2026, the AI-enabled smart classroom jointly developed with Cameroon's Ministry of Secondary Education (MINESEC) was successfully inaugurated in Yaoundé, the capital of Cameroon, with the Prime Minister of Cameroon and several senior government officials attending the ceremony. This project will also serve as a pilot for the scalable development of digital education across Africa.

**In addition, the Company's strategic investments in frontier technologies and AIGC sectors continue to achieve significant progress:** The new-generation AI glasses launched by an AI edge device company we invested in recorded rapid sales growth. Our investee in group live-streaming content production also continued to lead the market, received strong support from the short-video platform, and jointly hosted major live performance events. Currently, we are further expanding our strategic investments and business synergies in various frontier sectors by leveraging AI computing power and AIGC creative capabilities. Looking ahead, our strategic investments will continue to focus on frontier technology such as AI and AR, as well as various cultural and creative industries that can be significantly empowered by AIGC, therefore strengthening synergies with our core business and cultivating new growth drivers for the Company's long-term development.

### Mynd.ai

Notwithstanding industry-wide customer budget uncertainties and increasing challenges of global trade, we are focused on positioning Mynd.ai for future success. We have delivered a major refresh of our flagship product with the launch of our next-generation integrated solution, ActivPanel 10® and Promethean ActivSuite® software and expanded into new product categories through the introduction of ActivPanel LE and ActivPanel D-series, as well as new software and hardware partnerships. Various cost optimisation initiatives were carried out this year to improve our competitive positioning in the market and facilitate further investments in our business.

We continue to evolve our AI-enabled solution roadmap and significantly enhance the interaction of the full ecosystem of software and hardware offerings in a classroom by consolidating cutting-edge AI solutions such as Merlyn Mind and Augment Me.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (2) BUSINESS REVIEW AND OUTLOOK (Cont'd)

### Mynd.ai (Cont'd)

The key financial highlights for Mynd.ai in 2025 are as follows:

- Revenue of RMB1.2 billion compared to RMB2.1 billion in the prior year, with the decrease primarily driven by elevated uncertainty amongst our customers regarding future budget allocations which represents an industry-wide phenomenon that affected the entire education technology market. Customer demand is expected to recover as market conditions stabilise and schools look to refresh their existing technology solutions.
- Segmental operating expenses of RMB655 million with a decrease of 21.1% YoY, as management continues to implement cost saving measures to mitigate effects of education technology market headwinds.
- Core segmental loss of RMB358 million compared to a loss of RMB297 million in the prior year. Core segmental loss for the second half of 2025 was RMB163 million, representing a 12.4% decrease YoY.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (3) LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2025, the Group had pledged bank deposits, bank deposits with original maturity over three months and cash and cash equivalents of approximately RMB3,940 million (31 December 2024: RMB3,827 million).

As at 31 December 2025, the Group had net current assets of approximately RMB1,126 million as compared with approximately RMB1,272 million as at 31 December 2024.

## (4) TREASURY POLICY

It is the Group's treasury management policy not to engage in any high-risk investment or speculative derivative products and not to invest working capital in financial products with significant underlying leverage or risks. The Group continues to adopt a conservative approach to financial risk management with no leverage during the period under review. It is the Group's policy not to use financial instruments for hedging purpose. It is also the Group's policy not to invest in foreign currency net investments which are hedged by currency borrowings and other hedging instruments.

## (5) DEBT MATURITY AND CURRENCY PROFILE

The Group's total bank borrowings and other debts, including convertible note, as at 31 December 2025 amounted to RMB2,784 million (31 December 2024: including convertible and exchangeable bonds and convertible note, RMB2,420 million) which comprises principal amount of bank borrowings of RMB2,356 million (31 December 2024: RMB1,729 million), no convertible and exchangeable bonds (31 December 2024: RMB295 million) and convertible note of RMB428 million (31 December 2024: RMB396 million).

The maturity profile of the Group's total principal amount of bank borrowings and other debts for both years is set out below:

### As at 31 December 2025

	Denominated in			Total RMB million
	RMB RMB million	USD RMB million	HKD RMB million	
On demand	800	–	45	845
Within one year	1,490	449	–	1,939
<b>Total</b>	<b>2,290</b>	<b>449</b>	<b>45</b>	<b>2,784</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## (5) DEBT MATURITY AND CURRENCY PROFILE (Cont'd)

As at 31 December 2024

	Denominated in			Total RMB million
	RMB RMB million	USD RMB million	HKD RMB million	
On demand	300	–	49	349
Within one year	<u>1,300</u>	<u>771</u>	<u>–</u>	<u>2,071</u>
Total	<u><u>1,600</u></u>	<u><u>771</u></u>	<u><u>49</u></u>	<u><u>2,420</u></u>

## (6) GEARING RATIO

The gearing ratio (consolidated bank borrowings/consolidated total equity) was 0.44 (31 December 2024: 0.29). As at 31 December 2025, total bank borrowings of the Group amounted to approximately RMB2,356 million (31 December 2024: RMB1,729 million) which included variable-rate loan of RMB66 million (31 December 2024: RMB128 million) and fixed-rate loan of RMB2,290 million (31 December 2024: RMB1,601 million). The bank borrowings of RMB2,356 million (31 December 2024: RMB1,718 million) were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group and corporate guarantee provided by the Company and its subsidiaries, no bank borrowings (31 December 2024: RMB11 million) were unsecured.

## (7) CAPITAL STRUCTURE

As at 31 December 2025, the Group's total equity amounted to approximately RMB5,388 million (2024: RMB5,866 million).

## (8) CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Group did not have any material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (9) SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures as at 31 December 2025.

During the year, the Group did not have other plans for significant investments and capital assets.

## (10) FOREIGN CURRENCY RISKS

The Group operates mainly in the PRC, the United States of America and the United Kingdom. Most of its monetary assets, liabilities and transactions are principally denominated in the functional currency of respective group entities, which is Renminbi, United States Dollar and Great Britain Pound. However, the Group also has operations in Hong Kong and Europe (2024: Hong Kong, Europe and Singapore) and the business transactions conducted in these areas during the year were mainly denominated and settled in HKD and European dollar ("EURO") (2024: HKD, EURO and Singapore dollar), respectively. The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

## (11) CREDIT RISKS

As at 31 December 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk of trade receivables, bills receivables, contract assets, other receivables, refundable rental deposits and loan receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group always recognises lifetime expected credit loss ("ECL") for trade receivables, contract assets and loan receivables. The ECL on these assets are assessed individually for credit-impaired debtors and collectively for others using a provision matrix with appropriate groupings.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (11) CREDIT RISKS (Cont'd)

The credit risk on pledged bank deposits, bank deposits with original maturity over three months and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or are state-owned banks located in the PRC. In this regard, the directors of the Company consider that the ECL on these balances is insignificant.

The Group regularly monitors the business performance of the associates and joint ventures. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. Based on the assessment of the management, the ECL for these balances were insignificant and thus loss allowance was negligible.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings and there is no significant concentration of credit risk.

The Group has no significant concentration of credit risk on trade receivables, bills receivables, other receivables and contract assets with exposure spreading over a number of counterparties and customers.

## (12) LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Based on the assessment of the management, liquidity risk encountered by the Group is minimal.

# CORPORATE CULTURE AND SOCIAL RESPONSIBILITIES

## CORPORATE CULTURE

“Passion, Learning, Innovation, Endeavor, Pursuit of Excellence, Fairness, and Customer-orientation” is the DNA of the corporate culture of NetDragon as well as the cultural gene of every individual of NetDragon.



Passion

Passion is the attitude that every staff treats his work and colleagues. We are optimistic, dedicate ourselves to work and never give up; we always maintain a positive attitude and try to influence others.



Learning

Learning has been our habit. We take the initiative to learn new things with the unity of knowledge and action. We also focus on self-examination and are ready to share what we know.



Innovation

Innovation is the motive power behind our success. We welcome changes and actively explore new fields. We dare to make attempts and sustain innovations.



Endeavor

Endeavor is our characteristic. We actively hand up and show ourselves so that we can grasp opportunities and win the future.



Pursuit of  
Excellence

Pursuit of Excellence is our working standard. We always have high aspirations and keep improving. We only compete with ourselves so as to surpass your expectation.



Fairness

Fairness is the working environment we strongly advocate. We respect each other, keep a frank and open mind, stay objective and impartial, and believe in the value of clear rewards and punishments.



Customer  
Orientation

Customer-orientation is the design and service concept of our products. We lead demands, emphasize experience, pursue a win-win situation and create values.

# STAFF RELATIONSHIP AND WELFARE

## HUMAN RESOURCES

As of 31 December 2025, total number of full time employees of the Group is 3,061.

In 2025, our human resources system has fully accelerated its transformation towards an “AI-powered organisation”. Through structural optimisation, talent benchmark upgrades, refinement of task-centric management model, and breakthrough compensation reforms, we not only have enhanced organisational efficiency but also laid a solid foundation in both organisation and talent to achieve our “AI Now” strategy in 2026.

### 1. Comprehensively Upgrading Organisational Efficiency to Build an AI-Driven Elite Structure

In 2025, the Company advanced organisational flattening and elite-driven development through ongoing structural adjustment and talent review. We conducted a deep review and adjustment of operational efficiency: in terms of structural footprint, we comprehensively streamlined underperforming regional offices, completing the closure or consolidation of several core regional offices across Chinese Mainland to effectively reduce fixed regional overheads and operating expenses; in terms of hierarchical management, we continued to advance structural streamlining and functional integration by realigning multiple Tier-1 departments, thereby reducing management complexity and fostering a flatter and more agile organisation that accelerates information flow and business responsiveness; and in terms of team scale, we proactively leveraged AI capabilities to replace repetitive and transactional tasks, optimizing team structure while significantly boosting per-capita efficiency and thereby steering the organisation toward higher-value and elite-driven evolution

### 2. Establishing Elite Talent Benchmarks for the AI Era and Deepening Management Applications

Aligned with the transformation towards an AI-powered organisation, the Company redefined the relationship between humans and AI, categorizing employees into four groups: expert employees, who are the most specialized talent in their fields selected to train AI and adjust production lines; communication staff, who act as translators, liaisons, and facilitators between AI and external experts, fluently converting AI’s technical language and logic into terms external experts can understand, while deeply extracting tacit business knowledge from external experts and structurally feeding it back to AI systems, thereby coaching external experts to become AI trainers; other employees, who handle tasks requiring high emotional interaction, deep relationship maintenance, and complex negotiation. These tasks are centrally performed by humans with AI support or advice; and managers, who, aided by AI, ensure smooth organisational operation with minimal oversight. In 2025, we have deeply integrated this benchmarks into personnel screening, selection, and evaluation to ensure our talent pool is fully aligned with the new paradigm of “humans-AI collaboration”.

# STAFF RELATIONSHIP AND WELFARE

## HUMAN RESOURCES (Cont'd)

### 3. Reshaping Workflows with AI to Drive Organisational and Management Transformation

With AI as foundational core, the Company reshaped workflows to build a comprehensive and closed-loop system encompassing "AI + Production" and "AI + Management". On the business front, the Company has spearheaded the establishment of multiple AI production lines, such as AI resource generation, AI coding, and AI copywriting, gradually extending AI production models across all relevant business lines. Concurrently, we launched AI application training to lower professional barriers and foster scalable and replicable production models and automated production that maximized the value of AI empowerment. In terms of corporate governance, the Company is committed to "AI + Management," driving intelligent transformation across scenarios such as project auditing, performance evaluation, and personnel control. For instance, AI proactively issues early warnings to project leaders in cases of project delays or budget overruns and performs automated appraisals based on employee performance data, thereby elevating the quality and efficiency of corporate operations.

### 4. Decisively Implementing "Results-Oriented" Incentives to Drive Evolution towards an AI-Powered Organisation through High-Variable Incentives

The Company has more decisively implemented a "results-oriented" compensation philosophy in its remuneration management, continuously restructuring its remuneration system to break away from traditional fixed-grade increments and universal salary adjustments. By significantly increasing the proportion of variable pay, the Company has deeply linked compensation to business breakthroughs, technical innovations, and the effectiveness of AI tool integration, enabling talent who truly create value to receive greater rewards. Simultaneously, the Company has established real-time incentive mechanisms to provide rapid weekly/monthly incentives for critical breakthroughs in, among others, AI-driven product iterations, process re-engineering, and efficiency leaps. We have also introduced dedicated AI incentive pools to guide experts toward transforming AI capabilities into quantifiable business value.

# STAFF RELATIONSHIP AND WELFARE

## HUMAN RESOURCES (Cont'd)

### 5. Transformation of Welfare System to Enhance Benefits Efficiency and Reshape Value

Under the premise of safeguarding core employee experiences, the Company conducted a systematic review and reform of the welfare system, pivoting from a “universal” model to one driven by “value-based incentives”, and optimized various benefit programs. Through refined management and the integration of innovative operating models, we successfully enhanced the allocation efficiency of benefit resources while reducing the operational manpower required, effectively achieving a transition of benefits management towards a value-oriented cost structure.

2025 marked a year of holistic exploration into “human-machine collaboration” as the Group advanced deeply towards becoming an AI-powered organisation. Embarking on the new “AI Now” strategic chapter for 2026, the Company is well prepared in terms of organisational form and talent density. We will remain steadfast in deepening our “human-machine collaborative” production models, continuously igniting internal momentum through management innovation to drive high-quality business growth.

## WORKING ENVIRONMENT

The Group provides a friendly and happy working environment for our staff, with spacious and well-equipped workplace, including staff canteen, cafes, activity rooms, indoor and outdoor swimming pool, football court, basketball court, badminton court, tennis court, squash courts and fitness center. The Group also organises various staff activities such as carnival, quarter marathon and new year gala. A relaxed and pleasant working environment does not only enhance a sense of belonging among staffs, but also enhance their work efficiency and creativity.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

Liu Dejian, aged 54, Chairman of the Board and Executive Director

Dr. Liu is the founder of NetDragon and the chief designer of NetDragon's development strategy and business planning. Dr. Liu was appointed as the Director and Chairman of the Board on 15 October 2007. Over the years, Dr. Liu plays a pivotal role in elevating the Company into one of the leading online game and mobile Internet operations developers in PRC. Dr. Liu is mainly responsible for the group's forward-looking business strategies, and the formation of research and development teams. Dr. Liu leads the design of the online game products and formulates the development policy, which has significantly contributed to the growth of the Company as a competitive online game operator and developer. Currently, Dr. Liu is committed to leading the Company's transformation to an international design-oriented enterprise, while actively promoting Internet education to establish our Group as a leader in the global smart education sector.

Dr. Liu always pays attention to the development of global science and technology. He believes that information technology would change the world, therefore, Dr. Liu founded Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) ("NetDragon (Fujian)") after graduating with his Bachelor's degree.

Dr. Liu graduated with a Bachelor's degree of Science in Chemistry from University of Kansas in the USA in 1995, and a doctorate degree in education from Beijing Normal University in 2021. He is currently a doctoral student and studying the "Innovation Leading of Engineering Doctor" by the Tsinghua Shenzhen International Graduate School. He was awarded the Special Allowance Expert in State Council\* (國務院特殊津貼專家) in January 2015. In May 2017, Dr. Liu was recognized as a Senior Engineer Enjoying Professor and Researcher Status\* (享受教授、研究員待遇高級工程師) with his exceptional technical accomplishments. In addition, Dr. Liu received 2024 Progress Prize First Award in Hubei Province Science and Technology\* (二零二四年度湖北省科學技術進步獎一等獎), 2013 Progress Prize Second Award in Fujian Province Science and Technology\* (二零一三年度福建省科學技術進步二等獎) and 2021 Progress Prize Third Award in Fujian Province Science and Technology\* (二零二一年度福建省科學技術進步三等獎). Dr. Liu is a brother of Liu Luyuan.

\* For identification purpose only

## DIRECTORS AND SENIOR MANAGEMENT

Leung Lim Kin, Simon, aged 71, Vice Chairman of the Board, Executive Director, Chairman and Chief Executive Officer of Fujian Province Huayu Education Technology Co. Ltd. ("Fujian Huayu") (福建省華漁教育科技有限公司)

Dr. Leung joined the Company in March 2015 and was appointed as the executive Director on 30 October 2015. He is responsible for the planning, consolidation and operation of the education business of the Company in the People's Republic of China and the development of the online education business overseas.

Dr. Leung had over 30 years of experience in both information technology and telecommunications industries. In 2005, he was appointed as the president of Motorola Asia-Pacific, a company principally engaged in the production of data communication and telecommunication equipment, where he was primarily responsible for the overall strategic planning and implementation in the Asia-Pacific region. Since 2008, Dr. Leung was the chief executive officer of Microsoft Greater China region, a company principally engaged in developing, manufacturing, licensing and sales of software products, where he was primarily responsible for overseeing overall business operations and for developing and implementing a regional strategy.

Prior to joining the Company, Dr. Leung also held management roles at various educational institutions or corporations engaging in education business. From 2009 to 2010, he was the governor of the Upper Canada College, an educational institution, where he was primarily responsible for establishing and directing policy for the college and overseeing its financial affairs. In 2012, Dr. Leung was the chief executive officer of Harrow International Management Services Limited, a company principally engaged in the management of Harrow International Schools, where he was responsible for the development of new Harrow International Schools and education services in Asia.

Dr. Leung received his bachelor of arts degree and a doctorate in laws from the University of Western Ontario, Canada in 1978 and 2005 respectively and a doctorate in business administration from Hong Kong Polytechnic University in 2007.

Dr. Leung currently serves as a member of the Ivey Asia Advisory Board of the Richard Ivey School of Business of the University of Western Ontario, an educational institution, where he is primarily responsible for advising the school on its mission strategy in Asia. He is also a governor of Tung Wah College, an educational institution, where he is primarily responsible for determining key governance issues. From 2010 to 2015, Dr. Leung was a member of the International Advisory Committee of the Hong Kong Polytechnic University. From 2015 to 2017, he was appointed as a member of the Steering Committee on Innovation and Technology of HKSAR. Dr. Leung is currently an independent non-executive director of PuraPharm Corporation Limited (Stock Code: 1498), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In addition, Dr. Leung is the chairman of the board of directors of Mynd.ai Inc. (Stock Code : MYND), a company listed on NYSE American.

\* For identification purpose only

## DIRECTORS AND SENIOR MANAGEMENT

Liu Luyuan, aged 52, Executive Director, Chief Executive Officer, Compliance Officer and one of the authorised representatives of the Company

Mr. Liu was appointed as the executive Director, Chief Executive Officer, Compliance Officer and one of the authorised representatives of the Company on 15 October 2007. Mr. Liu also serves as director of NetDragon Websoft Inc. ("NetDragon (BVI)"). Mr. Liu currently shoulders a number of social services, such as acting as the director general of the West Taiwan Strait Youth Entrepreneurs Foundation, vice chairman of Fujian Youth Development Foundation, vice chairman of the Fujian Youth Federation, executive vice chairman of Fujian Enterprises and Entrepreneurs Confederation, as well as the chairman of Fujian Youth Entrepreneurs Association.

As an outstanding representative of the new social community taking part in the construction of the Fujian West-strait Economic Zone. Mr. Liu graduated from Chengdu Electronic Technology University in 1997 with a degree in electro-mechanical engineering, and later received an adjunct professor certificate from Fujian Normal University. Mr. Liu has engaged in the operation and management of software enterprises and technology development and has decades of experience in the management and administration of technical institutions. Mr. Liu is in charge of overall management. By taking part in various activities on behalf of the Company, he shared new ideas and new technologies in animation and game industry. Furthermore, he set up the West Taiwan Strait Youth Entrepreneurs Foundation to cultivate talent. Mr. Liu was awarded the "May 4th Youth Medal" and the titles of "Fujian Brilliant Entrepreneur", "Fujian Top Ten Economic People" and "Fujian Business Building Haixi Outstanding Contribution Award". Mr. Liu is a brother of Liu Dejian.

Chen Hongzhan, aged 53, Executive Director

Mr. Chen was appointed as the executive Director on 15 October 2007. He is an experienced online game developer with over 20 years of experience in the management of game development. He is mainly responsible for game development of the Company.

Mr. Chen graduated with a Bachelor's degree of Engineering in Mechanical Design and Manufacture (機械設計及製造) from Beihang University (北京航空航天大學) in July 1995. Before joining the Company in 2001, Mr. Chen was a game developer. Mr. Chen established his own online game studio from 1996 to 1999. Mr. Chen worked as the project manager in Chongqing Dazhong Software Company from 1998 to 2000 and the manager of the technical department in Beijing Beijijing Technology Development Company Limited from 2000 to 2001.

## DIRECTORS AND SENIOR MANAGEMENT

Lin Yun, aged 54, Executive Director

Ms. Lin Yun was appointed as the executive Director on 16 September 2024. She is currently the vice president of the Group and is responsible for the government-enterprise relations, project management, legal affairs and labor unions of the Group in PRC. Ms. Lin has more than 30 years of experience in corporate management and governance.

Prior to joining the Group, Ms. Lin served as the secretary to the chairman of Fujian Yangzhenhua 851 Biological Technology Co., Ltd. (福建楊振華851生物科技股份有限公司) from 1989 to 2001. Ms. Lin joined the Group in 2001, and has been fully responsible for business relations and legal affairs of the Group in PRC since 2007. Ms. Lin also currently serves as the vice president of game working committee and member of the expert committee for game industry research of China Audio-video and Digital Publishing Association\* (中國音數協遊戲工委會及遊戲產業研究專委會), the vice president of Fujian Provincial Publishing Association\* (福建省出版協會), the general vice president of Fujian Provincial Chamber of Private Enterprises\* (福建省民營企業商會), the vice president of Fujian Digital Economy Promotion Association\* (福建省數字經濟促進會), the chairperson of the Yuan Yuzhou Special Committee\* (元宇宙專委會), the director of Fujian Software Industry Association\* (福建省軟件行業協會), the council member of Fujian Institute of Communications\* (福建省通信學會理事), the vice president of Fuzhou Association of Foreign-Invested Enterprise\* (福州市外商投資企業協會) and the vice president of Fuzhou Council for the Promotion of International Trade\* (福州市服務貿易發展促進協會) etc.

### NON-EXECUTIVE DIRECTOR

Lin Dongliang, aged 63, Non-executive Director

Mr. Lin was appointed as a non-executive Director on 15 October 2007. Mr. Lin graduated with a Master's degree in Engineering Management in 1986 from Tsinghua University.

Mr. Lin is currently a general partner of IDG Capital. He has presided over a variety of investment projects in the IT industry since 1995 with remarkable success. Prior to joining IDG Capital, Dongliang worked at the Development Research Center of the State Department of China. Mr. Lin is currently a director of Sichuan Hexie Shuangma Co., Ltd (四川和諧雙馬股份有限公司)(stock code: 935), a company listed on the Shenzhen Stock Exchange.

# DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Liu Sai Keung, Thomas, aged 53, Independent non-executive Director

Mr. Liu was appointed as an independent non-executive Director on 15 October 2007. Mr. Liu is also the chairman of our nomination committee, a member of our audit committee and remuneration committee. He graduated with a MBA degree from the Anderson School at the University of California, Los Angeles and a Bachelor's degree in Business Administration and a Master's degree in Finance from the Chinese University of Hong Kong in 1995 and 1999 respectively. Mr. Liu is currently the executive director and Chief Operation Officer of VCREDIT Holdings Limited (Stock Code: 2003), a company listed on the Main Board of the Stock Exchange. Prior to joining VCREDIT Group in 2009, he served as the managing director of strategic investments of GroupM China from 2007 to 2009 and the vice president of Star Group Limited from 2006 to 2007. He was also served as a business development director of TOM Online Limited and an investment banking associate of the New York office of Lehman Brothers Inc.

Lo Wing Yan, William, JP, aged 65, Independent non-executive Director

Dr. Lo was appointed as an independent non-executive Director on 29 August 2025. Dr. Lo is also the chairman of our remuneration committee, a member of nomination committee and audit committee.

Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications), retail, finance and education sectors. He started his career in McKinsey & Company Inc. as a strategy consultant and held senior positions in China Unicom, Hong Kong Telecom IMS Limited, Citibank Hong Kong, I.T. Limited, South China Media Group and Kidsland International Holdings Limited in the past. Dr. Lo graduated from Cambridge University with a M. Phil. degree in Pharmacology and a Ph.D. degree in Molecular Neuroscience.

Dr. Lo is the chairman and founding governor of the Charles K. Kao Foundation for Alzheimer's Disease, he is also the founding governor of the ISF Academy and the chairman of Junior Achievement Hong Kong. Dr. Lo has held numerous government appointments during his career including the Central Policy Unit, Broadcasting Authority, Stock Exchange's Growth Enterprise Market (GEM) Listing Committee and the Hong Kong Applied Science and Technology Research Institute ASTRI. Dr. Lo is currently a member of the advisory committee of the School of Chinese Medicine at Hong Kong Baptist University, Institute of Web 3.0 Hong Kong, Hong Kong PropTech Association, Our Hong Kong Foundation and a board governor of the Hong Kong Adventist Hospital Foundation. In 1999, Dr. Lo was appointed a Justice of the Peace (JP) of the HKSAR Government for his contribution to Hong Kong.

Dr. Lo is currently the independent non-executive director of Television Broadcasts Limited (stock code: 511), CSI Properties Limited (stock code: 497), OCI International Holdings Limited (stock code: 329) and CWT International Limited (stock code: 521), all companies listed on the Main Board of the Stock Exchange. Dr. Lo is also an independent director of Regencell Bioscience Holdings Limited (Stock Code: RGC), a company listed on NASDAQ American.

# DIRECTORS AND SENIOR MANAGEMENT

Li Sing Chung Matthias, aged 71, Independent non-executive Director

Mr. Li was appointed as an independent non-executive Director on 30 December 2022. Mr. Li is also the chairman of our audit committee, a member of the remuneration committee and nomination committee.

Mr. Li is a seasoned business executive with extensive strategic planning, corporate and financial management experience. Mr. Li currently serves as vice chairman of the Hong Kong Business Accountants Association and the Hong Kong Public Sector Accountants Association, board of management member, the council member and chairman of the finance committee of the Caritas Hong Kong, the council member, secretary and chairman of finance and administration committee of UNICEF Hong Kong, and Hong Kong Accounting Consultant appointed by the Ministry of Finance of the People's Republic of China. From 2016 to 2020, Mr. Li was the chief executive officer of Ocean Park Corporation in Hong Kong where he also previously served as chief financial officer and corporate secretary. Mr. Li started his career as an auditor at Arthur Andersen & Co and was a director overseeing Asia Pacific institutional banking at Bank of Montreal before joining Ocean Park in 1994, and previously served as treasurer of UNICEF Hong Kong. Mr. Li graduated from the University of Toronto with a Bachelor of Commerce and Master of Business Administration degrees, and is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Chartered Professional Accountants, Canada.

## SENIOR MANAGEMENT

Wang Song, aged 44, Chief Product Officer and Senior Vice President

Mr. Wang joined the Group in 2002 and is responsible for the game projects, such as Eudemons Online 《魔域》, Conquer Online 《征服》 and Heroes Evolved 《英魂之刃》. He has also participated in the planning of a number of major projects, including Monster & Me 《幻靈游俠》, Zero Online 《機戰》, OL Tou Ming Zhuang Online 《投名狀OL》 and OL Heroes of Might & Magic Online 《英雄無敵OL》. Since 2004, Mr. Wang has been planning the Eudemons Online 《魔域》 project, and in the past ten years, he has led the Eudemons Online 《魔域》 related projects to win numerous awards in China, successfully enter the overseas market, and achieve tens of billions of income for the Company. Mr. Wang has also been responsible for the planning and research and development of educational products of the Group since 2013. Since 2017, with the change of the Group's overall education business structure, Mr. Wang has been fully responsible for the product business of the Group (including games and education). He is currently the Chief Products Officer and Senior Vice President of the Company, mainly responsible for the Company's core product design, major strategic recommendations and major decision making.

## DIRECTORS AND SENIOR MANAGEMENT

Chen Hong, aged 50, Chief Technology Officer (“CTO”) of Fujian Huayu and Senior Vice President

Mr. Chen joined the Group as CTO of Fujian Huayu in April 2018, fully responsible for technical development strategy planning, research and development, difficult challenges and innovation, capacity improvement and other technical management issues in the education business field. Prior to joining the Group, Mr. Chen served as General Manager of VMware Beijing R&D Center, R&D Director of CPD China and Japan, and CTO of SVM (Joint Venture of Sugon and VMware). Mr. Chen has rich management experiences in large-scale teams of Chinese and global companies, Sino-foreign joint ventures and startups. He also has excellent management skills in Internet education, education artificial intelligence, cloud computing, operating system, network, storage, system management automation and large enterprise software development, testing, product management, customer technical support, and R&D center management. Mr. Chen obtained a master’s degree in engineering from Beijing Institute of Technology in 1999 and a master’s degree in business administration from Tsinghua University in 2008.

Yu Biao, aged 56, Senior Vice President, Chairman of Fujian Huayu (PRC), Chairman of Fuzhou Software Technology Vocational College (福州軟件職業技術學院)

Mr. Yu joined the Group in September 2009, he is the Senior Vice President of the Company, Chairman of Fujian Huayu (PRC) and Chairman of Fuzhou Software Technology Vocational College (福州軟件職業技術學院), and is mainly responsible for the planning, consolidation and operation development of the education business of the Company in the PRC and the development of its overseas online education business, with a focus on comprehensive business that covers early childhood education, basic education, higher education, vocational education, corporate training, and non-formal and lifelong education.

In recent years, Mr. Yu has led his team to deeply integrate technological innovation into educational practices. Through close collaboration with educational authorities, institutions and enterprises, they have established a professional platform that offers convenient educational services and training support to all parties involved, driving the implementation of educational informatisation and smart education and nurturing a large pool of application-oriented talents. In the context of globalisation, Mr. Yu has keenly identified the international opportunities for vocational education to “go global alongside enterprises”, actively promoting the internationalisation of vocational education. He has led various initiatives such as cross-cultural exchanges, international teacher training, remote collaboration and virtual hands-on training. He has incorporated metaverse skills training into the vocational education curriculum framework by leveraging NetDragon’s technological strength and global presence. Through deepened school-enterprise cooperations, these initiatives have provided students with international internship opportunities, enhancing their practical capabilities and enabling students both domestically and abroad to seize career development opportunities in the wave of globalisation.

## DIRECTORS AND SENIOR MANAGEMENT

In addition, Mr. Yu currently serves as the vice president of China Unicom 5G Applications Innovation Alliance (中國聯通5G 應用創新聯盟), director of Fuzhou Digital Industry Association (福州市數字產業協會), vice president of the Fujian Provincial Youth Science and Education Association (福建省青少年科教協會副理事長), member of Digital Art Professional Committee of China Society of Image and Graphics (中國圖像圖形學學會數碼藝術專委會), vice president of the Association of Promoting Reading in the Public of Fujian Province (福建省全民閱讀促進會), manager of VR/AR Vocational Education Steering Committee of Fujian Province (福建省VR/AR行業職業教育指導委員會) etc. Mr. Yu has played a significant role in promoting the integration of education and technology, as well as enhancing the influence of the industry.

Before joining the Company, Mr. Yu graduated from the Department of Light Industries of Fuzhou University in 1992, majoring in food engineering. Mr. Yu was a director of Xiamen Digital Engine Network Co., Ltd. (廈門數字引擎網絡有限公司) in 2000. He was the assistant to the dean of Napier College of Fuzhou University (福州大學中英Napier學院) from 2000 to 2007. Mr. Yu was the managing director of Fuzhou Bojie Education Consultation Co., Ltd. (福州博傑教育諮詢有限公司) in February 2004, deputy director of the Chinese and Australian Class Project of Fuzhou No.8 Secondary School and the Chief Representative of the Australian school in China in June 2006 and Director and general manager of Fuzhou Bojie Child Education Technology Co., Ltd. (福州博傑兒童教育科技有限公司) from 2008 to 2009. He has over 30 years of experience in education management.

### Lin Wei, aged 47, Senior Vice President and President of Fujian Huayu (PRC)

Mr. Lin joined the Group in 2008 and is currently the senior vice president of the Group and the president of Fujian Huayu (PRC), mainly responsible for organisation and management of sales team, construction and expansion of sales channel and research and development of hardware products for the educational business of the Group in the PRC. Before joining the Group, Mr. Lin worked for DELL (China) for 7 years, leading a team of 600 people to serve users in the APJ region. He has over 17 years of experience in IT and education technology.

As a leader in industry-education integration, he has been deeply involved in educational technology for 17 years, leading NetDragon's collaborations with over 300 universities nationwide, with cumulative signed industry-education integration projects exceeding 5 billion RMB. He also spearheaded NetDragon Games' IPO. He promoted the integration of technology and education, leading the co-construction of the nation's first digital art industry college. Furthermore, Mr. Lin also serves on the editorial board of the "Artificial Intelligence" (人工智能) series and "Product Design Method" (產品設計方法), applying for the Virtual Reality Competition of National Vocational College Skills Competition Higher Vocational Group for three consecutive years and teaching materials for basic education published by the Shanghai Educational Publishing House. He received the 2020 Echoing China Tencent Education Annual Ceremony Award (二零二零回響中國騰訊教育年度盛典獎) and was recognised as the 2020 Education Industry Leader (二零二零年度教育行業領軍人物). In 2025, he became the Vice President of the Smart Learning Institute at Beijing Normal University and concurrently served as the Deputy Secretary-General of the Virtual Reality Education Alliance of the China Educational Technology Association (中國教育科技協會虛擬實境教育聯盟).

## DIRECTORS AND SENIOR MANAGEMENT

### Lin Chen, aged 44, Senior Vice President

Mr. Lin joined the Group in 2009, currently serves as the senior vice president of the Group. He is responsible for the management of the design planning center and QA department. Mr. Lin is an experienced expert in the area of software quality management. After joining the Group, Mr. Lin has led the QA technology team to continuously improve software quality management system and ensure product safety and reliability of the Company, and has in turn achieved remarkable result in ensuring software safety. Since 2013, Mr. Li has concurrently served as the head of the design center and design planning center and was responsible for management of the game design, software design, UED and industry design teams. He proactively promotes improvement of design ability, cultivation of design talents, consideration and promotion of design method and helping the Group to transform into an international design enterprise. Since 2018, Mr. Lin has served as the senior vice president of the Group, responsible for the management of the design center, the planning center and the QA department. Concurrently, he has been deeply involved in strategic work of the Group, such as decision-making in research and development of the game and education business.

Before joining the Group, Mr. Lin worked in the Global Information Technology Services department, responsible for testing and delivery of overseas IT projects. He is experienced in software quality management and overseas business management.

### Zheng Yicheng, aged 31, Chief Executive Director of NetDragon (Fujian) and Fujian Huayu

Mr. Zheng joined the Group in 2018. He currently serves as a representative and chief executive director of NetDragon (Fujian), Fujian Huayu and Fujian TQ Digital Inc. (福建天晴數碼有限公司). Mr. Zheng graduated from the University of Kansas in the USA with a bachelor's degree in civil engineering in 2018. He is focusing on core product design with his agile thinking and pursuit of excellence, demonstrate his outstanding design innovation talents and management abilities.

In the corporate governance aspect, he also actively participates in the operation and development of the Group with enthusiasm, actively provides suggestions and positive assistance to promote high-quality business development, and has won reputation and praise both inside and outside the Group.

## QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

### Lau Hak Kin, Wood, aged 48, Acting Chief Financial Officer, Qualified Accountant and Company Secretary

Mr. Lau joined the Group in February 2014 as Financial Controller and Head of Compliance and Corporate Affairs and was appointed as the Company Secretary of the Group in September of the same year. He was subsequently appointed as the Acting Chief Financial Officer of the Group in February 2025. Mr. Lau holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, and a Chartered Financial Analyst. Prior to joining the Group, Mr. Lau worked at PricewaterhouseCoopers and served as the Acting Chief Financial Officer of Asia Citrus Holdings Limited, a company listed in Hong Kong. He has over 20 years of extensive experience in financial management, risk management, accounting, taxation and mergers and acquisitions.

# REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

## PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 July 2004 and is an investment holding company. The shares of the Company have been listed on the Main Board of the Stock Exchange since 24 June 2008.

The Group is principally engaged in (i) gaming and application services, (ii) Mynd.ai business and (iii) property development business.

Details of the principal activities of the Company's principal subsidiaries are set out in note 47 of Notes to the Consolidated Financial Statements.

## BUSINESS REVIEW

The fair review of the Group's business for the year ended 31 December 2025 is set out in "Management Discussion and Analysis" section on pages 11 to 14.

Details of analysis of the financial key performance are set out in "Management Discussion and Analysis" section on pages 9 to 10.

## PRINCIPAL RISKS & UNCERTAINTIES

Competition in the online and mobile game industry in the global market, including the PRC, is becoming increasingly intense. There are already several online and mobile game companies with strong financial resources, such as Electronic Arts, IGG Inc, NetEase.com and Tencent Holdings Limited, which have successfully listed their shares on NASDAQ or the Hong Kong Stock Exchange. Meanwhile, there are many private companies focusing on online game development which have further intensified the competition, particularly in the global market. Many of the competitors have been aggressively recruiting talent to bolster their game development capabilities and increasing their spending on game marketing for a long time. Increased competition in the online and mobile game market may make it difficult for the Group to retain our existing employees, attract new employees, acquire new players and sustain our growth rate.

The Company is affected by the emergence of new technologies and games. New technologies in online game development or operations could render the games that the Group designs or plans to develop obsolete or unattractive to players, thereby limiting our ability to recover the development costs, which could potentially adversely affect our future profitability and growth prospects.

## BUSINESS REVIEW (Cont'd)

### PRINCIPAL RISKS & UNCERTAINTIES (Cont'd)

The Group relies on the spending of our game players for our revenue, which may in turn depend on the players' level of disposable income, job security, perceived future earnings capabilities and willingness to spend. In the past three years, the global economy has been affected by the COVID-19 pandemic. Many major economies have also adjusted their monetary and fiscal policies, which has led to far-reaching effects such as inflation and liquidity crisis in small and medium-sized banks in Europe and the United States. If our game players reduce their spending on playing games due to such uncertain economic conditions, our business, financial condition and results of operations may be adversely affected.

Details of the risks relating to the contractual arrangements are set out on pages 52 to 56.

### KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The future success of the Group is heavily dependent upon the continued service of our key executives and other key employees. In particular, the Group relies on the expertise and experience of Liu Dejian, an executive Director, in our business operations. Mr. Liu is mainly responsible for overall business strategic development and is the chief game designer of our game development team. Mr. Liu leads the game development team on the design of our online game products. He formulates our development policy and contributes to our growth as a competitive online game operator and developer.

The operating environment of the online game industry is changing rapidly. In order to maintain profitability and financial and operational success, the Group must continuously develop new online games that are attractive to players, make improvements to the existing games that appeal to players and enhance the technical and artistic features of all of our games. The success of our games largely depends on our ability to anticipate and respond effectively to the ever changing customer preferences and demand.

The suppliers of the Group's online game business include primarily server and bandwidth leasing companies and game operation service providers and it also relies on third party service providers in various aspects. The distribution and payment channels comprise (i) direct sales supported by online payment service providers and distribution partners, (ii) pre-paid card sales supported by distributors throughout the PRC, and (iii) cooperation channels supported by our cooperation partners.

The performance and the results of operation of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

# REPORT OF THE DIRECTORS

## BUSINESS REVIEW (Cont'd)

### COMPLIANCE WITH LAWS AND REGULATIONS

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group strictly abides by the relevant laws, regulations, business guidelines and normative standards in respect of network security, data security and personal information protection in the place where its business is operated, with a view to protecting the privacy of its employees and customers.

On the corporate level, the Group complies with the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

### Workplace Quality

The Group is an equal opportunity employer and eliminates any kind of discrimination. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a friendly and respectful workplace.

The Group believes that employees are valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced.

### Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provides health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to medical insurance benefits as well as other health awareness programmes.

# REPORT OF THE DIRECTORS

## RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31 December 2025 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 173 to 174.

The interim dividend of HKD0.50 per share for the six months ended 30 June 2025 were paid on 31 October 2025.

The Directors now recommend the payment of a final dividend of HKD0.50 per share. The final dividend is expected to be payable on or before Friday, 31 July 2026 to shareholders whose names appear on the register of members of the Company on Monday, 8 June 2026, amounting to approximately RMB238 million.

As of the date of this annual report, the Company holds 5,333,500 treasury shares, which will not be eligible for dividends or distributions.

## PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group acquired certain property, plant and equipment for the year ended 31 December 2025.

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2025 are set out in note 14 of Notes to the Consolidated Financial Statements.

## SHARE CAPITAL

Details of movements of the Company's issued shares for the year ended 31 December 2025 are set out in note 36 of Notes to the Consolidated Financial Statements.

## RESERVES

Movements in the reserves of the Group for the year ended 31 December 2025 are set out in the Consolidated Statement of Changes in Equity.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2025 and 2024, the Company had reserves available for distribution to shareholders, which comprises the dividend reserve of approximately RMB238 million (2024: approximately RMB246 million), share premium of approximately RMB918 million (2024: approximately RMB1,159 million) and retained profits of approximately RMB782 million (2024: accumulated losses of approximately RMB66 million) of the Company.

# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue from sales of goods or rendering of services attributable to the Group's five largest customers and the Group's largest customer accounted for approximately 15.5% and approximately 5.2%, respectively, of the Group's total revenue for the year. The aggregate purchases attributable to the Group's five largest suppliers and the Group's largest supplier accounted for approximately 47.1% and approximately 20.4%, respectively, of the Group's total purchase for the year.

So far as is known to the Directors, none of the Directors, their close associates, or shareholders (which to the best knowledge of the Directors) owned more than 5% of the number of issued shares of the Company had any beneficial interest in the Group's five largest suppliers and customers during the year.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report were as follows:

### Executive Directors

Dr. Liu Dejian (Chairman)

Dr. Leung Lim Kin Simon (Vice Chairman)

Mr. Liu Luyuan (Chief Executive Officer)

Mr. Chen Hongzhan

Ms. Lin Yun (*Note 5*)

### Non-executive Director

Mr. Lin Dongliang

### Independent non-executive Directors

Mr. Li Sing Chung Matthias (*Notes 2, 3 and 5*)

Mr. Liu Sai Keung, Thomas (*Notes 1, 3 and 6*)

Dr. Lo Wing Yan, William JP (*Note 1, 4 and 5*)

Mr. Lee Kwan Hung, Eddie (*Retired on 5 June 2025*)

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Cont'd)

*Notes:*

1. Member of Audit Committee
2. Chairman of Audit Committee
3. Member of Remuneration Committee
4. Chairman of Remuneration Committee
5. Member of Nomination Committee
6. Chairman of Nomination Committee

The Directors' profile is set out on pages 23 to 28.

Each of the executive Directors has entered into a service contract with the Company and each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company, all for an initial term of three years since the date of appointment and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the current term unless and until terminated in accordance with its terms or by either party thereto giving to the other not less than three months' prior written notice. Each of the executive Directors will receive a salary which is subject to annual review at the discretion of the Board.

The determination of the salary payment to the Directors will be based on salaries paid by comparable companies, time commitment, the duties and responsibilities of the Directors in the Company, the Company's performance and its remuneration policy.

Each of the executive Directors may also be entitled to a bonus payment in such amount as shall be determined by the Board in its absolute discretion provided that the aggregate sum of such bonus payments in any financial year shall, unless the Board shall determine otherwise, not exceeding 1% of the audited consolidated net profit of the Group after taxation but before extraordinary items in the relevant financial year.

In accordance with article 87(1) of the articles of association of the Company, Mr. Lin Dongliang, Mr. Li Sing Chung Matthias and Mr. Liu Sai Keung, Thomas, will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM").

In accordance with article 86(3) of the articles of association of the Company, any Director appointed from time to time by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Dr. Lo Wing Yan, William, who was appointed as an independent non-executive Director on 29 August 2025, shall retire and being eligible offer himself for re-election at the AGM.

# REPORT OF THE DIRECTORS

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Cont'd)

Mr. Lin Dongliang, Mr. Li Sing Chung Matthias, Mr. Liu Sai Keung, Thomas and Dr. Lo Wing Yan, William being eligible, will offer themselves for re-election at the AGM. None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The Company has received annual confirmations of independence from Mr. Liu Sai Keung, Thomas, Mr. Li Sing Chung Matthias and Dr. Lo Wing Yan, William and considers them to be independent.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Name of Director	Name of Company	Capacity and nature of interests	Number of shares and underlying shares held or registered capital contributed	Approximate percentage of shareholding
			(Note 1)	
Liu Dejian (Note 2)	The Company	Beneficial owner, through a controlled corporation and beneficiary of a trust	216,384,938 (L)	40.73%
		Deemed interests of treasury shares held by the Company	5,333,500 (L)	1.00%
Leung Lim Kin, Simon (Note 3)	The Company	Beneficial owner and beneficiary of a trust	6,139,040 (L)	1.16%
Liu Luyuan (Note 2)	The Company	Beneficial owner and founder of a trust	216,384,938 (L)	40.73%
		Deemed interests of treasury shares held by the Company	5,333,500 (L)	1.00%
Liu Luyuan	Fujian NetDragon Websoft Co., Ltd. ("NetDragon (Fujian)")	Beneficial owner	RMB21,311,000 (L)	0.07%
Chen Hongzhan (Note 4)	The Company	Beneficial owner and beneficiary of certain trust	11,197,019 (L)	2.11%
Lin Yun (Note 5)	The Company	Beneficial owner	1,211,100 (L)	0.23%
Liu Sai Keung, Thomas (Note 6)	The Company	Beneficial owner	500,019 (L)	0.09%
Li Sing Chung, Matthias (Note 7)	The Company	Beneficial owner	2,000 (L)	0.0004%

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### Notes:

1. The letter "L" denotes the shareholder's long position in the shares, underlying shares and share capital of the relevant member of the Group. The calculation is based on the total number of Shares in issue and include treasury shares.
2. Liu Dejian is interested in 100% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 35.97% of the issued voting shares of the Company (the "Share(s)"). Liu Dejian is also interested in 0.39% of the Shares which is represented by beneficial interest of 1,884,000 Shares and a beneficiary of a trust of 197,019 Shares.

Liu Luyuan is interested in 4.37% of the Shares which is represented by interest held as founder of a trust holding in aggregate of 21,541,819 Shares, and the rest being beneficial interest of 1,684,000 Shares.

Pursuant to the concert party agreement between Liu Dejian and Liu Luyuan, Liu Dejian and Liu Luyuan are deemed to be interested in 40.73% of the Shares through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Liu Luyuan, a trust in favour of Liu Dejian and their respective shares held as beneficial owner in each of their personal capacities.

As at 31 December 2025, there were 5,333,500 Shares repurchased and held as treasury shares. Liu Dejian, Liu Luyuan and DJM Holding Ltd., who control more than one-third of the voting power at the general meetings of the Company, are taken to have an interest in these treasury shares of the Company.

3. Leung Lim Kin, Simon is interested in 1.16% of the Shares which is represented by beneficial interest of 1,899,040 Shares, a beneficiary of a trust of 240,000 Shares, and the rest being the underlying shares of interest of 4,000,000 share options granted by the Company.
4. Chen Hongzhan is interested in 2.11% of the Shares which is represented by personal interest of 156,200 shares and interest held as a beneficiary of certain trust holding in aggregate of 11,040,819 Shares.
5. Lin Yun is interested in 0.23% of the Shares which is represented by personal interest of 1,211,100 Shares.
6. Liu Sai Keung, Thomas is interested in 0.09% of the Shares which is represented by personal interest of 300,019 Shares and the rest being underlying shares of interest of 200,000 share options granted by the Company.
7. Li Sing Chung, Matthias is interested in 0.0004% of the Shares which is represented by personal interest of 2,000 Shares.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2025, none of the Directors and chief executive of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "CONTINUING CONNECTED TRANSACTIONS" stated in this report and note 42 of the Notes to the Consolidated Financial Statements, no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 31 December 2025, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or, who were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group:

<b>Name of Shareholder</b>	<b>Name of Company</b>	<b>Capacity and nature of interests</b>	<b>Number of shares and underlying shares held or amount of registered capital contributed</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100 (L)	35.97%
		Deemed interests of treasury shares held by the Company <i>(Note 2)</i>	5,333,500 (L)	1.00%

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### *Notes:*

1. The letter "L" denotes the shareholder's long position in the share capital of the relevant member of the Group. The calculation is based on the total number of Shares in issue and include treasury shares.
2. As at 31 December 2025, there were 5,333,500 Shares repurchased and held as treasury shares. Liu Dejian, Liu Luyuan and DJM Holding Ltd., who control more than one-third of the voting power at the general meetings of the Company, are taken to have an interest in these treasury shares of the Company.

Save as disclosed above, the Directors are not aware of any persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or who were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group as at 31 December 2025.

## RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2025 are disclosed in note 42 to the consolidated financial statements of Group. Save as disclosed in below sections of this report, all other material related party transaction did not constitute non-exempted connected transactions or continuing connected transactions under the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS

The Group entered into the following transaction which constituted continuing connected transactions under the Listing Rules. The transaction falls within the ambit of Rule 14A.76(2) of the Listing Rules and is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules. Details of the transaction subsisted during the year under review are set out as follows:

### ND STRUCTURE CONTRACTS

#### *ND Cooperation Framework Agreement*

With a view to offer further protection to the interests of the Company and the shareholders as a whole by means of contractual arrangements, Fujian TQ Digital Inc. (福建天晴數碼有限公司) ("TQ Digital") and Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) ("NetDragon (Fujian)") and its equity holders entered into the structure contracts (together with the contracts entered into between NetDragon (Fujian) and Fujian TQ Online Interactive Inc. ("TQ Online") as set out below, the "ND Structure Contracts"), which superseded the cooperation arrangements between TQ Digital and NetDragon (Fujian) effective from 1 January 2007. On 11 October 2023, the relevant parties have entered into the supplemental agreements (the "Supplemental ND Structure Contracts") to address the departure of Mr. Zheng Hui (the deceased) to transfer his equity interest in NetDragon (Fujian) to his son, Mr. Zheng Yi Cheng. The registered owners of NetDragon (Fujian) are: (i) Liu Luyuan, an executive Director (as to approximately 0.07%), (ii) Zheng Yicheng, a senior management of the Group (as to approximately 99.89%), (iii) Chen Minlin, an employee of Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc. ("Fuzhou 851") (as to approximately 0.02%), and (iv) Lin Yun, an employee of the Group (as to approximately 0.02%).

In view of the Enterprise Income Tax law adopted by the National People's Congress of the PRC on 16 March 2007, a wholly foreign owned enterprise, TQ Online, has been set up to gradually substitute TQ Digital in our operation. TQ Online has entered into the ND Structure Contracts with NetDragon (Fujian) on 16 May 2008. As TQ Digital is and will still be the party operating the existing versions of the Group's online games, all ND Structure Contracts entered into between TQ Digital and NetDragon (Fujian) will be retained.

Under the ND Structure Contracts, NetDragon (Fujian) is responsible to collect the revenue generated from the operation of the games. Through the ND Structure Contracts, we are able to recognise and receive the economic benefits of the business and operations of NetDragon (Fujian). The ND Structure Contracts enable TQ Digital and TQ Online to control over and to acquire the equity interests in and/or assets of NetDragon (Fujian) when permitted by the relevant PRC laws and regulations.

On 15 October 2007, TQ Digital and NetDragon (Fujian) entered into a cooperation framework agreement (the "ND Cooperation Framework Agreement") pursuant to which TQ Digital and NetDragon (Fujian) agreed to cooperate in the provision of services relating to the online game development for and the operation of the online game business of NetDragon (Fujian). The ND Cooperation Framework Agreement and the terms of reference of the management committee (the "ND Management Committee") laid down the principles that the ND Management Committee shall have right to determine the amount of license and service fees payable by NetDragon (Fujian) with reference to the amount of expenditure incurred by NetDragon (Fujian) in the conduct of its business and operations and its working capital requirements, including the guiding principles that (i) NetDragon (Fujian) shall pay the maximum amount of fees to TQ Digital without incurring any loss for each financial year; and (ii) the net asset value of NetDragon (Fujian) shall not exceed its net asset value as at 31 December 2006, being approximately RMB15 million. Further details of ND Management Committee are set out in the section of "Corporate Governance Report" under the paragraphs of "ND Management Committee". This principle will ensure that all of the net profit after tax of NetDragon (Fujian) in each financial year shall be paid to TQ Digital as service or license fees, and will give flexibility to the ND Management Committee to implement the ND Structure Contracts and its underlying principles more effectively in response to constantly changing the PRC laws and regulation.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### ND STRUCTURE CONTRACTS (Cont'd)

#### *ND Cooperation Framework Agreement (Cont'd)*

On 16 May 2008, TQ Online and NetDragon (Fujian) entered into another cooperation framework agreement with the same terms as the ND Cooperation Framework Agreement, save as to the date, duration and the substitution of TQ Digital by TQ Online. The term of such cooperation framework agreement is 10 years commencing from 16 May 2008 and ending on 15 May 2018, and automatically renewable for successive 10 year terms provided that TQ Online does not issue any notice of termination one month before the termination date.

As a result of the ND Structure Contracts, TQ Digital and TQ Online are able to control NetDragon (Fujian), and accordingly, it is regarded as our subsidiary and its results are to be consolidated into our consolidated financial statements. Since NetDragon (Fujian) was under the common control of the same group of persons before and after our formation, the results and financial positions of NetDragon (Fujian) is combined into our consolidated financial statements using merger accounting as if NetDragon (Fujian) was part of us since its respective date of establishment or since the date when it first came under the common control.

In accordance with the terms of the ND Cooperation Framework Agreements, TQ Digital and TQ Online (where relevant) entered into (1) cooperation and license agreements in respect of online games; (2) online game software development service agreements; and (3) technical support service agreements with NetDragon (Fujian), for the purpose of license, development of online games and provision of technical services to NetDragon (Fujian). Details of the agreements are set out below:

<b>Date of agreement signed</b>	<b>Name of agreement</b>	<b>Summary of agreement</b>	<b>Terms of agreement</b>
15-10-2007 and 20-11-2007	Cooperation and license agreements in respect of online games	TQ Digital will license online game softwares to NetDragon (Fujian) for use in the PRC	<ul style="list-style-type: none"> <li>• 10 years commencing from 01-01-2007 to 31-12-2016*</li> <li>• Consideration for an initial license fee and a per annum license fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues</li> </ul>
15-10-2007	Online game software development service agreement	TQ Digital will provide online software development service to NetDragon (Fujian)	<ul style="list-style-type: none"> <li>• 10 years commencing from 01-01-2007 to 31-12-2016*</li> <li>• Consideration of a service fee</li> </ul>
15-10-2007	Technical support service agreement	TQ Digital will provide technical support services to NetDragon (Fujian)	<ul style="list-style-type: none"> <li>• 10 years commencing from 01-01-2007 to 31-12-2016*</li> <li>• Consideration of a per annum services fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues</li> </ul>
16-05-2008	Online game software development service agreement	TQ Online will provide online software development service to NetDragon (Fujian)	<ul style="list-style-type: none"> <li>• 10 years commencing from 16-05-2008 to 15-05-2018<sup>▲</sup></li> <li>• Consideration of a service fee</li> </ul>

\* automatically renewable for successive 10 year terms provided that TQ Digital does not issue any notice of termination one month before the termination date

▲ automatically renewable for successive 10 year terms provided that TQ Online does not issue any notice of termination one month before the termination date

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### ND STRUCTURE CONTRACTS (Cont'd)

#### *ND Cooperation Framework Agreement (Cont'd)*

<b>Date of agreement signed</b>	<b>Name of agreement</b>	<b>Summary of agreement</b>	<b>Terms of agreement</b>
16-05-2008	Technical support service agreement	TQ Online will provide technical support services to NetDragon (Fujian)	<ul style="list-style-type: none"><li>• 10 years commencing from 16-05-2008 to 15-05-2018<sup>▲</sup></li><li>• Consideration of a per annum services fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues</li></ul>
01-03-2009	Cooperation and license agreements in respect of online games	TQ Online will license online game softwares to NetDragon (Fujian) for use in the PRC	<ul style="list-style-type: none"><li>• 10 years commencing from 01-03-2009 to 28-02-2019<sup>▲</sup></li><li>• Consideration for an initial license fee and a per annum license fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues</li></ul>

#### *ND Equity Interest Pledge Agreement*

On 28 September 2007, TQ Digital, NetDragon (Fujian) and all equity holders of NetDragon (Fujian) entered into an equity interest pledge agreement, pursuant to which all such equity holders granted to TQ Digital a continuing first priority security interests over their respective equity interests in the registered capital of NetDragon (Fujian), representing all of the equity interest in its registered capital, for the purpose of securing the performance of the contractual obligations by NetDragon (Fujian)'s equity holders under the ND Structure Contracts.

<sup>▲</sup> automatically renewable for successive 10 year terms provided that TQ Online does not issue any notice of termination one month before the termination date

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### ND STRUCTURE CONTRACTS (Cont'd)

#### *ND Agreement for the Exclusive Right to Acquire Equity Interest and Assets*

On 15 October 2007, TQ Digital, NetDragon (Fujian) and all of the equity holders of NetDragon (Fujian) entered into an agreement for the exclusive right to acquire equity interest and assets, pursuant to which NetDragon (Fujian) and all its equity holders granted to TQ Digital or its designee (a) a right to acquire part or all of the equity interest in the registered capital of NetDragon (Fujian); and (b) a right to acquire part or all of the assets of NetDragon (Fujian) from the equity holders of NetDragon (Fujian) as and when permitted by the relevant PRC laws and regulations. The amount of consideration payable by TQ Digital to the equity holders of NetDragon (Fujian) shall be a nominal amount or the lowest possible amount permissible under the applicable PRC law. If the minimum amount of consideration stipulated under the relevant PRC laws and regulations is higher than the nominal amount at the time of exercise of the acquisition right, Liu Dejian, Liu Luyuan and Zheng Hui had jointly, severally and irrevocably undertaken to reimburse the Company or its subsidiaries of any amount in excess of the nominal amount.

#### *ND Equity Holders' Voting Rights Proxy Agreement*

On 15 October 2007, all equity holders of NetDragon (Fujian) entered into an equity holders' voting rights proxy agreement (the "ND Proxy Agreement") with TQ Digital and NetDragon (Fujian), pursuant to which all equity holders of NetDragon (Fujian) have irrevocably authorised TQ Digital or a nominee designated by TQ Digital (which will likely be a director of TQ Digital) to exercise all their voting rights in NetDragon (Fujian). The term of the ND Proxy Agreement shall continue indefinitely for so long as NetDragon (Fujian) subsists in order to secure our control over NetDragon (Fujian).

#### *ND Other Contracts*

The Directors expect that there may be other contracts, such as service agreement and/or cooperation and license agreement, to be entered from time to time (the "ND Other Contract(s)") between the Company and its subsidiaries on the one hand and NetDragon (Fujian) on the other. Save as disclosed in this report, no ND Other Contract subsisted at the end of the year or at any time during the year under review.

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### ND STRUCTURE CONTRACTS (Cont'd)

#### *Change in one of the Registered Owners of NetDragon (Fujian)*

On 3 May 2021, the then registered owners of NetDragon (Fujian), NetDragon (Fujian) and TQ Digital have entered into a series of agreements in relation to the change in registered owner of equity interests in NetDragon (Fujian) from Liu Dejian to Zheng Hui.

On 11 October 2023, the relevant parties have entered into the following agreements to address the departure of Mr. Zheng Hui (the deceased) to transfer his equity interest in NetDragon (Fujian) to his son, Mr. Zheng Yi Cheng:

- (1) the Equity Transfer Agreement entered into between Mr. Zheng Yi Cheng and Ms. Chen, the spouse of Mr. Zheng Hui, to transfer all Ms. Chen's shares in NetDragon (Fujian) arising from the laws and regulations of the PRC following the decease of Mr. Zheng Hui on 7 June 2023 to Mr. Zheng Yi Cheng;
- (2) the supplemental ND Structure Contracts, which included:
  - (i) the supplemental equity interest pledge agreement entered into between TQ Digital and Mr. Zheng Yi Cheng, pursuant to which Mr. Zheng Yi Cheng agreed to grant to TQ Digital a continuing first priority security interests over the equity interest; and
  - (ii) the supplemental agreement entered into between TQ Digital, NetDragon (Fujian), and the registered owners to amend (a) the agreement for the exclusive right to acquire equity interest and assets; (b) the equity holders' voting rights proxy agreement; and (c) the equity interest pledge Agreement, pursuant to which, among other things, upon completion of registration of change in equity interest as a result of the Equity Transfer at the relevant PRC authority, the rights and obligations under these three agreements imposed on the remaining registered owners remain unchanged. The supplemental agreement also amended the previous ND Structure Contracts to comply with the guidance letter of the Stock Exchange; and
- (3) the spousal consent entered into between Mr. Zheng Yi Cheng and Ms. Hu, the spouse of Mr. Zheng Yi Cheng, pursuant to which Ms. Hu, has undertaken: (i) not to take any action with the intent to interfere with the arrangements under the previous ND Structure Contracts as amended by the supplemental agreements, including making any claim that such equity interest constitutes the property or community property; and (ii) to unconditionally and irrevocably waive any and all rights or entitlements whatsoever to such equity interest that may be granted to the spouse according to any applicable laws.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### ND STRUCTURE CONTRACTS (Cont'd)

#### *WAIVER FROM THE STOCK EXCHANGE AND ANNUAL REVIEW*

As Mr. Zheng Hui, being the former executive Director, is a connected person of the Company. Mr. Zheng Yi Cheng, the son and thus an associate of Mr. Zheng Hui, is a connected person of the Company. NetDragon (Fujian) is therefore technically an associate of Mr. Zheng Yi Cheng, and a connected person of the Company. Transactions between the Company, NetDragon Websoft Inc. ("NetDragon (BVI)", TQ Digital, TQ Online or NetDragon Websoft (Hong Kong) Limited ("NetDragon (Hong Kong)") or NetDragon Websoft Inc. ("NetDragon (USA)") (all being wholly-owned subsidiaries of the Company) on one hand and NetDragon (Fujian) on the other hand, including the ND Structure Contracts and the ND Other Contracts as amended by the Supplemental ND Contracts, would technically constitute continuing connected transactions under the Listing Rules. The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the ND Structure Contracts and the ND Other Contracts. Details of the waiver, together with its conditions, are set forth in the listing document of the Company dated 27 May 2008 (the "Listing Document").

### BEST ASSISTANT CONTROL DOCUMENTS

On 10 February 2015, Fujian Tianquan Education Technology Limited ("Fujian Tianquan"), Fujian Province Huayu Education Technology Limited ("Fujian Huayu") and NetDragon (Fujian) have entered into the Best Assistant Control Documents (as defined below). Pursuant to the Specific Waiver granted by the Stock Exchange to the Company at around the time of Listing, the framework of the ND Structure Contracts may be cloned in relation to any existing or new wholly foreign owned enterprise, operating company or foreign-invested telecommunication enterprise ("FITE") that the Company might wish to establish, without obtaining the approval of the Shareholders on terms that the protections for the Shareholders described in the Specific Waiver will apply.

The Best Assistant Control Documents are cloned from the ND Structure Contracts such that Fujian Tianquan will receive service fees from Fujian Huayu, and the total amount of which shall be determined by the Best Assistant Management Committee (as defined below) with reference to the amount of expenditure incurred by Fujian Huayu in the conduct of its business and operations and its working capital requirements under the guiding principles that (i) Fujian Huayu shall pay the maximum amount of fees to Fujian Tianquan without incurring any loss for each financial year; (ii) the net asset value of NetDragon (Fujian) at the end of the year, on a stand alone basis or when aggregated with all of its subsidiaries including but not limited to Fujian Huayu and its subsidiaries, shall not exceed its net asset value as at 31 December 2006, being approximately RMB15 million; and (iii) the net asset value at the end of the year of Fujian Huayu shall not exceed its registered capital as at 31 December 2014, being approximately RMB200 million.

The Directors confirm that this arrangement ensures that substantially all economic benefits generated from the operation of Fujian Huayu will be enjoyed by Fujian Tianquan and will give flexibility to the Best Assistant Management Committee to implement the Best Assistant Control Documents and its underlying principles more effectively in response to constantly changing PRC laws and regulations.

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

As the Best Assistant Control Documents are cloned from the ND Structure Contracts, transactions under the Best Assistant Control Documents are exempt from Shareholders' approval.

The amount of revenue and assets subject to the contractual arrangements under the ND Structure Contracts and the Best Assistant Control Documents accounted for approximately 55.4% and 15.4% of the Group's total revenue and assets, respectively, for the year ended 31 December 2025.

The Company's independent non-executive Directors have reviewed the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents and confirmed that the relevant transactions carried out thereunder during the year ended 31 December 2025 have been entered into in accordance with the relevant provisions of the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents, have been operated so as to allow (a) the economic interest generated by NetDragon (Fujian) flows to TQ Digital and TQ Online; and (b) the economic interest generated by Fujian Huayu flows to Fujian Tianquan; and the new structure contracts (including the Best Assistant Control Documents) entered into, renewed and/or cloned during the year ended 31 December 2025 were entered into on terms that are fair and reasonable so far as the Company is concerned and in the interests of the shareholders of the Company as a whole.

Each of NetDragon (Fujian) and Fujian Huayu has provided to the Company an undertaking that they will allow the Company and its auditor to have full access to relevant records of NetDragon (Fujian) and Fujian Huayu, respectively.

On 10 February 2015, Fujian Tianquan, Fujian Huayu and NetDragon (Fujian) entered into the Best Assistant Cooperation Framework Agreement (as defined below), a technical support service agreement, an equity interest pledge agreement, an exclusive acquisition rights agreement and a proxy agreement (collectively, the "Best Assistant Control Documents"). The registered owner of Fujian Huayu is NetDragon (Fujian).

Save for the entering into of the Best Assistant Control Documents, details of which are disclosed below, there were no other new arrangements pursuant to or under the contractual arrangements entered into, renewed or reproduced between the Group and the PRC operational entity during the year ended 31 December 2025, and there was no material change in the contractual arrangements and/or the circumstances during the year ended 31 December 2025.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

#### *Best Assistant Cooperation Framework Agreement*

On 10 February 2015, Fujian Tianquan and Fujian Huayu have entered into a cooperation framework agreement (the "Best Assistant Cooperation Framework Agreement") pursuant to which Fujian Tianquan and Fujian Huayu agreed to cooperate in the provision of value-added telecommunications services relating to the online educational softwares business development for and the operation of the online educational softwares business of Fujian Huayu. The Best Assistant Cooperation Framework Agreement and the terms of reference of the management committee (the "Best Assistant Management Committee") laid down the principles that the Best Assistant Management Committee shall have right to determine the amount of license and service fees payable by Fujian Huayu with reference to the amount of expenditure incurred by Fujian Huayu in the conduct of its business and operations and its working capital requirements, including the guiding principles that (i) Fujian Huayu shall pay the maximum amount of fees to Fujian Tianquan without incurring any loss for each financial year; (ii) the net asset value of NetDragon (Fujian) at the end of the year, on a stand alone basis or when aggregated with all of its subsidiaries including but not limited to Fujian Huayu and its subsidiaries, shall not exceed its net asset value as at 31 December 2006, being approximately RMB15 million; and (iii) the net asset value at the end of the year of Fujian Huayu shall not exceed its registered capital as at 31 December 2015, being approximately RMB200 million. This principle will ensure that all economic benefits generated from the operation of Fujian Huayu in each financial year will be enjoyed by Fujian Tianquan as service or license fees, and will give flexibility to the Best Assistant Management Committee to implement the Best Assistant Control Documents and its underlying principles more effectively in response to constantly changing the PRC laws and regulation.

As a result of the Best Assistant Control Documents, Fujian Tianquan is able to control Fujian Huayu, accordingly, it is regarded as subsidiary of Best Assistant (Cayman) and its results are to be consolidated into financial statements of Best Assistant (Cayman). Since Fujian Huayu was under the common control of the same group of persons before and after our formation, the results and financial positions of Fujian Huayu is combined into financial statements using merger accounting as if Fujian Huayu was part of us since its date of establishment or since the date when it first came under the common control.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

#### *Best Assistant Cooperation Framework Agreement (Cont'd)*

In accordance with the terms of the Best Assistant Cooperation Framework Agreement, Fujian Tianquan entered into the technical support service agreement with Fujian Huayu, for the purpose of license, development of educational softwares business and provision of technical services to Fujian Huayu. Details of the agreement are set out below:

<b>Date of agreement signed</b>	<b>Name of agreement</b>	<b>Summary of agreement</b>	<b>Terms of agreement</b>
10-02-2015	Technical support service agreement	Fujian Tianquan will provide technical support services to Fujian Huayu	<ul style="list-style-type: none"><li>• For an indefinite term commencing from 10-02-2015, unless Fujian Huayu have transferred all its assets or equity interests to Fujian Tianquan or a party designated by Fujian Tianquan</li><li>• Consideration of a per annum services fee determined as a percentage of Fujian Huayu annual gross revenues</li></ul>

#### *Best Assistant Equity Interest Pledge Agreement*

On 10 February 2015, Fujian Tianquan, Fujian Huayu and NetDragon (Fujian) entered into an equity interest pledge agreement, pursuant to which NetDragon (Fujian) granted to Fujian Tianquan a continuing first priority security interests over its equity interests in the registered capital of Fujian Huayu, representing all of the equity interest in its registered capital, for the purpose of securing the performance of the contractual obligations by Fujian Huayu under the Best Assistant Control Documents.

#### *Best Assistant Exclusive Acquisition Rights Agreement*

On 10 February 2015, Fujian Tianquan, Fujian Huayu and NetDragon (Fujian) entered into an exclusive acquisition rights agreement, pursuant to which Fujian Huayu and NetDragon (Fujian) granted to Fujian Tianquan or its designee (a) a right to acquire part or all of the equity interest in the registered capital of Fujian Huayu; and (b) a right to acquire part or all of the assets of Fujian Huayu from NetDragon (Fujian) as and when permitted by the relevant PRC laws and regulations. The amount of consideration payable by Fujian Tianquan to NetDragon (Fujian) shall be a nominal amount or the lowest possible amount permissible under the applicable PRC law.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

#### *Best Assistant Proxy Agreement*

On 10 February 2015, NetDragon (Fujian) entered into a proxy agreement with Fujian Tianquan and Fujian Huayu, pursuant to which NetDragon (Fujian) have irrevocably authorised Fujian Tianquan or a nominee designated by Fujian Tianquan to exercise all their voting rights in Fujian Huayu. The term of the Best Assistant Proxy Agreement shall continue indefinitely for so long as Fujian Huayu subsists in order to secure our control over Fujian Huayu.

### REASONS FOR ENTERING INTO THE CONTRACTUAL ARRANGEMENTS

As NetDragon (BVI) and Best Assistant are companies incorporated in the British Virgin Islands and Cayman Islands respectively, their PRC subsidiaries, TQ Digital, TQ Online and Fujian Tianquan are considered as wholly foreign-invested enterprises. The PRC government restricts foreign investment in value-added telecommunications businesses. The arrangements under the contractual arrangements are designed specifically to confer upon TQ Digital and TQ Online (in the case of the ND Structure Contracts) and Fujian Tianquan (in the case of the Best Assistant Control Documents) the right to enjoy all the economic benefit of NetDragon (Fujian) and Fujian Huayu respectively, and to prevent leakages of assets and values of NetDragon (Fujian) and Fujian Huayu to their ultimate shareholders.

### RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS

*There is no assurance that the contractual arrangements are in compliance with existing or future PRC laws and regulations.*

The Company has not encountered any interference from any governing bodies in operating its business through NetDragon (Fujian) and/or Fujian Huayu under the contractual arrangements.

However, it cannot be assured that the PRC government or judicial authorities would agree that the contractual arrangements comply with PRC licensing, registration, other regulatory requirements or policies that may be adopted in the future. If the PRC government or judicial authorities determines that the contractual arrangements do not comply with applicable laws and regulations, it could have broad discretion in dealing with such non-compliance, including:

1. requiring the nullification of the contractual arrangements;
2. levying fines and/or confiscating the proceeds generated from the operations under the contractual arrangements;

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS (Cont'd)

*There is no assurance that the contractual arrangements are in compliance with existing or future PRC laws and regulations. (Cont'd)*

3. revocation of the business licenses or operating licenses of NetDragon (Fujian), Fujian Huayu, TQ Digital, TQ Online and/or Fujian Tianquan;
4. discontinuing or placing restrictions or onerous conditions on the business operations of NetDragon (Fujian), Fujian Huayu, TQ Digital, TQ Online and/or Fujian Tianquan;
5. imposing conditions or requirements which the Group may not be able to comply with or satisfy;
6. requiring the Group to undergo a costly and disruptive restructuring; and
7. taking other regulatory or enforcement actions that could be harmful to or even shut down online game business and/or online education business of the Group.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these consequences causes TQ Digital, TQ Online and/or Fujian Tianquan to lose the rights to direct the activities of NetDragon (Fujian) and/or Fujian Huayu or their respective rights to receive their economic benefits, the Group would no longer be able to consolidate the financial results of NetDragon (Fujian) and/or Fujian Huayu and thus affect its financial results.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS (Cont'd)

*Each of TQ Digital, TQ Online and Fujian Tianquan relies on the contractual arrangements to control and obtain the economic benefit from NetDragon (Fujian) and Fujian Huayu, the operating entities in the PRC, which may not be as effective in providing operational control as direct ownership.*

If NetDragon (Fujian), Fujian Huayu and/or their ultimate shareholders breach their obligations under the contractual arrangements or if TQ Digital, TQ Online and/or Fujian Tianquan loses effective control over NetDragon (Fujian) and/or Fujian Huayu for any reason, TQ Digital, TQ Online and/or Fujian Tianquan would need to bring a claim against them under the terms of the contractual arrangements. The contractual arrangements are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the Fuzhou International Economic and Trade Arbitration Commission, for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of ultimate shareholders of NetDragon (Fujian) and Fujian Huayu may also subject the equity interest they hold in NetDragon (Fujian) and Fujian Huayu to court preservation actions or enforcement. The legal framework and system in the PRC, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in the PRC, which could limit TQ Digital, TQ Online and/or Fujian Tianquan's ability to enforce the contractual arrangements and exert effective control over NetDragon (Fujian) and/or Fujian Huayu. If NetDragon (Fujian), Fujian Huayu and/or their ultimate shareholders fail to perform their respective obligations under the contractual arrangements, and TQ Digital, TQ Online and/or Fujian Tianquan is unable to enforce the contractual arrangements, or suffer significant delay or other obstacles in the process of enforcing the contractual arrangements, the Group's business and operations could be severely disrupted, which could materially and adversely affect its results of operations.

*Certain terms of the ND Structure Agreements and the Best Assistant Control Documents may not be enforceable under PRC laws.*

Under PRC laws, an arbitral body granting any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in PRC legal entities in case of disputes shall submit the application to courts in the PRC. Therefore, such remedies may not be available to TQ Digital, TQ Online and/or Fujian Tianquan, notwithstanding the relevant contractual provisions contained in the ND Structure Agreements and the Best Assistant Control Documents. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in NetDragon (Fujian) and Fujian Huayu in favour of an aggrieved party. In the event of non-compliance with such award made by the arbitral body, enforcement measures may be sought from the court.

In the event that NetDragon (Fujian), Fujian Huayu and/or any of their ultimate shareholders breaches any of the ND Structure Contracts and/or the Best Assistant Control Documents, TQ Digital, TQ Online and/or Fujian Tianquan may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over NetDragon (Fujian) and/or Fujian Huayu and conduct its business could be materially and adversely affected and the financial performance of the Group could be materially and adversely affected.

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS (Cont'd)

*The contractual arrangements may be subject to scrutiny by the PRC tax authorities and any finding that TQ Digital, TQ Online, Fujian Tianquan, NetDragon (Fujian) and/or Fujian Huayu owes additional taxes could substantially reduce the consolidated net income and the value of the Group.*

Under the contractual arrangements, NetDragon (Fujian) will transfer all of its profits to TQ Digital and TQ Online, while Fujian Huayu will transfer all of its profits to Fujian Tianquan. Such profits will be net of any accumulated loss, working capital requirements, expenses and tax and therefore substantially reduce NetDragon (Fujian) and Fujian Huayu's taxable income. These arrangements and transactions are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and other payments to TQ Digital and TQ Online by NetDragon (Fujian) and to Fujian Tianquan by Fujian Huayu under the contractual arrangements may be challenged and deemed not in compliance with such tax rules. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements were not entered into on an arm's length basis and therefore adjust the taxable income of NetDragon (Fujian) and/or Fujian Huayu in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporation's charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by NetDragon (Fujian) and/or Fujian Huayu, which could in turn increase NetDragon (Fujian) and/or Fujian Huayu's tax liabilities. Any such adjustment could result in a higher overall tax liability of the Group. In addition, the PRC tax authorities may impose late payment fees and other penalties on NetDragon (Fujian) and/or Fujian Huayu for any unpaid taxes. The consolidated net income of the Group may be materially and adversely affected if NetDragon (Fujian) and/or Fujian Huayu's tax liabilities increase or if it is subject to late payment fees or other penalties. As a result, the value of the Group may be materially and adversely affected.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### ACTIONS TAKEN BY THE GROUP TO MITIGATE THE RISKS

During the year ended 31 December 2025, the Group has implemented the following measures to ensure the effective operation of the Structured Contracts and the Group's compliance with the Structured Contracts:

- major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- the Company will disclose the overall performance and compliance with the Structured Contracts in its annual/interim report to update the Shareholders and potential investors;
- the Directors will provide periodic updates in the annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations and the development of the Foreign Investment Law, including the latest relevant regulatory development as well as the plan and progress in acquiring the relevant experience to meet these qualification requirements; and
- the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance and to deal with specific issues or matters arising from the Structured Contracts.

### UNWINDING OF THE CONTRACTUAL ARRANGEMENTS

It is the intention of the Group to unwind the contractual arrangements when foreign investment in the development and operation of online game and online education business is no longer restricted in the PRC.

However, as at the date of this report, there is no unwinding of any of the contractual arrangements or failure to unwind when the restrictions that led to the adoption of the contractual arrangements are removed.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS (Cont'd)

### CONFIRMATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the above transaction conducted during the year ended 31 December 2025 and confirmed that the transaction:

- (i) has been entered into in the ordinary and usual course of the business of the Group;
- (ii) has been entered into either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties; and
- (iii) has been entered into in accordance with the agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### COMPLIANCE WITH DISCLOSURE REQUIREMENTS

For further details of the nature and extent of each of the connected person's interest in each of the Transactions, please refer to the section headed "Corporate Governance Report – Directors' Interest In Transaction, Arrangement or Contract" below. The Company has complied with the applicable requirements of Chapter 14A of the Listing Rules in respect of the continuing connected transactions.

### AUDITOR'S LETTER ON DISCLOSED CONTINUING CONNECTED TRANSACTIONS

In addition, the Company has engaged its auditor to report on the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued unqualified opinion containing the conclusion in respect of the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents which are in compliance with the Rule 14A.56 of the Listing Rules.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

# REPORT OF THE DIRECTORS

## AUDIT COMMITTEE

The Company established the audit committee on 15 October 2007 which comprises three independent non-executive Directors, namely, Li Sing Chung Matthias (chairman), Liu Sai Keung, Thomas and Lo Wing Yan, William.

The audit committee is primarily responsible for the review and supervision of the Group's financial reporting process, risk management and internal control system. It has met with the external auditors of the Group to review the accounting principles and practices adopted by the Company and the audited annual financial statements of the Group for the year ended 31 December 2025.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix C3 of the Listing Rules and the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2025.

## CORPORATE GOVERNANCE CODE

The Company has complied with the CG Code throughout the year ended 31 December 2025 as contained in Appendix C1 of the Listing Rules.

A report on the principal corporate governance practices adopted by the Company is set out on pages 68 to 87.

## PERMITTED INDEMNITY

The Bye-laws provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

# REPORT OF THE DIRECTORS

## COMPETITION AND CONFLICT OF INTERESTS

None of the Director nor any of their respective associates, as defined in the Listing Rules, has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at 31 December 2025 and as at the date of this report.

## DISCLOSABLE TRANSACTIONS IN RELATION TO THE ACQUISITIONS AND DISPOSALS OF CRYPTOCURRENCIES

From 4 January 2024 to 23 October 2025, the Group bought Ethereum on the open market through OSL Exchange and from 4 January 2024 to 3 January 2025, it sold USDT/USDC and Ethereum. All trades were conducted on OSL Exchange, the Company does not know the identities of the buyers or sellers and the Directors believe (after reasonable enquiries) they are independent third parties under the Listing Rules.

Ethereum is a blockchain-based cryptocurrency used for running smart contracts and applications, while USDT and USDC are U.S. dollar-pegged “stablecoins.” The Group’s policy allows investment only in major cryptocurrencies (such as Ethereum, Bitcoin and USDT/USDC) based on credibility, regulation and liquidity, and it does not plan to operate as a digital asset treasury company; exposure is generally limited to 25% of available net assets unless the Board approves otherwise. Risk controls include platform and counterparty due diligence, no leverage (no margin/borrowing/derivatives), limits on holding sizes (including a 10% net asset value cap per single cryptocurrency), diversification rules for non-Bitcoin/Ethereum holdings, and maintaining sufficient cash or cash equivalents (at least 12 months of working capital) with regular reviews and Board oversight.

For further details, please refer to the 2025 interim report of the Company and the announcement of the Company dated 13 February 2026.

Subsequent to the transactions disclosed in the supplemental announcement of the Company dated 13 February 2026 and as at the date of this annual report, the Group had not made further acquisitions or disposals of cryptocurrencies.

# REPORT OF THE DIRECTORS

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2025, the Company bought back a total of 5,333,500 Shares on the Stock Exchange at an aggregate consideration of HKD60 million before expenses. All such Shares have not been cancelled and are held as treasury shares up to the date of this report. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Details of the share buy-backs are as follows:

Month of purchase	Number of ordinary shares bought back	Price per share		Aggregate consideration paid <i>HKD million</i>
		Highest <i>HKD</i>	Lowest <i>HKD</i>	
August 2025	500,000	10.71	10.35	5
September 2025	1,762,500	11.78	10.54	19
October 2025	900,000	13.00	12.09	11
November 2025	2,171,000	12.30	10.90	25

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2025.

As at 31 December 2025, the Company held 5,333,500 treasury shares. The Company intends to use the treasury shares, when the Company considers to be necessary and expedient, for (i) the settlement of the underlying shares upon the exercise and/or vesting of share awards pursuant to the share schemes adopted by the Company; and (ii) the sale of treasury shares subject to the compliance with the Listing Rules.

# REPORT OF THE DIRECTORS

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2025 and as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient prescribed public float with more than 25% of the Shares being held by the public as required under the Listing Rules.

## SHARE SCHEMES

At the annual general meeting of the Company held on 6 June 2024, the shareholders of the Company approved the adoption the 2024 share option scheme (the "2024 Share Option Scheme") and the 2024 share award scheme (the "2024 Share Award Scheme") (together, the "Existing Share Schemes"). Further details of the Existing Share Schemes are set out in the circular of the Company dated 24 April 2024.

The total number of shares available for issue under the Existing Share Schemes shall not exceed 52,766,253, representing 10.03% of the Shares (excluding treasury shares) as at the date of this report.

As at 31 December 2025, no share options and 360,000 awarded shares were granted under the Existing Share Schemes. The total number of share options and awarded shares available for grant under the Existing Share Schemes as at 1 January 2025 and 31 December 2025 was 53,126,253 and 52,766,253 respectively. The total number of share options and awarded shares available for grant to the service providers (as defined under the Existing Share Schemes) under the Existing Share Schemes as at 1 January 2025 and 31 December 2025 were 5,312,625.

Details of share option schemes and share award scheme of the Company are set out below.

### Share Option Scheme

The Company adopted the 2024 Share Option Scheme on 6 June 2024 to replace its previous share option scheme. The share option schemes adopted by the Company on 24 May 2018 (the "2018 Share Option Scheme") and 12 June 2008 (the "2008 Share Option Scheme") were terminated on 6 June 2024 and 24 May 2018 respectively. The outstanding share options granted under the 2018 Share Option Scheme and the 2008 Share Option Scheme shall remain valid and exercisable according to the terms of the schemes.

The 2024 Share Option Scheme was adopted for the purpose to enable the Company to grant share options to eligible participants (being the employee of the Company or any related entities, and the services providers) as incentives or rewards for their contribution or potential contribution to the Group. Unless early terminated by the Board, the 2024 Share Option Scheme shall be valid and effective for a term of ten years commencing on 6 June 2024.

For the 2024 Share Option Scheme, HKD1 is payable on acceptance by of the share option by the grantee on or before 28 days after the offer date.

# REPORT OF THE DIRECTORS

## SHARE SCHEMES (Cont'd)

### Share Option Scheme (Cont'd)

The exercise price in relation to each share option offered to an eligible participant shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of: (a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant; (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

As at 31 December 2025, no share options were granted under the 2024 Share Option Scheme. Details of the movements of the outstanding share options under the 2008 Share Option Scheme and the 2018 Share Option Scheme during the year ended 31 December 2025 are as follows:

#### 2008 Share Option Scheme

Grantee	Date of grant	Exercise Price <i>HKD</i>	As at	Number of share options			As at	
			1 January 2025	Granted	Exercised	Cancelled	Lapsed	31 December 2025
<b>Independent non-executive Directors</b>								
Lee Kwan Hung, Eddie (retired on 5 June 2025)	31.03.2017	23.65	100,000	-	-	-	100,000	0
Liu Sai Keung, Thomas	31.03.2017	23.65	100,000	-	-	-	-	100,000
<b>Others</b>								
Employees	31.03.2017	23.65	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>0</u>
<b>Total</b>			<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>100,000</u>

# REPORT OF THE DIRECTORS

## SHARE SCHEMES (Cont'd)

### Share Option Scheme (Cont'd)

#### 2018 Share Option Scheme

Grantee	Date of grant	Exercise Price HKD	As at	Number of share options			As at	
			1 January 2025	Granted	Exercised	Cancelled	Lapsed	31 December 2025
<b>Executive Director</b>								
Leung Lim Kin, Simon	24.01.2020	21.07	4,000,000	-	-	-	-	4,000,000
<b>Independent non-executive Directors</b>								
Lee Kwan Hung, Eddie (retired on 5 June 2025)	24.01.2020	21.07	100,000	-	-	-	100,000	0
Liu Sai Keung, Thomas	24.01.2020	21.07	100,000	-	-	-	-	100,000
<b>Others</b>								
Employees	24.01.2020	21.07	1,100,000	-	-	-	1,100,000	0
<b>Total</b>			<u>5,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>4,100,000</u>

Note 1: Share options granted on 31 March 2017 were vested from 31 March 2018 to 31 March 2020, 25% of which were vested on the first anniversary of the date of grant, 25% were vested on the second anniversary of the date of grant, and 50% were vested on the third anniversary of the date of grant. The share options are exercisable from the relevant vesting dates until 30 March 2027.

Note 2: Share options granted on 24 January 2020 to the independent non-executive Directors were vested from 24 January 2021 to 24 January 2023, with one-third of the share options vested on the first, second and third anniversary of the date of grant. The remaining share options granted to grantees on 24 January 2020 were vested from 24 January 2021 to 24 January 2024, with 25% of the share options vested on each anniversary of the date of grant. All share options granted on 24 January 2020 are exercisable from the relevant vesting dates until 23 January 2030.

# REPORT OF THE DIRECTORS

## SHARE SCHEMES (Cont'd)

### Share Award Scheme

The Company adopted the 2024 Share Award Scheme on 6 June 2024 to replace the share award scheme that was adopted on 2 September 2008 and extended on 31 August 2018 (the "2008 Share Award Scheme"). The Board may, at their discretion, select any eligible participant (being the employee of the Company or any related entities, and the services providers) for participation in the 2024 Share Award Scheme. Unless early terminated by the Board, the 2024 Share Award Scheme shall be valid and effective for a term of ten years commencing on 6 June 2024.

The 2024 Share Award Scheme was adopted for the purpose to (i) enable the Company to grant awarded shares to eligible participants as incentives or rewards for their contribution or potential contribution to the Group and (ii) to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the objectives of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the rules of the 2024 Share Award Scheme, the Group has signed an agreement with Bank of Communications Trustee Limited (the "Trustee"), for the purpose of administering the 2024 Share Award Scheme and holding the awarded shares before they are vested.

The awarded shares, will be transferred to the selected participants at nil consideration, subject to receipt by the Trustee of (i) transfer documents duly signed by the Trustee and the selected participants within the period stipulated in the vesting notice issued by the Trustee to the selected participants; and (ii) a confirmation letter from the Company that all vesting conditions having been fulfilled.

Unless the Board at their absolute discretion otherwise determine on a case-by-case basis, the awarded shares shall be granted to a selected participant at no consideration as to align with the purpose to reward the eligible participants who have contributed or will contribute to the Group. The Board may determine in its absolute discretion the purchase price of the awarded shares (if any) and the period within which any such payments must be made, which shall be based on considerations such as the prevailing market price of the Shares, the purpose of the awarded shares and the characteristics and profile of the relevant selected participant.

Subject to the acceptance by the relevant selected participants, such transferred awarded shares may be held by the selected participants in their own names or such nominees, including any trustees, as designated by the selected participants.

As at 31 December 2025, 360,000 awarded shares were granted under the 2024 Share Award Scheme. Details of the outstanding awarded shares under the 2024 Share Award Scheme during the year ended 31 December 2025 are as follows:

# REPORT OF THE DIRECTORS

## SHARE SCHEMES (Cont'd)

### Share Award Scheme (Cont'd)

Grantee	Date of grant	As at	Number of awarded shares				As at	Vesting Period
		1 January 2025	Granted	Vested	Cancelled	Lapsed	31 December 2025	
<b>Executive Director</b>								
Leung Lim Kin, Simon	02.04.2025	-	360,000	120,000	-	-	240,000	02.04.2025 – 02.04.2027
		<u>-</u>	<u>360,000</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>240,000</u>	

Note 1: Purchase price is not applicable as the awarded shares under the 2024 Share Award Scheme are granted at nil consideration.

Note 2: The closing price of the Shares immediately before the date on which the awarded shares were granted on 2 April 2025 was HKD10.48.

Note 3: The weighted average closing price of the Shares immediately before the dates on which the awarded shares were vested was HKD10.48.

Note 4: The fair value of the awarded shares granted on 2 April 2025 was HKD4 million. It is determined based on the closing market price of the Shares as at the date of grant.

Note 5: The number of Shares that may be issued in respect of awards granted under the Existing Schemes during the year divided by the weighted average number of Shares in issue (excluding treasury shares) for the year ended 31 December 2025 was nil.

For the awarded shares granted under the 2024 Share Award Scheme, the amounts to be recognised as expenses are determined by reference to the fair value of the awarded shares granted, taking into account all market performance conditions such as the Company's share price and non-vesting conditions associated with the grants as at the date of grant, excluding the impact of any service and non-market performance vesting conditions. The total expense amount is recognised over the relevant vesting periods. At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

# REPORT OF THE DIRECTORS

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme disclosed above and set out in note 37 of Notes to the Consolidated Financial Statements, at no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

## ISSUE OF SECURED CONVERTIBLE AND EXCHANGEABLE BONDS BY BEST ASSISTANT AND ISSUE OF UNLISTED WARRANT UNDER SPECIFIC MANDATE

On 10 November 2019, the Company, Best Assistant Education Online Limited ("Best Assistant"), NetDragon Websoft Inc. ("NetDragon BVI"), Digital Train Limited ("Digital Train"), Promethean World Limited, Nurture Education (Cayman) Limited (the "Investor"), Madison Pacific Trust Limited as the agent and the security agent entered into the bond and warrant purchase agreement (the "Purchase Agreement"), pursuant to which (i) Best Assistant agreed to issue to the Investor and the Investor agreed to purchase the convertible and exchangeable bonds (the "Convertible and Exchangeable Bonds") in the aggregate principal amount of USD150 million (equivalent to approximately HKD1,174.5 million); and (ii) simultaneously with the issue of the Convertible and Exchangeable Bonds, the Company would issue to the Investor the unlisted warrants. The issue of Convertible and Exchangeable Bonds and the Warrants to the Investor is a strategic collaboration with the Investor, an institutional investor with extensive experience and active investments in the Greater China education sector.

Closing of the Purchase Agreement took place on 9 March 2020, and Best Assistant has issued to the Investor, Convertible and Exchangeable Bonds which can be converted to 279,510,479 ordinary shares of Best Assistant, representing 11.16% of the total outstanding share capital of Best Assistant on a fully diluted and as-converted basis, and the Company has issued the unlisted warrant to the Investor which can be converted to 11,502,220 warrant shares of the Company (the "Unlisted Warrant"). As a result of the payment of the Company's dividend and pursuant to the relevant warrant instrument, the subscription price of the relevant warrant instrument is adjusted from HKD21.1998 to HKD19.6698 on 28 February 2022, and further adjusted to HKD18.8698 on 31 October 2022. The net proceeds raised from the issuance of Convertible and Exchangeable Bonds and warrants were also applied and fully utilized as intended.

The unlisted warrant was expired on 8 March 2025. The Convertible and Exchangeable Bonds were matured on 9 March 2025 and redeemed by Best Assistant. As at 31 December 2025, no Convertible and Exchangeable Bonds were converted into ordinary shares of Best Assistant and no warrants were converted into Shares of the Company.

# REPORT OF THE DIRECTORS

## AUDITOR

The consolidated financial statements for the year ended 31 December 2025 have been audited by Deloitte Touche Tohmatsu (“Deloitte”), the auditor of the Company. A resolution will be submitted in the AGM of the Company to re-appoint Deloitte as auditor of the Company.

On behalf of the Board

**Leung Lim Kin, Simon**

*Vice Chairman*

Hong Kong, 26 March 2026

# CORPORATE GOVERNANCE REPORT

The Directors believe that good corporate governance practices serve as an effective risk management for the Company and hence, the shareholders of the Company will benefit from the high standard of corporate governance.

The Company has applied the principles set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Listing Rules.

Throughout the year, save as disclosed in this Corporate Governance Report, the Company has complied with the provisions as set out in the CG Code in Appendix C1 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established its code of conduct regarding securities transaction by Directors, senior management and relevant employees on terms no less exacting than the required standard indicated by the Model Code as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions during the year under review.

## THE BOARD

The Board is composed of five executive Directors (including the Chairman and the Chief Executive Officer of the Company) and four non-executive Directors (of whom three are independent non-executive Directors), whose biographical details are set out in “Directors and Senior Management” section on pages 23 to 31. Save as disclosed herein, none of the members of the Board has any financial, business, family or other material relevant relationship to one another.

Each of the non-executive and independent non-executive Directors has entered into an appointment letter with the Company, all for an initial term of three years since the date of appointment and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the current term unless and until terminated in accordance with the terms of the appointment letter or by either party thereto giving to the other not less than three months’ prior written notice.

### Duties of the Board including delegation to management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the committees and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee and the share award scheme committee. Further details of these committees are set out in this report.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Cont'd)

Duties of the Board including delegation to management (Cont'd)

Duties of the Board include:

- (i) ensuring, maintaining and overseeing the internal control systems of the Group;
- (ii) setting the objectives of management of the Group;
- (iii) monitoring the performance of management of the Group;
- (iv) ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed; and
- (v) overseeing the management of NetDragon's relationships with stakeholders, such as, shareholders, customers, the community, interest groups, employees and others who have a legitimate interest in the responsible conduct of the Group's business.

During the year ended 31 December 2025, the Board held four meetings and the attendance of each of the Directors at Board, committee and general meetings held in 2025 is set out below:

Directors	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
<b>Executive Directors</b>					
Liu Dejian (Chairman)	4/4	N/A	N/A	N/A	0/1
Leung Lim Kin Simon (Vice Chairman)	4/4	N/A	N/A	N/A	1/1
Liu Luyuan (Chief Executive Officer)	4/4	N/A	N/A	N/A	0/1
Chen Hongzhan	4/4	N/A	N/A	N/A	0/1
Lin Yun	4/4	N/A	N/A	N/A	0/1
<b>Non-executive Director</b>					
Lin Dongliang	4/4	N/A	N/A	N/A	0/1
<b>Independent non-executive Directors</b>					
Liu Sai Keung, Thomas	4/4	3/3	2/2	3/3	1/1
Li Sing Chung Matthias	4/4	3/3	2/2	3/3	1/1
Lo Wing Yan, William JP (appointed on 29 August 2025)	N/A	1/3	N/A	N/A	N/A
Lee Kwan Hung, Eddie (retired on 5 June 2025)	1/4	1/3	1/2	1/3	1/1

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Cont'd)

### Duties of the Board including delegation to management (Cont'd)

The CG Code provision F.2.2 requires that the Chairman of the Board should attend the annual general meeting of the Company ("AGM") and should invite the Chairman of the audit, remuneration, nomination and any other committee (as appropriate) to attend the AGM and in their absence, he should invite another member of the committee or failing this his duly appointed delegate(s) to attend. These persons should be available to answer questions at the AGM. At the AGM held on 5 June 2025, Dr. Leung Lim Kin, Simon, the vice chairman of the Board, Mr. Li Sing Chung Matthias, the chairman of the audit committee and Mr. Liu Sai Keung, Thomas, the chairman of nomination committee, attended and answered shareholders' questions, the Chairman of the Board and the other Directors did not attend as they had other important business engagement.

Board and committee minutes are recorded in appropriate detail. Draft minutes are circulated to Directors for comments within reasonable time after each meeting and the final version is open for Directors' inspection.

The Directors are entitled, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

According to Rules 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three independent non-executive Directors and the number of independent non-executive Directors should represent at least one-third of the Board. Following the retirement of Mr. Lee Kwan Hung, Eddie on 5 June 2025, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the Audit Committee.

Following the appointment of Dr. Lo Wing Yan on 29 August 2025, the Company re-complied with Rules 3.10(1), 3.10A, 3.21 and 3.23 of the Listing Rules.

In full compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

In addition, the Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. One of them have served on the Board for more than nine years and their independence have been verified. The Nomination Committee is fully satisfied that they demonstrate complete independence in character and judgement both in their designated roles and as board members. The Board considers that all independent non-executive Directors to be independent by reference to the factors stated in the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Cont'd)

### Duties of the Board including delegation to management (Cont'd)

In compliance with Rule 3.09D of the Listing Rules, Dr. Lo Wing Yan, William has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 19 August 2025 and has confirmed that he understood his obligations as Director.

As at 31 December 2025, each of the independent non-executive Directors of the Company confirmed that they did not hold more than six directorships of issuers listed on the Main Board or GEM of the Stock Exchange in compliance with Rule 3.12A of the Listing Rules.

The Board acknowledges the requirements under Rule 3.13A of the Listing Rules regarding the tenure of independent non-executive directors. The Board will continue to monitor the composition and tenure of its INEDs, and plans to appoint an additional independent non-executive Director before the conclusion of the first annual general meeting to be held on or after 1 July 2028, in order to ensure ongoing compliance with the Listing Rules.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors are also provided with monthly updates which contain periodic financials with summaries and covering highlights of the Company's major businesses of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The non-executive Director and independent non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. The Directors have confirmed their compliance with Rules 3.09F, 3.09G, and 3.09H of the Listing Rules regarding Directors' training. In 2025, all Directors have participated in continuous professional development by reading materials, training by external provider and attending seminars on regulatory and corporate governance matters to develop and refresh their knowledge.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT (Cont'd)

During the year, the Directors participated in sufficient continuing professional development by attending seminars and training courses, accessing online learning resources, etc. Below sets out a summary based on the information provided by the Directors to the Company:

	Directors' responsibilities	Laws and Regulations	Corporate governance	Risk management and Internal control	The Group's business	Approximate number of hours of CPD training completed in Year 2025
<b>Executive Directors</b>						
Liu Dejian	2 <sup>1</sup>	1.5 <sup>1</sup>	5.5 <sup>3</sup>	1 <sup>1</sup>	12.5 <sup>3</sup>	22.5
Leung Lim Kin, Simon	1.5 <sup>2</sup>	1 <sup>2</sup>	6 <sup>3</sup>	1.5 <sup>2</sup>	6 <sup>3</sup>	16
Liu Luyuan	2 <sup>1</sup>	1.5 <sup>1</sup>	2 <sup>1</sup>	1 <sup>1</sup>	1.5 <sup>1</sup>	8
Chen Hongzhan	2 <sup>1</sup>	1.5 <sup>1</sup>	2 <sup>1</sup>	1 <sup>1</sup>	1.5 <sup>1</sup>	8
Lin Yun	6.5 <sup>2</sup>	4.5 <sup>2</sup>	5 <sup>2</sup>	4 <sup>2</sup>	4.5 <sup>2</sup>	24.5
<b>Non-Executive Directors</b>						
Lin Dongliang	2 <sup>2</sup>	1.5 <sup>2</sup>	1 <sup>2</sup>	1 <sup>2</sup>	2 <sup>2</sup>	7.5
<b>Independent Non-executive Directors</b>						
Liu Sai Keung, Thomas	2 <sup>2</sup>	1.5 <sup>2</sup>	1 <sup>2</sup>	1 <sup>2</sup>	2 <sup>2</sup>	7.5
Li Sing Chung, Matthias	1.5 <sup>2</sup>	7 <sup>2</sup>	1.5 <sup>3</sup>	1 <sup>2</sup>	14 <sup>23</sup>	25
Lo Wing Yan, William (appointed on 29 August 2025)	1.5 <sup>2</sup>	1.5 <sup>2</sup>	1.5 <sup>2</sup>	1.5 <sup>2</sup>	1.5 <sup>2</sup>	7.5

Notes:

1. by self-study
2. trainings by external provider
3. seminar

# CORPORATE GOVERNANCE REPORT

## BOARD PERFORMANCE REVIEW

The Company acknowledges the requirement under Code Provision B.1.4 of the Corporate Governance Code to conduct a formal evaluation of the performance of the Board at least once every two years. The management is currently reviewing the most appropriate and effective strategy and framework for conducting a comprehensive Board performance evaluation that aligns with the Company's governance objectives and operational focus. The management expects to complete the development of its Board evaluation framework and to conduct its first formal Board performance review, with the relevant results to be disclosed in the Company's 2027 Annual Report.

## BOARD SKILLS MATRIX

The Company is in the process of formulating an effective strategy to develop and implement a Board skills matrix, which aims to identify and disclose the mix of skills, experience and diversity represented on the Board. The Board expects that the skills matrix will be completed and disclosed in the Corporate Governance Report of the 2027 Annual Report in compliance with the Code Provision B.1.5. The Company shall conduct a formal evaluation of the Board's performance every two years. The performance review of the Board will be conducted by the end of 31 December 2026.

## DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT

With reference to the ND Structure Contracts entered into among TQ Digital, TQ Online and NetDragon (Fujian), the executive Director, Mr. Liu Luyuan is interested in an aggregate of 0.07% in NetDragon (Fujian). Transactions between the Company, NetDragon (BVI), TQ Digital, TQ Online, NetDragon (Hong Kong) or NetDragon (USA) (all being wholly-owned subsidiaries of the Company) on one hand and NetDragon (Fujian) on the other hand, including the ND Structure Contracts and the ND Other Contracts would technically constitute connected transactions. Details for the ND Structure Contracts and the ND Other Contracts are set out in pages 43 to 48 in the section of "Report of the Directors" under the paragraphs of "ND Structure Contracts".

With reference to the Best Assistant Control Documents entered into among Fujian Huayu and NetDragon (Fujian), NetDragon (Fujian) and Fujian Huayu (being a subsidiary of NetDragon (Fujian)) are technically associates of Dr. Liu Dejian and Mr. Liu Luyuan, and therefore connected persons of the Company. Transactions between the Company or its subsidiaries, except Best Assistant (Cayman) and subsidiaries of Best Assistant (Cayman) (the "Best Assistant Group Companies") on one hand and Best Assistant (Cayman) or Best Assistant Group Companies on the other hand, including the Best Assistant Control Documents would technically constitute connected transactions. Details for the Best Assistant Control Documents are set out in pages 48 to 52 in the section of "Report of the Directors" under the paragraphs of "Best Assistant Control Documents".

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT (Cont'd)

Details for the continuing connected transactions are set out in pages 43 to 57 in the section of "Report of the Directors" under the paragraphs of "Continuing Connected Transactions".

Save as the above, none of the Directors is materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance of the Company during the year ended 31 December 2025 or as at the end of the year.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman and the chief executive officer are held by Dr. Liu Dejian and Mr. Liu Luyuan, respectively.

In order to reinforce their respective independence, accountability and responsibility, the role of the chairman is separated from that of the chief executive officer. The chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice and ensuring the effectiveness of the Board. With the support of the senior management, the chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

The chief executive officer focuses on managing the Company and its subsidiaries, developing and implementing objectives, policies and strategies approved and delegated by the Board. The chief executive officer is in charge of the Group's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

## AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 15 October 2007 which has adopted written terms of reference in compliance with the CG Code Provision. The primary duties of our audit committee are to review and supervise our financial reporting process, risk management, internal control and corporate governance systems.

The Audit Committee reviews the quarterly, interim and annual consolidated financial results of the Group. In addition, the Audit Committee also reviews and approves the pricing policy and the performance for the continuing connected transactions and connected transactions relating to ND Structure Contracts, ND Other Contracts and Best Assistant Control Documents of the Group.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE (Cont'd)

The Audit Committee held three meetings during the year ended 31 December 2025. The major work performed by the Audit Committee in respect of the year ended 31 December 2025 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2025, reviewing the audited financial statements and final results announcement for the year ended 31 December 2025, reviewing the work of the Group's internal audit and assessing the effectiveness of the Group's systems of internal control, risk management, corporate governance, cost control and the audit plan work to the Company's business and strategy. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, and training programmes and budget.

Our Audit Committee comprises three independent non-executive Directors, namely Li Sing Chung Matthias, Liu Sai Keung, Thomas and Lo Wing Yan, William. Li Sing Chung Matthias is the chairman of the Audit Committee.

The Group's audited consolidated financial statements for the year ended 31 December 2025 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The written terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibility for maintaining a sound and effective system of internal control and risk management on an ongoing basis to safeguard the shareholders' investment and the Company's assets, and reviewing its effectiveness at least annually. The Board has entrusted the Audit Committee and professional external consultant with the responsibility to review the internal control and risk management systems of the Group annually, which include the review of financial, operational and compliance controls and risk management functions.

During the year under review, the Board has conducted a review on the effectiveness of the internal control and risk management system of the Group through discussion with the Audit Committee on audit findings and control issues. These procedures provide reasonable and not absolute assurance against material errors, losses and fraud, and the system is designed to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board, based on the review of the Audit Committee, is satisfied that the Group has maintained sound and effective risk management and internal control system for the year ended 31 December 2025.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL AND RISK MANAGEMENT (Cont'd)

The procedures and internal controls of the Company for handling and dissemination of inside information includes handling corporate affairs in accordance with the Guidelines on Disclosure of Inside Information published by Securities and Futures Commission and the Listing Rules, and reminding the Directors and employees of the Group regularly about due compliance with all policies regarding the inside information.

## REMUNERATION COMMITTEE

The Company established the remuneration committee (the "Remuneration Committee") on 15 October 2007 which adopts the model as described in E.1.2 (c) (ii) of CG Code, which determines remuneration packages and policy for all executive Directors and senior management and makes recommendation on the remuneration of non-executive Directors to the Board. The remuneration of all our Directors and senior management is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate.

During the year ended 31 December 2025, the Remuneration Committee held two meetings, a meeting was held to review the salary structure of the Directors and senior management of the Company by assessing their performance and with reference to the remuneration level of directors of comparable listed companies and the terms of the executive Directors' service contracts.

Dr. Lo Wing Yan, William was appointed as an independent non-executive director of the Company on 29 August 2025. The Remuneration Committee held a meeting on 29 August 2025 to formally confirm the Dr. Lo's appointment.

The Remuneration Committee is following a structured approach and timetable to evaluate and recommend the remuneration packages for executive directors and senior management to the Board. This approach enhances transparency, accountability and governance effectiveness, ensuring that remuneration decisions are made in comprehensive and principled manner that aligns with CG Codes and the RC's Terms of Reference.

Our Remuneration Committee comprises three independent non-executive Directors, namely Li Sing Chung Matthias, Liu Sai Keung, Thomas and Lo Wing Yan, William. Lo Wing Yan, William is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

## EMPLOYEE AND EMOLUMENT POLICY

The emolument policy of the employees of the Company is set up by the Board on the basis of their merit, qualifications and competence.

# CORPORATE GOVERNANCE REPORT

## EMPLOYEE AND EMOLUMENT POLICY (Cont'd)

The emoluments of the executive Directors and senior management of the Company are reviewed and determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has adopted the 2024 Share Option Scheme and the 2024 Share Award Scheme to motivate Directors and eligible employees. Details of the schemes are set out in the paragraphs headed "Share Schemes". None of the directors waived any emoluments during the year ended 31 December 2025.

## NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 15 October 2007 which has adopted written terms of reference in compliance with the CG Code Provision. The Nomination Committee determines the nomination policy and follows a formal, fair and transparent procedure for the appointment of new Directors to the Board. The Nomination Committee reviews the structure, size and composition of the Board annually, identifies suitably qualified candidates to become Board members and select or make recommendations to the Board on the selection of candidates nominated for directorships and succession planning for directors, and assesses the independence of the independent non-executive Directors. During this process, the Nomination Committee considers candidates based on merit and with due regard to the benefits of diversity on the Board.

During the financial year ended 31 December 2025, the Nomination Committee held three meetings, a meeting was held to review the structure, size and composition of the Board and assessed the independence of the three independent non-executive Directors of the Company. The Nomination Committee is of the view that the current Board demonstrates a balanced composition with sufficient independence element.

The Nomination Committee held a meeting on 30 June 2025 to approve the update of the Terms of Reference according to the amendments in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited that to be effective on 1 July 2025.

Another meeting was held on 29 August 2025. At this meeting, the Committee considered and approved the appointment of Dr. Lo Wing Yan, William as a chairman of the Nomination Committee and Ms. Lin Yun as a member of the Nomination Committee of the Company.

The Nomination Committee takes lead in considering and evaluating candidates for directorship roles, making recommendations to the Board based on their assessment. This approach ensures a thorough and transparent selection process, where the Nomination Committee's expertise and diverse perspectives can contribute to identifying individuals best suited for directorial positions. The Board can then make the final appointment decisions, aligning with the Code Provisions and the Nomination Committee's Term of Reference.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE (Cont'd)

Our Nomination Committee comprises three independent non-executive Directors, namely Li Sing Chung Matthias, Liu Sai Keung, Thomas and Lo Wing Yan, William, and one executive director, namely, Lin Yun. Liu Sai Keung, Thomas is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company.

Potential new directors are selected on the basis of their qualifications, skill and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

### Board Diversity Policy

On 30 August 2013, the Board adopted the board membership diversity policy for maintaining the appropriate skills and experience required by the Company's business and a diversity of perspectives on the Board.

The following is a summary of the board diversity policy:

- reviewing and assessing the composition of the Board to maintain an appropriate range and balance of talents, skills, experience and background on the Board;
- recommending candidates for appointment to the Board by considering merit against objective criteria and with due regard for the benefits of diversity on the Board; and
- conducting an annual review of the effectiveness of the Board by considering the balance of talents, skills, experience, independence and knowledge of the Board and the diversity of the Board.

The achievement of these criteria will be measurable on an objective review, which can enhance the diversity of background and experience of individual directors and the effectiveness of the Board in protecting shareholders' interests.

Details of the gender ratio in workforce (including senior management) are set out in the "Environment, Social and Governance Report" on page 156.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE (Cont'd)

### Nomination Policy

The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates. The Nomination Committee was responsible to maintain the nomination policy of the Company (the "Nomination Policy") and review the same regularly. The objective of the Nomination Policy is to assist the Company in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- (a) Reputation for integrity;
- (b) Accomplishment, experience and reputation in the business and other relevant sectors relate to the Company and/or its subsidiaries;
- (c) Commitment in respect of sufficient time and attention to the Company's business;
- (d) Diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;
- (e) The ability to assist and support management and make significant contributions to the Company's success;
- (f) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and
- (g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The Committee believes that independence is an important part of fulfilling the Directors' duty to supervise the management of the business and affairs of the Company. Non-executive Directors and Executive Directors are required to disclose his/her competing businesses to the Company. Cross-directorships in Hong Kong or overseas between Directors are also reviewed annually. The Nomination Committee is accountable for assessing whether any competing businesses or interlocking directorships could materially interfere with the exercise of objective and unfettered judgement by relevant Directors or their ability to act in the best interests of the Group.

# CORPORATE GOVERNANCE REPORT

## WORKFORCE DIVERSITY POLICY

On 30 June 2025, the Board adopted the workforce diversity policy for reinforcing the Group's commitment to building a respectful, fair, and inclusive workplace where every employee's unique background and perspective are valued.

The following is a summary of the workforce diversity policy:

- embracing diversity and inclusion across gender, age, background, experience, and skills as key drivers of innovation and success.
- ensuring equal opportunity in all employment practices and prohibiting any form of discrimination or harassment.
- providing ongoing training to enhance diversity awareness and reviewing the policy regularly to maintain its relevance and effectiveness.

This achievement of these criteria is designed to further enhance the diversity of backgrounds, experiences, and perspectives across all levels of the Group. By attracting, developing, and retaining employees from varied professional and cultural backgrounds, the Group aims to strengthen its capacity for innovation, broaden its decision-making perspectives, and cultivate an inclusive workplace culture that drives sustainable business growth and long-term success.

## ND MANAGEMENT COMMITTEE

The Company established the ND Management Committee pursuant to the ND Structure Contracts to oversee the business and operations of NetDragon (Fujian).

The ND Management Committee comprises four members, of which each of TQ Digital and NetDragon (Fujian) is entitled to appoint two members from its respective board of directors. Other than by reason of retirement, resignation, incapability or death, a member of the ND Management Committee may only be removed by the party who originally appointed such member. As a general requirement, the members appointed by NetDragon (Fujian) must also be the equity holders of NetDragon (Fujian) as well as directors of TQ Digital. In the case where the number of members who concurrently act as a director of both TQ Digital and NetDragon (Fujian) is less than two, TQ Digital is entitled to appoint an additional member of the ND Management Committee. As such, under the ND Structure Contracts, the ND Management Committee is allowed to have a maximum of five members.

# CORPORATE GOVERNANCE REPORT

## ND MANAGEMENT COMMITTEE (Cont'd)

Currently, the ND Management Committee comprises Liu Dejian and Liu Luyuan who were appointed by NetDragon (Fujian), and Zheng Yicheng and Chen Hongzhan who were appointed by TQ Digital. The directors of NetDragon (Fujian) comprise Liu Dejian, Liu Luyuan, Wang Song and Zheng Yicheng. Zheng Yicheng is also the general manager of NetDragon (Fujian). Further details of the above members of the ND Management Committee are set out in the section headed "Directors and Senior Management" in this annual report.

## BEST ASSISTANT MANAGEMENT COMMITTEE

The Best Assistant Management Committee was established on 3 March 2015 pursuant to the Best Assistant Control Documents to oversee the business and operations of Fujian Huayu. Through its control over Fujian Huayu, the Best Assistant Management Committee is also able to oversee the business and operations of the subsidiaries of Fujian Huayu. The Best Assistant Management Committee comprises four members, of which each of Fujian Tianquan and Fujian Huayu is entitled to appoint two members from its respective board of directors. Other than by reason of retirement, resignation, incapability or death, a member of the Best Assistant Management Committee may only be removed by the party who originally appointed such member. In the case where the number of members who concurrently act as a director of both Fujian Tianquan and Fujian Huayu is less than two, Fujian Tianquan is entitled to appoint an additional member of the Best Assistant Management Committee. As such, under the Best Assistant Control Documents, the Best Assistant Management Committee is allowed to have a maximum of five members.

Currently, the Best Assistant Management Committee comprises Liu Dejian and Liu Luyuan, who were appointed by Fujian Huayu, and Zheng Yicheng and Wang Song, who were appointed by Fujian Tianquan. The directors of Fujian Huayu comprise Liu Dejian, Liu Luyuan, Chen Hongzhan, Wang Song and Zheng Yicheng.

## DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

## AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's external auditors, is set out as follows:

	<i>RMB million</i>
Audit services	
– Deloitte in Hong Kong	6
– Other auditors	16
Non-audit services	2
	<hr/>
	24
	<hr/> <hr/>

# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION (Cont'd)

The above non-audit services include professional advisory fees relating to the interim review services and financial and tax advisory services.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors acknowledge such responsibilities. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements of the Company's external auditors regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 168 to 172.

## COMPANY SECRETARY

Mr. Lau Hak Kin, Financial Controller and Head of Compliance and Corporate Affairs of the Company, has been appointed by the Company as company secretary since September 2014. He is also the primary contact person of the Company. During the year ended 31 December 2025, Mr. Lau Hak Kin has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

## PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands, as amended from time to time. However, according to article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

# CORPORATE GOVERNANCE REPORT

## PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in article 88 of the Company's Articles of Association. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

## PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office: Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

For other enquiries or proposals to the Board, Shareholders may send written enquiries to the Company by fax: (852) 2850 7066 or mail to Units 2001-05 & 11, 20th Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

## DIVIDEND POLICY

Dividend Policy is adopted and approved by the board of directors of the Company as the guideline on dividend distribution regarding future dividends to be paid by the Company with effect from 26 March 2019. The Company is committed to maintaining sufficient resources and flexibility to meet the Company's financial and operational requirements. At the same time, the Company continually seeks ways to enhance shareholders' value to ensure sustainable long-term yields for shareholders.

# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY (Cont'd)

The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

- the Articles of Association of the Company;
- the applicable restrictions and requirements under the laws of the Cayman Islands;
- any banking or other funding covenants by which the Company is bound from time to time;
- the investment and operating requirements of the Company; and
- any other factors that have material impact on the Company.

Under the Cayman Islands Companies Act and the Articles of Association of the Company, all of our shareholders have equal entitlement to dividends and distributions. The Board shall have the right to review the Dividend Policy from time to time as it deems fit according to the financial and business development requirements of the Company.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognises the importance to maintain a transparent and on-going dialogue with the shareholders. A shareholders' communication policy, which is reviewed by the Board on regular basis, had been established to promote effective engagement with individual and institutional shareholders, investors and other stakeholders, giving them ready access to balanced and understandable information about the Company and corporate proposals.

The Board strives to encourage and maintain constant dialogue with the shareholders through various means. The Company has established several channels to communicate with the shareholders as follows:

<b>Channel</b>	<b>2025 Highlights</b>
Organisation of internal activities	<ul style="list-style-type: none"><li>➤ Over 10 internal events were held, including major celebrations for Lunar New Year, Women's Day, Labor Day, Dragon Boat Festival, Mid-Autumn Festival, New Year's Eve, and company anniversary</li><li>➤ The Chairman, Vice Chairman and executive Directors joined the celebrations to engage with employee shareholders</li><li>➤ Enhanced team communication and cohesion and corporate identity, leading to higher morale and engagement while fostering closer communication and engagement within the Group</li></ul>

# CORPORATE GOVERNANCE REPORT

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS (Cont'd)

- |                         |   |
|-------------------------|---|
| Annual general meeting  | <ul style="list-style-type: none"><li>➤ Annual general meeting was held on 6 June 2025</li><li>➤ The executive Directors, independent non-executive Directors, company secretary and senior management attended the meeting to meet with shareholders and answer their enquiries directly</li><li>➤ The Company was able to respond to shareholder concerns in a timely manner, deepening shareholders' and investors' understanding of the business and strategic direction of the Company</li></ul> |
| Results meetings        | <ul style="list-style-type: none"><li>➤ Two live-streamed meetings were held to engage with shareholders directly in 2025</li><li>➤ The executive Directors, company secretary and senior management attended the meetings</li><li>➤ Covered annual and interim results of the Company</li><li>➤ Enhanced information transparency and shareholder engagement, fostering long-term and stable relationships with shareholders and investors</li></ul>   |
| Investor meetings       | <ul style="list-style-type: none"><li>➤ Over 200 face-to-face investor sessions were held</li><li>➤ 25 non-deal roadshows were hosted across Hong Kong and major cities in the Chinese Mainland, including Shanghai, Beijing, and Shenzhen</li><li>➤ Deepened investors' and shareholders' understanding of the business of the Company, enhancing market recognition of the Company's value</li></ul>  |
| Investor site visits    | <ul style="list-style-type: none"><li>➤ 4 headquarters site visits were organised in 2025</li><li>➤ Hosted by senior management and the head of Investor Relations, all inquiries were addressed on-site. Any recommendations or suggestions were followed up with concrete actions by our management</li><li>➤ Bolstered investor trust in the business of the Company and management decisions, enhancing communication transparency and market confidence</li></ul>                                |
| Corporate announcements | <ul style="list-style-type: none"><li>➤ Announcements regarding annual reports, interim reports, inside information, and notices of meetings were published on the HKEXnews website (<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>) in both Chinese and English for shareholders, investors, and the general public in accordance with the Hong Kong Listing Rules</li></ul>   |

# CORPORATE GOVERNANCE REPORT

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS (Cont'd)

- |  |   |
|--|---|
| Investor relations website of Netdragon (ir.nd.com.cn)                       | <ul style="list-style-type: none"><li>➤ Provided company information and contact details of Netdragon</li><li>➤ Provided shareholder and investor relations information, including news updates, results briefings, webcasts and transcripts, latest financial data, and stock information</li><li>➤ Provided Netdragon's sustainability policies and systems, corporate governance and sustainability reports, news updates and the ratings by authoritative bodies</li></ul>  |
| Investor communications  | <ul style="list-style-type: none"><li>➤ Annual and interim reports were provided bilingually in Chinese and English twice a year for shareholders and investors</li><li>➤ Shareholders and investors were provided timely updates on among others, strategic positioning and business progress of the Company, and recent perspectives from investment bank analysts</li></ul>  |
| Netdragon's investor relations social media and securities platform accounts | <ul style="list-style-type: none"><li>➤ With the aim of strengthening communication with shareholders and investors, the Company has established official Investor relations accounts on 7 social media platforms, including WeChat, WeChat Channels, LinkedIn, Facebook, X, YouTube, and Instagram, to further enhance information transparency and engagement.</li><li>➤ To further strengthen communication with shareholders and investors, the Company has established official corporate accounts on 10 major securities and investment platforms, including Futubull, Tiger Brokers, Xueqiu, East Money, 10jqka, DZH, Valuable Capital (華盛通), TradeGo Markets, Longbridge, and Moomoo, to assist investors in accessing the latest information of the Company at any time.</li></ul> |

Facebook



LinkedIn



X



WeChat



These communication channels enable us to listen to the views of shareholders and the investors. A dedicated investor relations email address (ir@netdragon.com) is also available for shareholders to make inquiries and request information.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS (Cont'd)

The Company has assessed the above communication channels with the Shareholders and considered that the Shareholder Communication Policy is well implemented and effective for the year ended 31 December 2025.

There have been no changes in the constitutional documents of the Company during the year ended 31 December 2025.

The AGM will be held at Boardroom 3-4, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Monday, 1 June 2026.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THIS REPORT

### Reporting Period and Scope

This Environmental, Social and Governance (“ESG”) Report (the “Report”) covers the sustainability strategies and ESG performance of NetDragon Websoft Holdings Limited (the “Company” or “We”) and together with its subsidiaries (stock code: 0777) (“NetDragon” or the “Group”) for the period from 1 January to 31 December 2025 (the “Reporting Period” or the “Year”).

The Report encompasses NetDragon’s gaming business primarily based in the People’s Republic of China (the “PRC”) and education technology business primarily based in the USA, the United Kingdom (the “UK”) and Europe. This Report also contains details of our sustainable development, vision and progress made on the implementation of our ESG strategy during the Year.

The qualitative and quantitative information regarding the Group’s approach, initiatives and priorities in managing material ESG aspects are disclosed in the Report. For further disclosures on corporate governance, please refer to the Corporate Governance Report of NetDragon’s 2025 Annual Report.

### Reporting Standard

The Report has been prepared in accordance with the “mandatory disclosure requirements” and adheres to the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide (“ESG Guide”) under Appendix C2 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

### Reporting Principles

- **Materiality:** Material topics are identified, assessed, reviewed and confirmed by senior management and materiality issues verified by the Board of Directors are disclosed with emphasis to ensure their significance.
- **Quantitative:** Applicable quantitative key performance indicators outlined in Appendix C2 of the ESG Guide under the Listing Rules are disclosed to comprehensively evaluate the Group’s ESG performance during the Reporting Period. The calculation methods, standards, assumptions, and references for the quantitative data, as well as the sources of the main emissions factors and definitions of terms are also provided.

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- **Balance:** The ESG performance data is disclosed on an unbiased basis with a full picture of both our accomplishments for the Reporting Period and potential for enhancement in the future.
- **Consistency:** The data is calculated using consistent methodologies to allow effective year-over-year comparisons and objectively present the Group’s ESG management performance.

Contact

We appreciate your feedback on our report, reporting content and sustainability performance. Please contact us through our Investor Relations department:

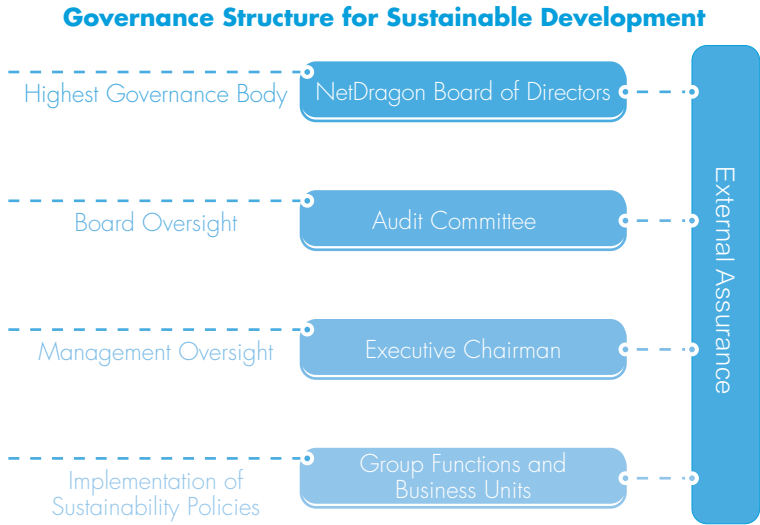
Mail: Units 2001-05 & 11, 20/F, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

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## 2. SUSTAINABILITY GOVERNANCE

As a prominent online games pioneer in China and global leader in education technology, NetDragon takes on a sense of social responsibility befitting a publicly listed company and maintains high levels of sustainability governance standards. Our commitment to corporate social responsibility is deeply ingrained in the corporate culture, aiming to achieve the perfect balance between economic growth, social progress, and environmental protection. In doing so, we not only drive sustainable growth but also deliver stable returns to investors, laying a solid foundation for our future development.

The Group has established a comprehensive governance structure led by the Board of Directors, under which each function contributes diligently and prudently to advancing the Group’s sustainability efforts, working together towards achieving the organisational sustainability goals.



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NetDragon's ESG management structure and the respective roles of each layer are as follows:

- NetDragon Board of Directors**
  - Supervise the practices and implementation procedures for corporate governance
  - Maintain appropriate and effective risk management and internal control systems to ensure compliance with all applicable regulations within the Group
  - Review and approve ESG reports
- Audit Committee**
  - Assist the Board of Directors in verifying the objectivity and credibility of financial reports, and ensure that directors act in accordance with the *Director's Responsibility Guidelines* when disclosing financial results to shareholders
  - Assist the Board of Directors in establishing effective risk management and internal control systems, while maintaining good corporate governance standards and practices
  - Review ESG reports and provide recommendations for review and approval by the Board of Directors
- Executive Chairman**
  - Serve as general ESG management consultant under the full authorisation of the Board of Directors
- Group Functions and Business Units**
  - Our various business units promote the implementation of the Group's ESG policy and integrate ESG targets into the Group's daily operations
  - Our subsidiaries formulate and implement ESG-related measures in accordance with the Group's ESG policies and targets, taking into account their own business characteristics and actual circumstances, and collect and summarise the progress and performance of ESG work
  - All group functions, business units, and subsidiaries assist in the preparation of ESG reports and conduct ESG-related research
- External Assurance**
  - The Audit Committee conducts semi-annual reviews of the effectiveness of our internal control efforts with the assistance of third-party organisations to comply with the relevant provisions of the Corporate Governance Code of the Main Board Listing Rules issued by The Stock Exchange.

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## 2.1 Board Independence, Diversity and Performance

We firmly believe that a diverse Board serves as one of the key factors in enhancing our overall performance. Board diversity not only broadens our perspectives but also translates into better decisions and outcomes. In addition to skills, knowledge, and professional experience, the Group considers and balances differences in background, ethnicity, age, gender, and service experience of our Board members. The Board's mission is to select and appoint outstanding individuals to its membership on the basis of merit as well as their contribution to the Group's strategic objectives and sustainable development. We established a Board diversity policy in 2013, which has been under continuous monitoring and maintenance. Aligned with the policy, we have recently appointed two new board members, including one female member, for optimal Board tenure. These directors will stand together to lead the Group towards a more prosperous and sustainable future.

During the Reporting Period, NetDragon received annual confirmation of their independence from each independent non-executive director in accordance with Rule 3.13 of the Listing Rules. These directors have more than 10 years of experience in corporate operations and management, well-versed in all aspects therein. The Nomination Committee confident that they exhibit total independence of character and judgement in their duties as Board members and designated roles.

Besides diversity criteria and independence requirements, we perform regular self-assessment of Board performance to monitor Board effectiveness and systematically evaluate their performance for the past financial year.

## 2.2 Business Ethics and Compliance

### 2.2.1 Business Ethics and Oversight

The Group has always been committed to maintaining excellent corporate governance performance. We view corporate governance as a driving force for our sustainable development and place high importance on business ethics and integrity. All Directors and senior management have completed written training on the anti-corruption legislation of the Hong Kong SAR Independent Commission Against Corruption. To ensure effective management, we conduct our business activities in all functional and business units with the highest ethical standards and have developed organisation-wide regulations for employees, including the *Anti-Fraud and Anti-Bribery System* and the *Whistleblowing System*. To fulfil this commitment, we entrusted third-party organisations to assess our ethical standards.

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All stakeholders who engage in business with the Group, including suppliers, service providers, contractors and customers, are required to comply with the integrity provisions in our bidding/tender documents and contracts. In terms of supplier management, our Internal Audit department and Human Resources department actively communicate relevant business ethics principles to suppliers and business partners, ensuring that they share our commitment to upholding high standards of business ethics.

In terms of employee management, all new hires are required to sign a *Confidentiality and Integrity Statement* to ensure that they practice good business ethics from day one. We also require procurement staff to sign the *Procurement Department Violations and Penalties Rules* and to comply with conflict-of-interest provisions. Meanwhile, we have formulated the *Code of Conduct for Avoiding Conflicts of Interest*, which requires employees to conduct self-examination and declaration of organisational beneficial interests, in order to identify and prevent potential conflicts of interest and to prevent and control staff management risks. We have set up a dedicated team to handle conflicts of interest, investigate and assess potential conflicts and develop mitigation strategies as appropriate.

The Group has also introduced a feature in its Office Automation (OA) system to collect anonymous complaints about unfair policies and rules or unethical behaviour of employees, especially those in middle and senior management positions.

## 2.2.2 Anti-Corruption

NetDragon adopts a zero-tolerance attitude towards corruption and bribery. The Group requires all subsidiaries to comply with anti-corruption legislation in the jurisdictions where they operate, such as the *Prevention of Bribery Ordinance* in Hong Kong and the *Foreign Corrupt Practices Act* in the USA. They are also required to implement the *OECD Anti-Bribery Convention* throughout their operations.

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The Group has established an internal anti-corruption management system in accordance with the abovementioned laws and regulations. We regulate employee behaviour through internal policies such as the *Employee Misconduct Handling and Management Measures*, which define and impose penalties for corruption and commercial bribery, establishing robust business ethics rules and codes of conduct.

## *Employee Misconduct Handling and Management Measures (excerpt)*

Employees found to have engaged in misconduct that seriously damages (potentially or in reality) the Company's reputation or interests, such as theft, embezzlement, misappropriation of company funds or other property, abuse of position, fraud, accepting bribes/commissions through abuse of authority, abuse of power, private embezzlement, favouring relatives or seeking personal gain, will have their employment terminated immediately by the Group without compensation.

At the same time, in accordance with the requirements of the Independent Commission Against Corruption (ICAC) of the Hong Kong Special Administrative Region, the Group provides a series of anti-corruption related readers such as the *Business Ethics Training for Listed Companies and Anti-Corruption Program – Guidelines for Listed Company* to the Board of Directors and senior management, and organises regular training to strengthen the Group's culture of integrity. These help to ensure that our sustainability goals are delivered.

During the Reporting Period, the Group maintained the highest level of integrity and was not involved in any litigation relating to bribery, extortion, fraud, or money laundering.

### 2.2.3 Reporting Channels

The Group strictly prohibits any unethical business practices and strongly opposes any form of bribery and corruption. To encourage employees to report suspected misconduct in the Group in a confidential manner, we provide a range of reporting channels, including web portal, hotline, email, and intranet.

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A reporting feature known as “BUG” has been introduced to our internal OA system. After an investigation by the Internal Audit, if the reported matter is confirmed to be true, the violator will be disciplined by the senior managers of the respective department in accordance with the guidelines provided by the BUG resolution process. The Group plans to develop corresponding internal response procedures for operational problems identified to prevent them from happening again in the future.

To ensure effective whistleblowing, we implement strict confidentiality of the whistleblower’s personal information, ensuring that the whistleblower’s safety and privacy are thoroughly protected. Our Human Resources department and Internal Audit department work together to ensure that reported matters are handled properly.

Collectively, the above measures and actions instill a culture of integrity in the Group and ensure that this culture is maintained throughout our operations over the long term.

#### Reporting channels:

Internal

Bug Collection Cabin, email, 99U and other channels

Email: neishen@nd.com.cn

External

Senior Staff Commendation/Complaint Collection:

<https://www.nd.com.cn/2021/collection/>

Email: zuzhibu@nd.com.cn

One of our major overseas subsidiaries has released the *Confidential Reporting (Whistle-blowing) Hotline Policy, Procedures and User Guidelines* through internal and external channels. The Guide provides detailed instructions on the reporting procedure as well as reporting channels, and defines reportable matters to help employees accurately identify unethical business conduct.

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## 2.3 ESG Risk Management

Excellent risk management capabilities are critical to NetDragon's continued success. Our risk management team works closely with departments across the Group to maintain a keen insight into policy updates, competitive landscape, and technological trends. Cross-departmental collaboration enables us to identify potential risks that may pose a threat to our business in a timely manner, especially those closely related to sustainability.

In the risk management process, our departments continuously monitor and assess potential risks to ensure effective control and mitigation. As soon as risks are identified, the relevant departments will report immediately to the management and, under their guidance, quickly develop action plans and management objectives to reduce losses resulting from the risks.

Mindful of the challenges posed by climate change, NetDragon has taken a series of steps to manage physical and transition risks. These measures are designed to strengthen our climate resilience and ensure that our operations are properly equipped against the adverse impacts of these changes. For more information on how we address environmental challenges, please refer to Chapter 5 Environment in the Report.

## 3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

### 3.1 Stakeholder Engagement Approach

NetDragon is convinced that the collective engagement of internal and external stakeholders is necessary for achieving our ambitious sustainability goals. These stakeholders include not only our employees, but also our customers, suppliers, partners, as well as regulatory bodies and community members who play important roles in our business. To this end, we strive to create an open communication platform where the voices of all stakeholders are heard, ensuring that their expectations and concerns are well understood and addressed.

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## 3.2 Identification and Update of Material Topics

During the Reporting Period, we analysed ESG topics according to their importance to stakeholders and the Group's business development, based on feedback from various communication channels. These topics are grouped into three tiers: General Topic, Moderate Topic and Material Topic. The results are shown below:

Category	Topic	Topic Materiality
Environmental	Climate Change	Moderate Topic
	Air Pollutant Management	
	Water Consumption and Conservation	General Topic
	Energy Management and Carbon Emissions	
	Waste Management	
	Environment and Use of Natural Resources	
Social and Governance	Respect for Intellectual Property Rights	Material Topic
	Data Security and Privacy Protection	
	Product and Services Safety and Quality	
	Innovation Management	
	Corporate Governance	
	Anti-bribery and Anti-corruption	
	Community Investment	Moderate Topic
	Diversity, Inclusion and Equal Opportunities	
	Responsible Supply Chain Management	
	Occupational Health and Safety	
	Talent Attraction, Retention & Development	
	Commercial Ethics and Antitrust	

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NetDragon firmly believes that high priority must be given to topics that can have a profound impact on our corporate value. This year, through monitoring industry trends, regulatory updates and investor expectations, and based on the results of stakeholder engagement, we identified "Respect for Intellectual Property Rights", "Data Security and Privacy Protection", "Product and Services Safety and Quality", "Innovation Management", "Corporate Governance" and "Anti-bribery and Anti-corruption" as "Material Topic". The significance of these topics reflects their impact on our ESG aspects. We aim to integrate these topics into our day-to-day operations and manage them through our policies and risk management framework.

NetDragon places equal emphasis on General Topics and Moderate Topics. Considering the impact of these topics on our corporate value, we aim to address them through formulating appropriate policies, setting ESG targets, and risk management to ensure that we meet the code of business conduct and ethics across all aspects. This is our commitment to our stakeholders and our investment in the future.

## 4. USER RIGHTS PROTECTION

### 4.1 Cyber Security

As a global leader in building internet communities, NetDragon is well aware of the importance of cyber security to the Group and our stakeholders. We strictly comply with laws and regulations on information security in jurisdictions where we operate, including but not limited to the *Cybersecurity Law*, the *Data Security Law*, the *Personal Information Protection Law*, the *Standard Contract for the Outbound Cross-border Transfer of Personal Information*, the *Procedures for Administrative Law Enforcement by the Cyberspace Administration Departments*, *Regulations on the Safety Management of the Application of Facial Recognition Technology*, *Measures for the Administration of Compliance Audits of Personal Information Protection*, the *Civil Code* and other relevant laws and regulations. We have established a top-down cyber security management framework to ensure that every aspect, from policy development to day-to-day operations, is under strict oversight.

To enable robust cyber security governance, we have clearly defined roles and responsibilities within the team and established efficient reporting mechanisms to ensure agile decision making and precise management. In addition, we continually improve our internal cyber security policies and processes to ensure that our business complies with the law. We view cyber security as a core element of risk management, protecting our operations from any potential threats. These comprehensive security principles provide a solid foundation for a safe and reliable cyber environment for our customers, employees and partners. Through these strategies and actions, we have consolidated our cyber security leadership and set the stage for continued growth and innovation.

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## 4.1.1 Governance

NetDragon's commitment to information security is evidenced by our comprehensive and rigorous governance measures. We have implemented organisation-wide Information Security Management Measures in place, to enhance our information security management, ensuring the confidentiality, integrity, and availability of corporate information resources. These measures are designed to prevent leakage, falsification and loss of information, while protecting company assets and customer data from potential threats. In addition, the Group's senior management is actively involved in overseeing cyber security matters, ensuring the strict implementation of each policy.

To strengthen this commitment, we have established the Safety and Compliance Committee, led by the vice president of Netdragon and overseen by a Board member, demonstrating the utmost importance we place on cyber security. The Information Security Department of the Group is responsible for the Group's information and cyber security affairs, carrying out functions such as policy formulation, security training, risk assessment, security monitoring, emergency response, and technical support. It undergoes regular internal and external audits and assessments to ensure that our security measures remain at the forefront of the industry. Guided by the Information Security Management Measures, the Technical Maintenance Department, server and application system operations and maintenance personnel from other departments, as well as all our employees are required to participate in related security initiatives. At NetDragon, decisions regarding cyber security are made and implemented collectively by these professional departments, ensuring that we can respond quickly and effectively to any security challenges and provide a secure cyber environment for our customers, employees, and partners.

From developing rigorous guidelines for cyber security and personal privacy protection to addressing regulatory requirements, we conduct sound data classification and security assessments, demonstrating NetDragon's steadfast commitment to user data protection. The Company not only conducted security testing of internal systems, but also paid special attention to five key areas: protection of personal privacy on mobile Apps, information security for users, real-name registration, content security, and anti-addiction system of games.

During the Reporting Period, we began advancing the implementation of artificial intelligence (AI) in our security operations, including AI-assisted threat detection and response, which significantly improved efficiency and accuracy, and automated threat intelligence analysis, which reduced human misjudgments. At the same time, we strengthened AI security defenses and governance to prevent hackers from exploiting AI to launch industrial-scale and large-scale attacks.

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We adopt a series of measures across various domains, including terminal security management, network security management, password security management, software usage management, security development management, back-end system security, data security management, operation and maintenance security management, vulnerability management, outsourcing management, security incident response management, perimeter security management, and offboarding procedures for departing employees. These measures are implemented to proactively mitigate the risk of cybersecurity incidents. Looking ahead, NetDragon will continue to closely monitor the latest developments in the field of cyber security, introduce advanced solutions, and continuously improve and strengthen our information security system to ensure maximum protection of user data security and privacy.

During the Reporting Period, we established a seven-layer defense-in-depth system. Rather than relying on a single perimeter defense, we implemented multi-layered protection spanning the physical, network, system, application, data, user, and management layers. We deployed over 100 honeypot nodes, shifting our posture from “passive defense” to “active deception” and achieving “perception-as-defense.” In addition, we developed a traffic security audit system to identify hidden channels and abnormal traffic patterns. We also built a security intrusion defense and analysis system, utilizing correlation analysis technology to aggregate dispersed and fragmented attack signals into complete attack chains for precise judgment.

## *4.1.2 Independent Assessment and Certifications*

NetDragon’s Information Security team is committed to the protection of data by implementing well-defined management policies and regularly conducting comprehensive security audits of the Company’s information systems, business systems and IT infrastructure. In terms of external audits, the local administrative authorities where our main operations located also conduct strict reviews of these security measures to ensure that NetDragon implements high-standard management in information security.

The China based gaming and education businesses of the Group have all obtained the State National Information Security Protection Level 3 Certification, which is the most authoritative information security certification scheme in China, and have qualified for reassessment during the Reporting Period. This reflects NetDragon’s firm commitment to following national information security regulations and technical standards, as well as our continuous efforts to assess and enhance information system security levels.

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Fujian Province Huayu Education Technology Co. Ltd. ("Fujian Huayu Education"), a subsidiary of Netdrgon, has achieved remarkable achievements in information security. After obtaining the internationally recognised ISO27001 Certification in 2023, Fujian Huayu Education achieved the highest level of CMMI certification and successfully renewed its After-Sales Service Certification in 2025. further underlining NetDragon's global leadership across information security, software R&D and after-sales quality.

## *4.1.3 Cyber Security along the Value Chain*

NetDragon views information security as a critical standard in the selection of suppliers and partners. Besides meeting the strict requirements of the State National Information Security Protection Level 3 Certification itself, the Group requires the security qualifications of cloud service providers and other relevant suppliers to have the same capability, if not a higher level of Certification, in their security qualifications. In accordance with our Information Security Management Measures, all third-party data service providers shall provide relevant data security certifications and shall file the same with the Information Security Department, ensuring their compliance with data protection regulations and the implementation of appropriate security measures.

## *4.1.4 Cyber Resilience Commercialisation*

NetDragon not only focuses on cybersecurity in our daily operations, but also integrates this concept into the design of our products and services. The Company is committed to delivering sustainable designs that translate cyber resilience into commercial value. By undertaking outsourced cyber security attacks and defense drills, NetDragon has improved its capacity to assist corporate clients in safe operations.

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## 4.1.5 Cybersecurity Training and Education

In 2025, we continued our focus on compliance training in terms of data and information security at the Group level. The detailed programs and progress include:

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- 1、 The Group provides various safety and compliance training to employees. These include mandatory safety and compliance training for new employees, special safety and compliance training for core business personnel and information security series certification.
  - 2、 All new employees received the New Employee Information Security Awareness Training course to gain basic information security knowledge, security awareness and understanding of their responsibilities.
  - 3、 Specialised training on Hillstone Firewall Fundamentals and iOS/Android App Hardening was provided to O&M, security, and development personnel, empowering them to master perimeter security control and traffic filtering, while effectively preventing reverse engineering to safeguard business logic and user privacy.

During the Reporting Period, we provided information security training to 147 people. The total number of training hours was 100 hours, averaging 0.68 hours training hours per person. Furthermore, the Company conducted pre-job training for business partners to help them establish fundamental security awareness, requiring them to pass the Information Security Certification Exam to verify their knowledge proficiency. For threats such as repeated vulnerabilities, the Company performed re-testing to maintain security sensitivity. The Company also invited third-party professional organisations to conduct annual external audits, benchmarking the Group's current status against international standards. This enabled timely optimisation of management practices, security equipment and procedures thereby enhancing decision-making efficiency, eliminating blind spots in responsibilities and strengthening physical and network-level defense capabilities to ensure standardised behavior and reducing the risk of human error.

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## 4.2 Privacy and Data Protection

### 4.2.1 Privacy and Data Security Principle, Commitments and Approach

As the world's leading operator of online communities, we oversee a vast database of personal information. In this data-intensive era, we recognise the importance of protecting this information and enforce strict data protection measures in all facets of our business. Our guiding principle is to retain user's personal information for the shortest period permitted by law to minimise any potential privacy risks. Specifically, as required by applicable laws and regulations, we formulated the *NetDragon Game Privacy Policy* to ensure compliance and to protect the privacy of our users. NetDragon adopts the contents of *Information Security Technology Personal Information Security Specifications* (GB/T 35273-2020) as the framework to form our organisation wide information security management system, and has formulated the following principles, commitments, and approach:

#### ○ Data Collection Phase:

- Principle of Legality: No deception, no misleading, no concealing, no data collected from any illegal channels;
- Principle of Minimum Necessity: Only collect the data directly related to the implementation of products or services;
- Principle of Autonomy: Set isolated application scenarios and provide unbundled services, allowing for user's autonomy;
- Principle of Authorised Consent: Fully inform users about the intent, method, and range of the data collection before their authorisation, and no data collection without user authorisation.

#### ○ Data Storage and Transmission Phase:

- Shortest Time Principle: The storage period is the minimum time required to achieve the purpose of processing;
- De-Identification Management: Apply de-identification after the data collection, store the data separately and strengthen access and usage control;
- Encryption Measures: Apply national encryption standard during data storage and transmission.

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- Data Access and Application Phase:
  - Principle of Access Control: Implement minimum access control strategy, internal supervision and approval process for data revision and download;
  - Principle of Purpose Limitation: Data application must comply with the purpose stated during the collection phase, any applications beyond the stated purpose need separate authorisation;
  - Principle of Publicity Restrictions: Utilize de-identification technology to exclude sensitive information in the presentation of personal data to protect privacy and security.
- Data Destruction Phase:
  - Users may contact our customer service representatives at any time to request account closure. We will delete or anonymize the user's information and account-related data, and promptly notify any parties that have obtained the personal information of the user from us and request them to delete the information in a timely manner. In compliance with applicable laws and regulations, user log data and internet security protection technical records shall be retained for at least of 60 days, while transaction records shall be retained for at least 180 days.

## *4.2.2 Scope of Privacy and Data Protection Policies*

Protecting the security and privacy of personal data is a top priority in our operations. The Group develops and continuously updates a comprehensive series of privacy policies that apply to all of its controlled companies to ensure the protection of user data on a global scale.

## *4.2.3 Personal Data Consents, Rights and Control*

NetDragon provides users with the right to control their personal information, including but not limited to the right to access, update, delete and withdraw the authorisation. We provide an intuitive interface that allows users to easily update or modify their personal information, such as phone numbers, in the designated application. In addition, when users choose to cancel their accounts, we ensure that their personal information is automatically and securely removed from the system to protect their privacy.

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## *4.2.4 Cross-border Data Management*

In order to protect our users' privacy and personal data, NetDragon complies with all applicable laws and regulations on the cross-border transmission where we operate. If there is a need to transport personal information across borders, NetDragon will separately and independently obtain the user's authorised consent to specify the purpose, type and recipient of the outbound transmission of personal information. The Group also implemented efficient business structures and used the technical infrastructures of the Group to ensure segregated management of onshore and offshore personal data.

## *4.2.5 Privacy and Data Engagement and Certification*

The Group provides in-depth privacy and data security training to all employees, especially those involved in handling personal information. Prioritising "data minimisation" and "privacy by design", one of our major overseas subsidiaries integrates these principles into its products and services to minimise the processing of personal data. At the same time, the subsidiary has deployed advanced software scanning tools to detect vulnerabilities in code, ensuring that issues are identified promptly to provide secure products and services. A service offered by the overseas subsidiary has been certified by iKeepSafe (Internet Safety Alliance©). This confirms that the overseas subsidiary's service strictly complies with certain state and federal regulations in USA on the handling of sensitive personal information.

## *4.2.6 Third-party Organisation Data Management*

The Group does not rent, sell, or provide personal data to third party organisations other than for the following purposes: to complete a merger, acquisition, asset transfer or similar transaction with user consent; to perform specific services with user consent; when inquired by local jurisdictions and regulatory department to be compliant with the relevant requirements of laws and regulations.

## *4.2.7 Data Breach/Incident Response Plan*

The Group has introduced a series of innovative technologies and measures to minimise the risk of data breaches. In addition to developing a comprehensive data security management strategy and contingency plan, we have also established a robust incident response mechanism to ensure a rapid and effective response to information security incidents.

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In the event of an information security incident, our Information Security department will take immediate action and assign professional staff to perform an incident analysis. We will collect evidence at the scene of the incident, thoroughly understand the cause and handling of the incident, and conduct a rigorous assessment of its impact. Our aim is to ensure the effectiveness of response measures, to learn from the incident, to make recommendations for improvement and to prevent similar incidents from happening again. In addition, our Information Security department regularly reviews and updates information security policies and procedures to strengthen our information security defense mechanism and continuously improve our information security management level.

We regularly conduct comprehensive assessments of our computer systems and make necessary platform upgrades to ensure that our technology remains at the forefront of the industry. Ongoing network vulnerability assessments and penetration testing enable us to identify and address potential security threats in a timely manner. All of our critical IT infrastructure and systems are equipped with advanced monitoring systems that accurately generate and analyse logs and immediately issue alerts when suspicious network activity or attempted attacks are detected. During the Reporting Period, the Group reported no substantial data leaks in our business operations.

## 4.3 Protection on Minors

In today's digital game era, NetDragon serves not only as a platform for exciting gaming experiences but also as a socially responsible custodian. We are committed to protecting minors from the potential hazards of online gaming. In compliance with the National Administration of Press and Publication's Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addictions among Minors, the Group implements real-name registration across all of our self-operated games in Chinese Mainland (such as Eudemons Online, Conquer, and Heroes Evolved). Minors are required to ensure that they have the consent of their guardians to use our services, and their data will be strictly protected. If we find out that we have collected data without a guardian's consent, we will suspend the service to minors and delete the data as soon as possible to protect the physical and mental well-being of minors, reduce their risk of gaming addiction, and help them develop healthy gaming behaviour.

In accordance with the requirements of the China Audio-video and Digital Publishing Association, age-appropriate reminders are added to the game download, registration and login interfaces of the games, and similar age-appropriate reminders are placed throughout all promotional materials. Meanwhile, we launched an online parental supervision platform to help parents prevent minors from using online services excessively and to provide all-channel and seamless support. Gamer refund issues are handled by a dedicated process team in accordance with relevant regulations and industry best practices.

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## 4.4 Intellectual Property Protection

Intellectual property ("IP") is a critical strategic asset for the Group. Excellence in IP management serves not only as a powerful driver of our core competitiveness, but also as a key factor in stimulating innovation and development. We are constantly striving to nurture and expand our flagship IPs to provide players with a unique gaming experience. To this end, the Group has collaborated with well-known IPs both domestically and internationally and proudly partnered with prestigious brands including Universal Pictures and LEGO on their IPs. By implementing a series of innovative mechanisms, we have ensured the highest level of protection and respect for these valuable IPs in various domains.

On our intranet, accessible to all employees, each IP related to our offerings is presented as individual modules with details such as official name, applicable jurisdiction, trademark and category, associated samples, etc. More importantly, each dominant IP has its dedicated user manual, articulating practical business scenarios, IP resource protection-related regulations, basic user specifications, applications case studies, etc. This not only raises employee awareness of IP, but also effectively guides employees to use IP in a correct and compliant manner in their daily work, thereby reducing the risks associated with IP misuse or abuse.

At the same time, the Group holds the IP of others in high regard and continues to promote the use of genuine software. In game development and other creative processes, we strictly adhere to IP laws and never infringe upon the IPs of others.

## 4.5 Customer Engagement

We value our customers' feedback and reviews of our products and services. We always listen attentively to the voice of each customer and regard their feedback as the key to improving the quality of our products and services. To this end, we monitor and respond to customer feedback and enquiries relating predominantly to the Chinese and English versions of our gaming products and services. Over the past nine fiscal years, the Group has received an average of 0.04% of customer complaints.

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## 2017-2025 Operation Contacts into Support and complaints Received within the Group

Year	Customer Contacts	Complaints Received %	%Complaints
2017	1,908,693	211	0.011%
2018	1,756,206	396	0.023%
2019	1,685,030	335	0.020%
2020	1,837,044	607	0.033%
2021	1,510,396	541	0.036%
2022	1,478,111	461	0.031%
2023	1,240,726	633	0.051%
2024	1,207,609	702	0.058%
2025	1,199,194	658	0.055%

NetDragon listens and takes every customer's opinion and feedback seriously. Each complaint is handled on a case-by-case basis by studying the feedback from our customer satisfaction surveys. The Technical Support team is responsible for recording the feedback, forwarding it to the relevant personnel for processing, and contacting the customer to resolve the complaint when it is completed.

## 5. ENVIRONMENTAL PROTECTION

The Group primarily operates in the fields of gaming and education technology, resulting in comparatively minimal environmental impacts when compared to traditional manufacturing industries that directly emit greenhouse gases and produce waste. Nonetheless, we never neglect our responsibility for environmental protection. We perceive environmental protection as a hard core of corporate social responsibility and are dedicated to minimising our negative impact on nature through sustainable business practices. An Environmental Management System at the group-level has been established for all employees to follow. Since October 2022, the *Quality and Environmental Management System* ("QEMS") has been implemented in one of our major overseas subsidiaries in line with ISO14001 and ISO9001 standards. Additionally, our subsidiary Fujian Huayu Education obtained the certification of ISO14001 environmental management system in 2022, recognising our endeavours in environmental protection.

In response to the challenges posed by global climate change, such as rising sea levels, extreme weather events, and temperature shifts, we recognise the significant impact these changes may have on our assets, business operations, and all stakeholders. Accordingly, we have developed a robust set of internal management policies to mitigate these risks and established a monitoring system to track the progress and results of their implementation. In 2025, we also launched conservation initiatives such as the "Saving Elephants for the Future: Asian Elephant Conservation Campaign (象往未來•亞洲象保護行動)" with an aim to raise public awareness of conservation through public outreach, on-site volunteer activities, and in-game content centred on ecological themes. Our aim is clear: to protect both the environment and our business from the adverse effects of climate change while contributing to a greener and more sustainable future.

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## 5.1 Climate Change

Against the backdrop of the response to climate change around the world, climate-related risks and opportunities have become key factors influencing the resilience of businesses. As an innovative enterprise focusing on both technology and education, NetDragon deeply recognises the far-reaching impact of climate change on its business operations, supply chain collaboration, and long-term value. We have incorporated climate governance into our core sustainability strategy and have been progressively establishing a systematic climate risk management framework based on the TCFD recommendations, in order to identify and assess the potential challenges posed by climate change to our business operations, R&D of technology and market environment.

### *Governance*

NetDragon has established a comprehensive ESG governance framework led by the Board and has incorporated climate change issues into its core corporate governance system. As the highest decision-making and oversight body for ESG practices, the Board assumes overall responsibility for approving climate-related strategies, monitoring targets and managing risks. The Audit Committee assists the Board in assessing the effectiveness of climate risk management. Functional departments and subsidiaries are responsible for specific implementation, while business units incorporate climate goals into their strategies and operations, forming a closed-loop governance spanning from decision-making, supervision to execution.

### *Strategies*

To systematically assess the long-term potential impacts of climate change on its business operations, NetDragon employs climate scenario analysis to scientifically identifies climate-related risks and opportunities that are material to its operations by constructing risk pathways under different temperature rise scenarios, thereby providing a basis for decision-making regarding medium – to long-term strategic planning and climate adaptation.

### *Scenario analysis*

After taking comprehensive consideration of global climate policy trends and scientific assessment, we have established two climate scenarios, namely high-carbon emissions scenario and a low-carbon emissions scenario by making reference to the climate scenarios published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), and ensure that the timeframes align with the development planning stages of the Company and are in line with the Paris Agreement. The selected scenarios assist the Company in assessing the level of climate-related risks and support our future management decisions. The specific assumptions and timeframes for these scenarios are set out in the table below:

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Scenarios	
Physical risk	<p>Low-carbon scenario: IPCC SSP1-2.6, a scenario assuming that global warming will be kept below 2°C by 2100, which is in line with current commitments under the Paris Agreement, with a limited but manageable increase in extreme weather</p> <p>High-carbon scenario: IPCC SSP5-8.5, a scenario assuming that carbon dioxide emissions will approximately double by 2050 compared with current levels, leading to an increase in the frequency and intensity of extreme weather such as heatwaves and extreme precipitation</p>
Transition risk	<p>Low-carbon scenario: Net-Zero Emissions (NZE) scenario, a scenario assuming that global net-zero emissions will be achieved by 2050, with average temperatures stabilised at a level no more than 1.5°C above pre-industrial levels</p> <p>High-carbon scenario: Stated Policies scenario (STEPS), a scenario assuming that, with no additional policies implemented beyond those currently in place by national governments, the global average temperature will rise by 2.4°C by 2100</p>
Timeframe	
Short-term	to 2030
Medium-to long-term	to 2050

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## List of climate risks and opportunities

Based on the established industry climate risk database, and taking into account the pathway analyses under various scenarios, we have systematically identified climate-related risks and opportunities that may have a material impact on cash flows, financing channels and cost of capital of NetDragon in the short, medium and long term. After assessment, 5 key climate risks are identified, including 3 physical risks and 2 transition risks as well as 1 climate-related opportunity for development. We have conducted a comprehensive analysis and business impact assessment of these risks and opportunities<sup>1</sup> and the results are set out in the table below.

**Table 1 List of climate risks and opportunities**

Risk/opportunity	Impact on business model and value chain		Countermeasures
	Current impact	Expected impact	
Typhoon	No impact on business model and value chain during the Reporting Period.	The Company's headquarters is located in the southeastern coastal area prone to frequent typhoons. Severe typhoons may cause interruptions in regional power, disrupted network communications and difficulties for employees to commute, which will directly affect the service availability and user experience of online game and educational platforms. Any damage to critical infrastructure such as data centres may lead to system downtime, data security risks and business interruption, increased operating and maintenance and disaster recovery costs.	We will refine our contingency plans, strengthen data backup and infrastructure resilience, systematically enhance typhoon response capabilities to ensure our business continuity and the safety of our employees
Extreme precipitation	No impact on business model and value chain during the Reporting Period.	Extreme precipitation may the flood data centre server rooms and cause damage to power supplies and network cables. As NetDragon relies heavily on the stable operation of its online systems, such incidents will increase the risks arising related to system operation and maintenance, and may potentially affect the online experience of gaming users and undermine the trust of education clients in the reliability of our platform.	We will refine contingency plans for extreme precipitation, enhance the flood protection capabilities of data centres and conduct regular drills to minimise the risk of operational disruption and data security breaches.
Extreme heat	No impact on business model and value chain during the Reporting Period.	Persistent high temperatures will directly drive up energy consumption for cooling in data centres and office premises, leading to higher operating costs. During peak electricity consumption periods, the risk of regional power blackout may increase, threatening the continuous and stable operation of servers and posing challenges to business continuity.	We will adopt energy-saving technologies, refine our high-temperature contingency plans and strengthen employee health protection, in order to manage operational risks and cost pressures under extremely hot weather.

<sup>1</sup> The climate-related risks and opportunities assessment set out in this report currently covers the major operating entities of the Group, and identifies and analyses physical and transition risks based on selected climate scenarios. Certain overseas subsidiaries have not yet been included in this scenario analysis, as they are still establishing their climate risk assessment systems and refining their data bases, and the consistency of relevant scenario parameters and the suitability of methodologies are still being verified. The Company will expand the coverage of the scenario analysis for its overseas operation in phases, and continue to improve the assessment scope and methodological system.

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Risk/opportunity	Impact on business model and value chain		Countermeasures
	Current impact	Expected impact	
Policy	No impact on business model and value chain during the Reporting Period.	In view of the tightening requirements for climate information disclosure both domestically and internationally, the Company will be required to comply with increasingly complex carbon and climate-related disclosure standards in the future. Failure to establish an appropriate data management and disclosure system in a timely manner may expose us to the risk of rising compliance costs, increased management complexity and delayed disclosures.	We will establish a systematic system for carbon and climate disclosure and strengthen its internal compliance capabilities to actively respond to policy and regulatory requirements and manage related risks.
Market	No impact on business model and value chain during the Reporting Period.	As investment in ESG becomes mainstream, investors, partners and users are paying increasing attention to the environmental performance and transparency of the Company. If the Company fails to meet market expectations regarding green operation, carbon neutrality path or sustainable information disclosure, its market assessment, opportunities for collaboration and brand reputation may be affected.	We will deeply incorporate ESG into our strategies, strengthen sustainability information disclosure and communication with stakeholders, and actively respond to market expectations to manage brand and capital risks.
Product and service expansion	No impact on business model and value chain during the Reporting Period.	Leveraging its capabilities in digital content development, gamification technology, and education technology, the Company is able to explore the development and application of climate-themed games or other digital content and solutions, thereby expanding its products and services offerings in the education and public services market, and creating medium to long-term business growth opportunities.	Capitalising our advantages of digital technology and educational content, we will actively explore and develop interactive climate-themed products and green solutions, so as to expand the sustainable education market and capture emerging business opportunities.

## Risk management

NetDragon has integrated climate risk management into its overall risk management process, and has established a systematic process covering risk identification, assessment and control in an effort to continuously address climate-related physical and transition risks. Going forward, we will actively draw on the advanced practices within the industry to constantly refine our risk management mechanism to enhance the adaptability and resilience to climate change of the Company.

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## Indicators and Goals

In response to the goal of “Climate Action” goals set out in the Sustainable Development Goals (SDGs) announced by the United Nations, the Group has followed the recommended TCFD framework and has been progressively disclosing its risk management system and measures on climate change. We have calculated Scope 1, 2 and 3 greenhouse gas carbon emissions and have set, and have been continuously tracking the progress of, climate change-related indicators and goals, so as to achieve comprehensive management of climate issues.

Indicators	Unit	2025	Remarks
Scope 1 emissions	tCO <sub>2</sub> e	267.18	/
Scope 2 emissions	tCO <sub>2</sub> e	9,512.32	/
Scope 3 emissions <sup>2</sup>	tCO <sub>2</sub> e	152.49	/
The amount and percentage of assets vulnerable to climate-related transition risks	/	/	(Disclosure or Explain) <sup>3</sup>
The amount and percentage of assets vulnerable to climate-related physical risks	/	/	
The amount and percentage of assets aligned with climate-related opportunities	/	/	

## 5.2 Energy Management and Carbon Emissions

NetDragon has significantly reduced its environmental impact through innovative technologies and recycling initiatives. We have not only decreased emissions of harmful pollutants and Greenhouse Gas (“GHG”) but also rigorously controlled pollution to water and land, effectively managing the generation of various types of waste.

<sup>2</sup> The Scope 3 emissions data set out in this report only includes emissions from business travel.

<sup>3</sup> Pursuant to the “Reasonable Information Relief” provisions set out in the ESG Reporting Code, the Company, after an initial assessment of the potential impacts of climate-related risks and opportunities, considers that converting the specific assets or business activities expected to be affected into financial amounts or percentages requires high quality data base and analytical model. Given that the Company is still developing its capacity in climate scenario analysis, and the relevant quantitative information cannot be available without undue cost or effort, the Company has decided not to disclose the specific amount and percentage of the impact for the time being, so as to adhere to the principle of prudence in information disclosure. The Company will continue to advance its internal information governance efforts and is committed to gradually improving the quality and completeness of disclosure of relevant information in future ESG reports.

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By carrying out a series of energy-saving measures, we have notably reduced both direct and indirect energy consumption. To mitigate emissions from goods transportation, we are actively promoting innovative road transport methods and have established three new transportation hubs for delivery in the USA to enhance our goods transport efficiency. Additionally, we incentivise employees with green travel policies, stimulating them to choose more environmentally friendly modes of transportation.

Our day-to-day office operations are centred around energy conservation, efficient resource utilisation, waste recycling, and environmental protection. We have issued the Computer Misuse Summary and the Air Conditioning Management Measures to regulate daily office operations and reduce energy consumption. Moreover, we actively put into practice the principles of “reduce, reuse and recycle” and encourage the application of self-developed OA system across the Group to achieve online and paperless office procedures. We recycle all office supplies and equipment, and further conserve energy and resources through the use of LED lighting and the installation of motion sensors.

In recent years, NetDragon has demonstrated unprecedented determination and innovative spirit in leading our headquarters and Smart Education Town towards a future powered by 100% clean energy. Simultaneously, we are deeply committed to advancing the green transition across the entire industry chain, striving to minimise the use of non-renewable energy at every stage from source to end. Our goal is to continually enhance energy efficiency, ensuring that we remain at the forefront of energy use, even surpassing evolving advanced standards.

## 5.3 Indoor Air Quality and Healthy Workplace

We are fully aware of the profound impact of indoor air quality on the physical and mental health of our employees. Hence, we are actively enhancing our work environment to ensure it remains fresh and free from pollution, thereby providing a secure and healthful workplace to our staff. This commitment not only underscores our dedication to employee welfare but also aligns with the vision of “Healthy Workplace, Sustainable Growth” as advocated by HR Excellence Centre.

For six consecutive years, we have been highly recognised by a distinguished Chinese human resources consulting firm, the HR Excellence Centre and received the China Healthy Workplace Certification (中國健康工作場所) of Gold level or above. This certification, developed by experts from esteemed institutions and organisations including Fudan University, Huawei, Medtronic, Volkswagen, and Bayer, is a comprehensive design, covering aspects such as corporate support, health environment and management, management implementation, and occupational safety and health. This certification serves as an external validation of our efforts in fostering a healthy workplace environment.

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## 5.4 Water Consumption and Conservation

In our daily operations, water resources are primarily used for office cleaning and restroom facilities. Despite our operational locations not being situated in water-stressed areas, we deeply value every drop of water. Therefore, we have internally established stringent water resource management policies and guidelines to act on water conservation strategies comprehensively.

From overall management to operational levels, we meticulously monitor and adjust water conservation strategies to ensure their effective implementation. Regular inspections of water facilities are conducted to preempt any form of leakage, and real-time data monitoring is employed to promptly identify and address any abnormal situations of water consumption.

We not only enhance employee awareness of water conservation through posters and promotional materials within the office but also encourage employees to practice water-saving behaviours in their daily lives. Our goal extends beyond merely reducing water usage, but fostering a collective culture of water conservation, where every employee becomes an integral part of the water-saving initiative.

## 5.5 Waste Management

All NetDragon's business units are making joint efforts to reduce the generation of waste and reliance on landfills, thereby easing the burden on our environment. To achieve this, we have established comprehensive guidelines for the collection, recycling, and disposal of all types of waste in alignment with local regulations. Moreover, our waste management strategy is regularly updated to adapt to evolving regulatory frameworks.

At our offices, we promote a centralised material recycling programme aimed at minimising waste generation and fostering resource circularity. From plastics and paper to cardboard and metals, as well as batteries and food waste, our recycling facilities handle a broad spectrum of materials. Specialised recycling bins and stations have been set up in various corners of the office building, accompanied by clear guidelines, to ensure that every employee can easily sort and dispose of waste. All recyclable materials are directed to local recycling centres or charitable organisations for proper processing and reuse. For hazardous waste, we partner with specialised and professional collection agencies to ensure the safe recycling and disposal of items such as fluorescent lights and batteries.

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The Group complies strictly with local legislation in one of its major overseas subsidiaries, including the *New Jersey Electronic Waste Management Act* and the *New York State Electronic Equipment Recycling and Reuse Act*, and has carried out a “Mail-back” programme across the USA, which is aimed to facilitate clients’ convenient recycling of unwanted or damaged products or parts. The initiative allows customers to return items to us free of charge, following detailed instructions, and these items are then responsibly processed and recycled by us. This not only helps reduce electronic waste but also ensures the proper management of old equipment, empowering customers to contribute to environmental sustainability.

The paper consumption and intensities during the Reporting Period are as follows:

<b>Paper consumption</b>	<b>Unit</b>	<b>2025</b>
Total amount of paper consumed	kg	<b>2,159.40</b>
Paper consumption intensity per capita	kg/person	<b>0.71</b>

## 6. PEOPLE

NetDragon’s success is attributed to the steadfast contributions of all employees. We highly value every talent that joins us and strive to provide them with an ideal work environment that harmonises physical and mental well-being, productivity, and team spirit. The Group has formulated the *Human Resources Development Management System* for overall planning for the development of human resources and providing an institutionalised platform for the growth of all employees.

### 6.1 Diversity, Inclusion and Equal Opportunities

We stay committed to upholding fair, just, and open recruitment principles, ensuring equal opportunities for all job seekers regardless of age, ethnicity, race, family status, ethnic background, colour, gender, sexual orientation, religious beliefs, social background, nationality, disabilities, pregnancy, or any other biases prohibited by law. We embrace values of diversity, equality, and inclusion, with “zero discrimination” at the core of our corporate culture.

#### 6.1.1 Policies and Key Initiatives

Our dedication extends beyond creating a discrimination-free workplace where every employee can actively contribute their talents and achieve their potential. We also focus on recruiting, attracting, nurturing, and promoting the most exceptional individuals to drive our core competitiveness.

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The Group implements a series of management policies that promote employees' work-life balance, including:

- 1. Fairness in Talent Attraction and Retention:** We equally treat all employees during recruitment, promotion, reviews of professional and technical tenures, and training.
- 2. Beyond Statutory Holidays:** We provide statutory maternity inspection leave, maternity leave, and breastfeeding leave for female employees, who are also entitled to a half-day holiday on Women's Day. Furthermore, we host the "Goddess Festival" event series annually to demonstrate care and appreciation for our female employees.
- 3. New Working Mode:** We have introduced a Metaverse's office mode, eliminating traditional work restrictions such as attendance monitoring. Under the "result-driven" philosophy, employees are allowed to choose their work locations and hours and compensation is awarded upon successful completion and validation of tasks. This mode allows employees to adopt efficient work styles tailored to their preferences, fostering a healthier work-life balance. Moreover, we provide massive free learning resources. Through self-paced learning, employees can earn certifications, enabling them to qualify for tasks beyond their designated roles. This opens opportunities for maximising their value by taking on cross-functional projects, pursuing diverse career paths, and exercising self-management, and in turn creates a mutually beneficial dynamic where both employees and our Company thrive together, further reinforcing the equilibrium between work and personal life.
- 4. Multicultural, Friendly and Humanised Workplace:** We fully respect each employee's individuality by creating a mutually respectful, healthy, free-from-prejudice and harassment-free working environment. Through employee satisfaction surveys, "BUG collection cabin", and listening to employees' feedback, we are dedicated to solving employee demands through various forms and channels.
- 5. Health of Everyone:** We arrange annual physical examinations for employees. Our headquarters features extensive complimentary recreational facilities, with professional fitness coaches to offer guidance whenever needed. We also provide warm, comfortable, and private spaces for female employees during pregnancy and breastfeeding periods.

On this topic, one of our major overseas subsidiaries has established Employee Inclusion Groups ("EIGs") and developed a diversity, equality & inclusion strategy aimed at fostering exchanges and collaboration among diverse groups while respecting and recognising every employee's individuality and contributions. Under this strategy, its management regularly engages in intersectional discussions with EIGs on how to enhance solicitude and support for 4 different groups, namely, Gender, Ethnicity, LGBTQ+, and Disability in talent recruitment, attraction, and recognition. The management also strictly adheres to Anti-Harassment policies, ensuring a safe, friendly, and inclusive work environment for all employees.

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## 6.1.2 Diversity Training

The Group fully recognises the importance of diversity, anti-discrimination, no-bias, and anti-harassment principles in building a harmonious, efficient, and innovative workforce. These principles are integral to our employee training programmes. To ensure that every employee understands and practices these principles and ideas, we offer tailored courses targeting specific issues to raise awareness among employees and guide their behaviours at certain subsidiaries where these issues are vital to the local communities, promoting a diverse and inclusive work environment. These courses cover:

**Anti-Harassment:** This course starts by elaborating on the negative impact of discrimination and harassment in the workplace, helping employees understand that such discriminatory and harassing behaviour not only lowers morale and productivity but may also violate the law. Additionally, this course provides examples and case analysis outlining the types of behaviour that may lead to discrimination and harassment (including sexual harassment) and teaches employees how to identify and avoid such behaviour. Last but not least, the course explores the ways to create a mutually respectful work environment and introduces employees to relevant provisions of anti-discrimination and anti-harassment laws.

**Unconscious Bias:** This course explains to employees the definition of unbiasedness and unconscious bias, and emphasises the significance of employees possessing awareness against bias. Starting from the origins of bias, the course assists employees in taking various measures to overcome their unconscious biases, teaching them how to examine and change their biased thoughts and behaviours. Finally, the course presents employees specific strategies adopted by the Company to combat unconscious bias.

## 6.1.3 Management Oversight

One of our major overseas subsidiaries hosts periodic “Curious Conversations”, inviting all employees to express their views and expectations regarding the work environment and culture to management executives. These exchanges provide an opportunity for management to explain and respond to queries about the Diversity, Equality, and Inclusion strategy. This not only facilitates mutual trust and understanding between management and employees but also promotes collaboration and communication among EIGs. Employees can also provide their feedback and expectations to management through our internal review mechanism. The department in charge of internal review will ensure that management responds in a timely manner and takes appropriate action.

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## 6.1.4 Staff Overview

As of 31 December 2025, the Group had a total of 3,994 employees, of which 3,061 were full-time employees. 89% of the full-time employees were based in the PRC, with the remaining 11% based overseas. Moreover, full-time male and female employees accounted for 60% and 40% of the total workforce respectively. Employees aged 31 to 50 represented 68% of the overall headcount, while those under 30 and over 50 accounted for 27% and 5%, respectively.

## 6.1.5 Prohibition of Child Labour and Forced Labour

We strictly adhere to laws and regulations such as the *Law of the People's Republic of China on the Protection of Minors* and *Provisions on Prohibition of Child Labour (State Council Order No. 364)* to protect the legitimate rights and interests of minors and oppose any form of child labour. To prevent incidents of employing child labour, we require new employees to provide authentic and valid identification documents for verification upon entry. Those providing false materials or documents will not be hired and will be dealt with according to legal requirements and our internal regulations.

Simultaneously, we prohibit forced labour, respect employees' free will, and encourage employees to reasonably arrange their work and rest time following relevant regulations. In addition, one of our major overseas subsidiaries has publicly released and implemented the *Human Rights Policy* and the *Slavery and Human Trafficking Statement*, clearly defining equality and rights for every employee. During the Reporting Period, the Group did not encounter any incidents of employing child labour or forced labour.

## 6.1.6 Staff Communication

We are well aware that communication with our employees serves as essential drivers of corporate development and a key elements of employees' personal growth. Therefore, we remain firm in respecting employees' opinions and suggestions and strive to create an equal, harmonious, smooth, and transparent communication environment. To guarantee employees' rights, we have established a dedicated internal audit department responsible for monitoring and following up on the handling of BUGs and suggestions.

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Furthermore, we provide a wide range of channels for employees to submit complaints anonymously/half publicly/publicly according to their wishes and needs. Our BUG Collection Cabin is a convenient and quick complaint channel where employees can directly report their problems. We have also enacted the *Internal Audit Management Regulations* to standardise the overall process and requirements of employee complaints and established incentive measures to inspire all employees to participate actively. The *Internal Audit Management Regulations* specify the handling department, process, method, and feedback deadline to deal with employee complaints, ensuring they are resolved fairly, effectively, and promptly.

Channels for complaints:

- Intranet BUG Collection Cabin and 99U-Application-Office Management-BUG Collection Cabin which are applicable to all types of complaints;
- Senior management commendation/complaint collection cabin: applicable to complaints against management positions, project leaders, and other personnel at levels 7 and above;
- Email: neishen@nd.com.cn.

During the Reporting Period, we attached great importance to employee feedback. Through meticulously designed employee satisfaction surveys and comprehensive 360-degree evaluation questionnaire, we have gained a deep understanding of the employees' real experiences and perspectives about their workplace, laying a strong foundation for fostering the stable and sustainable growth of the Company. The 360-degree evaluation questionnaire enables a multi-dimensional evaluation on key issues such as management practices of our management personnel and the implementation of corporate cultural values. The effective response rate of the questionnaire reached 97%, providing data support for managers to clearly identify our strength and areas for improvement.

## 6.2 Talent Attraction and Retention

Talents are our foundation for achieving sustainable growth over the long run. In the global competitive landscape, recruiting and retaining the best talent worldwide injects powerful momentum and vitality into our group. To that end, we strive to implement the most optimal model of human capital management ("HCM") that emphasises being transparent, open-minded, and proactive. We aspire to evolve into an organisation that has no boundaries, is knowledge-intensive, and empowers its members. NetDragon's HCM concept emphasises flexible employment, fairness, transparency, knowledge sharing, and the application of AI technology. We pioneer flexible work modes tailored to the modern era, attracting global talent through remote work opportunities and flexible working hours.

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We extend a spectrum of Employee Value Propositions (“EVP”) to our colleagues, including competitive remuneration, performance-based incentives, comprehensive welfare initiatives supporting employees and their families, and personalised career development plans for individuals and teams. Simultaneously, we place significant emphasis on training, fostering an environment where employees feel valued and supported, thereby igniting their passion and creativity in the workplace.

Our objectives are to:

- Attract, motivate and retain exceptional talent
- Demonstrate target-driven remuneration that links our unique platform to the organisation and diverse individual employees’ purpose to drive overall results, talent retention and engagement
- Align individual goals and compensation with Shareholders’ interests

During the Reporting Period, we adopted a market-leading remuneration strategy for core AI-related positions by increasing the remuneration basic salary and raising the percentage of variable remuneration to ensure that remuneration is more closely linked to business breakthroughs, technological innovation and the effectiveness of AI tool application. We have also established an immediate incentive scheme for weekly and monthly project milestones, as well as a dedicated AI incentive package, to encourage experts to swiftly turn AI capabilities into business value. Through seeking policy support to attract top talent, we provided differentiated benefits for high-level and non-local talents, and deepened the metaverse office model to provide greater work flexibility. We have created an efficient environment through flattening our organisation and streamlining processes, whilst introducing AI technology to improve the fairness and accuracy of performance evaluation. We encourage our departing senior talents to continue contributing value through acting as our expert consultants or project cooperation, thereby broadening the talent retention pathways. Overall, we have upgraded our basic package comprising “remuneration + benefits” to a full-chain system comprising “strategic remuneration + immediate incentives + flexible experience + AI empowerment evaluation + long-term retention” to better meet the needs of elite AI organisations for top talents.

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## 6.2.1 Talent Development Strategy

The Company remains steadfast in our focus on attracting and nurturing elite talent, continually bringing in high caliber professionals. Each year, the Company conducts annual recruitment planning and forecasts for talent acquisition needs. During the Reporting Period, we introduced a new recruitment management system, enabling flexible, high-adaptive, and precise recruitment to meet our requirements for evolving talent development.

With the goal of “building an elite organisation for the AI era”, we have built a fair, transparent and sustainable talent growth ecosystem through talent classification and standard upgrade, business-centric development mechanism and systematic learning and certification system, which support employees in achieving a leap in capability and realising their full potential during the organisation’s transformation.

- By setting talent classification standards suited to the AI era and recognising diverse strengths and capabilities, we have opened up a diversified career path for employees to achieve cross-border growth and independent development.
- We have adopted a task-centric agile collaboration model to break the barriers of traditional positions and encourage employees to realise personal value through continuous learning and certification.
- At the same time, by utilising intelligent management tools to open a vast array of learning resources, we have accurately empowered employees to improve their capabilities in a data-driven manner, with an aim to a responsible employer brand that is forward-looking, promote equal opportunities and focus on growth of individuals.

In the area of career promotion, the Company has implemented a comprehensive talent selection and promotion framework, offering dual development paths for both professional and managerial positions encompassing various functional areas, including product, technology, marketing and design. This framework provides clear career advancement pathways for technical experts and management talents, facilitates opportunities for employees to shift from technical to managerial roles and provides them with management training courses, aiming to continuously inspire their drive for advancement and enhance talent development.

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## 6.2.2 Variable Compensation Schemes

With operational excellence at its core, our plan is driven by value and supported by flexible reward mechanisms. In addition to basic salary, we have comprehensive statutory benefits (including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund, etc) and a diversified incentive system (short-term incentives, long-term incentives, personalised benefits) as follows:

- 1. Short-term Incentives:** According to different positions and performance, short-term incentives include performance bonuses, project bonuses, sales commission bonuses, special post allowances, special skills allowances, special duties allowances, project milestone awards, project completion bonuses, innovation incentive bonuses, annual bonuses, part-time subsidies, etc. For selected core talent groups, we have introduced innovative and highly competitive compensation reforms, substantially boosting the earnings of top performers to motivate them to go beyond their limits and strive for higher goals. By rewarding employees for extra contributions, we are able to foster their sense of corporate ownership and fully leverage their efforts to help achieve the goals of the Company.
- 2. Long-term Incentives:** Including merit points, akin to stock options, which are granted to employees who have made long-term value contributions to the Company and rewarded when the project achieves a breakthrough.
- 3. Personalised Benefits:** We develop themed benefits and point-collecting initiatives such as gamified star ratings, flexible welfare funds, lottery activities, point auctions, departmental team building, birthday cakes, various parent-child activities, festival activities, etc.

Furthermore, we consistently refine our compensation policies based on market benchmarks and performance evaluations, safeguarding employees' basic rights and facilitating mutual development and win-win cooperation between the Company and our staff. Through regular performance reviews and assessments, we work to provide timely and comprehensive feedback and guidance to employees within our performance management framework. For more details about our performance management system, please visit:

<https://ir.nd.com.cn/sc/human-resource-management-sc>

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## 6.2.3 Employee Welfare

We offer a comprehensive and diverse welfare system that covers all aspects of employees' work and personal lives. Specific welfare initiatives include the following:

<b>Welfare Subsidies</b>	<b>Employee Care and Condolence Allowance</b>	<ul style="list-style-type: none"><li>We provide condolence allowance or equivalent customised care gifts to employees during critical events in life such as marriage, childbirth, illness or bereavement.</li></ul>
	<b>Birthday Benefits</b>	<ul style="list-style-type: none"><li>We offer our employees birthday cakes on their birthdays.</li></ul>
	<b>Festive Activities</b>	<ul style="list-style-type: none"><li>We organise festive activities during Lantern Festival, Women's Day, Mid-Autumn Festival, Dragon Boat Festival, Christmas, Halloween and Lunar New Year, providing employees with afternoon tea refreshments and customised festive gifts.</li></ul>
	<b>Inspire Activity Funds</b>	<ul style="list-style-type: none"><li>We allocate quarterly department activity funds to facilitate interdepartmental interaction. This helps to promote team building, enhance care for core and new employees, strengthen organisational cohesion, foster positive employee relationships and advance corporate culture development.</li></ul>
	<b>Transportation Allowance</b>	<ul style="list-style-type: none"><li>We provide travel allowance and offer shuttle services to office locations within the city to facilitate employee commutes.</li></ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Lunar New Year Temple Fair



Mid-Autumn Festival Event



International Women's Day Event



Magical Halloween Night

## Unique Benefits

### Points Auction and 99U Lottery

- Employees can also earn points and experience for behaviours aligned with the corporate culture, which can be used in various point-based activities and 99U lottery.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health Benefits

**Health Analysis**

- We provide employees with annual health check-ups and health report interpretation.

**Disease Prevention**

- We provide medical clinics and offer free consultations by renowned experts.

**Mutual Aid**

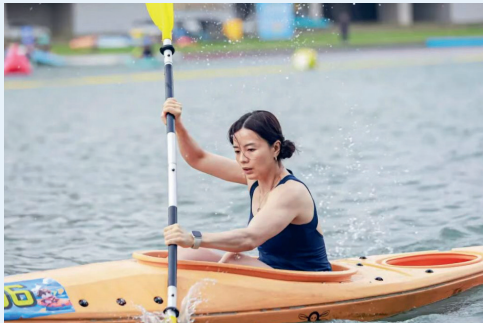
- We have established Loving Support Fund (愛心救助基金) to support employees and their family (parents, spouses, parents of their spouses and children) facing severe financial difficulties due to major illnesses, helping them overcome challenges together.

**Health Initiatives**

- We express our care for employees’ physical and mental wellbeing by organising a variety of wellness and recreational activities, such as the 518 Anniversary Events (518週年慶系列活動), Spring Field Blossom (春田花花) series family activities (such as Watermelon Festival), various club activities (such as basketball, tennis, badminton, table tennis, etc.), as well as dancing, board games, cycling, running, water sports, etc.), quarter marathon, organic farm visits, capsule hotels, department retreats and Starlight Concert (星空音樂會).



Quarter marathon



Kayak Competition



Spring Field Blossom series family activities



New Year's Eve Concert

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Fertility Support

### Parental Leave

- Employees can apply for statutory paid leave, including maternity leave, prenatal check-up leave, breastfeeding leave and paternity leave.

### Facility Support

- Major office locations are equipped with nursing rooms and lactation rooms, and cafeterias offer priority lanes for pregnant employees, providing convenience for pregnant and breastfeeding employees, and offering essential care and support for female employees in the workplace.

## Recreational Facilities and Infrastructure

### Sport Facilities

- We provide gyms, ball games facilities, SEAL training grounds and diving pool, with professional coaches available to guide employees to exercise in a safe and scientific way.

### Recreational Facilities

- Office areas are equipped with 3D cinemas, KTVs, cafes, kayaking facilities and equestrian centres, creating a comfortable working.

### Leisure Facilities

- Office areas are equipped with SPA centres, steam rooms and saunas, offering a balanced work-leisure environment.

### Employee Cafeterias

- Cafeterias within office areas provide quality food at affordable prices for our employees.

### Employee Dormitories

- Employee dormitories are provided for our employees at an affordable price.

### Refreshment Bars/ Convenience Stores

- Commodities are offered at discounted prices.

## Flexible Work Arrangements

### Flexible Working Hours

- Employees may prioritise tasks and manage their own schedules and flexibly adapt to working hours and locations according to business demands.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Gym



Kayak



Indoor sport hall



Dormitory



Diving pool



Cafeteria



Canteen

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 6.2.4 Talent Recruitment

During the Reporting Period, the recruitment of the Company focused on targeted talent acquisition, efficiency improvement, and system optimisation, so as to precisely match the talent needs of core and special business units. The Group deepened the digitalisation and optimisation of its recruitment process to enhance the overall efficiency and professionalism of its talent acquisition, thereby laying a solid foundation for the development of its talent team. In addition, through its high-quality campus recruitment practices and employer brand building, the Group won the "Best Employer Campus Recruitment Case Award 2025" from Zhaopin, further demonstrating its influence within the industry.

## 6.2.5 Human Resource-Related Awards

In the area of employer brand building, we have earned multiple awards for our exceptional talent management practices and overall corporate strength. These honors further underscore our success in attracting and retaining top talent, providing a robust support for continuously gathering industry-leading professionals. The Company has received the following human resource-related awards:

Award	Awarding Organisation	Picture of the Award
<p><b>Best Employer Campus Recruitment Case Award 2025</b></p>	<p>Zhaopin</p>	
<p><b>OneFLAG Awards – 2025 Best HR Programmes</b></p>	<p>HRflag</p>	
<p><b>Gold Standard Certified Company 2026-2027</b></p>	<p>China Healthy Workplace Certification Committee</p>	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 6.3 Talent Development

NetDragon acknowledges that learning and development are the cornerstone of the mutual growth of employees and the Company. Therefore, we invest substantial resources and effort in cultivating a high-quality learning and development environment for our employees. We provide all kinds of tools and resources to ensure that all employees have opportunities for learning, growth, and career development. Additionally, we offer guidance and support from management to assist employees in overcoming challenges they may encounter in their work.

During the Reporting Period, in order to support the efforts in the transformation into an “AI-driven organisation”, the Company has took special approach to cultivate talent, where the Company reshaped the skill structure of its staff and fully implemented “human-machine collaboration” model through technical empowerment and resource sharing. The Company has established the “AI hub” platform and AI intelligence public account “ever AI” to provide all employees with an open and shared platform for AI productivity tools. Through a training model of “on-demand learning” and “practice-driven development”, the Company encouraged employees to engage in self-learning based on business scenarios. By providing access to a vast array of free AI learning resources and courses, we have established a closed-loop mechanism of “self-learning – obtaining certification – undertaking tasks”, thereby enabling employees to undertake cross-functional tasks once certified. In addition, by operating dedicated AI incentive packages and weekly/monthly immediate project-based reward mechanisms, we created an open and shared atmosphere for technical exchanges to encourage employees to share AI application cases and innovation achievements and continues to improve the overall AI talent capabilities and practical level of the Company.

### 6.3.1 Routine Training Programmes

**New Staff Training:** By the end of the Reporting Period, we carried out new staff training camps for a total of 38 new recruits, with a cumulative study time of 304 hours, averaging 8.0 hours per person. Training content spans corporate system and culture of the company.

**Skills Training:** During the Reporting Period, we enhanced employees’ professional capabilities through “Staff Training,” aiding employees in professional skill enhancement and career development:

Participants	Training Programme	Overview	Number of Hour	Number of Participant	Total Training Hours
Engineering Division Staff	AI Best Practice Sharing from Engineering Division	This programme forms part of the exclusive series on AI best practice case studies sharing from the Engineering Division. It focuses on the practical application of AI technology in the engineering sector. Through the analysis of real-world case studies, the review of practical experience and the exchange of technical insights, the programme aims to help Engineering Division staff learn from the best practices, broaden their horizons regarding the application of AI technology, and enhance their ability to implementation and innovation capabilities of AI technology in engineering contexts.	6	64	384

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Participants	Training Programme	Overview	Number of Hour	Number of Participant	Total Training Hours
	Unreal Engine Conference Presentation	The programme focuses on the core development practices of the Unreal Engine with two main topics, namely the development of AI-powered rail shooter prototypes and the analysis of stuttering issues across different versions of the Unreal Engine. Through the dissection of real-world cases and the sharing of ideas for solving technical difficulties, the programme aims to help Engineering Division staff master the importance of AI in Unreal Engine. The practical application skills in the development of engine games to improve the adaptation and performance optimisation capabilities of Unreal Engine versions.	2	31	62
	New Features and Practical Skills of Unreal Engine	This programme focuses on core updates and engineering applications of the Unreal Engine. It provides a systematic exploration of key new features, including high-fidelity open-world optimisation, in-editor animation creation, and the full MetaHuman production process. The programme also shares practical techniques such as performance tuning, asset management and efficient iterative workflows, helping Engineering Division staff to quickly master the core capabilities of the new version and enhance both project development efficiency and quality of final products.	2	32	64
Design Centre staff	Online Learning and Sharing	Courses on design centre concepts and technical insight sharing	45	30	1,350

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Leadership and Management Training:** We conducted training in management learning areas to identify potential management talents. By combining actual job problems faced by management positions with research, online micro-course pre-learning, and offline workshops, we help management positions improve their management abilities, facilitating continuous upgrades in company management:

Training Participants	Name of Training Programme	Overview	Number of hours	Number of Participant	Total Training Hours
Management personnel	BUG Culture – Management Personnel m	The programme aims to help management personnel quickly understand distinctive management philosophy of NetDragon, i.e. BUG culture: 1. understand the requirements on management personnel of the Company regarding BUG and assessment criteria; 2. understand the categories of BUG and the guidelines for management personnel to raise BUG-related issues; 3. understand the five key strategies for raising effective BUG; 4. understand how to face BUG constructively and address those BUG.	0.5	12	1.68
Management personnel	Performance-based Culture (Essential Knowledge for Management Roles)	Based on the checklist for management positions, key tasks are selected for theoretical skill training. Through the programme, management personnel may gain an understanding of NetDragon’s performance-based culture, including: the application of factual fairness in performance management, the source of employee performance targets, the cycle of performance appraisal, the performance of employees, the definition of an S grade in employee performance appraisal, the mandatory proportion distribution and other basic information.	0.5	10	1.4

## 6.3.2 Certification Projects

We have made significant investments and developed courses with relevant certifications and internal certifications evaluated by external experts. We also encourage Metaverse work mode. After employees obtain training certification, they can undertake insourced tasks while completing their work, receiving more compensation and achieving a win-win result for both the Company and employees.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- 1. Business Certification:** Since 2020, NetDragon has adhered to the “task-centred” management philosophy. To this end, we have established a comprehensive certificate-holding and promotion system aimed at improving employees’ qualities and competence. Based on the requirements of different positions, we designed corresponding business certification exams, requiring employees to pass the exam to obtain qualifications for the relevant positions. Additionally, we encourage our employees to continuously strive for advancement and position promotion, and we not only assess employees’ performance and cultural values but also require employees to pass business certification for new positions. We have implemented an electronic certification system, which ensures that all employees handling tasks are equipped with the required professional competencies and knowledge through structured training, evaluation, and certification processes, enabling them to gain certificates required for the task. This not only ensures professional execution of tasks but also offers employees performance-based career development opportunities, rewarding effort and results.
- 2. Specialised Training Certification:** Through all-staff training, we achieved competency building for various positions within the Company. During the Reporting Period, we provided specialised training in Unreal, AI specialised training, etc., allowing employees to acquire relevant knowledge and skills and to obtain related certifications and certificates, proving their professional abilities and qualifications. These certificates are conducive not only to employees’ personal career development but also to the Company’s brand image and market reputation.
- 3. Patented Technology Award Scheme:** The Company has established a national patented technology award scheme to encourage technical and product innovation among its staff, motivate inventors, and promote the implementation of patented technologies. Under the scheme, cash rewards are awarded for invention patents, utility model patents and design patents.

### *6.3.3 E-Learning Training and Learning Platform Construction*

We encourage and act on lifelong learning and carry out all-staff training for this purpose. On one hand, we remain firm in leveraging technologies for empowerment and continuously improve the online learning training platform by digitising excellent practices. On the other hand, we constantly introduce a series of courses on new technology such as AI, inspiring employees to participate in training and learning to enhance core skills and work output.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 6.3.4 Training Programmes in collaboration with professional educational institutions and higher education institutions

### *Macau University of Science and Technology*

During the Reporting Period, we have partnered with Macau University of Science and Technology to collaborate on course development, practical training and new media competitions, focusing on frontier technologies such as artificial intelligence and digital humans. We worked in collaboration to curriculum development, IP creation practical training, and AIGC and IP creation competitions, establishing an initial “AI + Media Production” training system. Six new certified training programmes have been developed and made available for open enrolment, covering the entire value chain from AI screenwriting and AIGC tool applications to new media operations and IP incubation. We jointly launched the “AI Short Film Creative Competition” in collaboration with the Macau University of Science and Technology and MGM China Holdings Limited, so as to deepen the integration and innovation of film and television, gaming IPs, and cultural tourism. We successfully organised the “Cat Animation IP Business and AI Video Training Camp (喵星人動畫 IP 商業與 AI 視頻訓練營)”, which incorporated a designated IP into teaching workshops for the first time to explore the potential for IP incubation, cross-platform content output, and the application of digital cultural and cultural creation across industry, academia and research. Focusing on the interdisciplinary convergence of “AI+”, we have organised competitions, training camps/workshops, academic conferences and round-table forums and adopted a three-pronged approach to consolidate “education, technology and talent” into an organic whole, which deepens talent development and international influence in the “Greater Bay Area”, “Portuguese-speaking countries” and nations along the “Belt and Road” and creates an innovation engine centred on “technology + culture”. We aim to drive the reshaping of regional industrial value chains and the construction of a digital economic ecosystem in an effort to inject robust momentum into high-quality development.

### *Central Academy of Fine Arts*

During the Reporting Period, NetDragon drew on its extensive practical experience in game development to build a comprehensive knowledge graph for game design, thereby creating a systematic professional training programme and curriculum framework. As a visiting professor at the Central Academy of Fine Arts, Dr. Liu Dejian, the chairman of NetDragon took the lead in the overall planning of the game design course, and shared the cutting-edge technology of “Art Breakthrough and Industrial Transformation in the Era of AI Co-creation” for postgraduate students, which injected strong momentum into art innovation and design practices with advanced technologies. The project organised game industry experts and formed a team of lecturers to complete a total of 5 courses and 340 class hours of teaching, covering nearly 100 students. Among which, the course “Board Games” achieved outstanding performance and was awarded the Excellent Course of Central Academy of Fine Arts in 2025.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The two parties have collaborated on a number of joint research projects. Among these, the “Research into Digital Immersive Art Content Solutions” focuses on key areas such as standards for digital immersive spaces and public exhibitions in digital media art galleries, while the “AI Laboratory – Construction of an Audiovisual Language System for AI-Based Digital Performances” delves deeply into methodologies for AI character design, providing core methodological support for the Company’s AI content production line.

NetDragon acts as a designated teaching and practical training base for the Central Academy of Fine Arts, and the academy carried out a special initiative to “visit the Company to secure more job for graduates”. In the future, more students and staff will participate in practical exchange activities, further enhancing the effectiveness of collaborative education between the academy and the Company.

## *Master Lecture Series Launched by the Unreal Centre*

During the Reporting Period, NetDragon, in collaboration with Unreal Engine, has launched a series of master lectures, including “In-Depth Analysis of Animated Stylised Scenes” and “Dreaming of Chang’an’ Lecture Series” at the Unreal training centre located in the Netdragon Digital Education Town. These lectures provided insights into the future trends of the digital industry and equipped participants with advanced skills such as dynamic lighting and physical materials to create high-quality virtual scenes, helping them master the latest technological innovations in Unreal Engine, igniting their creative inspiration, and engaging them in exploring the technical transformations brought to the industry by Unreal Engine. The lectures also offered valuable hands-on experiences and theoretical knowledge to the Company’s game designers, animators, architects and other developers interested in virtual reality.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Unreal Centre at Netdragon Digital Education Town*

On 5 March 2025, the grand launch event for Digital Education Town officially authorised by Unreal Engine themed "Boundless Reality, Creating the Future" (虛實無界•創見未來) was held at the Digital Education Town. In order to align with national strategy for cultural digitisation, NetDragon, as a leading enterprise in digital education in China, has partnered with Epic Games, a world-leading digital engine technology company, to establish Digital Education Town Training Centre, a training centre officially authorised by Unreal Centre at Digital Education Town (hereinafter referred to as the "Training Centre"). Leveraging Unreal Engine technology, official content resources and industry support, the centre aims to build a digital content design and production industry cluster. At the launch event, Epic Games and NetDragon formalised their partnership, pursuant to which Epic Games officially designated the Digital Education Town Training Centre as an authorised training centre, marking it the first such centre in Fujian and the second across China.

The training centre has recruited a broad range of experienced industry experts to form a team comprising instructors with strong professional capabilities, six of whom have been certified as official authorised Unreal Engine instructors and won three gold and three silver certifications. The team has been steadily advancing the iteration and improvement of the curriculum. Based on specific technical needs of different learner groups, the centre has tailored targeted courses and provided diverse learning pathways. To date, the centre has independently developed over ten core courses, including "Introduction to Unreal Engine", "The Complete Workflow of UE Digital Human Applications", "UE5 Scene Design", "Introduction to UE Blueprints", "20-Hour Game Development Masterclass", and "UExAI Creation Workshop".

We continued to put great efforts in talent development and technology promotion, offering open enrolment to the public while periodically organising free online courses and high-quality specialist seminars in an effort to promote the widespread adoption of Unreal Engine technology, thereby benefiting more enthusiasts and professionals across the industry. Furthermore, the Unreal Engine course has been successfully introduced at double first-class art institutes such as the Central Academy of Fine Arts and the China National Academy of Chinese Theatre Arts, where the content-rich curriculum and innovative teaching methods have earned high recognition and widespread acclaim from both staff and students at these partner institutes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 6.3.5 Supporting and Encouraging Employees to Obtain External Certifications

We actively encourage employees to pursue external learning certifications and stay updated with the latest technologies and knowledge, aligning with industry standards and trends. For instance, the Company has established a national patent technology incentive scheme to encourage technical and product innovation among its staff, boost staff motivation, and promote the implementation of patented technologies by offering cash rewards for invention patents, utility model patents and design patents. The Company reimburses fees for employees applying for the U3D Certification (Unity's game design and development certification), allowing them to learn and utilise the most advanced game development tools and platforms. Additionally, the Company has established a gamified star system that records and rewards encouraged behaviours and achievements by gamified star rating with benefits such as awarding cultural medals and displaying the achievements on homepage of 99U, the Company's office software, and star-level rewards for obtaining external certifications, such as patented technologies, professional competitions, internal and external competition winners, professional title certifications, and book and article publications.

## 6.4 Occupational Health & Safety

NetDragon attaches great importance to the overall health and well-being of our employees. We consistently promote healthy working habits, balanced lifestyle, and encourage regular exercise. To this end, we provide comprehensive indoor and outdoor sports facilities, and offer internal coaching to cultivate a culture of staying fit and healthy, mitigating health and safety risks for employees.

Additionally, we are committed to adhering to global standards for managing the Group's occupational health and safety issues, while also adapting to local laws and regulations in our operational regions. To ensure compliance, we have formulated organisation-wide *Occupational Health and Safety Policy Statement* aimed at creating secure and reassuring working conditions for every employee. Our efforts have also been recognised internationally, with Fujian Huayu Education receiving ISO 45001 certification for its occupational health and safety management systems in 2022. Notably, during the Reporting Period, there have been no significant work-related health and safety incidents or fatalities within our organisation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Legal Compliance Identification

- We diligently identify and adhere to all applicable laws and regulations relevant to our operations, implementing appropriate control measures to ensure compliance.



## Establish a Top-down Occupational Health and Safety Management System

- Executive management oversees the implementation of our occupational health and safety policies, ensuring that they are effectively enforced throughout the organisation. Our managers will take proactive steps to address any health concerns raised by team members.



## Identification and Management of Occupational Health and Safety Risks

- Through regular assessments of occupational health and safety risks, we conduct internal inspections of all production activities and locations to identify and eliminate hazards, thereby creating a safe working environment. Additionally, we develop emergency action plans to address any unforeseen circumstances.



## Continuous Improvement

- We set goals and performance indicators to drive continuous improvement in our occupational health and safety management practices and reduce such risks for employees. Regular progress assessments help us refine our approach and further enhance health and safety management across the Group.



## Provision of Appropriate Occupational Health and Safety Training

- We ensure that our employees receive comprehensive training relevant to their roles, equipping them with the necessary information, skills, and supervision to perform their duties safely.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 6.4.1 Safety

To ensure a safe working environment, security personnel are on duty 24 hours a day to comprehensively monitor all working venues and conduct rigorous patrols and inspections.

To improve our rescue and employees' safety awareness and self-rescue skills, we have established fire services systems and hired a professional fire services team, and we conduct regular training sessions on fire safety annually, including drills on fire and evacuation, rescue drills for lift-trapped victims, and explosion prevention drills.

For employee operational safety, we have also developed safety standards and rules for practices and operations in various job positions, accompanied by a comprehensive training program.

## 6.4.2 Health

Human capital is of paramount value to the Group. We prioritise the well-being of our workforce and continue to promote practical and fun initiatives to encourage a healthy and balanced lifestyle for our employees. The following are the four key areas we focus on:

### ○ Health Initiatives

Our healthy work environment, healthy food standard, sporting events, and fun festival activities all encourage employees to live healthy life. NetDragon Games (i.e., Sports Day), Quarter Marathon and Interstellar Seal Challenge are among the annual events.

### ○ Health Check

We provide employees with regular health surveys/assessments, annual body checks, and health report interpretation, which help us better understand our employees' overall health status and individual needs. We also formulate policies to better protect employee's health data and privacy.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ○ Health Education

Our global headquarters offers a wide range of in-house sports facilities, sports training sessions, medical courses, health lessons and consultations to our employees. Moreover, there are many internal communication channels for health and well-being, including our intranet, office automation, internal messaging, Enterprise Resource Planning pop-up notices, NetDragon Radio, etc., as well as on-campus posters, and display monitor screens.

## ○ Illness Prevention

Our global headquarters is equipped with clinics and health management rooms, where treatment is available at any time and expert doctors are invited periodically to provide in-depth consultations. Medical insurance packages are provided to all domestic employees. All facilities are also in strict compliance with epidemic control measures.

## 7. VALUE CHAIN

### 7.1 Innovation Management

At NetDragon, we regard innovation management as a top priority, investing over RMB1.0 billion in developing cutting-edge technologies and products, and hiring over 1,300 experienced and creative R&D personnel worldwide. We continuously drive innovation by encouraging employees to propose new ideas and solutions, providing them with sufficient support and resources. In addition to in-house R&D efforts on our own IPs, we actively engage in strategic partnerships with other global leading brands to work on the development of next-generation educational products.

Furthermore, we foster internal collaboration and innovation through dedicated awards and recognition. Each year, we honour outstanding team members with the Technology Innovation Award and Design Innovation Award, inspiring a culture of innovation and excellence in our workforce. (To further encourage innovative design, we hold our 99 Design Oscar event annually, offering multiple awards to recognize and incentivize creative employees. The Company has also established a national patent technology incentive program to encourage technical and product innovation among employees, aiming to motivate employee inventors and promote the implementation of patented technologies. In January 2025, our Company's selected and submitted project "Research and Development and Industrialisation of the Digital Content Engine Platform" (數字內容引擎平台的研發及產業化) won the 2023 Fujian Provincial Science and Technology Award (福建省 2023 年度科學技術獎). This not only serves as affirmation of the related technological achievements but also recognition of NetDragon's contributions to advancing the digital industry.)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 7.2 Responsible Supply Chain Management

In 2025, the Group had a total of 26 major suppliers. The geographical split of these suppliers is as follows:

Indicators	2025	2024	2023	2022	2021	2020	2019	2018
<b>Number of Major Suppliers<sup>4</sup></b>	<b>26</b>	25	32	29	23	22	21	23
<b>By region:</b>								
<b>Asian Countries (Excluding China)</b>	<b>1</b>	1	3	3	1	3	3	2
<b>UK</b>	<b>1</b>	0	0	1	1	0	1	2
<b>USA</b>	<b>11</b>	13	17	14	8	7	8	11
<b>China</b>	<b>17</b>	8	7	8	10	8	9	7
<b>United Arab Emirates ( UAE<sup>4</sup>)</b>	<b>0</b>	0	0	0	0	1	0	0
<b>European Countries (excluding the UK)</b>	<b>2</b>	3	5	3	3	3	0	1

In order to comprehensively regulate the Group's purchasing and bidding process, ensure smooth production and operation, and enhance supply chain management performance, the group has established a comprehensive supply chain management system and conducted evaluations of suppliers' environmental and social performance.

During the Reporting Period, we formulated and updated the *Purchasing Management System 2023 V2.00* and *Tendering and Purchasing Management System 2023 V4.00*. These systems require comprehensive assessments of suppliers during the purchasing process, ensuring compliance with licensing and qualification requirements, and developing suppliers based on the "QCDS" principle, focusing on quality, cost, delivery, and service. We also strictly adhere to tendering and purchasing disciplines, maintaining openness, fairness, justice, and honesty throughout the process and enforcing regulations at every stage. Should we detect bidder's any negative environmental or social impacts, or instances of deception, fraud, overpricing, underpricing, or malicious bidding, we will eject the bid and involve legal intervention.

<sup>4</sup> The Group's major suppliers refers to suppliers of products/services whose total contract sum amounted to USD1 million or more in any given year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group did not experience any significant actual or potential negative impacts from major suppliers regarding business ethics, environmental protection, human rights, or labour practices. In addition, to the best of the Group's knowledge, no employees have been involved in any non-compliance incidents related to human rights violations.

## 7.3 Quality Management

The Group stays committed to excellent quality management, establishing and implementing a comprehensive internal policy and procedures framework for information security management applying to all Group business lines, in line with the framework outlined in the Information Security Technology – Personal Information Security Specification (GB/T 35273-2020) issued by the Chinese government in March 2020. The following policies and procedures are included:

- Well-rounded preventive measures covering the entire cycle of data collection, transmission, storage, and usage stages
- Clear definition of data ownership rights
- Complaint collection mechanism and response procedures
- Data leakage reporting mechanism
- Data protection impact assessment
- Strengthened organisational measures for information security management
- Regular communication and cooperation with regulatory authorities

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has also taken the following measures to guarantee product quality:

- we generate and send out daily journals on quality, demonstrating the quality and progress of the latest version of the products on a multidimensional scale, and coordinate timely problem-solving efforts to avoid and control risks wherever possible and ensure the progress of the production;
- we perform a variety of specialised tests on product performance, compatibility, network and security, and other aspects to ensure product quality, employing a 24/7 automated testing-based cloud service on our inhouse developed tailored testing platform;
- we strictly implement quality control processes and standards, including product requirement reviews, test plan management, test rule management, test execution management, risk feedback management, and bug data management;
- we have established a quality control system based on online uptime checks, and implement regular testing/ auto-triggered testing for timely defect detection during production and real-time monitoring of product quality;
- under the requirements of relevant laws and regulations, we have developed standards and guidelines for security test in relation to five areas, namely personal privacy protection on Apps, information security for users, real-name registration, content security and anti-addiction system of games. Moreover, leveraging the self – developed security scanner and its exclusive online quality monitoring technology, we provide timely product conformity reports to ensure that our products comply with laws and regulations.

## *7.3.1 Health, Safety Quality and Certification*

As an ISO14001 certified entity, one of our major overseas subsidiaries undergoes an annual surveillance audit and recertification audit every 3 years. The audits cover 4 aspects – reducing environmental impact, complying with legislation, improving efficiency to reduce operating costs, and gaining a competitive advantage in tendering processes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *7.3.2 Product Recalls & Regulatory Violation*

During the Reporting Period, there were no product recalls related to health and safety or any major product failure incidents. Two incidents of product malfunction occurred at an overseas subsidiary, involving power supply components for interactive displays and bonding issues with LED screens, both caused by quality issues with supply chain partners. These incidents have been properly resolved to the satisfaction of the customers. These two product failure incidents accounted for 0.0024% of the total shipments from the overseas subsidiary. In the event of product or service failures, the Group will promptly provide warranty services to customers, analyze and address failure problems, and offer customers satisfactory solutions under warranty policies. Additionally, there were no instances of regulatory violations regarding products and services during the Reporting Period.

## *7.3.3 Quality Assurance*

We endeavour to establish a product and service environment that is high-quality, reliable, cost-effective, and on-time to ensure customer satisfaction and trust in our brand. For this purpose, we integrate quality assurance principles into every phase of our suppliers' and partners' new product releases and product lifecycle processes. Moreover, we promote a culture of continuous improvement within the Group, enhancing our quality management system and ensuring compliance with ISO 9001 quality management system and other relevant standards.

Our products undergo a series of rigorous tests, including functional testing, performance testing in weak network environments, security testing, multi-platform compatibility testing, system integration testing, and user interface ("UI") testing, to ensure outstanding performance under various dynamics. We harness advanced automated detection technology to minimise the impact of human errors on product quality, which not only enhances testing efficiency but also increases our confidence in product quality. Additionally, we have established a comprehensive quality analysis mechanism to analyse the root causes of BUGs and prevent potential problems occurred in the future.

We believe that ongoing collaboration with leading enterprises and academic institutions enables us to continually explore and implement new technological approaches. This open environment for technology exchanges not only facilitates our progress in innovation but also ensures us a leading edge in product quality.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 8. COMMUNITY INVESTMENTS

NetDragon not only stands out as a leading gaming and education technology company but also upholds a strong commitment to social responsibility. Domestically, we actively align with the national strategies of precise poverty alleviation and rural revitalisation, fostering long-term partnerships with various local government entities. Our aim is to increase learning opportunities and create better learning environments for primary and secondary school students in impoverished and underdeveloped regions through measures promoting educational equity. To achieve this, we provide well-rounded tailored solutions to these schools, including upgrading educational technology equipment, offering high-quality teaching resources and services, and training and supporting local teachers. Through these efforts, we hope to advance the level and quality of education and lay solid foundations for student's future development.

Internationally, NetDragon is one of the few leading global companies that is actively engaged in emerging market countries such as Thailand, Saudi Arabia, Kenya and Ghana with a vision of leveraging our advanced technology and extensive experience to provide high-quality education to local primary and secondary school students. We strive to ensure equal, high-quality, and inclusive education for all children. In pursuit of this vision, we formed a strategic partnership with the United Nations Educational, Scientific and Cultural Organisation ("UNESCO") in August 2020 to jointly promote global education equality and SDGs. In early June 2025, Dr. Liu Dejian, the Company's founder and chairman, was invited to a high-level expert group meeting at the United Nations Headquarters in New York, where Dr. Liu joined senior UN officials and industry experts to discuss initiatives to establish an Online University for STEM education in the Least Developed Countries (LDCs). In his opening keynote speech, Dr. Liu proposed an "AI + Education" model to drive educational equity and quality improvement in LDCs, which received a warm response and high acclaim from the attendees.

Moreover, one of our major overseas subsidiaries encourages employees to give back to their communities by providing up to two days of paid leave for such activities. Many employees actively seize this opportunity to contribute to their communities. Additionally, it also actively supported the "Anguilla Initiative" – a community project aimed at improving local education and resources in Anguilla. This project helped to raise locals' awareness of education while providing them with educational opportunities, thus creating a better future for local residents.

As a company that highly values social responsibility, NetDragon remains dedicated to community investment and social donations, contributing our love for giving back to society. We firmly believe that it is our responsibility to support community education, resources, and social development. We remain steadfast in our commitment to community investment and social development, and will strive towards a better and more equal society. During the Reporting Period, the Group actively contributed to the community and invested more than RMB12 million in community development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

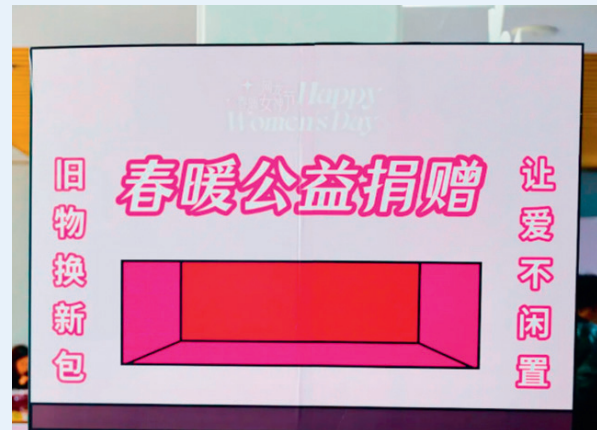
In January 2025, the “Tianwen Cup (天問杯)” Student Inquiry Contest was successfully held. This event was jointly organised by the Shanghai Municipal Education Commission and the Baoshan District People’s Government of Shanghai, with the Baoshan District Education Bureau and the Shanghai Science, Technology, and Art Education Center co-hosting. Huayu Education provided technical support for the second consecutive year as the co – organiser.



In January 2025, NeiDragon’s flagship game, Eudemons Online, collaborated with “Yingge dance (英歌舞)” – a gem of Guangdong Chaoshan’s intangible cultural heritage – to integrate the majestic vigor of the dance with Year of the Snake features, bringing players with the mightiest Chinese war dance. Furthermore, we specially invited Master Lu Jinwen (盧進文), an inheritor of the intangible cultural heritage of Chaoshan woodcarving, to meticulously craft exclusive “Yingge drumsticks (英歌槌)” for Eudemons Online drawing the inspiration from the auspicious snake. This collaboration is more than just a tribute to intangible cultural heritage; it is a perfect manifestation of the innovative fusion between Eudemons Online and the spirit of Yingge Dance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In March 2025, partnering with the Gulou District Charity Federation of Fuzhou, NetDragon launched the “Spring Warmth Public Welfare Project (春暖公益捐贈).” Leveraging the festive atmosphere of International Women’s Day, the initiative mobilised female employees to spread love and positive energy through donations of clothing and books. During the campaign, we collected a total of 963 books and 486 pieces of clothing. All donated items were thoroughly disinfected, sorted by category, and subsequently distributed through the Gulou District Charity Federation of Fuzhou. Clothing that met the standards was sent to remote areas in Xinjiang, Tibet, and Ningxia, while the books were donated to the Hope Project for targeted distribution, helping children in mountainous regions broaden their horizons and open the door to knowledge.



In April 2025, NetDragon, in collaboration with Government, Industry, Academia, and Research Institutions, namely the Xinhua News Information Center, Xinhua Publishing House, Xinhua News Agency Fujian Branch, Fujian Cultural Enterprise Association, Fujian Animation and Game Industry Association, Fujian Digital Film and Television Technology Company (福建省数字影视科技公司), Fujian Tourism Development Group and others, officially launched the project “Digital Mountains and Seas: Revitalizing Fujian Tourism – Gaming Empowering Fujian Culture and Tourism (数字山海·福游新生—游戏赋能福建文旅).” This initiative aimed to systematically advance “Game + Culture and Tourism” IP collaborations across the province in a phased manner. By capturing digital assets from key scenic spots and integrating Fujian’s unique cultural and tourism IPs into NetDragon’s games through scenes, items, gameplay, and character skins, the project created a gateway to promote Fujian’s tourism and drive visitor traffic.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In May 2025, the AI education platform “MHESI Skill” – co-developed by NetDragon and Thailand’s Ministry of Higher Education, Science, Research and Innovation (MHESI) – was officially launched. Through the “MHESI Skill” platform, MHESI will provide the Thai public with a series of officially certified electric vehicle technology training courses, equipping trainees with practical skills to enhance their employment prospects and opportunities in the electric vehicle sector. All courses on the platform are available to the public free of charge, and participants will receive an official digital certificate issued by MHESI upon completion.



In May 2025, NetDragon donated 31 computers to Jianjiang Central Primary School in Luoyuan County to help the school upgrade its educational hardware facilities, aiming to enhance the quality of its teaching and learning and thereby enabling the children to thrive under a caring and supportive social environment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In June 2025, Dr. Liu Dejian, founder and chairman of NetDragon, was invited to a high-level expert group meeting at the United Nations Headquarters in New York, where Dr. Liu joined senior UN officials and industry experts to discuss initiatives to establish an Online University for STEM education in the Least Developed Countries (LDCs). As a specially invited guest, Dr. Liu delivered a keynote speech at the opening ceremony, advocating for the “AI + Education” model to drive educational equity and quality improvement in LDCs. He also shared NetDragon’s extensive explorations and successful experiences in the field of AI-powered education.



In June 2025, NetDragon’s flagship game, Eudemons Online, collaborated with the Xishuangbanna Tropical Rainforest Conservation Foundation to launch the public welfare project “Saving Elephants for the Future: Asian Elephant Conservation Campaign (象往未来•亞洲象保護行動).” Capitalizing on the launch of the major event “Era of Spirit Beasts: Oath of Protection (靈獸紀元：守護之誓),” the initiative leveraged gamification to promote ecological conservation, connecting players with charitable organisations in an innovative way. NetDragon funded rainforest restoration and elephant monitoring efforts, including practical measures such as foraging ground restoration and drone patrolling to enhance environmental stability for the herds. In addition, a team of NetDragon volunteers traveled to Xishuangbanna to participate in building “Elephant Canteens” and planting vegetation, taking concrete steps to foster a green ecosystem where humans and elephants coexist in harmony.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In June 2025, partnering with the world cultural heritage site “Yongding Tulou (永定土樓)”, NetDragon’s flagship game, Conquer Online, officially launched the second phase of the “Game + Culture and Tourism” cross-over collaboration. With digital innovation as a medium, this partnership deeply integrated the architectural ingenuity of Tulou and Hakka culture with the passionate martial arts (Jianghu) gameplay. By introducing new themed events, limited-edition cosmetics and returning rewards, this partnership has empowered traditional culture to radiate new vitality within the virtual world.



In July 2025, NetDragon’s flagship mobile game, Eudemons Online Pocket version, introduced a new class, the “Taiyi Array Master (太乙陣師),” which integrated the profound Taoist heritage of Wudang Mountain. The game also meticulously embedded iconic Wudang landscapes and launched crossover events such as the “Wudang Chronicles (武當山河錄),” allowing players to explore the culture and traditions of Wudang in-game and experience the unique charm of traditional Chinese culture.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In August 2025, NetDragon signed a cooperation agreement with the Ministry of Secondary Education of Cameroon (MINESEC) to jointly promote digital education infrastructure of Cameroon. The partnership will prioritize the digital transformation of 250 schools across the country, utilizing advanced educational technology to create a more inclusive and modern learning environment. This project aligns closely with the core objectives of the Secondary Education and Skills Development Project (PADESCE) to enhance “accessibility, equity, and quality” and actively responds to Cameroon’s National Development Strategy 2030 (NDS30).



In September 2025, NetDragon’s flagship mobile game, Eudemons Online Pocket version, officially partnered with Luoyang Culture and Tourism to launch an in-depth collaboration, achieving a deep integration of content and scenery. The game introduced two golden autumn pets (金秋寵) featuring distinct Luoyang characteristics and released a Luoyang-themed promotional film, showcasing the city’s historical charm and modern vibrancy.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In October 2025, NetDragon's flagship game, Eudemons Online, collaborated with Mount Wuyi scenic area in Fujian – a UNESCO World Cultural and Natural Heritage site – to launch the major crossover featuring the phantom beast – “Imperial Tea Guardian – Wangyou (御山司茗•忘憂).” The design is a tribute to the landscapes of Mount Wuyi and its millennia tea culture, offering a modern reinterpretation of Eastern aesthetic of mountains, water, and tea charm. Through phantom design, background lore and cultural symbolism, Eudemons Online deeply presents the humanistic spirit and natural aesthetics of Mount Wuyi, inviting players to witness ancient culture thriving in the digital age.



## 守望相助

In November 2025, a five-alarm fire broke out at Wang Fuk Court in Tai Po, Hong Kong on 26 November, garnering significant public attention. NetDragon announced a donation of HK\$5 million, specifically designated for emergency relief, medical support, temporary resettlement, daily necessities, and post-disaster reconstruction for affected residents. In addition to the monetary donation, Cherrypicks, a subsidiary of NetDragon, immediately took the lead in mobilising Hong Kong's IT community to provide technical support for the establishment of the official supplies donation platform of Hong Kong SAR Government's ([website: www.taipodonation.hk](http://www.taipodonation.hk)).

In 2025, Cherrypicks, a subsidiary of NetDragon, collaborated with MTR Corporation to develop the “MTR•Care App 2.0” project. Through the innovative integration of various advanced technologies, the project redefined the accessible travel experience within Hong Kong's public transport ecosystem, providing seamless and personalised journeys for the elderly and passengers in need. The project won the “Best Use of AI Award” at the IAB HK Digital Awards 2025.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 9. MAJOR RECOGNITION, AWARDS AND MEMBERSHIP

During the Reporting Period, NetDragon garnered a series of prestigious awards that testify to our exceptional performance and industry leadership:

No.	Award Issuer	Name of the Award
1	Ministry of Industry and Information Technology	2024 Leading Enterprise in Future Industry Innovation and Development
2	Ministry of Industry and Information Technology of Fuzhou	Leading Enterprise in Software Industry
3	Science and Technology Department of Fujian Province	Third Prize for Scientific and Technological Progress
4	CPC Fuzhou Changle District Committee & Fuzhou Changle District People's Government	Outstanding Contribution Award, Innovation and Development Award
5	Culture and Tourism Department of Fujian Province	2025 Fujian Digital Culture and Tourism Project – Exemplary Cases of Digital Culture and Tourism Application Scenarios (2025年福建省數字文旅項目 – 數字文旅應用場景優秀案例)
6	Internet Society of China (中國互聯網協會)	Top 100 Enterprises in China Internet Comprehensive Capabilities of 2025
7	China Federation of Electronics and Information Industry (中國電子信息行業聯合會)	Top 100 Competitive Software & IT Services Enterprises of 2025
8	China Software Industry Association	Top 100 Software High-quality Development in China of 2025
9	Fujian Federation of Commerce & Industry	2025 Fujian's Top 100 Private Enterprises, 2025 Fujian's Top 100 Private Enterprises in Service Industry, 2025 Fujian's Top 100 Innovative Private Enterprises
10	Fujian Enterprises and Entrepreneurs Confederation, Fujian Media Group, Fujian Academy of Social Science, Fujian Daily Press Group	2025 Fujian's Top 100 Enterprises in Service Industry
11	World Institute of Sustainable Development Planners	"Education Innovation & Technology – Rising Star Award" at 2025 Hong Kong Sustainable Development Innovation and Technology Awards

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>No.</b>	<b>Award Issuer</b>	<b>Name of the Award</b>
<b>12</b>	Greater Bay Area Financier Association	Annual Excellent ESG Innovative Enterprise Award
<b>13</b>	Roadshow China	The 8th China Excellence IR for "Best Capital Market Communication Award" and "Best ESG Award"
<b>14</b>	Zhitong Finance Online	Most Valuable Artificial Intelligence Company
<b>15</b>	Comein Finance	Best Interactive Communication Award
<b>16</b>	WBull	Most Influential Enterprise in Capital Market Award
<b>17</b>	Hong Kong Commercial Daily	Listed Company with Outstanding ESG Investment Value
<b>18</b>	Hong Kong Ta Kung Wen Wei Media Group	Best ESG Practice Case Award
<b>19</b>	Bohan Sustainability Centre	2025 Most Potential ESG HK Listed Company Award
<b>20</b>	Top 100 Hong Kong Listed Companies Research Centre	The 12th "Top 100 Hong Kong Listed Companies" "Top 50 Small Enterprises"
<b>21</b>	Red Dot	Red Dot Design Award 2025
<b>22</b>	Tech & Learning	Awards of Excellence: Best of 2024 in the Secondary category
<b>23</b>	GSE Conference	Global Smart Education Technology Innovation Award

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 10. PERFORMANCE DATA SUMMARY

Environmental Performance<sup>5</sup>

### 2025 Environmental Performance

<b>Emissions</b>	<b>2025</b>	2024	Unit
<b>Air Pollutants<sup>6</sup></b>			
Nitrogen Oxides (NO <sub>x</sub> )	<b>7.21</b>	15.91	kg
Sulphur Oxides (SO <sub>x</sub> )	<b>0.01</b>	0.27	kg
Particulate Matter	<b>0.61</b>	1.80	kg
<b>Greenhouse Gas</b>			
Scope 1 <sup>7</sup>	<b>267.18</b>	189.75	tCO <sub>2</sub> e
Scope 2 <sup>8</sup>	<b>9,512.32</b>	9,014.13	tCO <sub>2</sub> e
Scope 3 <sup>9</sup>	<b>152.49</b>	237.51	tCO <sub>2</sub> e
<b>Total</b>	<b>9,931.98</b>	9,441.39	tCO <sub>2</sub> e

<sup>5</sup> In 2025, the Company further optimised its data collection and statistical methodologies and retrospectively adjusted the 2024 figures for relevant metrics to ensure consistency with the new methodology.

<sup>6</sup> The air pollutants primarily originate from emissions generated by corporate vehicles and the fuel they use. Emission calculations are performed in accordance with the *Technical Guidelines for Compiling Road Vehicle Emission Inventories (Trial)* issued by the Ministry of Ecology and Environment of the PRC and the *Fleet Weighted Road Transport Emission Factor 2021* provided by the Department for Environment, Food and Rural Affairs (DEFRA) of UK. In 2025, the Company made great effort to advance the replacement of fuel vehicles with new energy vehicles, resulting in a significant reduction in relevant data compared to 2024.

<sup>7</sup> The calculation method for the carbon emission factors for emission of greenhouse gases (Scope 1) from vehicles was developed by synthesizing data from the *China Energy Statistical Yearbook (2022)*, the *Provincial Greenhouse Gas Inventory Compilation Guidelines (Trial) (2011)*, *Guidelines for Preparation of Provincial Greenhouse Gas Inventories (Trial) (2011)*, *GB 17930-2016 Automotive Gasoline*, the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Land Transport Enterprises (Trial) (2015)*, the *Fleet Weighted Road Transport Emission Factor 2021* provided by the Department for Environment, Food and Rural Affairs (DEFRA) of UK. The refrigerant emission factors were derived from the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong* issued by the Hong Kong Environmental Protection Department.

<sup>8</sup> The calculation of emission of greenhouse gases (Scope 2) from purchased electricity is based on *Fujian Province's grid emission factors* published in the Notice Ecology and Environment and National Bureau of Statistics of the PRC on December 31, 2025, along with the *Greenhouse Gas Reporting: Conversion Factors 2023* published by the Department for Energy Security and Net Zero of UK.

<sup>9</sup> The calculation of emission of greenhouse gases (Scope 3) from business travel is based on the *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, incorporating the China's civil aviation fuel consumption per ton-kilometer data and aviation kerosene carbon emission factors extracted from the *2023 Statistical Bulletin on Civil Aviation Industry Development* issued by the Civil Aviation Administration of the PRC, along with the *Greenhouse Gas Reporting: Conversion Factors 2023* published by the Department for Energy Security and Net Zero of UK.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>Emissions</b>	<b>2025</b>	2024	Unit
<b>Emission Intensity</b>	<b>3.24</b>	2.06	tCO <sub>2</sub> e/person
<b>Waste<sup>10</sup></b>			
Hazardous Waste <sup>11</sup>	<b>10.46</b>	2.01	t
Intensity	<b>3.42</b>	0.44	kg/person
Non-Hazardous Waste	<b>9.03</b>	14.48	t
Intensity	<b>2.95</b>	3.15	kg/person
<b>Resource Consumption</b>	<b>2025</b>	<b>2024</b>	<b>Unit</b>
<b>Energy</b>			
Petrol <sup>12</sup>	<b>781.74</b>	17,909.94	Litre
Diesel <sup>13</sup>	/	556.50	Litre
Town gas	<b>16,623.00</b>	21,027.00	kg
Natural gas	<b>19,232.00</b>	21,032.00	m <sup>3</sup>
<b>Purchased Electricity</b>	<b>22,679.52</b>	21,500.30	MWh
<b>Direct Energy Consumption</b>	<b>394.08</b>	624.69	MWh
<b>Indirect Energy Consumption</b>	<b>22,679.52</b>	21,500.30	MWh
Total Energy Consumption <sup>13</sup>	<b>23,073.60</b>	22,124.99	MWh
Intensity of Energy Consumption	<b>7.54</b>	4.82	MWh/person
<b>Water Resource</b>			
Water Consumption	<b>177,717.90</b>	192,101.40	t
Intensity	<b>58.06</b>	41.82	t/person

<sup>10</sup> Considering that the majority of our revenue comes from our games and education technology business, the wastes generated from our operations is not significant. The current disclosure scope only includes some but not all subsidiaries of the Group. We are expanding our data collection scope to include more data from all subsidiaries in the future.

<sup>11</sup> Hazardous wastes from 3D printers, discarded electronics, batteries, aerosols, fluorescent lamps, and liquid cleaning waste.

<sup>12</sup> In 2025, the Company made great effort to advance the replacement of fuel vehicles with new energy vehicles, resulting in a significant reduction in relevant data compared to 2024.

<sup>13</sup> The total energy consumption is calculated with reference to the *China Energy Statistical Yearbook* (latest published edition).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Social Performance

### KPI B1.1 Total workforce by gender, employment type, age group, employment category and geographical region for the year

	2025		2024	
	Number of Staff	% of total	Number of Staff	% of total
<b>Total Workforce</b>	<b>3,994</b>	<b>/</b>	5,167	/
<b>Total workforce by employment type</b>				
Full time	3,061	76.6%	4,593	88.9%
Part time	933	23.4%	574	11.1%
<b>Full-time workforce by gender</b>				
Male	1,831	59.8%	2,859	62.2%
Female	1,230	40.2%	1,734	37.8%
<b>Full-time workforce by age group</b>				
30 or below	842	27.5%	1,569	34.2%
31-50	2,075	67.8%	2,841	61.9%
51 or above	144	4.7%	183	4.0%
<b>Full-time workforce by employment category</b>				
Non-managerial	2,176	71.1%	3,446	75.0%
Management	885	28.9%	1,147	25.0%
<b>Full-time workforce by geographic region</b>				
China	2,717	88.8%	4,108	89.4%
Other Regions	344	11.2%	485	10.6%
<b>Other data</b>				
Total minority ethnic employee	35	1.1%	77	1.7%

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## KPI B1.2 Employee diversity profile for the year

### Proportion of female employees by job level/position

	2025	2024
Proportion of female employees in management roles	26.3%	24.2%
Proportion of female employees in senior management roles	19.1%	17.1%
Proportion of female employees in middle management roles	26.8%	23.9%
Proportion of female employees in junior management roles	42.3%	47.2%
Proportion of female employees in management roles in revenue-generating functions	20.1%	18.0%
Proportion of female employees in STEM related roles	23.3%	23.5%

## KPI B1.3 Newly hired employees for the year

### Total number of newly hired employees

### Number of newly hired employees by gender

	2025	2024
Male	141	411
Female	108	254

### Number of newly hired employees by age

	2025	2024
30 or below	122	392
31 – 50	102	257
51 or above	25	16

### Number of newly hired employees by geographical region

	2025	2024
China	150	587
Other Regions	99	78

### Number of newly hired employees by employment category

	2025	2024
Non-managerial	225	561
Management	24	104

### Percentage of vacancies filled internally (by internal recruitment) (%)

	2025	2024
	51.6%	38.3%

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## KPI B1.4 Employee turnover for the year

	2025	2024
<b>Total full-time employee turnover rate<sup>14</sup></b>	<b>30.1%</b>	20.4%
<b>Full-time employee voluntary turnover rate<sup>15</sup></b>	<b>4.1%</b>	4.4%
<b>Employee turnover rate by gender</b>		
Male	<b>32.6%</b>	21.2%
Female	<b>26.1%</b>	19.0%
<b>Employee turnover rate by age</b>		
30 or below	<b>33.5%</b>	23.5%
31 – 50	<b>28.2%</b>	18.4%
51 or above	<b>36.0%</b>	23.4%
<b>Employee turnover rate by geographic regions</b>		
China	<b>28.3%</b>	19.5%
Other Regions	<b>41.6%</b>	27.2%
<b>Employee turnover rate by employment category</b>		
Non-managerial	<b>32.5%</b>	22.2%
Management	<b>23.5%</b>	14.5%

## KPI B2.1 Number and rate of work-related fatalities for the past three years (including the reporting year)

### KPI B2.2 Number of lost workdays due to occupational injuries

Occupational health and safety	2025	2024	2023
<b>Work-related fatalities</b>	<b>0</b>	0	0
<b>Lost workdays due to work injuries<sup>16</sup></b>	<b>26</b>	40	49

<sup>14</sup> The formula for calculating employee turnover rate:  $\text{employee turnover rate} = \frac{\text{total number of employee separations for the year}}{\text{period-end headcount} + \text{total separations for the year}}$ .

<sup>15</sup> The formula for calculating employee voluntary turnover rate:  $\text{employee voluntary turnover rate} = \frac{\text{total number of employee voluntary separations for the year}}{\text{period-end headcount} + \text{total voluntary separations for the year}}$ .

<sup>16</sup> Calculated based on an "8-hour workday" as one working day.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMPLOYEE TRAINING

**KPI B3.1 The percentage of employees trained by gender and employee category**

**KPI B3.2 The average training hours completed per employee by gender and employee category**

	2025		2024	
	Number of employees trained	% of employees trained <sup>17</sup>	Number of employees trained	% of employees trained <sup>18</sup>
<b>The number of employees trained</b>				
<b>The number of full-time employees trained</b>	<b>1,168</b>	<b>38.2%</b>	3,778	82.3%
<b>The number of employees trained by gender</b>				
Male	<b>767</b>	<b>41.9%</b>	2,443	85.4%
Female	<b>401</b>	<b>32.6%</b>	1,335	77.0%
<b>The number of employees trained by employee category</b>				
Non-managerial	<b>721</b>	<b>33.1%</b>	2,633	76.4%
Management	<b>447</b>	<b>50.5%</b>	1,145	99.8%
<b>Training hours completed by employees</b>	<b>2025 Training Hours</b>		2024 Training Hours	
<b>Total training hours full-time employees completed</b>	<b>4,881</b>		17,314	
<b>Average training hours completed per full-time employee<sup>19</sup></b>	<b>4.2</b>		4.6	
<b>Completed training hours by employee gender</b>				
Male	<b>2,843</b>		13,724	
Female	<b>2,038</b>		3,590	
<b>Completed training hours by employee category</b>				
Non-managerial	<b>2,871</b>		11,240	
Management	<b>2,010</b>		6,074	

Note: During the Reporting Period, the Group dispatched specific personnel responsible for the employee training data. We will continue to strengthen internal data collection and improve data disclosure in future reports.

<sup>17</sup> The percentage of employees trained is calculated as: number of employees trained in the category/total number of employees in the category.

<sup>18</sup> The percentage of employees trained is calculated as: number of employees trained in the category/total number of employees in the category.

<sup>19</sup> The average training hours per employee is calculated as: total training hours of employees in the category/total number of employees in the category.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 11. CONTENT INDEX OF THE ESG GUIDE OF THE HONG KONG STOCK EXCHANGE

Mandatory Disclosure Requirements		Section
Governance Structure	A statement from the Board containing the following elements: (i) disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG related goals and targets with an explanation of how they relate to the issuer's businesses.	2. SUSTAINABILITY GOVERNANCE 2.1 Board Independence, Diversity and Performance 3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: Materiality, Quantitative and Consistency.	1. ABOUT THIS REPORT
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	1. ABOUT THIS REPORT

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosures and KPIs		Disclose Section/Explanation
<b>A. Environment</b>		
<b>A1. Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. ENVIRONMENTAL PROTECTION
A1.1	The types of emissions and respective emissions data.	10.PERFORMANCE DATA SUMMARY – Environmental Performance
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	10.PERFORMANCE DATA SUMMARY – Environmental Performance
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	10.PERFORMANCE DATA SUMMARY – Environmental Performance
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	10.PERFORMANCE DATA SUMMARY – Environmental Performance
A1.5	Description of emission target(s) and steps taken to achieve them.	5.1 Climate Change 5.2 Energy Management and Carbon Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction target(s) and steps taken to achieve them.	5.5 Waste Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>A2. Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Energy Management and Carbon Emissions 5.4 Water Consumption and Conservation
A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.2 Energy Management and Carbon Emissions
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) and steps taken to achieve them.	5.4 Water Consumption and Conservation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<i>Due to the nature of the business, the Group is not involved in the consumption of finished packages</i>
<b>A3. The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5.2 Energy Management and Carbon Emissions 5.5 Waste Management
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. ENVIRONMENTAL PROTECTION 5.2 Energy Management and Carbon Emissions

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>A4. Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact the issuer.	5. ENVIRONMENTAL PROTECTION 5.1 Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5. ENVIRONMENTAL PROTECTION 5.1 Climate Change
<b>B Social</b>		
<b>B1. Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6. PEOPLE 6.1 Diversity, Inclusion and Equal Opportunities 6.2 Talent Attraction and Retention
B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region.	10. PERFORMANCE DATA SUMMARY – Social Performance
B1.2	Employee turnover rate by gender, age group and geographical region.	10. PERFORMANCE DATA SUMMARY – Social Performance

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>B2. Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.4 Occupational Health & Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	10.PERFORMANCE DATA SUMMARY – Social Performance
B2.2	Lost days due to work injury.	10.PERFORMANCE DATA SUMMARY – Social Performance
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.4 Occupational Health & Safety
<b>B3. Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Talent Development
B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	10.PERFORMANCE DATA SUMMARY – Social Performance
B3.2	The average training hours completed per employee by gender and employee category.	10.PERFORMANCE DATA SUMMARY – Social Performance

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>B4. Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Diversity, Inclusion and Equal Opportunities
B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Diversity, Inclusion and Equal Opportunities
B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Diversity, Inclusion and Equal Opportunities
<b>B5. Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.1 Cyber Security 7. VALUE CHAIN
B5.1	Number of suppliers by geographical region.	7.2 Responsible Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	2.2 Business Ethics and Compliance 4.1 Cyber Security 7.2 Responsible Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.2 Business Ethics and Compliance 4.1 Cyber Security 7.2 Responsible Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7.2 Responsible Supply Chain Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>B6. Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1 Cyber Security 7. VALUE CHAIN
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	7.3 Quality Management
B6.2	Number of products and service-related complaints received and how they are dealt with.	4.5 Customer Engagement 7.3 Quality Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.4 Intellectual Property Protection
B6.4	Description of quality assurance process and recall procedures.	7. VALUE CHAIN 7.3 Quality Management
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2 Privacy and Data Protection

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>B7. Anti-Corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2. SUSTAINABILITY GOVERNANCE 2.2 Business Ethics and Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	2.2 Business Ethics and Compliance
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	2.2 Business Ethics and Compliance
B7.3	Description of anti-corruption training provided to directors and staff.	2.2 Business Ethics and Compliance
<b>B8. Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. COMMUNITY INVESTMENTS
B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	8. COMMUNITY INVESTMENTS
B8.2	Resources contributed (e.g., money or time) to the focus area.	8. COMMUNITY INVESTMENTS

# INDEPENDENT AUDITOR'S REPORT

# Deloitte.

# 德勤

**TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of NetDragon Websoft Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 173 to 296, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

### KEY AUDIT MATTERS (Cont'd)

#### Key audit matter

#### How our audit addressed the key audit matter

##### *Recognition of revenue from online and mobile games*

We identified the recognition of revenue from online and mobile games as a key audit matter due to financial significance of revenue to the consolidated financial statements.

Online and mobile games revenue of approximately RMB2,897 million for the year ended 31 December 2025 was recognised after the actual usage of the game points in the online and mobile games by the customers for obtaining virtual products or premium features. Advance received in respect of unutilised game points and those arising from inactivated prepaid game cards is recognised as contract liabilities.

Our procedures in relation to the recognition of revenue from online and mobile games included:

- evaluating and testing the manual and automated controls over the revenue recognition process in respect of online and mobile games revenue;
- obtaining the full-year top-up information and tracing to receipt details, on a sample basis;
- obtaining summary report which contains the utilised and unutilised game points generated by the computer system and performing testing, on a sample basis, by computer-assisted audit techniques;
- performing substantive analytical procedures on the online and mobile games revenue and contract liabilities with reference to utilised game points and unutilised game points by customers, on a sample basis, during the year; and
- Testing the automatic control of player account registration process using computer assisted audit techniques for overseas online and mobile games revenue.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TSE, Fung Chun (practising certificate number: P05156).

#### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

26 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	NOTES	2025 RMB million	2024 RMB million
Revenue	5	4,475	6,047
Cost of revenue		(1,329)	(2,105)
Gross profit		3,146	3,942
Other income and gains	6(a)	128	398
Impairment loss under expected credit loss model, net of reversal	8	(25)	2
Selling and marketing expenses		(659)	(758)
Administrative expenses		(935)	(1,164)
Research and development costs		(1,013)	(1,429)
Other expenses and losses	6(b)	(368)	(249)
Share of results of associates and joint ventures		6	3
Operating profit		280	745
Interest income on pledged bank deposits		32	13
Exchange (loss) gain on pledged bank deposits, financial assets at fair value through profit or loss, bank borrowings, convertible and exchangeable bonds and derivative financial instruments		(21)	5
Fair value change on financial assets at fair value through profit or loss		33	67
Fair value change on derivative financial instruments		20	87
Finance costs	7	(132)	(161)
Profit before taxation		212	756
Taxation	9	(176)	(642)
Profit for the year	10	36	114
Other comprehensive income (expense) for the year, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		29	26
Reclassification of cumulative translation reserve upon deregistration or disposal of foreign operations		(19)	(6)
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value change on equity instruments at fair value through other comprehensive income		13	(26)
Other comprehensive income (expense) for the year		23	(6)
Total comprehensive income for the year		59	108

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	NOTE	2025 RMB million	2024 RMB million
Profit (loss) for the year attributable to:			
– Owners of the Company		151	311
– Non-controlling interests		(115)	(197)
		<u>36</u>	<u>114</u>
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		170	301
– Non-controlling interests		(111)	(193)
		<u>59</u>	<u>108</u>
		<b>RMB cents</b>	RMB cents
<b>Earnings per share</b>	13		
– Basic		28.58	58.60
– Diluted		28.58	58.60

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	NOTES	2025 RMB million	2024 RMB million
<b>Non-current assets</b>			
Property, plant and equipment	14	2,249	2,315
Right-of-use assets	15	317	394
Investment properties	16	41	50
Goodwill	17	311	312
Intangible assets	18	699	784
Interests in associates and joint ventures		64	50
Equity instruments at fair value through other comprehensive income	20	27	8
Financial assets at fair value through profit or loss	21	302	516
Loan receivables	22	54	29
Other receivables, prepayments and deposits	27	286	288
Deferred tax assets	23	1	–
		<b>4,351</b>	<b>4,746</b>
<b>Current assets</b>			
Properties under development	24	70	70
Properties for sale	24	264	272
Inventories	25	223	238
Financial assets at fair value through profit or loss	21	133	191
Loan receivables	22	189	125
Trade receivables	26	303	454
Bills receivables		–	1
Other receivables, prepayments and deposits	27	432	469
Tax recoverable		28	39
Pledged bank deposits	28	2,087	1,114
Bank deposits with original maturity over three months	28	308	215
Cash and cash equivalents	28	1,545	2,498
		<b>5,582</b>	<b>5,686</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	NOTES	2025 RMB million	2024 RMB million
<b>Current liabilities</b>			
Trade and other payables	29	1,036	1,284
Contract liabilities	30	441	454
Lease liabilities	31	42	58
Provisions	32	112	113
Derivative financial instruments	21	1	21
Bank borrowings	33	2,356	1,729
Convertible and exchangeable bonds	34	–	295
Convertible note	35	428	396
Tax payable		40	64
		<u>4,456</u>	<u>4,414</u>
<b>Net current assets</b>		<u>1,126</u>	<u>1,272</u>
<b>Total assets less current liabilities</b>		<u>5,477</u>	<u>6,018</u>
<b>Non-current liabilities</b>			
Other payables	29	3	5
Lease liabilities	31	22	71
Deferred tax liabilities	23	64	76
		<u>89</u>	<u>152</u>
<b>Net assets</b>		<u>5,388</u>	<u>5,866</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	NOTE	2025 RMB million	2024 RMB million
<b>Capital and reserves</b>			
Share capital	36	39	39
Share premium and reserves		5,394	5,788
Equity attributable to owners of the Company		5,433	5,827
Non-controlling interests		(45)	39
		5,388	5,866

The consolidated financial statements on pages 173 to 296 were approved and authorised for issue by the Board of Directors on 26 March 2026 and are signed on its behalf by:

Liu Dejian  
DIRECTOR

Leung Lim Kin, Simon  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

Attributable to owners of the Company

	Share capital	Share premium	Capital redemption reserve	Other reserve	Capital reserve	Statutory reserves	Dividend reserve	Property revaluation reserve	Treasury share reserve	Employee share-based compensation reserve	Translation reserve	Equity instruments at fair value through other comprehensive income reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB million	RMB million	RMB million (Note a)	RMB million (Note b)	RMB million (Note c)	RMB million (Note d)	RMB million	RMB million	RMB million (Note e)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2024	39	1,599	9	73	10	833	193	22	(3)	51	(51)	(28)	3,148	5,895	279	6,174
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	311	311	(197)	114
Other comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	16	(26)	-	(10)	4	(6)
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	16	(26)	311	301	(193)	108
Acquisition of additional equity interests from noncontrolling interests of subsidiaries	-	-	-	(14)	-	3	-	-	-	-	-	-	22	11	(21)	(10)
Disposal of non-wholly owned subsidiaries	-	-	-	41	-	-	-	-	-	-	-	-	(41)	-	(53)	(53)
Disposal of partial equity interests to a noncontrolling interest	-	-	-	4	-	-	-	-	-	-	-	-	-	4	-	4
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27	27
Repurchases of own shares by Mynd.ai (defined in Note 13)	-	-	-	3	-	-	-	-	-	-	-	-	-	3	-	3
Final dividend for 2023 paid	-	-	-	-	-	-	(193)	-	-	-	-	-	-	(193)	-	(193)
Interim dividend for 2024 declared and paid	-	(194)	-	-	-	-	-	-	-	-	-	-	-	(194)	-	(194)
Final dividend for 2024 proposed	-	(246)	-	-	-	-	246	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	102	-	-	-	-	-	-	(102)	-	-	-
At 31 December 2024	39	1,159	9	107	10	938	246	22	(3)	51	(35)	(54)	3,338	5,827	39	5,866
At 1 January 2025	39	1,159	9	107	10	938	246	22	(3)	51	(35)	(54)	3,338	5,827	39	5,866
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	151	151	(115)	36
Other comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	25	13	(19)	19	4	23
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	25	13	132	170	(111)	59
Purchase of treasury shares	-	-	-	-	-	-	-	(55)	-	-	-	-	-	(55)	-	(55)
Acquisition of additional equity interest from noncontrolling interests	-	-	-	(1)	-	-	-	-	-	-	-	-	-	(1)	(3)	(4)
Disposal of non-wholly owned subsidiaries	-	-	-	(4)	-	-	-	-	-	-	-	-	-	(4)	(22)	(26)
Net deemed disposal of equity interest to noncontrolling interests	-	-	-	(33)	-	-	-	-	-	-	-	-	-	(33)	33	-
Recognition of equity-settled share-based payments, net of share options forfeited	-	-	-	-	-	-	-	-	(11)	-	-	-	13	2	21	23
Awarded shares vested to employees	-	-	-	-	-	-	-	-	2	(1)	-	-	(1)	-	-	-
Contribution from noncontrolling interests	-	-	-	14	-	-	-	-	-	-	-	-	-	14	(2)	12
Final dividend for 2024 paid	-	-	-	-	-	-	(246)	-	-	-	-	-	-	(246)	-	(246)
Interim dividend for 2025 declared and paid	-	(241)	-	-	-	-	-	-	-	-	-	-	-	(241)	-	(241)
Final dividend for 2025 proposed	-	-	-	-	-	-	238	-	-	-	-	-	(238)	-	-	-
Transfers	-	-	-	-	-	78	-	-	-	-	-	-	(78)	-	-	-
At 31 December 2025	39	918	9	83	10	1,016	238	22	(56)	39	(10)	(41)	3,166	5,433	(45)	5,388

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

Notes:

- a. The amount represented the nominal value of the shares repurchased by the Company.
- b. Other reserve represented the difference between the consideration and the carrying amount of net assets value resulting from disposal of equity interests in subsidiaries that do not result in loss of control, acquisition of additional equity interests in subsidiaries and contribution from non-controlling interests, which are accounted for as equity transactions. During the years ended 31 December 2024 and 2025, movement of other reserve mainly represents the difference between the consideration and carrying amount of net assets value relating to acquisition of additional equity interests from non-controlling interests of subsidiaries and disposal of equity interests in subsidiaries that do not result in change of control.
- c. Capital reserve arose on combining the results and financial positions of 福建網龍計算機網絡信息技術有限公司 (Fujian NetDragon Websoft Co., Ltd.) ("NetDragon (Fujian)") using the principles of merger accounting.
- d. As stipulated by the relevant laws and regulations for enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain statutory reserves. Appropriation to such reserve is made out of profit after taxation as reflected in the statutory financial statements of each of the PRC subsidiaries while the amounts and allocation basis are decided by its board of directors annually. The statutory reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- e. Treasury share reserve comprises the consideration paid for the treasury shares held for the share award scheme, including any attributable incremental costs for the purchase of shares under the share award scheme.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB million	2024 RMB million
<b>OPERATING ACTIVITIES</b>		
Profit for the year	36	114
Adjustments for:		
Taxation	176	642
Finance costs	132	161
Interest income on pledged bank deposits, bank balances, loan receivables and refundable rental deposits	(72)	(74)
Fair value change on financial assets at fair value through profit or loss	(33)	(67)
Fair value change on derivative financial instruments	(20)	(87)
Fair value change in investment properties	8	13
Depreciation of property, plant and equipment	201	207
Depreciation of right-of-use assets	74	117
Amortisation of intangible assets	167	177
Loss on disposal of property, plant and equipment	2	1
Gain on disposal of intangible assets	-	(141)
Impairment loss (reversal of impairment loss) of intangible assets	59	(2)
Write off of intangible assets	-	14
Impairment loss (reversal of impairment loss) recognised on trade receivables and loan receivables	25	(2)
Share-based payments	23	27
Impairment loss of prepayment for acquisition of a cryptocurrency	14	-
Share of results of associates and joint ventures	(6)	(3)
(Reversal of impairment loss) write-down of inventories	(9)	3
Loss (gain) on early termination of leases	1	(4)
Net gain on disposal of subsidiaries	(27)	(99)
Net gain on leases modification	(2)	-
Gain on deemed disposal of an associate	(2)	-
	<u>747</u>	<u>997</u>
Operating cash flows before movements in working capital	<u>747</u>	<u>997</u>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Decrease in inventories	<b>1</b>	168
Decrease in trade receivables	<b>146</b>	286
Decrease in other receivables, prepayments and deposits	<b>10</b>	42
Decrease in properties for sale	<b>8</b>	6
Increase in bills receivables	<b>-</b>	(1)
Decrease in trade and other payables	<b>(247)</b>	(83)
Decrease in contract liabilities	<b>(12)</b>	(32)
Decrease in provisions	<b>(2)</b>	(14)
	<hr/>	<hr/>
Cash generated from operations	<b>651</b>	1,369
Interest paid	<b>(73)</b>	(111)
Income tax paid	<b>(200)</b>	(206)
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>378</b>	1,052
	<hr/>	<hr/>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(145)	(166)
Purchase of intangible assets	(379)	(595)
Placement of bank deposits with original maturity over three months	(418)	(219)
Withdrawal of bank deposits with original maturity over three months	325	333
Investments in associates and joint ventures	(1)	(5)
Net cash (outflow) inflow on disposal of subsidiaries	(19)	101
Placement of pledged bank deposits	(2,368)	(1,106)
Withdrawal of pledged bank deposits	1,395	307
Interest received	56	68
Repayment of loan receivables	21	20
Proceeds from disposal of property, plant and equipment	2	3
Proceeds from disposal of intangible assets	236	588
Proceeds from disposal of right-of-use assets	-	2
Purchase of financial assets at fair value through profit or loss	(1,868)	(3,013)
Proceeds from disposal of financial assets at fair value through profit or loss	2,187	2,928
Purchase of equity instruments at fair value through other comprehensive income	(5)	-
Advance of loan receivables	(112)	(125)
Disposal of partial interest to a non-controlling interest	-	4
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,093)</b>	<b>(875)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	<b>2025</b> RMB million	2024 RMB million
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>2,106</b>	1,790
Redemption of convertible and exchangeable bonds	<b>(293)</b>	–
Repayment of bank borrowings	<b>(1,466)</b>	(1,098)
Dividends paid	<b>(487)</b>	(453)
Repayment of lease liabilities	<b>(60)</b>	(99)
Payment for purchase of treasury shares	<b>(55)</b>	–
Contribution from non-controlling interests	<b>10</b>	–
Acquisition of additional equity interests from non-controlling interests of subsidiaries	<b>(4)</b>	(10)
	<u><b>(249)</b></u>	<u>130</u>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(964)</b>	307
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>2,498</b>	2,241
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>11</b>	(50)
	<u><b>1,545</b></u>	<u>2,498</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 1. GENERAL INFORMATION

NetDragon Websoft Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate and ultimate holding company is DJM Holding Ltd. (“DJM”) and its controlling shareholders are Dr. Liu Dejian and Mr. Liu Luyuan (the “Controlling Shareholders”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Units 2001-05 & 11, 20/F, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are engaged in (i) gaming and application services, (ii) overseas education business (“Mynd.ai business”); and (iii) property development business.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to a HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to a HKFRS Accounting Standard as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which is mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to a HKFRS Accounting Standard in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027.

Except for the new to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

New and amendments to HKFRS Accounting Standards in issue but not yet effective (Cont'd)

### *HKFRS 18 "Presentation and Disclosure in Financial Statements"*

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provides disclosures on management-defined performance measures in the notes to the financial statements and improves aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures". Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

### 3.2 Material accounting policy information

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities including Structured Entities (as defined in Note 4) controlled by the Company and its subsidiaries. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

#### *Changes in the Group’s interests in existing subsidiaries*

Changes in the Group’s interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

#### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Investments in associates and joint ventures*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

#### *Revenue from contracts with customers*

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 27 and 30.

#### *Warranties*

If a customer has the option to purchase an extended warranty separately, the Group accounts for the extended warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation. If a customer does not have the option to purchase an extended warranty separately, the Group accounts for the basic warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Leases*

##### *The Group as a lessee*

#### *Right-of-use assets*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The Group presents right-of-use assets that do not meet the definition of investment property, properties under development and properties for sale as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties", "properties under development" or "properties for sale", as appropriate.

#### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

#### *Foreign currencies*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in OCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains".

#### *Employee benefits*

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered services entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

#### *Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date without taking into consideration all non-market vesting conditions and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based compensation reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Share-based payments (Cont'd)*

The Group operates share award scheme which allows it to grant shares to selected employees. For the shares granted to the employees, the fair value of the employee services received in exchange for the grant of the shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

When share awards granted are vested, the amount previously recognised in share-based payments reserve will be transferred to treasury share reserve and retained profits.

At the end of each reporting period, the Group revises its estimate of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based compensation reserve.

#### *Taxation*

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

#### *Property, plant and equipment*

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

#### *Intangible assets*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Properties under development/properties for sale*

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are transferred to properties for sale upon completion.

#### *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

#### *Financial assets*

##### Classification and subsequent measurement of financial assets

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

(ii) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value change on financial assets at fair value through profit or loss" line item.

##### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 "Financial Instrument"

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

### 3.2 Material accounting policy information (Cont'd)

#### *Financial instruments (Cont'd)*

#### *Financial liabilities and equity instruments*

#### *Convertible and exchangeable bonds*

The convertible and exchangeable bonds are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definition of a financial liability. A convertible and exchangeable option that can be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments does not meet the definition of equity and is therefore accounted for as a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible and exchangeable bonds is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in profit or loss.

#### *Convertible note*

The convertible note is classified as financial liabilities in accordance with the substance of the contractual arrangements and the definition of a financial liability. A convertible option that can be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the equity instruments of a non-wholly owned subsidiary of the Group does not meet the definition of equity and is therefore accounted for as a conversion option derivatives.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible note is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in profit or loss.

#### *Derivative financial instruments and other embedded derivative features of convertible note*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not due to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Critical judgements in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Accounting for companies governed under contractual arrangements as subsidiaries*

The Company and its subsidiaries do not hold any equity interests in NetDragon (Fujian), nor, in any of NetDragon (Fujian)'s subsidiaries, 福建省華漁教育科技有限公司 ("Fujian Huayu") and 福建省天晴互動娛樂有限公司 (collectively referred to as the "Structured Entities"). Nevertheless, under the contractual agreements entered into among the Group, NetDragon (Fujian) and the Controlling Shareholders who are the registered owners of NetDragon (Fujian), the directors of the Company determine that the Group has the power to direct the relevant activities, which significantly affect the returns of the Structured Entities. As such, the Structured Entities are accounted for as subsidiaries of the Group for accounting purposes.

The Group's revenue generated from the above entities which are controlled by the Group through the contractual agreements described above amounted to RMB2,480 million (2024: RMB3,061 million) for the year ended 31 December 2025. At 31 December 2025, total assets and total liabilities of the Structured Entities amounted to RMB1,530 million (2024: RMB1,585 million) and RMB1,064 million (2024: RMB1,270 million), respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### (b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *(i) Impairment of goodwill and intangible assets with indefinite useful lives*

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the recoverable amount of the CGUs to which goodwill and intangible assets with indefinite useful lives have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate growth rates in cash flow forecasts and a suitable discount rate applied to these forecasts in order to calculate the present value. Where the actual future cash flow forecasts are less than expected, or change in facts and circumstances which results in downward revision of future cash flow or upward revision of discount rate, a material impairment loss or further impairment loss may arise. As at 31 December 2025, the carrying amounts of goodwill and intangible assets with indefinite useful lives are set out in Notes 17 and 18 respectively. Details of the recoverable amount calculation of goodwill and intangible assets with indefinite useful lives are disclosed in Note 19.

#### *(ii) Fair value measurements and valuation processes*

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16 and 39 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION

Performance obligation for contracts with customers

### *Revenue from online and mobile games*

For revenue from online and mobile games, the Group operates self-developed games. The Group's games are free to play. Players can purchase game points which are virtual currency for acquisition of virtual products or premium features or purchase those virtual products or premium features directly for better game experience. The Group sells pre-paid game points and game products or premium features through its distribution and payment channels by (i) direct sales (both online payment systems and other direct sales channels/third party platforms); and (ii) game cards sales through distributors.

The performance obligation in relation to revenue for online and mobile games is satisfied at a point in time upon the utilisation of virtual products or premium features.

The virtual products or premium features purchased by the customers are mainly the consumable virtual products or premium features that are extinguished after consumption by a specific game player action in the online and mobile games. The game players will not continue to benefit from the virtual products or premium features thereafter.

The Group evaluates from time to time its roles and responsibilities in the delivery of virtual products or premium features in online and mobile games to the game players and concludes that the Group takes the primary responsibilities. The Group is determined to be the primary obligor and reports revenue in gross amounts. Due to the fact that the third party platforms may offer various marketing activities from time to time to game players, the actual prices paid by any individual game players may be different from the standard prices of virtual products or premium features purchased, the Group has to attempt to make a reasonable estimation for the gross revenue amount through tracking third party platforms' marketing activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Performance obligation for contracts with customers (Cont'd)

### *Revenue from online and mobile games (Cont'd)*

However, for the Group's online and mobile games which are published through a large number of third party platforms, since those platforms would offer various market discounts to game players, it is difficult for the Group to make a reasonable estimation for the gross revenue, as such, the Group reports revenue to the extent of the amounts received and receivable from those third party platforms. Revenue is recognised on a gross basis if the Group is able to make a reasonable estimate of the gross revenue.

The amount received from customers for pre-paid game points is deferred and recorded as contract liabilities and would be recognised as revenue at a point in time (i.e. online or mobile game revenue) after the actual usage of the game points for purchasing virtual products or premium features.

The normal credit term to its distribution and payment channels is 30 to 60 days upon the receipt of the money on game points collected from customers.

### *Revenue from sales of education equipment and related goods*

For revenue from sales of education equipment and related goods, the performance obligation is satisfied at a point in time when the education equipment and related goods are delivered and titles have passed. The normal credit term is 30 to 60 days upon delivery.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Performance obligation for contracts with customers (Cont'd)

### *Revenue from educational services*

Revenue from educational services which mainly represents the tuition fee are recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. It is recognised over time using input method, i.e. based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation contract that best depict the Group's performance in transferring control of goods or services. The Group collects the educational service fee once a year before the commencement of providing the educational services.

### *Revenue from provision of mobile solution, products and marketing services*

Revenue from provision of mobile solution, products and marketing services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. It is recognised over time using output method, i.e. to recognise revenue on the basis of direct measurement of the value of goods or services promised under the contract that best depict the Group's performance in transferring control of goods or services. The contracts on provision of mobile solution, products and marketing services include payment schedules which require stage payments over the service period once certain specified milestones are reached and customers are offered 30 to 45 days credit term after the billing is issued.

### *Revenue from property development*

Revenue from property development is recognised when the respective properties have been completed and delivered to the customers, which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties. Pre-sale deposits and advance payment received from customers for property development are included in contract liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information under the current reporting structure as further set out in the "segment information" section of this note.

### *Types of goods and services*

	For the year ended 31 December 2025			Total RMB million
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	
Revenue from sales of pre-paid game cards for online and mobile games	2,897	-	-	2,897
Sales of education equipment and related goods	81	1,134	-	1,215
Revenue from educational services	238	63	-	301
Revenue from provision of mobile solution, products and marketing services	60	-	-	60
Revenue from property development	-	-	2	2
	<u>3,276</u>	<u>1,197</u>	<u>2</u>	<u>4,475</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

*Types of goods and services (Cont'd)*

	For the year ended 31 December 2024			Total RMB million
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	
Revenue from sales of pre-paid game cards for online and mobile games	3,425	-	-	3,425
Sales of education equipment and related goods	242	1,773	-	2,015
Revenue from educational services	193	333	-	526
Revenue from provision of mobile solution, products and marketing services	78	-	-	78
Revenue from property development	-	-	3	3
	<u>3,938</u>	<u>2,106</u>	<u>3</u>	<u>6,047</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

*Timing of revenue recognition*

	For the year ended 31 December 2025			
	Gaming and application services	Mynd.ai business	Property development	Total
	RMB million	RMB million	RMB million	RMB million
A point in time	2,978	1,134	2	4,114
Over time	298	63	-	361
	<u>3,276</u>	<u>1,197</u>	<u>2</u>	<u>4,475</u>

	For the year ended 31 December 2024			
	Gaming and application services	Mynd.ai business	Property development	Total
	RMB million	RMB million	RMB million	RMB million
A point in time	3,667	1,773	3	5,443
Over time	271	333	-	604
	<u>3,938</u>	<u>2,106</u>	<u>3</u>	<u>6,047</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

### Geographical information

	For the year ended 31 December 2025			
	Gaming and application services	Mynd.ai business	Property development	Total
	RMB million	RMB million	RMB million	RMB million
Chinese Mainland	2,777	-	2	2,779
United States of America ("USA")	404	796	-	1,200
Europe (Note)	-	337	-	337
Other regions	95	64	-	159
	<u>3,276</u>	<u>1,197</u>	<u>2</u>	<u>4,475</u>

	For the year ended 31 December 2024			
	Gaming and application services	Mynd.ai business	Property development	Total
	RMB million	RMB million	RMB million	RMB million
Chinese Mainland	3,376	-	3	3,379
USA	429	1,210	-	1,639
Europe (Note)	-	507	-	507
Other regions	133	389	-	522
	<u>3,938</u>	<u>2,106</u>	<u>3</u>	<u>6,047</u>

Note: Europe mainly includes Germany, United Kingdom ("UK"), Spain, France and others. Each of these countries individually contributed less than 10% of total revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) and the expected timing of recognising revenue are as follows:

	At 31 December 2025		
	Gaming and application services RMB million (Note)	Mynd.ai business RMB million	Property development RMB million
Within one year	463	87	2
More than one year but not more than two years	127	48	-
More than two years	261	80	-
	<u>851</u>	<u>215</u>	<u>2</u>

	At 31 December 2024		
	Gaming and application services RMB million (Note)	Mynd.ai business RMB million	Property development RMB million
Within one year	577	81	5
More than one year but not more than two years	-	51	-
More than two years	2	82	-
	<u>579</u>	<u>214</u>	<u>5</u>

Note: The unused game points in gaming and application services revenue have no expiration period and can be used at any time at customers' discretion. The amounts disclosed above represent the Group's expectation on the timing of utilisation by customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment information

Information reported to the Group's chief operating decision makers ("CODM"), being the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the geographical locations of the customers.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" in the current year are as follows:

- Gaming and application services: Internet and technology-enabled services, including gaming and software and related or ancillary services;
- Mynd.ai business: Overseas education business; and
- Property development.

The following is an analysis of the Group's revenue and results by reportable segments:

	For the year ended 31 December 2025			Total RMB million
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	
Segment revenue	<u>3,276</u>	<u>1,197</u>	<u>2</u>	<u>4,475</u>
Segment profit (loss)	<u>751</u>	<u>(441)</u>	<u>(7)</u>	<u>303</u>
Unallocated other income and gains				75
Unallocated corporate expenses and losses				<u>(166)</u>
Profit before taxation				<u>212</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment information (Cont'd)

	For the year ended 31 December 2024			
	Gaming and application services	Mynd.ai business	Property development	Total
	RMB million	RMB million	RMB million	RMB million
Segment revenue	<u>3,938</u>	<u>2,106</u>	<u>3</u>	<u>6,047</u>
Segment profit (loss)	<u>863</u>	<u>(279)</u>	<u>(8)</u>	576
Unallocated other income and gains				257
Unallocated corporate expenses and losses				<u>(77)</u>
Profit before taxation				<u>756</u>

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment profit (loss) represents the profit earned by or loss incurred from each segment without allocation of unallocated other income and gains, and corporate expenses and losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above are from external customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

The following is an analysis of the Group's assets by reportable and operating segments:

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Gaming and application services	<b>6,619</b>	6,340
Mynd.ai business	<b>1,346</b>	1,932
Property development	<b>765</b>	757
Total segment assets	<b>8,730</b>	9,029
Unallocated	<b>1,203</b>	1,403
	<b>9,933</b>	10,432

For the purposes of monitoring segment performance and allocating resources, all assets are allocated to operating segments other than those assets managed on group basis, such as certain financial assets at FVTPL, certain loan receivables, certain intangible assets, certain pledged bank deposits, certain other receivables, prepayments and deposits and certain cash and cash equivalents. No analysis of the Group's liabilities by operating segments is disclosed as they are not regularly provided to the CODM for review.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

### *Geographical information*

The details of the Group's revenue from external customers by geographical location of the operations are set out in this note.

The Group's non-current assets, excluding equity instruments at fair value through other comprehensive income ("FVTOCI"), financial assets at FVTPL, loan receivables and deferred tax assets, by geographical location of assets are detailed below:

	<b>2025</b> <b>RMB million</b>	2024 RMB million
Chinese Mainland	<b>2,765</b>	2,895
Hong Kong	<b>430</b>	414
USA	<b>527</b>	567
UK	<b>187</b>	311
Others	<b>58</b>	6
	<b><u>3,967</u></b>	<u>4,193</u>

### *Information about major customers*

No single customer of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 6. OTHER INCOME AND GAINS, OTHER EXPENSES AND LOSSES

### (a) Other income and gains

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Government grants (Note)	<b>19</b>	28
Interest income on bank balances, loan receivables and refundable rental deposits	<b>40</b>	61
Rental income, net of negligible outgoing expenses	<b>8</b>	2
Rental income arising from subleases	<b>1</b>	–
Reversal of impairment loss of intangible assets	<b>–</b>	2
Gain on disposal of intangible assets	<b>–</b>	141
Net gain on disposal of subsidiaries	<b>27</b>	99
Net foreign exchange gain	<b>1</b>	–
Others	<b>32</b>	65
	<b>128</b>	398

Note: Amounts mainly being (i) granted by the government in the PRC mainly for subsidising the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to compensation for research and development costs already incurred, which amounted to RMB15 million (2024: RMB21 million) for the year ended 31 December 2025 and is recognised in profit or loss; and (ii) granted by the government in the PRC for the purchase of property, plant and equipment, which is recognised as deferred income and is recognised to profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure with an amount of RMB4 million (2024: RMB7 million).

Further details of government grants are set out in Notes 27 and 29.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 6. OTHER INCOME AND GAINS, OTHER EXPENSES AND LOSSES (Cont'd)

### (b) Other expenses and losses

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Donation	<b>12</b>	–
Other tax and charges	<b>34</b>	42
Redundancy payments	<b>221</b>	110
Fair value change in investment properties	<b>8</b>	13
Impairment loss of intangible assets	<b>59</b>	–
Impairment loss of prepayment for acquisition of a cryptocurrency	<b>14</b>	–
Net foreign exchange loss	<b>–</b>	7
Write off of intangible assets	<b>–</b>	14
Others	<b>20</b>	63
	<b>368</b>	249

## 7. FINANCE COSTS

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Interest on:		
– Bank borrowings	<b>42</b>	39
– Lease liabilities	<b>5</b>	9
– Convertible and exchangeable bonds	<b>9</b>	44
– Convertible note	<b>66</b>	57
– Others	<b>10</b>	12
	<b>132</b>	161

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 8. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2025 RMB million	2024 RMB million
Impairment losses (reversal of impairment) recognised on trade receivables and loan receivables	<u>25</u>	<u>(2)</u>

Details of impairment assessment of trade receivables and loan receivables are set out in Note 39.

## 9. TAXATION

	2025 RMB million	2024 RMB million
The tax charge (credit) comprises:		
Hong Kong Profits Tax (Note a)		
– Current year	20	54
– Underprovision in prior years	–	1
	<u>20</u>	<u>55</u>
PRC Enterprise Income Tax (“EIT”) (Note b)		
– Current year	133	133
– Withholding tax	24	1
– Underprovision (overprovision) in prior years	4	(7)
	<u>161</u>	<u>127</u>
Taxation in other jurisdictions (Note c)		
– Current year	5	4
– Underprovision in prior years	–	5
	<u>5</u>	<u>9</u>
Deferred taxation (Note 23)		
– Current year (Note d)	(10)	451
	<u>176</u>	<u>642</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 9. TAXATION (Cont'd)

Notes:

- (a) Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.
- (b) PRC EIT is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

A number of subsidiaries of the Company were approved to be hi-tech enterprises and are entitled to a reduced tax rate of 15%. The qualification of hi-tech enterprise is subject to review once every three years. During the year ended 31 December 2025, the following subsidiaries are subject to a reduced tax rate of 15%, including Fujian TQ Digital Inc. ("TQ Digital"), Fujian TQ Online Interactive Inc. ("TQ Online") and 福建省網龍普天教育科技有限公司 (2024: TQ Digital, TQ Online, Fujian Tianquan Education Technology Limited ("Fujian Tianquan"), 蘇州馳聲信息科技有限公司 and 福建省網龍普天教育科技有限公司).

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of NetDragon (Fujian) is 25% for both years.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors and interest payable to depositors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends and interest have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries and interest payable by the PRC lenders to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable.

- (c) For the year ended 31 December 2025, the USA income tax rates applicable to subsidiaries incorporated in the USA is 21% (2024: 21%) for federal tax and 8.84% (2024: 8.84%) for state income tax.

The UK Corporation Tax Rate applicable to subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

- (d) During the year ended 31 December 2024, the Group had reversed an amount of RMB376 million (2025: Nil) deferred tax assets in relation to unused tax losses due to the decline in sales and reduced customer demand resulting in the uncertainty regarding the realisability of such deferred tax assets in subsidiaries of the Mynd.ai business.
- (e) The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the Pillar Two Rules based on management's best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 9. TAXATION (Cont'd)

The tax charge for the year is reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2025</b> RMB million	2024 RMB million
Profit before taxation	<u>212</u>	<u>756</u>
Tax at the applicable tax rate of 25% (2024: 25%) (Note a)	53	189
Tax effect of share of results of associates and joint ventures	(2)	(1)
Tax effect of income not taxable for tax purpose	(159)	(116)
Tax effect of expenses not deductible for tax purpose	91	72
Utilisation of tax losses previously not recognised	(1)	(8)
Tax effect of tax losses not recognised	196	182
Effect of different tax rates of subsidiaries operating in other jurisdictions	10	(14)
Tax effect of temporary differences not recognised	81	–
Tax effect of deductible temporary differences not recognised	7	528
Additional tax benefit on development expenses (Note b)	(5)	(30)
Tax effect of exemption and income tax on concessionary rate granted to the PRC subsidiaries	(123)	(151)
Underprovision (overprovision) in prior years	4	(1)
Withholding tax on distributable profit	24	–
Withholding tax on loan interest income	–	1
Others	–	(9)
Tax charge for the year	<u>176</u>	<u>642</u>

Notes:

- (a) The applicable tax rate of 25% represents the applicable income tax rate of the subsidiaries in Fujian Province in the PRC which constitute the substantial part of the Group's operations for both years ended 31 December 2025 and 2024.
- (b) Pursuant to the relevant tax rules and regulations, the Group is eligible for additional tax benefit, which is equivalent to 100% (2024: 100%) of the staff costs and depreciation under research and development costs incurred for the development of new games and advanced technology development during the year ended 31 December 2025.

Details of deferred taxation are set out in Note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 10. PROFIT FOR THE YEAR

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	<b>38</b>	35
Other staff costs		
Salaries and other benefits	<b>1,428</b>	2,101
Contributions to retirement benefits schemes	<b>177</b>	197
Share-based payments expense	<b>21</b>	27
Redundancy payments	<b>221</b>	110
	<b>1,885</b>	2,470
Auditor's remuneration		
– audit services	<b>22</b>	22
– non-audit services	<b>2</b>	1
	<b>24</b>	23
Depreciation of property, plant and equipment	<b>201</b>	207
Depreciation of right-of-use assets	<b>74</b>	117
Amortisation of intangible assets	<b>167</b>	177
Total depreciation and amortisation	<b>442</b>	501
Cost of goods sold for education equipment and related goods	<b>894</b>	1,520
(Reversal of impairment loss) write-down of inventories	<b>(9)</b>	3
Advertising and promotion expenses (included in selling and marketing expenses)	<b>330</b>	389
Net foreign exchange (gain) loss excluding exchange loss (gain) on pledged bank deposits, financial assets at FVTPL, bank borrowings, convertible and exchangeable bonds and derivative financial instruments	<b>(1)</b>	7

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and the chief executive's emoluments

The emoluments paid or payable to each of the ten (2024: nine) directors of the Company were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	2025		Total RMB'000
			Contributions to retirement benefits schemes RMB'000	Share-based payments expense RMB'000	
<i>Executive directors</i>					
Dr. Liu Dejian	-	8,196	50	-	8,246
Dr. Leung Lim Kin, Simon (Note a)	-	21,668	16	2,241	23,925
Mr. Liu Luyuan (Note b)	-	1,080	46	-	1,126
Mr. Chen Hongzhan	-	1,114	46	-	1,160
Ms. Lin Yun (Note c)	-	1,357	94	-	1,451
<i>Non-executive director</i>					
Mr. Lin Dongliang	-	-	-	-	-
<i>Independent non-executive directors</i>					
Mr. Lee Kwan Hung, Eddie (Note d)	365	-	-	-	365
Mr. Liu Sai Keung, Thomas	847	-	-	-	847
Mr. Li Sing Chung Matthias	594	-	-	-	594
Dr. Lo Wing Yan, William (Note e)	202	-	-	-	202
	<u>2,008</u>	<u>33,415</u>	<u>252</u>	<u>2,241</u>	<u>37,916</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

### Directors' and the chief executive's emoluments (Cont'd)

	Fees RMB'000	Salaries and other benefits RMB'000	2024		Total RMB'000
			Contributions to retirement benefits schemes RMB'000	Share-based payments expense RMB'000	
<i>Executive directors</i>					
Dr. Liu Dejian	-	8,161	30	-	8,191
Dr. Leung Lim Kin, Simon (Note a)	-	21,354	17	142	21,513
Mr. Liu Luyuan (Note b)	-	1,070	31	-	1,101
Mr. Chen Hongzhan	-	1,092	26	-	1,118
Ms. Lin Yun (Note c)	-	1,031	18	-	1,049
<i>Non-executive director</i>					
Mr. Lin Dongliang	-	-	-	-	-
<i>Independent non-executive directors</i>					
Mr. Lee Kwan Hung, Eddie	837	-	-	-	837
Mr. Liu Sai Keung, Thomas	837	-	-	-	837
Mr. Li Sing Chung Matthias	584	-	-	-	584
	<u>2,258</u>	<u>32,708</u>	<u>122</u>	<u>142</u>	<u>35,230</u>

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

### Directors' and the chief executive's emoluments (Cont'd)

Notes:

- (a) Included in the salaries and other benefits paid to Dr. Leung Lim Kin, Simon is an amount of RMB4 million (2024: RMB4 million) performance related bonus during the year ended 31 December 2025 which are determined based on the Group's performance for the year.
- (b) Mr. Liu Luyuan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- (c) Ms. Lin Yun was appointed as an executive director of the Company with effect from 16 September 2024.
- (d) Mr. Lee Kwan Hung, Eddie was retired as an independent non-executive director of the Company with effect from 5 June 2025.
- (e) Dr. Lo Wing Yan, William was appointed as an independent non-executive director of the Company with effect from 29 August 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

### Five highest paid employees

Of the five highest emoluments in the Group, during the current period, one (2024: one) was executive director of the Company, whose emoluments are set out above. The emoluments of the remaining four (2024: four) individuals who are neither a director nor chief executive of the Company were as follows:

	<b>2025</b> RMB million	2024 RMB million
Salaries and other benefits	<b>69</b>	128
Contributions to retirement benefits schemes	<b>1</b>	1
Share-based payments expense	<b>10</b>	19
	<b>80</b>	148

Their emoluments were within the following bands:

	<b>2025</b> Number of employees	2024 Number of employees
Hong Kong dollar ("HKD") 13,000,001 to HKD13,500,000	<b>1</b>	–
HKD15,000,001 to HKD15,500,000	–	1
HKD19,000,001 to HKD19,500,000	–	1
HKD19,500,001 to HKD20,000,000	<b>1</b>	–
HKD20,500,001 to HKD21,000,000	<b>1</b>	–
HKD33,500,001 to HKD34,000,000	<b>1</b>	–
HKD45,000,001 to HKD45,500,000	–	1
HKD82,500,001 to HKD83,000,000	–	1
	<b>4</b>	4

During the year ended 31 December 2025, no emoluments have been paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the chief executive of the Company waived any remuneration during the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 12. DIVIDENDS

Dividends recognised as distribution during the year:

2024 Final – HKD0.50 (2024: 2023 Final – HKD0.40) per share  
2025 Interim – HKD0.50 (2024: 2024 Interim – HKD0.40) per share

<b>2025</b>	2024
<b>RMB million</b>	RMB million
<b>246</b>	193
<b>241</b>	194
<b>487</b>	387

The 2025 final dividend of HKD0.50 (2024: HKD0.50) per share which has been proposed by the directors in the board meeting on 26 March 2026 and is subject to approval by the shareholders in the forthcoming annual general meeting, amounted to approximately RMB238 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>2025</b> RMB million	2024 RMB million
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the year attributable to the owners of the Company	<u>151</u>	<u>311</u>
	<b>Number of shares</b>	
	<b>2025</b> '000	2024 '000
Weighted average number of shares in issue during the year for the purpose of basic earnings per share and diluted earnings per share (after adjusted for the effect of unvested treasury shares held under share award scheme)	<u>529,968</u>	<u>531,074</u>

The computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price for shares for both years. Diluted earnings per share also did not assume the exercise of the restricted stock units ("RSUs") granted by Mynd.ai, Inc. ("Mynd.ai") under the Mynd.ai Equity Incentive Plan (the "Mynd Incentive Plan") as disclosed in Note 37(c), since the exercise of the RSUs would result in an increase in earnings per share for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Owned properties in the PRC other than in Hong Kong</b> RMB million	<b>Leasehold improvements</b> RMB million	<b>Plant and equipment</b> RMB million	<b>Motor vehicles</b> RMB million	<b>Construction in progress</b> RMB million	<b>Total</b> RMB million
<b>COST</b>						
At 1 January 2024	2,085	589	931	54	429	4,088
Exchange adjustments	-	-	1	1	(1)	1
Additions	1	4	67	8	57	137
Disposal of subsidiaries (Note 44)	-	(30)	(9)	-	-	(39)
Reclassification	20	-	-	-	(20)	-
Disposals	-	(9)	(41)	(11)	-	(61)
At 31 December 2024	<b>2,106</b>	<b>554</b>	<b>949</b>	<b>52</b>	<b>465</b>	<b>4,126</b>
Exchange adjustments	-	-	3	-	-	3
Additions	-	15	72	1	52	140
Disposal of subsidiaries	-	-	(7)	-	-	(7)
Reclassification	40	1	1	-	(42)	-
Disposals	(1)	(6)	(88)	(5)	-	(100)
At 31 December 2025	<b>2,145</b>	<b>564</b>	<b>930</b>	<b>48</b>	<b>475</b>	<b>4,162</b>
<b>DEPRECIATION</b>						
At 1 January 2024	511	346	764	45	-	1,666
Exchange adjustments	-	-	1	-	-	1
Provided for the year	106	33	65	3	-	207
Eliminated on disposal of subsidiaries (Note 44)	-	(5)	(1)	-	-	(6)
Eliminated on disposals	-	(9)	(38)	(10)	-	(57)
At 31 December 2024	<b>617</b>	<b>365</b>	<b>791</b>	<b>38</b>	<b>-</b>	<b>1,811</b>
Exchange adjustments	-	-	3	-	-	3
Provided for the year	109	29	59	4	-	201
Eliminated on disposal of subsidiaries	-	-	(6)	-	-	(6)
Eliminated on disposals	(1)	(6)	(84)	(5)	-	(96)
At 31 December 2025	<b>725</b>	<b>388</b>	<b>763</b>	<b>37</b>	<b>-</b>	<b>1,913</b>
<b>CARRYING VALUES</b>						
At 31 December 2025	<b>1,420</b>	<b>176</b>	<b>167</b>	<b>11</b>	<b>475</b>	<b>2,249</b>
At 31 December 2024	<b>1,489</b>	<b>189</b>	<b>158</b>	<b>14</b>	<b>465</b>	<b>2,315</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis, at the following rates per annum:

Owned properties	Over the terms of the leases of 10 years or 20 years
Leasehold improvements	Over the shorter of the terms of the leases, or 4.74% – 33.33%
Plant and equipment	19% – 31.67%
Motor vehicles	19% – 31.67%

## 15. RIGHT-OF-USE ASSETS

	<b>Leasehold lands</b> RMB million	<b>Leased properties</b> RMB million	<b>Other assets</b> RMB million	<b>Total</b> RMB million
<b>As at 31 December 2025</b>				
Carrying amount	<u>252</u>	<u>64</u>	<u>1</u>	<u>317</u>
<b>As at 31 December 2024</b>				
Carrying amount	<u>258</u>	<u>134</u>	<u>2</u>	<u>394</u>
<b>For the year ended 31 December 2025</b>				
Depreciation charge	<u>7</u>	<u>66</u>	<u>1</u>	<u>74</u>
<b>For the year ended 31 December 2024</b>				
Depreciation charge	<u>7</u>	<u>109</u>	<u>1</u>	<u>117</u>

	<b>2025</b> RMB million	2024 RMB million
Expense relating to short-term leases	<b>6</b>	8
Total cash outflow for leases	<b>71</b>	116
Additions to right-of-use assets	-	180
Disposal of subsidiaries	<u>(1)</u>	<u>(49)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 15. RIGHT-OF-USE ASSETS (Cont'd)

The above items of right-of-use assets, are depreciated on a straight-line basis, at the following rates per annum:

Leasehold lands	2%
Leased properties	Over the terms of the leases, or 25%
Other assets	Over the terms of the leases, or 20% – 33.3%

For both years, the Group leases land and buildings and other assets for its operations. Lease contracts are entered into for fixed term of 1 year to 20 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands.

The Group regularly entered into short-term leases for leased properties and office equipment respectively. As at 31 December 2025 and 2024, the portfolio of short-term leases are similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. In the opinion of the management of the Group, the potential exposures to the associated future lease payments for extension options in which the Group is not reasonably certain to exercise the extension options as at 31 December 2025 and 2024 are not material.

The additional lease liabilities to be recognised during the years ended 31 December 2025 and 2024 due to the exercise of extension option that the Group was not reasonably certain to exercise is not material. In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 31 December 2025 and 2024, there is no such triggering event.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 16. INVESTMENT PROPERTIES

The Group intends to lease out various offices under operating leases to earn rental income.

	2025 RMB million	2024 RMB million
<b>Fair value</b>		
At 31 December	<u>41</u>	<u>50</u>

The Group's investment properties consist of two units of office premises in Hong Kong and several commercial units in Fujian Province.

The fair values of the office premises as at 31 December 2025 and 2024 have been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the office premises are determined based on the market approach which uses the prices and other relevant information generated by market transactions involving comparable properties. One of the key unobservable inputs used in valuing the investment properties is the market unit rate taking into account the recent transaction prices of similar properties nearby the Group's investment properties adjusted for location and conditions of the properties which ranged from HKD15,210 (equivalent to RMB13,738) per sq.ft to HKD19,007 (equivalent to RMB17,168) per sq.ft (2024: ranged from HKD20,316 (equivalent to RMB18,813) per sq.ft to HKD40,398 (equivalent to RMB37,410) per sq.ft), where sq.ft is a common unit of area used in Hong Kong. An increase in the market unit rate would result in an increase in fair value measurement of the investment properties, and vice versa. There has been no change in the valuation technique used from the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The investment properties were categorised into Level 3 of the fair value hierarchy as at 31 December 2025 and 2024. There were no transfers into or out of Level 3 during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 17. GOODWILL

	2025 RMB million	2024 RMB million
<b>COST</b>		
At 1 January	435	567
Disposal of subsidiaries	(31)	(10)
Adjustments	-	(7)
Write off during the year	-	(120)
Exchange adjustments	(2)	5
At 31 December	<u>402</u>	<u>435</u>
<b>IMPAIRMENT</b>		
At 1 January	123	242
Disposal of a subsidiary	(31)	-
Write off during the year	-	(120)
Exchange adjustments	(1)	1
At 31 December	<u>91</u>	<u>123</u>
<b>CARRYING VALUES</b>		
At 31 December	<u><u>311</u></u>	<u><u>312</u></u>

Particulars regarding impairment assessment of goodwill are disclosed in Note 19.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 18. INTANGIBLE ASSETS

	<b>Trademarks</b>	<b>Licences</b>	<b>Non-competition agreement</b>	<b>Customers relationship</b>	<b>Patent and technology</b>	<b>Development costs</b>	<b>Crypto-currencies</b>	<b>Others</b>	<b>Total</b>
	RMB million (Note a)	RMB million	RMB million (Note b)	RMB million (Note b)	RMB million (Note c)	RMB million (Note d)	RMB million (Note e)	RMB million	RMB million
<b>COST</b>									
At 1 January 2024	430	111	69	149	329	626	207	168	2,089
Exchange adjustments	5	-	-	1	4	-	-	(1)	9
Additions	-	-	-	-	-	119	476	-	595
Disposal of subsidiaries (Note 44)	-	-	-	-	-	-	-	(56)	(56)
Disposals and write off for the year	(168)	-	-	-	-	-	(447)	(57)	(672)
At 31 December 2024	<b>267</b>	<b>111</b>	<b>69</b>	<b>150</b>	<b>333</b>	<b>745</b>	<b>236</b>	<b>54</b>	<b>1,965</b>
Exchange adjustments	(6)	-	-	(2)	(6)	51	-	-	37
Additions	1	4	-	-	2	46	326	-	379
Disposal of a subsidiary	-	-	-	-	(54)	-	-	(4)	(58)
Disposals and write off for the year	-	-	-	-	-	-	(237)	(2)	(239)
At 31 December 2025	<b>262</b>	<b>115</b>	<b>69</b>	<b>148</b>	<b>275</b>	<b>842</b>	<b>325</b>	<b>48</b>	<b>2,084</b>
<b>AMORTISATION/IMPAIRMENT</b>									
At 1 January 2024	172	79	64	144	269	419	4	70	1,221
Exchange adjustments	1	-	-	1	3	(2)	-	-	3
Provided for the year	2	13	2	5	33	98	-	24	177
Disposal of subsidiaries (Note 44)	-	-	-	-	-	-	-	(7)	(7)
Disposals and write off for the year	(168)	-	-	-	-	-	-	(43)	(211)
Reversal of impairment loss	-	-	-	-	-	-	(2)	-	(2)
At 31 December 2024	<b>7</b>	<b>92</b>	<b>66</b>	<b>150</b>	<b>305</b>	<b>515</b>	<b>2</b>	<b>44</b>	<b>1,181</b>
Exchange adjustments	-	-	1	(2)	(6)	42	-	-	35
Provided for the year	2	13	2	-	24	122	-	4	167
Disposal of a subsidiary	-	-	-	-	(50)	-	-	(4)	(54)
Disposals and write off for the year	-	-	-	-	-	-	(1)	(2)	(3)
Impairment loss	-	-	-	-	-	-	58	1	59
At 31 December 2025	<b>9</b>	<b>105</b>	<b>69</b>	<b>148</b>	<b>273</b>	<b>679</b>	<b>59</b>	<b>43</b>	<b>1,385</b>
<b>CARRYING VALUES</b>									
At 31 December 2025	<b>253</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>163</b>	<b>266</b>	<b>5</b>	<b>699</b>
At 31 December 2024	<b>260</b>	<b>19</b>	<b>3</b>	<b>-</b>	<b>28</b>	<b>230</b>	<b>234</b>	<b>10</b>	<b>784</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 18. INTANGIBLE ASSETS (Cont'd)

Notes:

- (a) Included in the trademarks of RMB253 million (2024: RMB259 million) as at 31 December 2025 are those acquired in acquisition of Promethean World Limited (an indirect non-wholly owned subsidiary of the Company) and its subsidiaries (collectively referred to as "Promethean Group") having legal lives of 2 to 20 years and are renewable every 2 to 20 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends and brand extension opportunities have been performed by management of the Group, which support that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 19.
- (b) Non-competition agreement and customers relationship were mainly arising from the acquisition of Cherrypicks International Holdings Limited and its subsidiaries (collectively referred to as the "Cherrypicks Group"). Cherrypicks Group have long and close business relationship with its major customers and non-competition agreement was signed between Cherrypicks Group and its employees upon acquisition. The acquisition of Cherrypicks Group has allowed the Group to develop its long term growth from Cherrypicks Group's mobile solution, products and marketing business.
- (c) Patent and technology represents the acquired technological know-how for producing interactive whiteboard, interactive flat panel, augmented reality and various mobile application. The patent and technology were mainly acquired from the acquisition of Promethean Group.
- (d) Development costs represent (i) the software for a cloud-based teaching and learning platform which connects students' tablets and laptops to interactive displays (interactive whiteboard and interactive flat panel) and such development costs were acquired from acquisition of the Promethean Group; and (ii) the technological know-how internally generated for personalised location services, marketing and e-commerce, location intelligence and data analysis.
- (e) Cryptocurrencies are measured at its cost less any accumulated impairment losses. The recoverable amounts of the cryptocurrencies have been determined based on their fair value less costs of disposal. The Group uses direct quoted prices in active market, which is under Level 1 fair value measurement, to estimate the fair value less costs of disposal. The relevant assets were impaired to their recoverable amount at the end of reporting period and the impairment of RMB58 million has been recognised in "other expenses and losses" for the year ended 31 December 2025 (2024: reversal of impairment loss of RMB2 million has been recognised in "other income and gains").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 18. INTANGIBLE ASSETS (Cont'd)

The intangible assets with finite useful lives are amortised on a straight-line basis at the following rates per annum:

Trademarks	33.33% (2024: 10% – 57.14%)
Licences	5% – 26.67% (2024: 5% – 50%)
Non-competition agreement	33.33% (2024: 11.11% – 33.33%)
Customers relationship	N/A (2024: 10% – 16.67%)
Patent and technology	10% (2024: 10%)
Development costs	33.33% (2024: 33.33%)
Others	10% – 15.04% (2024: 10% – 50%)

## 19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 17 and 18 respectively have been allocated to one (2024: one) individual CGU. The carrying amounts of goodwill and trademarks as at 31 December 2025 and 2024 allocated to this unit is as follows:

	Goodwill		Trademarks	
	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million
Promethean Group	<u>311</u>	<u>312</u>	<u>253</u>	<u>259</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Cont'd)

At 31 December 2025, the recoverable amount of CGU of Promethean Group was determined individually based on a value in use calculation (2024: fair value less cost of disposal).

At 31 December 2025, that calculation uses cash flow projections based on financial budgets approved by management covering an eight-year period, and discount rate of 12%. Promethean Group's cash flows beyond the eight-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the consideration of economic growth projection. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectations for the market development. The cash flow projections, growth rates and discount rate as at 31 December 2025 and 2024 have been reassessed taking into consideration of changes due to ongoing uncertain macroeconomic and geopolitical environment, which include the impact of changes in global trade (e.g. new or increase tariffs and import duties), persistent effects of climate-related matters, inflation, volatility in foreign exchange rates, increased interest rates, changes in commodity pricing, volatility in energy prices and financial market turbulence.

At 31 December 2024, the fair value less cost of disposal of the Promethean Group is determined with reference to the quoted price of Mynd.ai, which operates the businesses of the CGU as set out above.

Management of the Group believes that any reasonably possible change in any of key assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount resulting in impairment as at 31 December 2025 or 2024.

## 20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>2025</b> RMB million	2024 RMB million
Unlisted equity securities in the PRC (Note a)	<u>27</u>	<u>8</u>

Note:

- (a) The above unlisted equity investments represent the Group's equity interests in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that the investments are not held for trading and these investments are not expected to be sold in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS

	2025 RMB million	2024 RMB million
<b>Financial assets at FVTPL:</b>		
– Unlisted funds (Note a)	218	479
– Unlisted equity investments (Note b)	29	37
– Listed securities	79	191
– Foreign currency forward contracts	4	–
– Structured deposits	50	–
– Film and program investments	55	–
	<u>435</u>	<u>707</u>
Analysed for financial reporting purpose:		
Non-current	302	516
Current	133	191
	<u>435</u>	<u>707</u>
<b>Derivative financial instruments (under current liabilities):</b>		
– Embedded derivatives in Convertible Note (defined in Note 35)	1	21
– Unlisted warrants (Note c)	–	–
	<u>1</u>	<u>21</u>

Notes:

- (a) The unlisted funds represent a portfolio of investments managed by fund managers. Most of the portfolio assets are being invested in the listed securities or cryptocurrencies, tokens, blockchain-based assets and other digital assets. These investments are not held for trading, instead, they are held for long-term purposes. The Group is not expected to realise the funds within twelve months from the end of the reporting period. Therefore, the unlisted funds are classified as non-current assets.
- (b) The unlisted equity investments represent the Group's investments in equity interests in certain private entities.
- (c) The unlisted warrants are simultaneously issued with the convertible and exchangeable bonds as detailed in Note 34 and matured on 9 March 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 22. LOAN RECEIVABLES

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Fixed-rate loan receivables	<b>152</b>	97
Variable-rate loan receivables	<b>91</b>	57
	<b><u>243</u></b>	<u>154</u>
Analysed as:		
Non-current	<b>54</b>	29
Current	<b>189</b>	125
	<b><u>243</u></b>	<u>154</u>

The effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	<b>2025</b>	2024
Effective interest rates:		
Fixed-rate loan receivables (per annum)	<b>0.00% – 6.00%</b>	0.00% – 4.15%
Variable-rate loan receivables (per annum)	<b><u>2.11% – 5.00%</u></b>	<u>2.28% – 5.25%</u>

Included in loan receivables, RMB90 million (2024: RMB92 million) is receivable from an independent third party, is unsecured, interestfree and repayable on demand; RMB107 million (2024: RMB17 million) and RMB15 million (2024: RMB14 million) represents loans to independent third parties and certain key management and staff, respectively, which are unsecured, not past due or credit-impaired at the end of the reporting period. RMB27 million (2024: RMB31 million) represent loans to independent third parties, which are secured and interest-bearing, not past due or credit-impaired at the end of the reporting period; and RMB4 million (2024: Nil) is receivable from an associate, is unsecured and interest-bearing; The loans are either repayable by instalments until 2026, 2027, 2028, 2029, 2030 or 2035 (2024: by instalments until 2026, 2028, 2029 or 2036) or repayable in whole in 2026, 2027 or 2028 (2024: in whole in 2025).

Details of impairment assessment are set out in Note 39.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 23. DEFERRED TAXATION

The deferred tax assets and liabilities are presented in the consolidated statement of financial position as below:

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Deferred tax assets	<b>1</b>	–
Deferred tax liabilities	<b>(64)</b>	(76)
	<b>(63)</b>	(76)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior year:

	<b>Intangible assets</b>	<b>Tax losses</b>	<b>Right-of-use assets</b>	<b>Lease liabilities</b>	<b>Others</b>	<b>Total</b>
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 1 January 2024	(76)	364	(7)	7	65	353
(Charged) credited to profit or loss	(8)	(376)	(16)	16	(67)	(451)
Disposal of subsidiaries	9	–	–	–	–	9
Exchange adjustments	(1)	12	–	–	2	13
At 31 December 2024	<b>(76)</b>	<b>–</b>	<b>(23)</b>	<b>23</b>	<b>–</b>	<b>(76)</b>
Credited (charged) to profit or loss	<b>9</b>	<b>–</b>	<b>13</b>	<b>(13)</b>	<b>1</b>	<b>10</b>
Exchange adjustments	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3</b>
At 31 December 2025	<b>(64)</b>	<b>–</b>	<b>(10)</b>	<b>10</b>	<b>1</b>	<b>(63)</b>

At the end of the reporting period, the Group has taxable temporary differences associated with undistributed earnings of PRC subsidiaries of RMB10,686 million (2024: RMB10,428 million). No deferred tax liability has been recognised for these undistributed earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 23. DEFERRED TAXATION (Cont'd)

A deferred tax asset has been recognised in respect of less than RMB1 million (2024: less than RMB1 million) of the unused tax losses of the Group during the year ended 31 December 2025. The Group has not recognised deferred tax assets arising from tax losses amounting to RMB3,379 million (2024: RMB3,605 million) due to the unpredictability of the future profit streams and tax losses to be agreed with the relevant tax authorities in the Chinese Mainland.

The unrecognised tax losses will be expired as follows, which are five years or ten years from the year in which the loss was originated, to offset against future taxable profits.

	2025 RMB million	2024 RMB million
Expire in:		
– 2025	–	391
– 2026	413	428
– 2027	459	470
– 2028	467	442
– 2029	495	645
– 2030	708	298
– 2031	283	310
– 2032	242	281
– 2033	214	249
– 2034	98	91
	<u>3,379</u>	<u>3,605</u>

As at 31 December 2025, the Group has deductible temporary differences of RMB40 million (2024: RMB92 million). The deferred tax asset has been recognised in respect of all such differences of the Group during the years ended 31 December 2025 and 2024.

Others mainly represented deferred tax assets related to inventories, deferred revenue, accrued expenses and other miscellaneous items.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 24. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Properties under development	<b>70</b>	70
Properties for sale	<b>264</b>	272
	<b>334</b>	342

The Group's properties under development are situated in the Chinese Mainland . All of the properties under development are stated at the lower of cost and net realisable value.

The Group classifies properties under development as current because the Group expects to realise them in its normal operating cycle. At 31 December 2025 and 2024, no properties under development was expected to be realised after more than twelve months from the end of the reporting period. Sales deposits received from purchasers at the end of the reporting period are included in contract liabilities as disclosed in Note 30.

Analysis of leasehold lands:

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Carrying amount	<b>129</b>	129

The carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 25. INVENTORIES

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Finished goods	<u><b>223</b></u>	<u>238</u>

## 26. TRADE RECEIVABLES

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Trade receivables	<b>342</b>	481
Less: Allowance of credit losses	<u><b>(39)</b></u>	<u>(27)</u>
	<u><b>303</b></u>	<u>454</u>

As at 1 January 2024, trade receivables from contracts with customers amounted to RMB702 million.

Details of credit period allowed by the Group are set out in Note 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 26. TRADE RECEIVABLES (Cont'd)

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods/date of rendering of services which approximated the respective revenue recognition dates.

	<b>2025</b> RMB million	2024 RMB million
Trade debtors		
0 – 30 days	<b>155</b>	224
31 – 60 days	<b>51</b>	52
61 – 90 days	<b>27</b>	26
Over 90 days	<b>70</b>	152
	<b>303</b>	454

As at 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB127 million (2024: RMB172 million) which are past due as at the reporting date. Out of the past due balances, RMB58 million (2024: RMB104 million) has been past due 90 days or more but are not considered as credit-impaired having regard to the historical repayment from the trade debtors, as well as forward-looking information that is available without undue cost or effort. Accordingly, the corresponding ECL is insignificant. The Group does not hold any collateral over these balances.

Before accepting any new distributor/customer, the Group uses an internal credit assessment policy to assess the potential distributor/customer's credit quality and define credit limits by distributor/customer. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

Details of impairment assessment of trade receivables are set out in Note 39.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Prepayments to third parties (Note a)	<b>133</b>	149
Refundable rental and guarantee deposits (Note b)	<b>46</b>	48
Other receivables from agents for acquisition of cryptocurrencies	<b>4</b>	19
Contract assets (Note c)	<b>22</b>	22
Other receivables and deposits	<b>104</b>	105
Other tax recoverable	<b>95</b>	91
Government grant receivables	<b>54</b>	54
Prepayments for investments (Note d)	<b>246</b>	248
Others	<b>14</b>	21
	<b>718</b>	757
Analysed for financial reporting purpose:		
Non-current	<b>286</b>	288
Current	<b>432</b>	469
	<b>718</b>	757

Details of impairment assessment of other receivables are set out in Note 39.

Notes:

- (a) The amounts mainly represent prepayments for the operating activities of the Group, such as the purchase of goods and services, marketing and movie productions etc..
- (b) Included in refundable rental and guarantee deposits as at 31 December 2025 are balances of (i) RMB8 million (2024: RMB8 million) which represents deposits for lease contracts paid to a related company, 福州楊振華 851 生物工程技術研究開發有限公司 (Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc.) ("Fuzhou 851"); and (ii) RMB15 million (2024: RMB15 million) which represents deposit for technical support service paid to 福州天亮網絡技術有限公司 (Fuzhou Tianliang Network Technology Co., Limited).
- (c) The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on the provision of mobile solution, products and marketing services and retention receivables on education equipment and related goods. The contract assets are transferred to trade receivables when the rights become unconditional.
- (d) Amounts being prepayments for certain investments whose completions are subject to certain terms and conditions as specified in relevant investment agreements. Out of the balance, RMB108 million (2024: RMB110 million) is non-refundable while the rest of the balance is refundable if certain conditions are not fulfilled during the pre-determined periods of time as set out in the respective investment agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 28. PLEDGED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

Pledged bank deposits, bank deposits with original maturity over three months and bank balances carry interest at prevailing banking deposit rates which range from 0.001% to 4.29% (2024: 0.001% to 5.3%) per annum.

Details of impairment assessment of pledged bank deposits, bank deposits with original maturity over three months and bank balances are set out in Note 39.

## 29. TRADE AND OTHER PAYABLES

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Trade payables (Note a)	<b>320</b>	382
Accrued staff costs	<b>226</b>	324
Deferred income (Note b)	<b>7</b>	9
Other tax payables	<b>20</b>	31
Payables for purchase of property, plant and equipment	<b>158</b>	166
Consideration payables	<b>3</b>	3
Accrued expenses	<b>101</b>	137
Others (Note c)	<b>204</b>	237
	<b>1,039</b>	1,289
Analysed for financial reporting purpose:		
Non-current	<b>3</b>	5
Current	<b>1,036</b>	1,284
	<b>1,039</b>	1,289

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 29. TRADE AND OTHER PAYABLES (Cont'd)

Notes:

- (a) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
0 – 90 days	<b>183</b>	171
91 – 180 days	<b>91</b>	142
181 – 365 days	<b>3</b>	23
Over 365 days	<b>43</b>	46
	<b>320</b>	382

- (b) The amount represents government grants which are (i) the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to compensation for future research and development costs; and (ii) the costs incurred by the Group for purchasing property, plant and equipment, which will be recognised in profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure.
- (c) Others mainly represent advertising payables, office and server service expenses payables and other miscellaneous items for operating activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 30. CONTRACT LIABILITIES

	2025 RMB million	2024 RMB million
Gaming and application services (Note a)	228	235
Mynd.ai business (Note a)	211	214
Property development (Note b)	<u>2</u>	<u>5</u>
	<u>441</u>	<u>454</u>
Revenue recognised that was included in the contract liabilities at the beginning of the year	<u>307</u>	<u>339</u>

As at 1 January 2024, contract liabilities amounted to RMB491 million. There was no revenue recognised during the year that related to performance obligations that were satisfied in prior periods.

Notes:

- (a) The contract liabilities include unutilised game points on online and mobile games, advance payments from customers for contracted education equipment and related goods, advance payments from customers for educational services and advance payments from customers for mobile solution, products and marketing services. The contract liabilities are transferred to revenue when customers control and receive the goods, services and benefits.
- (b) The amount represents the pre-sale deposits and advance payment received from customers for property development prior to the respective properties have been completed and delivered to the customers which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all the remaining benefits of the properties. The Group receives a fixed amount of RMB50,000 for each property unit as deposits from customers when they sign the sale and purchase agreement. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 31. LEASE LIABILITIES

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Within one year	<b>42</b>	58
Within a period of more than one year but not more than two years	<b>14</b>	52
Within a period of more than two years but not more than five years	<b>8</b>	18
Within a period of more than five years	<b>—</b>	1
	<b>64</b>	129
Less: Amount due for settlement with twelve months shown under current liabilities	<b>(42)</b>	(58)
Amount due for settlement after twelve months shown under non-current liabilities	<b>22</b>	71

The effective interest rate on the Group's lease liabilities was 5.93% (2024: 5.63%) during the year ended 31 December 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 32. PROVISIONS

	<b>Warranty</b>
	RMB million
At 1 January 2024	127
Additional provisions	50
Utilisation of provisions	(63)
Exchange adjustments	(1)
	<hr/>
At 31 December 2024	<b>113</b>
Additional provisions	<b>18</b>
Utilisation of provisions	<b>(20)</b>
Exchange adjustments	<b>1</b>
	<hr/>
At 31 December 2025	<b>112</b>

The Group provided warranty on its education equipment sold to its customers. The warranty provision is calculated by estimating the possible failure rates of the Promethean Group's hardware, with the exception of projectors which are covered by a third party warranty. The length of warranty period ranges from one to seven years and varies depending on both the product and the country the product is sold to.

The timing and frequency of product failures are inherently uncertain and for this reason the warranty provision has been disclosed as current.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 33. BANK BORROWINGS

The carrying amounts of the bank borrowings are repayable based on scheduled repayment dates as follows:

	2025 RMB million	2024 RMB million
Within one year	1,511	1,380
The carrying amounts of bank borrowings that contain a repayable on demand clause but repayable within one year	845	349
Amounts shown under current liabilities	2,356	1,729

The exposure of the Group's bank borrowings is as follows:

	2025 RMB million	2024 RMB million
Variable-rate borrowings	66	128
Fixed-rate borrowings	2,290	1,601
	2,356	1,729
Secured	2,356	1,718
Unsecured	-	11
	2,356	1,729

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 33. BANK BORROWINGS (Cont'd)

The Group's variable-rate borrowings for the year ended 31 December 2025 carry interest at (i) one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2.20% to 2.35% per annum; or (ii) Secured Overnight Financing ("SOF") Rate at date of borrowing plus 2.30%.

The Group's variable-rate borrowings for the year ended 31 December 2024 carry interest at (i) one-month HIBOR plus 2.20% to 2.35% per annum; or (ii) three-month Bloomberg Short-Term Bank Yield ("BSBY") Rate two business days prior to date of borrowing plus 2.30%.

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	2025	2024
Variable-rate borrowings	5.18% to 6.17%	6.60% to 7.67%
Fixed-rate borrowings	0.57% to 3.30%	0.77% to 3.60%

As at 31 December 2025 and 2024, the borrowings were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group as set out in Note 40, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 34. CONVERTIBLE AND EXCHANGEABLE BONDS

On 9 March 2020, Best Assistant Education Online Limited ("Best Assistant"), an indirect wholly owned subsidiary of the Company, issued convertible and exchangeable bonds with an aggregate principal amount of United States Dollar ("USD")150 million (equivalent to RMB1,039 million) to Nurture Education (Cayman) Limited (the "Nurture Education"), an independent third party. Simultaneously, the Company issued unlisted warrants to the Nurture Education in March 2020. The warrants shall entitle the Nurture Education to subscribe for ordinary shares of the Company. The convertible and exchangeable bonds bear interest accruing at a rate of 5.00% per annum on the aggregate principal amount of the convertible and exchangeable bonds and will be due on the fifth anniversary from the bond issue date ("CEB Maturity Date"). The convertible and exchangeable bonds are denominated in USD and matured on 9 March 2025.

### Convertible and exchangeable option

The convertible and exchangeable bonds are exercisable at the option of bondholders, in whole or in part and can be exchangeable for ordinary shares of Mynd.ai at an initial exchange price of USD1.7588 per ordinary share at any time and from time to time during the exchange period. At initial recognition, the convertible and exchangeable option was classified as derivative financial instrument. The fair value of the convertible and exchangeable option was insignificant and the carrying amount was recognised as nil at initial recognition and at 31 December 2024. The convertible and exchangeable option matured on 9 March 2025.

### Warrants

Simultaneously with the issue of the convertible and exchangeable bonds, the Company issued to the Nurture Education the warrants with a subscription price of HKD18.8698 per share. The warrants are allotted to subscribe at any time and from time to time during the issue date to the CEB Maturity Date for up to 11,502,220 shares. At initial recognition, the warrants were classified as derivative financial instrument at a fair value of RMB87 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 34. CONVERTIBLE AND EXCHANGEABLE BONDS (Cont'd)

### Redemption

Best Assistant shall redeem the convertible and exchangeable bonds, upon the request of the Nurture Education at any time on or after the occurrence of an early redemption event, or if not early redeemed, converted, exchanged or purchased and cancelled, on the CEB Maturity Date, at an amount that would provide the bondholders with an amount equal to the redemption amount (i.e. an amount that would provide the bondholders an internal rate of return on the principal amount of the convertible and exchangeable bonds of 15% per annum, inclusive of all interest received on the principal amount of the convertible and exchangeable bonds). The early redemption event is contingent upon the occurrence of any of (i) change of control of Best Assistant and its subsidiaries (collectively "Best Assistant Group"); or (ii) sale, transfer or other disposition of all or substantially all of the assets or intellectual property of any Best Assistant Group; or (iii) liquidity event; or (iv) an initial public offering of ordinary shares of Best Assistant Group on an internationally recognised exchange. The early redemption option is considered as closely related to the host debt and is therefore accounted for as part of the amortised cost accounting of the host debt contract.

The effective interest rate of the debt host component is 16.62%. The movement of the debt host component of the convertible and exchangeable bonds for the year is set out as below:

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
At 1 January	<b>295</b>	256
Redemption/settlement (Note)	<b>(302)</b>	(9)
Interest accrued	<b>9</b>	44
Exchange adjustments	<b>(2)</b>	4
	<b>—</b>	<b>295</b>

Note: During the year ended 31 December 2025, Best Assistant redeemed the remaining principal amount of USD25 million (equivalent to RMB179 million) at an aggregate consideration of USD42 million (equivalent to RMB302 million). Aggregate carrying amount of the redeemed portion is approximately USD42 million (equivalent to RMB302 million). As a result, no loss on redemption of the convertible and exchangeable bonds had been recognised in profit or loss during the year ended 31 December 2025. During the year ended 31 December 2025, total cash outflows for the redemption payment net of interest paid in prior period amounted to approximately USD41 million (equivalent to RMB293 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. CONVERTIBLE NOTE

On 18 April 2023, the Group entered into a merger agreement with Mynd.ai, pursuant to which Mynd.ai would acquire 100% equity interest of the education business of the Group outside of the PRC, by the issues of 426,422,218 shares of new ordinary shares of Mynd.ai as consideration of the transactions (the "Merger").

Immediate after the completion of the Merger on 13 December 2023, Mynd.ai issued a senior secured convertible note (the "Convertible Note") in a principal amount of USD65 million (equivalent to RMB461 million) to the Nurture Education. The Convertible Note bears (i) cash interest at the rate of 5.00% per annum; and (ii) paid-in-kind ("PIK") interest at the rate of 5.00% per annum by way of issuing additional number of the Convertible Note equivalent to the PIK interest in the relevant year should the pre-determined conditions are fulfilled in the relevant year(s).

All of the cash interest and PIK interest (if any) is payable semi-annually in June and December of each year. Mynd.ai prepaid the cash interest due for the year ended 31 December 2024 at the time of issuance of the Convertible Note. PIK interest is payable by issuing additional notes.

The Convertible Note is denominated in USD.

### Conversion option

The Convertible Note is a senior secured obligation of Mynd.ai and will mature on 13 December 2028, unless earlier redeemed, repurchased or converted. The initial conversion rate per USD1 principal amount of the Convertible Note is equal to USD1 divided by 115% of the consideration per ordinary share of the Merger as defined under the Convertible Note agreement, or USD2.0226 (the "Initial Conversion Price"). The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Convertible Note. The Convertible Note is convertible at the option of the holder at any time until the outstanding principal amount (including any accrued and unpaid interest) has been paid in full. Subject to the terms of the Convertible Note, the holder may elect to receive the American Depositary Shares ("ADSs") in lieu of the Mynd.ai's ordinary shares, par value of USD0.001 per share upon conversion of the Convertible Note.

### Embedded derivative features of the Convertible Note

Certain features of the Convertible Note including the conversion option, redemption right at the Mynd.ai's election, and acceleration of amounts due under the Convertible Note upon an event of default require bifurcation and accounted for separately as embedded derivatives.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. CONVERTIBLE NOTE (Cont'd)

### Embedded derivative features of the Convertible Note (Cont'd)

At initial recognition, the embedded derivative of the Convertible Note was classified as derivative financial instrument (Note 21). The fair value of the derivative financial instrument was RMB1 million and RMB21 million at 31 December 2025 and 2024, respectively.

The Convertible Note contains certain representations, warranties, events of default and negative covenants that limit, without the consent of the holder(s) of the Convertible Note, Mynd.ai's ability, among other things, to incur additional indebtedness, sell or acquire assets, undertake capital expenditures, and enter into certain transactions with third parties. As of 31 December 2025, the management of the Group considers that Mynd.ai was in compliance with all such covenants.

The effective interest rate of the debt host component is 15.80%. The movements of the debt host component of the Convertible Note for the years ended 31 December 2025 and 2024 are set out as below:

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
At 1 January	<b>396</b>	357
Interest accrued	<b>66</b>	57
Settlement of interest	<b>(25)</b>	(24)
Exchange adjustments	<b>(9)</b>	6
	<b>428</b>	396

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 36. SHARE CAPITAL OF THE COMPANY

	Number of shares	Nominal value	
		USD	RMB million
<b>Authorised:</b>			
<i>Ordinary shares of USD0.01 each</i>			
At 1 January 2024, 31 December 2024 and 31 December 2025	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>76</u>
<b>Issued and fully paid:</b>			
<i>Ordinary shares of USD0.01 each</i>			
At 1 January 2024, 31 December 2024 and 31 December 2025	<u>531,262,533</u>	<u>5,312,625</u>	<u>39</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS

### (a) Equity-settled share option scheme

The Company adopted share option schemes on 12 June 2008 (the “2008 Share Option Scheme”), 24 May 2018 (the “2018 Share Option Scheme”) and 6 June 2024 (the “2024 Share Option Scheme”). The 2008 Share Option Scheme and the 2018 Share Option Scheme were terminated on 24 May 2018 and 6 June 2024, respectively. Subject to early termination, the 2024 Share Option Scheme shall be valid and effective for a period of 10 years from 6 June 2024. The purpose of the 2024 Share Option Scheme is to provide the eligible participants (“Eligible Participants”) as defined in the 2024 Share Option Scheme with the opportunity to acquire interests in the Company and to encourage the Eligible Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Eligible Participants of the 2024 Share Option Scheme include employees, executives and officers of the members of the Group (including executive and non-executive directors of the members of the Group) and business consultants, agents and legal and financial advisers to the members of the Group whom the board of directors considers, in its sole discretion, will contribute or have contributed to the members of the Group.

The Company adopted a share award scheme (the “2024 Share Award Scheme”) on 6 June 2024 to replace the share award scheme that was adopted on 2 September 2008 and extended on 31 August 2018. The Board may, at their discretion, select any eligible participant (being the employee of the Company or any related entities, and the services providers) for participation in the 2024 Share Award Scheme. Unless early terminated by the Board, the 2024 Share Award Scheme shall be valid and effective for a term of ten years commencing on 6 June 2024.

As at 31 December 2025, no share options and 360,000 awarded shares were granted under the 2024 Share Option Scheme and the 2024 Share Award Scheme (together, the “Existing Share Schemes”), the total number of share options and awarded shares available for grant under the Existing Share Schemes shall not exceed 52,766,253, the total number of share options and awarded shares available for grant to the service providers (as defined under the Existing Share Schemes) under the Existing Share Schemes shall not exceed 5,312,625.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (a) Equity-settled share option scheme (Cont'd)

The total number of shares issued and to be issued upon exercise of the options or awards granted to each Eligible Participant (including both exercised and outstanding options) in any twelve months period shall not exceed 1% of the total number of shares in issue as at the date of grant. Where any further grant of options to an Eligible Participant would result in the total number of shares issued and to be issued upon exercise of all the options and awards granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve months period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Options and awards granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time within any twelve months period, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 28 days from the date of the offer, upon payment of a nominal consideration of HKD1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. There is no general requirement that an option must be held for any minimum period before it can be exercised but the board of directors of the Company is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (a) Equity-settled share option scheme (Cont'd)

Details of specific categories of options are as follows:

#### Batch 1:

Date of grant	Vesting period	Exercisable period	Outstanding at 31 December 2025	Outstanding at 31 December 2024
31 March 2017	31 March 2017 – 30 March 2018	31 March 2018 – 30 March 2027	25,000	75,000
31 March 2017	31 March 2017 – 30 March 2019	31 March 2019 – 30 March 2027	25,000	75,000
31 March 2017	31 March 2017 – 30 March 2020	31 March 2020 – 30 March 2027	50,000	150,000
			<u>100,000</u>	<u>300,000</u>

#### Batch 2:

Date of grant	Vesting period	Exercisable period	Outstanding at 31 December 2025	Outstanding at 31 December 2024
24 January 2020	24 January 2020 – 23 January 2021	24 January 2021 – 23 January 2030	1,033,000	1,349,000
24 January 2020	24 January 2020 – 23 January 2022	24 January 2022 – 23 January 2030	1,033,000	1,349,000
24 January 2020	24 January 2020 – 23 January 2023	24 January 2023 – 23 January 2030	1,034,000	1,352,000
24 January 2020	24 January 2020 – 23 January 2024	24 January 2024 – 23 January 2030	1,000,000	1,250,000
			<u>4,100,000</u>	<u>5,300,000</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (a) Equity-settled share option scheme (Cont'd)

The following table discloses the movement of the share options during the year ended 31 December 2025:

Option batch	Exercise price	Outstanding at	Exercised	Forfeited/ lapsed	Outstanding at
	HKD	1 January 2025			
Batch 1	23.65	300,000	-	(200,000)	100,000
Batch 2	21.07	5,300,000	-	(1,200,000)	4,100,000
		<u>5,600,000</u>	<u>-</u>	<u>(1,400,000)</u>	<u>4,200,000</u>
Exercisable at the end of the year 2025					<u>4,200,000</u>
Weighted average exercise price		<u>HKD21.21</u>			<u>HKD21.13</u>

The following table discloses the movement of the share options during the year ended 31 December 2024:

Option batch	Exercise price	Outstanding at	Exercised	Forfeited/ lapsed	Outstanding at
	HKD	1 January 2024			
Batch 1	23.65	300,000	-	-	300,000
Batch 2	21.07	5,300,000	-	-	5,300,000
		<u>5,600,000</u>	<u>-</u>	<u>-</u>	<u>5,600,000</u>
Exercisable at the end of the year 2024					<u>5,600,000</u>
Weighted average exercise price		<u>HKD21.21</u>			<u>HKD21.21</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (a) Equity-settled share option scheme (Cont'd)

The weighted average remaining contractual lives of the Company's share options as at 31 December 2025 is 3.99 years (2024: 4.91 years). The exercise prices of the Company's share options outstanding as at 31 December 2025 range from HKD21.07 to HKD23.65 (2024: HKD21.07 to HKD23.65).

The Group recognised the total expense of less than RMB1 million for the year ended 31 December 2024 (2025: Nil) in relation to share options granted by the Company.

### (b) Share award scheme by the Company

The Company has adopted the 2024 Share Award Scheme on 6 June 2024 to replace the share award scheme adopted on 2 September 2008, whereby eligible participants are conferred rights by the Company to be issued or transferred fully-paid ordinary shares in the capital of the Company (hereinafter referred to as the "Award").

The rationale of the 2024 Share Award Scheme is to recognise the contributions by Eligible Participants and to provide incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The selected participants are not required to pay for the grant of the Award or for the shares allotted or allocated pursuant to the Award.

The aggregate number of the Award is not permitted to exceed 10% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a selected participant under the 2024 Share Award Scheme in any twelve months shall not exceed 1% of the issued share capital of the Company from time to time.

The eligibility of employees to participate in the 2024 Share Award Scheme and number of shares which are the subject of each Award at each date of grant to a selected employee in accordance with the 2024 Share Award Scheme shall be determined at the absolute discretion of the committee, which comprised the directors of the Company duly appointed by the board of directors to administer the 2024 Share Award Scheme (the "Committee"), which shall take into consideration various factors including the general financial condition of the Group, the rank and performance of the relevant employee and such other general criteria as the Committee may consider appropriate as well as other limitations set forth under the Listing Rules and those rules of the 2024 Share Award Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (b) Share award scheme by the Company (Cont'd)

In determining the number of shares to be awarded each year, the Committee shall have reference to the financial performance of the Group as reflected in the profit before taxation of the financial year.

The grant of the Award to the selected employee shall be accepted by the selected employee within 28 days from the date of offer. The selected employee may accept or refuse the whole but not part of a grant of the Award. If the grant of the Award is not accepted by the selected employee within 28 days from the date of offer, the offer shall upon the expiry of the 28 days period automatically lapse and shall be null and void.

Performance conditions (the "Performance Conditions") refers to the condition or conditions imposed by the Company on the selected employee's employment with the Company which must be fulfilled or satisfied by the selected employee prior to his eligibility for the Award. Performance period refers to the period of a participant employment with the Group which is used to assess the selected employee's work performance for the purpose of determining the grant of the selected employee's award.

The current Performance Conditions proposed by the Committee is that shares will only be vested to the employees after rendering services for certain period. Each employee needs to render the agreed period of service in order to be entitled to the shares granted.

Fair value of the Award at the grant date is determined by reference to the market price immediately available upon the grant date. The Group recognised the total expenses of approximately RMB2 million (2024: Nil) for the year ended 31 December 2025 in relation to awarded shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (b) Share award scheme by the Company (Cont'd)

Movements in the awarded shares granted during the year ended 31 December 2025 were as follows:

Name of category of participant	Date of grant	Outstanding at			Outstanding at	
		1 January 2025	Granted during year	Vested during year	31 December 2025	
Director	2 April 2025	-	360,000	(120,000)	-	240,000

No awarded share was granted or vested under the 2024 Share Award Scheme during the year ended 31 December 2024.

The closing price of the shares immediately before the date on which the awards were granted to Dr. Leung Lim Kin, Simon on 2 April 2025 was HKD10.48.

The fair value of the awarded shares granted on 2 April 2025 was HKD4 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (c) Equity incentive plan of a subsidiary of the Company

In January 2024, the board of directors of Mynd.ai approved the Mynd Incentive Plan. Under the Mynd Incentive Plan, awards may be granted to officers, employees and consultants of Mynd.ai or any of its affiliates in the form of stock options, restricted shares, RSUs, stock appreciation rights, performance stock, performance stock units and other awards. The maximum aggregate number of ordinary shares that was initially authorised for issuance under the Mynd Incentive Plan is 54,777,338, together with a corresponding number of ADSs.

The number of ordinary shares available for issuance under the Mynd Incentive Plan also includes an automatic annual increase on the first day of each financial year beginning in 2025, equal to five percent (5%) of the total number of ordinary shares outstanding, on a fully diluted basis, on the last day of the immediately preceding financial year. Pursuant to this annual increase, an additional 28,374,850 and 27,731,110 ordinary shares became available for issuance under the Mynd Incentive Plan on 1 January 2026 and 2025, respectively. During the year ended 31 December 2025, 1,853,152 ADSs (2024: 120,628 ADSs) were forfeited. As at 31 December 2025, Mynd.ai had outstanding share-based awards representing 3,616,901 ADSs (2024: 4,185,488 ADSs).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

- (c) Equity incentive plan of a subsidiary of the Company (Cont'd)

Movements of ADSs during the year ended 31 December 2025 and 2024 were as follows:

### Year ended 31 December 2025

Name of category of participant	Date of grant	Outstanding at	Granted during year	Vested during year	Forfeited during year	Outstanding at
		1 January 2025				31 December 2025
Employees	10 April 2024	476,191	-	(274,223)	-	201,968
Employees	10 April 2024	2,904,531	-	(686,542)	(1,504,041)	713,948
Employees	29 October 2024	804,766	-	(256,302)	(349,111)	199,353
Employees	6 February 2025	-	1,375,630	-	-	1,375,630
Employees	6 February 2025	-	468,468	-	-	468,468
Employees	8 April 2025	-	657,534	-	-	657,534
		<u>4,185,488</u>	<u>2,501,632</u>	<u>(1,217,067)</u>	<u>(1,853,152)</u>	<u>3,616,901</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### (c) Equity incentive plan of a subsidiary of the Company (Cont'd)

Year ended 31 December 2024

Name of category of participant	Date of grant	Outstanding at				Outstanding at
		1 January 2024	Granted during year	Vested during year	Forfeited during year	31 December 2024
Employees	10 April 2024	-	476,191	-	-	476,191
Employees	10 April 2024	-	3,025,159	-	(120,628)	2,904,531
Employees	29 October 2024	-	804,766	-	-	804,766
		-	4,306,116	-	(120,628)	4,185,488

During the year ended 31 December 2025, Mynd.ai recorded share-based expenses of USD3 million (equivalent to RMB21 million) (2024: USD4 million (equivalent to RMB27 million)) in administrative expenses in the consolidated statements of profit or loss and other comprehensive income. As at 31 December 2025, total unrecognised compensation expense related to unvested awards was USD4 million (equivalent to RMB28 million) (2024: USD11 million (equivalent to RMB76 million)), which is expected to be recognised over a weighted-average period of 1.7 years (2024: 2.2 years).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes bank borrowings (Note 33), net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associated with the issued share capital. The Group will balance its overall capital structure through the payment of dividends as well as issue new shares or return capital to owners.

## 39. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2025 RMB million	2024 RMB million
<b>Financial assets</b>		
Amortised cost	4,665	4,622
Equity instruments at FVTOCI	27	8
Financial assets at FVTPL	435	707
	<u>5,127</u>	<u>5,337</u>
<b>Financial liabilities</b>		
Amortised cost	3,469	3,208
Derivative financial instruments	1	21
	<u>3,470</u>	<u>3,229</u>
<b>Lease liabilities</b>	<u>64</u>	<u>129</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, financial assets at FVTPL, loan receivables, trade receivables, bills receivables, other receivables, refundable rental deposits, pledged bank deposits, bank deposits with original maturity over three months, cash and cash equivalents, trade and other payables, bank borrowings, lease liabilities, derivative financial instruments, convertible and exchangeable bonds and convertible note. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

#### *Market risk*

#### *Currency risk*

The Group operates mainly in the PRC, the USA and the UK. Most of its monetary assets, liabilities and transactions are principally denominated in the functional currency of respective group entities, which is RMB, USD and Great Britain Pound. However, the Group also has operations in Hong Kong and Europe (2024: Hong Kong, Europe and Singapore) and the business transactions conducted in these areas during the year were mainly denominated and settled in HKD and European dollar ("EURO") (2024: HKD, EURO and Singapore dollar), respectively. The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risk (Cont'd)*

#### *Currency risk (Cont'd)*

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities (including loan receivables, trade receivables, other receivables, pledged bank deposits, bank deposits with original maturity over three months, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings) at the end of the reporting period are as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2025</b>	2024	<b>2025</b>	2024
	<b>RMB million</b>	RMB million	<b>RMB million</b>	RMB million
HKD	<b>78</b>	86	-	-
USD	<b>1,131</b>	1,394	<b>3</b>	297
EURO	<b>35</b>	27	-	1
	<b><u>1,244</u></b>	<u>1,507</u>	<b><u>3</u></b>	<u>308</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risk (Cont'd)*

#### *Currency risk (Cont'd)*

#### *Sensitivity analysis*

The following table details the Group's sensitivity analysis to a 5% increase and decrease in RMB against HKD, USD and EURO. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB strengthen 5% against relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

	<b>2025</b> <b>RMB million</b>	2024 RMB million
Post-tax profit		
HKD	<b>(3)</b>	(3)
USD	<b>(42)</b>	(41)
EURO	<b>(1)</b>	(1)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risk (Cont'd)*

##### *Interest rate risk*

The interest income is derived from the Group's pledged bank deposits, bank deposits with original maturity over three months and bank balances that carry interest at the respective banking deposit rate of the banks and loan receivables.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (Note 22), lease liabilities (Note 31), bank borrowings (Note 33), convertible and exchangeable bonds (Note 34) and convertible note (Note 35).

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank deposits with original maturity over three months and bank balances (Note 28), variable-rate loan receivables (Note 22) and variable-rate bank borrowings (Note 33) carried at prevailing bank borrowing interest rate. The cash flow interest rate risk is in relation to the fluctuation of HIBOR, SOF or BSBY Rate (collectively as "Variable Borrowing Rates") arising from the Group's bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the variable-rate borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2024: 50 basis points) increase or decrease in Variable Borrowing Rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2024: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2025 would decrease/increase less than RMB1 million (2024: less than RMB1 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment*

As at 31 December 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk of trade receivables, bills receivables, contract assets, other receivables, refundable rental deposits and loan receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group always recognises lifetime ECL for trade receivables, contract assets and loan receivables. The ECL on these assets are assessed individually for credit-impaired debtors and collectively for others using a provision matrix with appropriate groupings.

The credit risk on pledged bank deposits, bank deposits with original maturity over three months and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or are state-owned banks located in the PRC. In this regard, the directors of the Company consider that the ECL on these balances is insignificant.

The Group regularly monitors the business performance of the associates and joint ventures. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2025 and 2024, the Group assessed the ECL for these balances were insignificant and thus loss allowance was negligible.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings and there is no significant concentration of credit risk.

The Group has no significant concentration of credit risk on trade receivables, bills receivables, other receivables and contract assets with exposure spreading over a number of counterparties and customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

### *Credit risk and impairment assessment (Cont'd)*

The Group's internal credit risk grading assessment comprises the following categories:

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables/ contract assets</b>	<b>Other financial assets/other items</b>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

The tables below detail the credit risk exposures of the Group's trade receivables, bills receivables, other receivables, loan receivables, pledged bank deposits, bank deposits with original maturity over three months, bank balances and contract assets which are subject to ECL assessment:

#### *Financial assets at amortised cost*

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2025		2024	
					Gross carrying amount RMB million	RMB million	Gross carrying amount RMB million	
Trade receivables	26	N/A	(Note 2)	Lifetime ECL (provision matrix)	335		472	
				Loss Lifetime ECL (credit-impaired)	7	342	9	481
Loan receivables	22	N/A	(Note 3)	12m ECL	243		154	
				Loss Lifetime ECL (credit-impaired)	10	253	-	154
Contract assets	27	N/A	(Note 2)	Lifetime ECL (provision matrix)		22		22
Bills receivables		N/A	(Note 1)	12m ECL		-		1
Other receivables	27	N/A	(Note 1)	12m ECL		179		186
Pledged bank deposits	28	IG*	N/A	12m ECL		2,087		1,114
Bank deposits with original maturity over three months	28	IG*	N/A	12m ECL		308		215
Bank balances	28	IG*	N/A	12m ECL		1,545		2,498

\* Investment Grade – The Standard & Poor's rating of the Group's significant bank accounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

#### *Financial assets at amortised cost (Cont'd)*

Notes:

1. In determining the ECL for bills receivables and other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. The Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in these Group's outstanding balances is insignificant. Accordingly, no loss allowance on ECL was provided for these assets.
2. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating in the classes of low risk, watch list or doubtful.
3. For the loan receivables, the management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. As at 31 December 2025, the Group's loan receivables with gross amount of RMB253 million (31 December 2024: RMB154 million) was assessed individually and RMB10 million (31 December 2024: Nil) loss allowance on ECL for loan receivables is recognised accordingly.

#### *Provision matrix for trade receivables and contract assets – internal credit rating*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on trade receivables and contract assets which are not credit-impaired and assessed based on provision matrix as at 31 December 2025 within lifetime ECL. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2025 within lifetime ECL. Trade receivables with credit-impaired with gross carrying amount of RMB7 million (2024: RMB9 million) as at 31 December 2025 were assessed individually. As disclosed in Note 26, out of the past due balances, RMB58 million (2024: RMB104 million) has been past due 90 days or more and is not considered as credit-impaired and considered as recoverable due to long term and on-going relationship with good repayment record from these customers based on historical experience.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

*Credit risk and impairment assessment (Cont'd)*

*Financial assets at amortised cost (Cont'd)*

Provision matrix for trade receivables and contract assets – internal credit rating (Cont'd)

	2025		2024	
	Average loss rate	Trade receivables RMB million	Average loss rate	Trade receivables RMB million
Low risk	0.06%	208	0.07%	300
Watch list	0.14%	39	1.36%	75
Doubtful	36.31%	88	17.32%	97
		<u>335</u>		<u>472</u>

	2025		2024	
	Average loss rate	Contract assets RMB million	Average loss rate	Contract assets RMB million
Low risk	1.20%	22	1.17%	22

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk and impairment assessment (Cont'd)*

#### *Financial assets at amortised cost (Cont'd)*

#### *Provision matrix for trade receivables and contract assets – internal credit rating (Cont'd)*

The management of the Group assessed the expected loss on trade receivables by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment both the current as well as the forecast direction of conditions at the reporting date. The directors of the Company are of the opinion that trade receivables with gross carrying amount of RMB335 million (2024: RMB472 million) are not credit-impaired, as for they are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers. Accordingly, RMB32 million (2024: RMB18 million) loss allowance on ECL for trade receivables based on provision matrix is recognised as at 31 December 2025. Gross carrying amount amounted of RMB7 million (2024: RMB9 million) of the balance of trade receivables are considered as credit-impaired and fully provided as for there is evidence indicating the asset is credit-impaired as at 31 December 2025.

During the year ended 31 December 2025, the Group provides RMB14 million (2024: RMB5 million) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB1 million (2024: reversal of impairment allowance of RMB7 million) were made on credit-impaired debtors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

*Credit risk and impairment assessment (Cont'd)*

*Financial assets at amortised cost (Cont'd)*

*Provision matrix for trade receivables and contract assets – internal credit rating (Cont'd)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and loan receivables.

	<b>Loan receivables</b>	<b>Trade receivables</b>		
	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total</b>
	<b>(credit- impaired)</b>	<b>(not credit- impaired)</b>	<b>(credit- impaired)</b>	
	RMB million	RMB million	RMB million	RMB million
As at 1 January 2024	–	17	24	41
Impairment losses recognised, net of reversal	–	5	(7)	(2)
Impairment write off	–	(1)	(7)	(8)
Exchange adjustments	–	(3)	(1)	(4)
As at 31 December 2024	<b>–</b>	<b>18</b>	<b>9</b>	<b>27</b>
Impairment losses recognised, net of reversal	<b>10</b>	<b>14</b>	<b>1</b>	<b>25</b>
Impairment write off	–	–	(2)	(2)
Disposal of a subsidiary	–	–	(1)	(1)
As at 31 December 2025	<b>10</b>	<b>32</b>	<b>7</b>	<b>49</b>

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the trade receivables are over two years past due, whichever occurs earlier.

No loss allowance on ECL for contract assets based on provision matrix is recognised during the years ended 31 December 2025 and 2024 as the amount is considered as insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating-rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

#### *Liquidity tables*

	Weighted average interest rate %	On demand or less than 1 year RMB million	Over 1 year RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
<b>2025</b>					
Trade and other payables	-	685	-	685	685
Bank borrowings					
– variable rate	5.67	67	-	67	66
– fixed rate	1.94	2,305	-	2,305	2,290
Convertible note – debt component	15.80	585	-	585	428
Lease liabilities	5.93	44	24	68	64
		<u>3,686</u>	<u>24</u>	<u>3,710</u>	<u>3,533</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Liquidity risk (Cont'd)*

#### *Liquidity tables (Cont'd)*

	Weighted average interest rate %	On demand or less than 1 year RMB million	Over 1 year RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
2024					
Trade and other payables	–	788	–	788	788
Bank borrowings					
– variable rate	7.11	129	–	129	128
– fixed rate	1.92	1,618	–	1,618	1,601
Convertible and exchangeable					
bonds – debt component	16.62	299	–	299	295
Convertible note – debt component	15.80	598	–	598	396
Lease liabilities	5.63	64	75	139	129
		<u>3,496</u>	<u>75</u>	<u>3,571</u>	<u>3,337</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Liquidity risk (Cont'd)*

#### *Liquidity tables (Cont'd)*

Bank borrowings with a repayable on demand clause are included in the “on demand or less than 1 year” band in the above maturity analysis. As at 31 December 2025, the aggregate carrying amounts of these bank borrowings amounted to RMB845 million (2024: RMB349 million). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The directors of the Company believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank borrowings with a repayable on demand clause based on scheduled repayments.

	<b>Less than 1 year RMB million</b>	<b>Total undiscounted cash flows RMB million</b>	<b>Carrying amount RMB million</b>
31 December 2025	<u>845</u>	<u>845</u>	<u>845</u>
31 December 2024	<u>349</u>	<u>349</u>	<u>349</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include the lowest level inputs which are significant to the fair value measurement for the asset or liability that are not based on observable market data (significant unobservable inputs).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)*

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2025 RMB million	31 December 2024 RMB million				
<b>Financial assets</b>						
Equity instrument at FVTOCI – Unlisted equity securities	27	8	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Discount rate of 13.00% (2024: 12.08%).	The higher the discount rate, the lower the fair value.
Financial assets at FVTPL – Listed securities	79	191	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial assets at FVTPL – Unlisted funds	-	246	Level 2	Price provided by the financial institution with reference to underlying investment portfolios which have observable quoted price in active markets.	N/A	N/A
Financial assets at FVTPL – Foreign currency forward contracts	4	N/A	Level 2	Future discounted cash flows are estimated based on the applicable forward foreign exchange rates.	N/A	N/A
Financial assets at FVTPL – Structured deposits	50	N/A	Level 2	Price provided by the financial institutions with reference to foreign currency contracts.	N/A	N/A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)*

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2025 RMB million	31 December 2024 RMB million				
<b>Financial assets (cont'd)</b>						
Financial assets at FVTPL – Unlisted equity investment	11	11	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 69.92% (2024: 69.13%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Financial assets at FVTPL – Unlisted equity investment	8	16	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 83.66% (2024: 57.47%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Financial assets at FVTPL – Unlisted funds	218	233	Level 3	Price provided by the general partner with reference to underlying investment portfolios.	Discount for lack of marketability used in valuation.	The higher the discount for lack of marketability used in valuation, the lower the fair value.
Financial assets at FVTPL – Film investment	3	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Discount rate of 12.58% (2024: N/A).	The higher the discount rate, the lower the fair value.
Financial assets at FVTPL – Program investment	11	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Discount rate of 16.88% (2024: N/A).	The higher the discount rate, the lower the fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)*

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2025 RMB million	31 December 2024 RMB million				
<b>Financial assets (cont'd)</b>						
Financial assets at FVTPL – Film investment	41	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Discount rate of 21.73% (2024: N/A).	The higher the discount rate, the lower the fair value.
Financial assets at FVTPL – Unlisted equity investment	10	10	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 39.26% (2024: 38.76%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
<b>Financial liabilities</b>						
Derivative financial instruments – Convertible and exchangeable option	N/A	–	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 65.48% at 31 December 2024 (2025: N/A) was estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Derivative financial instruments – Unlisted warrants	N/A	–	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 24.27% at 31 December 2024 (2025: N/A) was estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Derivative financial instruments – Convertible note	1	21	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 85.0% (2024: 68.0%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)*

There is no transfer between Level 1, Level 2 and Level 3 during both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values at the end of each reporting period.

*Reconciliation of Level 3 fair value measurements*

*Reconciliation of Level 3 fair value measurements of financial assets*

	<b>Equity instruments at FVTOCI</b>	<b>Financial assets at FVTPL</b>
	RMB million	RMB million
At 1 January 2024	42	205
Fair value changes	(24)	52
Reallocation	(10)	10
Exchange adjustments	–	3
	<hr/>	<hr/>
At 31 December 2024	<b>8</b>	<b>270</b>
Additions	<b>5</b>	<b>107</b>
Fair value changes	<b>13</b>	<b>(34)</b>
Disposals	<b>–</b>	<b>(35)</b>
Exchange adjustments	<b>1</b>	<b>(6)</b>
	<hr/>	<hr/>
At 31 December 2025	<b>27</b>	<b>302</b>
	<hr/>	<hr/>

Of the total fair value change on financial assets at FVTPL for the year included in profit or loss, fair value loss of RMB34 million (2024: fair value gain of RMB52 million) related to unlisted equity investments, unlisted funds and film and program investments held at the end of the current reporting period. Fair value gains or losses on financial assets at FVTPL are included in "fair value change on financial assets at fair value through profit or loss".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value measurements of financial instruments (Cont'd)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)*

*Reconciliation of Level 3 fair value measurements (Cont'd)*

Reconciliation of Level 3 fair value measurements of financial liabilities

	<b>Derivative financial instruments</b>
	RMB million
At 1 January 2024	107
Fair value changes	(87)
Exchange adjustments	1
	<hr/>
At 31 December 2024	<b>21</b>
Fair value changes	<b>(20)</b>
	<hr/>
At 31 December 2025	<b>1</b>
	<hr/>

Of the total gains or losses for the year included in profit or loss, fair value gain of RMB20 million (2024: RMB87 million) related to derivative financial instruments held at the end of the current reporting period. Fair value gains or losses on derivative financial instruments are included in "fair value change on derivative financial instruments".

*Fair value of financial instruments that are recorded at amortised cost*

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 40. PLEDGE OF OR RESTRICTIONS ON ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure the bank borrowings and credit card facilities granted to the Group as set out in Note 33 are as follows:

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Property, plant and equipment	<b>441</b>	526
Right-of-use assets	<b>60</b>	45
Pledged bank deposits	<b>2,087</b>	1,114
	<b>2,588</b>	1,685

In addition, restrictions on assets of the Group are as follows:

Lease liabilities of RMB64 million (2024: RMB129 million) are recognised with related right-of-use assets of RMB257 million (2024: RMB349 million) as at 31 December 2025. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

## 41. RETIREMENT BENEFITS PLANS

### Defined contribution plan

The employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs or HKD1,500 per person per month to the scheme, whichever is lower, which is matched by employees.

Contributions to the above schemes for the year ended 31 December 2025 made by the Group amounted to RMB177 million (2024: RMB197 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 42. RELATED PARTY DISCLOSURES

The Group is controlled by the Controlling Shareholders, Dr. Liu Dejian and Mr. Liu Luyuan, who have entered into agreement to collectively govern the financial and operating policies of the Company and various subsidiaries.

### (a) Related party transactions and balances

The Group had the following significant related party transactions during the year with certain companies in which some directors and shareholders of the Company can exercise significant influence or control:

Name of related parties	Relationship
Fuzhou 851	DJM, the immediate holding company of the Company, and Dr. Liu Dejian, executive director and beneficial owner of the Company, has 100% equity interest in this entity.
福州市言樂文化傳媒有限公司 ("Fuzhou Yanle")	Fuzhou Yanle is a joint venture of the Group which the Group holds 30% of the issued share capital in this entity.
福建省數據治理與數據流通 工程研究院有限公司 ("Fujian Data")	Fujian Data is an associate of the Group which the Group holds 19% of the issued share capital in this entity.
上海璞島文化藝術有限公司 ("Shanghai Pudao")	Shanghai Pudao is an associate of the Group which the Group holds 10% of the issued share capital in this entity.
福建省國騰信息科技有限公司 ("Guoteng")	Guoteng is a joint venture of the Group which the Group holds 60% of the issued share capital in this entity.

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transactions during the year with certain companies in which some directors and shareholders of the Company can exercise significant influence or control.

Nature of transactions/balances	2025 RMB million	2024 RMB million
Promotional expense to Fuzhou Yanle	(2)	(3)
Promotional expense to Shanghai Pudao	(1)	-
Education management fee to Fujian Data	(10)	(6)
Technical service fee paid to Guoteng	-	(1)
Service revenue from Guoteng	-	1
Amounts due from associates (Note)	7	3
Amounts due from joint ventures (Note)	7	7

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 42. RELATED PARTY DISCLOSURES (Cont'd)

### (a) Related party transactions and balances (Cont'd)

Saved as disclosed above, the Group had continuing connected transactions during the year, including (i) service fee paid to Fuzhou 851 of RMB4 million during the year ended 31 December 2024 (2025: Nil); and (ii) a lease agreement entered with Fuzhou 851 with the lease term till 2027 for the use of office premise located in the PRC. The Group has made repayment of the lease liabilities of RMB28 million (2024: RMB26 million) and lease modification for reduction in the lease liabilities of RMB13 million during the year. As at 31 December 2025, the corresponding carrying amount of the lease liabilities is RMB29 million (2024: RMB70 million).

Note: As at 31 December 2025 and 2024, the amounts due from associates and joint ventures included in other receivables, prepayments and deposits are not trade in nature, unsecured, non-interest bearing and repayable on demand.

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Salaries, allowances and other short-term employee benefits	<b>75</b>	120
Contribution to retirement benefits schemes	<b>1</b>	1
Share-based payments expense	<b>2</b>	–
	<b>78</b>	121

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 43. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments contracted for but not provided in the consolidated financial statements:

	2025 RMB million	2024 RMB million
Capital expenditure in respect of:		
– Capital injection in joint ventures	24	24
– Acquisition of property, plant and equipment	163	118
– Properties under development projects	31	374
	<u>218</u>	<u>516</u>

## 44. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2024, Mynd.ai entered into a sale agreement to dispose of its entire 85% equity interest in Global Eduhub Holding Limited (“GEH”) to the other shareholder of GEH with a consideration of USD20 million (equivalent to RMB140 million). The purpose of the disposal represented a strategic shift of the Group on Mynd.ai’s operations. The disposal was completed on 2 October 2024.

	RMB million
<b>Consideration received</b>	<u>140</u>
<b>Analysis of assets and liabilities over which control was lost</b>	
<b>Non-current assets</b>	
Property, plant and equipment	33
Right-of-use assets	49
Intangible assets	49
Goodwill	10
<b>Current assets</b>	
Inventories	1
Trade receivables	4
Other receivables and deposits paid	32
Amounts due from related parties	5
Bank balances and cash	39

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 44. DISPOSAL OF SUBSIDIARIES (Cont'd)

	RMB million
<b>Current liabilities</b>	
Trade payables	(2)
Accruals and other payables	(26)
Contract liabilities	(5)
Lease liabilities	(25)
<b>Non-current liabilities</b>	
Deferred tax liabilities	(9)
Lease liabilities	(24)
Other long-term payables	(28)
	<hr/>
Net assets disposed of	103
	<hr/> <hr/>
<b>Gain on disposal of subsidiaries</b>	
Consideration received	140
Net assets disposed of	(103)
Non-controlling interest	54
Reclassification of cumulative translation reserve upon disposal of GEH to profit or loss	6
	<hr/>
Gain on disposal	97
	<hr/> <hr/>
<b>Cash inflow on disposal</b>	
Consideration received	140
Bank balances and cash disposed of	(39)
	<hr/>
	101
	<hr/> <hr/>

The directors of the Company consider that the impact of the disposal of the GEH on the Group's results and cash flows in the current year is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 45. OPERATING LEASE

The Group as lessor

Property rental income earned during the year was less than RMB1 million (2024: RMB2 million). The property is expected to generate rental yields of 2.26% (2024: 3.5%) per annum on an ongoing basis. The property held has committed tenants from 1 to 9.7 years (2024: 0.17 to 7 years). The Group had contracted with tenants for the following future minimum lease payments:

	<b>2025</b> RMB million	2024 RMB million
Within one year	<b>10</b>	3
In the second year	<b>9</b>	3
In the third year	<b>9</b>	3
In the fourth year	<b>8</b>	3
In the fifth year	<b>8</b>	3
In the sixth year and onwards	<b>31</b>	4
	<b>75</b>	19

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible note and convertible and exchangeable bonds RMB million	Bank borrowings RMB million	Dividend payables RMB million	Lease liabilities RMB million	Total RMB million
At 1 January 2025	712	1,729	-	129	2,570
Financing cash flows	(293)	640	(487)	(60)	(200)
New leases	-	-	-	16	16
Early lease termination/modification	-	-	-	(20)	(20)
Disposal of a subsidiary	-	(10)	-	(1)	(11)
Interest paid	(25)	-	-	(5)	(30)
Non-cash changes:					
Exchange adjustments	(11)	(3)	-	-	(14)
Finance costs recognised	75	-	-	5	80
Net off of prepayment for interest	(9)	-	-	-	(9)
Fair value changes	(20)	-	-	-	(20)
Dividends declared	-	-	487	-	487
At 31 December 2025	<u>429</u>	<u>2,356</u>	<u>-</u>	<u>64</u>	<u>2,849</u>
At 1 January 2024	714	1,034	66	121	1,935
Financing cash flows	-	692	(453)	(99)	140
New leases	-	-	-	158	158
Disposal of subsidiaries	-	-	-	(49)	(49)
Interest paid	(33)	-	-	(9)	(42)
Non-cash changes:					
Exchange adjustments	10	3	-	(2)	11
Finance costs recognised	101	-	-	9	110
Fair value changes	(80)	-	-	-	(80)
Dividends declared	-	-	387	-	387
At 31 December 2024	<u>712</u>	<u>1,729</u>	<u>-</u>	<u>129</u>	<u>2,570</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 47. SUBSIDIARIES OF THE COMPANY

### (a) Particulars of the Company's principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2025 and 2024 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and fully paid up ordinary share/ registered capital	Proportion of registered capital/ issued share capital/equity interests and voting power held by the Company				Principal activities
			directly		indirectly		
			2025 %	2024 %	2025 %	2024 %	
NetDragon Websoft Inc.	British Virgin Islands	USD222,203.93	100	100	-	-	Investment holding
Fujian Huayu *	PRC	RMB200 million	-	-	-	-	Operation and development of online education business
NetDragon (Fujian)*	PRC	RMB10 million	-	-	-	-	Operation of online games
Fujian Tianquan	PRC	RMB500 million	-	-	100	100	Operation and development of online education business
TQ Digital <sup>#</sup>	PRC	RMB984 million	-	-	100	100	Development of online games and licensing and servicing of developed games
TQ Online <sup>#</sup>	PRC	RMB900 million	-	-	100	100	Development of online games and licensing and servicing of developed games
NetDragon Websoft (Hong Kong) Limited	Hong Kong	HKD1.00	-	-	100	100	Operation of online and mobile games
Mynd.ai	Cayman Islands	USD468,648	-	-	73.190	74.364	Sale and distribution of education hardware and software products
Best Assistant	Cayman Islands	USD0.001	-	-	100	100	Investment holding
Cherypicks Limited	Hong Kong	HKD150,000.00	-	-	87.81	92.20	Mobile solution, products and marketing business
福建天景房地產開發有限公司	PRC	RMB10 million	-	-	100	100	Property development

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 47. SUBSIDIARIES OF THE COMPANY (Cont'd)

### (a) Particulars of the Company's principal subsidiaries (Cont'd)

Notes:

- \* The Group's control over, and beneficial interest in the equity of, these entities exist by virtue of certain contractual arrangements entered into with the Controlling Shareholders involving these entities, which are established as limited liability companies under PRC law. The Group does not hold ownership interest in the registered capital of these subsidiaries. However, under the contractual agreements entered into among the entities, the Controlling Shareholders who are the owners of the registered capital of these entities and the Group, the Group controls these entities by way of controlling all voting rights in owners' meetings of these entities and governing their financial and operating policies. Under the contractual arrangements, management committees are established to oversee the businesses and operations of these entities in order to ensure and facilitate the implementation of the contractual arrangements. The management committees shall comprise members, all of whom have to be directors of TQ Digital and Fujian Tianquan, subsidiaries of the Company, in order that the decision-making rights and the operating and financing activities of these entities are ultimately controlled by the Company. The Company is also entitled to substantially all of the operating profits and residual benefits by charging service fee equal to net profit generated by these entities under the contractual arrangements. In addition, the owners of the registered capital of these entities have irrecoverably authorised TQ Digital and Fujian Tianquan to exercise all their voting rights in NetDragon (Fujian) and Fujian Huayu, including the appointment and removal of the directors of these entities. As a result, these entities are regarded as subsidiaries under the control of the Group. Accordingly, the results of these entities, if any, and their assets and liabilities are included in the consolidated financial statements.
- # Wholly foreign owned enterprise.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the result or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities outstanding at 31 December 2025 and 2024 or at any time during the year, except for the issuance of convertible and exchangeable bonds by Best Assistant and convertible note issued by Mynd.ai as disclosed in Notes 34 and 35 respectively in which the Company has no interest.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong, the UK, the USA and the PRC. The principal activities of these other subsidiaries are similar to those of the principal subsidiaries of the Company as set out above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 47. SUBSIDIARIES OF THE COMPANY (Cont'd)

- (b) Non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiaries	Place of incorporation	Proportion of ownership and voting rights held for non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2025	2024	2025	2024	2025	2024
		%	%	RMB million	RMB million	RMB million	RMB million
Mynd.ai and its subsidiaries (collectively "Mynd.ai Group")	Cayman Islands	26.81	25.636	(114)	(189)	8	66

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Mynd.ai Group	
	2025	2024
	RMB million	RMB million
Current assets	581	1,059
Non-current assets	775	812
Current liabilities	(1,300)	(1,500)
Non-current liabilities	(76)	(20)
	<u>(20)</u>	<u>351</u>
(Deficit) equity attributable to owners of Mynd.ai Group	<u>(20)</u>	<u>351</u>
Revenue	1,198	2,110
Expenses	(1,642)	(2,848)
Loss for the year	<u>(444)</u>	<u>(738)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 47. SUBSIDIARIES OF THE COMPANY (Cont'd)

(b) Non-wholly owned subsidiaries that have material non-controlling interests (Cont'd)

	<b>Mynd.ai Group</b>	
	<b>2025</b>	2024
	<b>RMB million</b>	RMB million
Loss attributable to owners of Mynd.ai Group	<u>(444)</u>	<u>(738)</u>
Other comprehensive expense	<u>(13)</u>	<u>(21)</u>
Total comprehensive expense attributable to owners of Mynd.ai Group	<u>(457)</u>	<u>(759)</u>
Net cash (outflow) inflow from operating activities for the year	<b>(324)</b>	6
Net cash (outflow) inflow from investing activities for the year	<b>(23)</b>	31
Net cash outflow from financing activities for the year	<u>(60)</u>	<u>(162)</u>
Net cash outflow for the year	<u>(407)</u>	<u>(125)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 48. SUMMARY OF STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB million	2024 RMB million
<b>Non-current assets</b>		
Investments in subsidiaries	168	168
Amounts due from subsidiaries	1,510	1,510
	<u>1,678</u>	<u>1,678</u>
<b>Current assets</b>		
Other receivables and prepayment	1	1
Amounts due from subsidiaries	1,694	1,151
Pledged bank deposits	7	7
Bank balances	21	120
	<u>1,723</u>	<u>1,279</u>
<b>Current liabilities</b>		
Other payables	25	22
Bank borrowing	600	300
Amounts due to subsidiaries	809	1,202
	<u>1,434</u>	<u>1,524</u>
<b>Net current assets (liabilities)</b>	<u>289</u>	<u>(245)</u>
<b>Net assets</b>	<u>1,967</u>	<u>1,433</u>
<b>Capital and reserves</b>		
Share capital	39	39
Share premium and reserves	1,928	1,394
	<u>1,967</u>	<u>1,433</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 48. SUMMARY OF STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movement in the Company's reserves:

	Share premium	Capital redemption reserve	Other reserve	Dividend reserve	Treasury share reserve	Employee share-based compensation reserve	Retained profits (accumulated losses)	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2024	1,599	9	(2)	193	(3)	51	66	1,913
Loss and total comprehensive expenses for the year	-	-	-	-	-	-	(132)	(132)
Final dividend for 2023 paid	-	-	-	(193)	-	-	-	(193)
Interim dividend for 2024 declared and paid	(194)	-	-	-	-	-	-	(194)
Final dividend for 2024 proposed	(246)	-	-	246	-	-	-	-
At 31 December 2024	<b>1,159</b>	<b>9</b>	<b>(2)</b>	<b>246</b>	<b>(3)</b>	<b>51</b>	<b>(66)</b>	<b>1,394</b>
Profit and total comprehensive income for the year	-	-	-	-	-	-	1,074	1,074
Purchase of treasury shares	-	-	-	-	(55)	-	-	(55)
Awarded shares vested to employees	-	-	-	-	2	(1)	(1)	-
Recognition of equity-settled share-based payments, net of share options forfeited	-	-	-	-	-	(11)	13	2
Final dividend for 2024 paid	-	-	-	(246)	-	-	-	(246)
Interim dividend for 2025 declared and paid	(241)	-	-	-	-	-	-	(241)
Final dividend for 2025 proposed	-	-	-	238	-	-	(238)	-
At 31 December 2025	<b>918</b>	<b>9</b>	<b>(2)</b>	<b>238</b>	<b>(56)</b>	<b>39</b>	<b>782</b>	<b>1,928</b>