

NetDragon Announces 2024 Annual Financial Results

Fully Embraces the World of Artificial Intelligence

Profit Before Tax Up 19% YoY

Final Dividend Increased by 25% YoY to HK\$0.5 Per Share

(Hong Kong, March 26, 2025) NetDragon Websoft Holdings Limited (“NetDragon” or the “Company”; Hong Kong Stock Code: 0777), a global leader in building internet communities, announced its financial results for fiscal year 2024 today. NetDragon’s management team will be hosting a conference call and webcast on March 27, 2025 at 10:00am Hong Kong time, to discuss the results and recent business developments.

Dr. Dejian Liu, Chairman of NetDragon, commented: “In 2024, global artificial intelligence (AI) technology continued to advance at a rapid pace, with developers achieving remarkable breakthroughs. As AI reshapes industries worldwide, we have proactively launched strategic initiatives to harness this wave of change. At the core of our vision is a dual-focus strategy—AI+Gaming and AI+Education—driving us toward “infinite growth”.”

“In the gaming sector, we have seamlessly integrated cutting-edge AI tools to enhance production efficiency and elevate content quality, while also pioneering the development of “AI-native” games. Our flagship IP *Eudemons* has undergone a series of optimizations, further strengthening ecosystem balance and significantly enhancing the player experience, laying a solid foundation for its sustainable growth. In the education sector, we successfully won the tender to upgrade the “National Smart Education Platform Project” in July, reinforcing our commitment to supporting China’s national strategy of “leveraging AI to transform education”. On the international front, we have partnered with Thailand’s Ministry of Higher Education, Science, Research and Innovation (MHESI) to develop an online AI education platform and offer professional training tailored for university students and the larger youth community. Additionally, our U.S.-listed subsidiary, Mynd.ai, took a major step forward in January 2025 with the launch of its next-generation interactive flat panel—ActivPanel 10 and software solutions ActivSuite™. Moving forward, we will focus on scaling SaaS revenue and solidifying Mynd.ai’s position as the global leader in AI-driven classroom technology.”

“This year, we leveraged advanced AI tools to establish an automated production line (“AI Content Factory”) and commenced the development of interactive educational games. By prioritizing interactive experiences and learner-driven engagement, we aim to enable immersive learning, redefine traditional teaching methodologies, and ultimately build an educational metaverse platform.”

“Our total revenue for 2024 decreased by 14.8% YoY to RMB6.0 billion, as Mynd.ai continued to navigate through industry-wide challenges, along with strategic adjustments in our gaming business. Nevertheless, our profit before tax increased by 19.1% YoY to RMB756 million, driven by higher investment returns, approximately RMB100 million in staff cost savings from continuing operations¹, improved operating efficiency enabled by our AI+ strategy and lower financial costs as we further enhanced our capital structure.”

“Our net cash increased by 13.3% YoY to RMB2.1 billion with a stable operating cash inflow of RMB1.1 billion, which has laid a solid foundation for the continued advancement of our AI+ strategy and sustained business growth. As a return to our shareholders, the Board of Directors has approved a final dividend of HKD0.5 per ordinary share for 2024, representing a 25.0% increase YoY. We remain committed to maximizing shareholder value and return through offering sustainable dividends and maintaining a high payout ratio. Additionally, we will consider share buybacks based on market conditions to reward our long-term investors.”

¹ Excluding share-based payments expense and redundancy expense

Fiscal Year 2024 Financial Highlights

- Revenue was RMB6.0 billion, representing a 14.8% decrease YoY.
- Revenue from gaming and application services was RMB3.9 billion, representing 65.1% of the Group's total revenue and a 6.0% decrease YoY.
- Revenue from Mynd.ai business was RMB2.1 billion, representing 34.8% of the Group's total revenue and a 27.6% decrease YoY.
- Gross profit was RMB3.9 billion, representing a 10.4% decrease YoY.
- Core segmental profit² from the gaming and application services was RMB925 million, representing a 33.9% decrease YoY.
- Core segmental loss² from Mynd.ai business was RMB297 million, compared to a loss of RMB93 million in 2023.
- EBITDA was RMB1.4 billion, representing a 7.1% increase YoY.
- Operating profit was RMB745 million, representing a 9.3% decrease YoY.
- Profit before tax was RMB756 million, representing a 19.1% increase YoY.
- Profit attributable to owners of the Company was RMB311 million including an one-time non-cash deferred tax expense in Mynd.ai of RMB335 million, representing a 43.5% decrease YoY from RMB550 million in 2023.
- Operating cashflow was RMB1.1 billion, representing a 5.7% decrease YoY.
- The Company declared a final dividend of HKD0.50 per ordinary share (2023: HKD0.40 per ordinary share), subject to approval at the coming annual general meeting.

² 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 government grants, intercompany finance costs, impairment loss (net of reversal), write off of intangible assets, reversal of impairment loss of intangible assets, write-down of inventories, fair value change and exchange gain on financial assets at fair value through profit or loss, fair value change and exchange loss on derivative financial instruments, interest expense, exchange loss and redemption loss on convertible and exchangeable bonds, gain on disposal of subsidiaries, fair value loss on investment properties, waiver of other payables, underprovision of tariff expenses in previous years and redundancy payments.

Segmental Financial Highlights

(RMB million)	FY2024		FY2023		Variance	
	Gaming and application services	Mynd.ai business	Gaming and application services	Mynd.ai business	Gaming and application services	Mynd.ai business
Revenue	3,938	2,106	4,189	2,910	-6.0%	-27.6%
Gross Profit	3,399	547	3,708	728	-8.3%	-24.9%
Gross Margin	86.3%	26.0%	88.5%	25.0%	-2.2 ppts	+1.0 ppts
Core Segmental Profit (Loss) ²	925	(297)	1,399	(93)	-33.9%	+219.4%
Segmental Operating Expenses ³						
- Research and development	(1,227)	(202)	(1,186)	(196)	+3.5%	+3.1%
- Selling and marketing	(488)	(266)	(463)	(327)	+5.4%	-18.7%
- Administrative	(705)	(362)	(649)	(267)	+8.6%	+35.6%

Gaming and Application Services

In 2024, revenue from our gaming and application services amounted to RMB3.9 billion, representing a decrease of 6.0% YoY. In the second half of 2024, a series of strategic optimizations were implemented for our flagship IP *Eudemons*, in line with our long-term strategy of delivering consistent high-quality gaming experiences. Such optimizations significantly enhanced player experience, drove user growth and engagement, while solidified the foundation for the IP's long-term sustainability.

Throughout the year, we have continued to refine our “AI + Gaming” strategy, leveraging cutting-edge large language models such as GPT-4, Claude, Qwen, and Coze, while also developing proprietary capabilities based on DeepSeek architecture. We have also deepened the practical deployment of AI services like Midjourney and Hunyuan, integrating them into our production workflows. These efforts have culminated in the creation of an AI Agent Platform and the establishment of a comprehensive AI Content Factory tailored to our in-house development needs. By integrating AI across key areas—including art, programming, game design, testing, and customer service—we have enhanced operational efficiency, with certain game development processes achieving significant productivity gains. As a result, our gaming teams have been able to sharpen their strategic focus and optimize organizational structures, with the potential to effectively reduce our game development costs in 2025. Besides, we have launched our proprietary AI-powered cheat detection system and introduced AI companions, elevating the player experience to new heights. Beyond this, we are pushing the boundaries of AI-native gameplay and content innovation.

³ Segmental operating expenses exclude unallocated expenses/income such as directors' fee and salaries, amortisation and exchange difference 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.

In 2024, our flagship IP *Eudemons* experienced some decline as a result of our proactive optimization measures. However, we remain committed to our high-quality content strategy, which has driven continued growth in user scale and engagement. The overall MAU for *Eudemons* IP increased by 10.1% YoY, with *Eudemon PC-mobile Cross Platform Version* seeing a 37.5% YoY surge in MAU. During the year, we also deepened collaborations with traditional Chinese cultural heritage within *Eudemons* PC game. This included various in-game events featuring the Tongliang Dragon Dance, Nanjing Brocade, and Chaoshan Yingge Dance, which not only enriched the cultural depth of the game but also strengthened the connection with our players. Furthermore, we partnered with Jiayu Pass, Quanzhou Cultural Tourism, and Harbin Cultural Tourism to explore new cross-industry models that blend gaming and cultural tourism. On the mobile front, we refined our marketing strategy and optimized content in alignment with our initiatives in PC games, leading *Eudemons Online Pocket Version* to win industry awards such as the “Players’ Favorite Mobile Game” at the Golden Plume Award.

Our *Heroes Evolved* IP made significant strides in its long-term refined operations and eSports ecosystem. The PC version has achieved revenue growth for two consecutive years, with an 18.3% YoY increase in 2024, driven by the successful enhancement of the IP’s influence through eSports tournaments. Viewership for our summer and winter tournaments increased by 71% and 88%, respectively, compared to the previous tournament, leading to a 5.3% YoY rise in APA.

For our *Conquer* IP, revenue performance in its core market, Egypt, was impacted by fluctuations in the Egyptian pound. However, in local currency terms, *Conquer* overseas version achieved an 8.8% YoY revenue growth in 2024. Moving forward, we aim to attract new player segments through casual gameplay while continuing to cater to MMO players.

In terms of pipeline, the highly-anticipated sequels to our flagship IP are progressing well. *Eudemons Remake Version* is set to launch in 2025, while *Legend of Eudemons* debuted on WeChat Mini Program in early 2025. Additionally, our new MMORPG mobile game, *Miracland Saga (Code-Dragon)*, based on an entirely new IP, is scheduled for release in overseas markets through a publishing partner in 2025.

NetDragon recently signed a term sheet with Beijing Wenge Technology Co., Ltd. (“Wenge”) to exclusively collaborate outside mainland China in promoting AI services. Wenge is an AI company incubated by the Institute of Automation at the Chinese Academy of Sciences. Subject to the signing of definite agreement, Wenge will make a strategic investment of RMB75 million in cash and AI assets into NetDragon’s subsidiary Cherrypicks to support its transformation into a global AI services provider. Wenge has independently developed the “Yayi” LLM and three national level datasets, delivering scalable AI services in several fields such as finance and education. Moving forward, we will work together to drive Cherrypicks’ long-term development and advance the adoption of “Yayi” and other cutting-edge AI technologies in Hong Kong and overseas markets.

Our gaming and application services business remains the cornerstone of our AI+Gaming and AI+Education strategy. Looking forward, we will continue to embrace our motto of “infinite growth”, further integrating advanced AI tools across all operations. We are committed to building a fully operational AI Content Factory. Meanwhile, we will actively explore next-generation frontiers such as “AI-native” games and “interactive educational games”, capturing additional revenue streams brought by AI while continuing to enhance our efficiency in the new AI-era.

Mynd.ai

2024 marked our overseas education subsidiary Mynd.ai’s first full year as a public company. Completing the sale of our non-strategic early childhood development business unit in October 2024, paying down debt, optimizing our cost structure, and initiating a share repurchase program were meaningful steps towards strengthening our company. Despite a number of industry-wide challenges in the education sector stemming from inflation, threat of tariffs and uncertainty around Federal funding for education, we were able to capitalize on our brand loyalty, significant install base of over one million classrooms and strong distributor and partner network to maintain our strong market presence.

The key financial highlights for Mynd.ai in 2024 are as follows:

- Revenue of RMB2.1 billion for the full year, compared to RMB2.9 billion in the prior year with the decrease primarily driven by the headwinds in the global education market due to budget uncertainties in the US because of the new government, and economic conditions in Europe because of wars in Ukraine, Russia and the Middle East.
- Gross Margin improved 1.0 percentage points versus 2023 to 26.0%, largely due to optimization of cost of materials, warranty, and freight costs
- Adjusted EBITDA loss totaled of RMB172 million, compared to RMB78 million
- Cash balance at year-end of RMB541 million, compared to RMB650 million in 2023
- Reduced outstanding indebtedness at year-end by RMB148 million
- Repurchased 151,923 American Depositary Shares, representing 1,519,230 ordinary shares, pursuant to our share repurchase program

Our financial performance in 2024 reflects our commitment to improving operational efficiency to help combat significant industry headwinds impacting our interactive flat panel display business. Year over year, we made improvements in our gross margin. Although we expect economic headwinds to continue during 2025, we are actively responding by continuing to optimize our operating cost structure, enhancing our go-to-market strategy and expanding our portfolio of product offerings. We are excited about the warm reception that our recently launched ActivPanel 10 and its modular infrastructure have received, and believe that the freedom of choice, simplicity, and adaptability that it provides to our customers will better position Mynd.ai to more effectively compete in the market.

- End -

Management Conference Call and Webcast

NetDragon's management team will hold a conference call and webcast at 10:00 am Hong Kong time on March 27, 2025 to discuss the results and recent business developments.

Details of the live conference call and webcast are as follows:

Webcast	https://webcast.roadshowchina.cn/ejVKbERKU09udU9aZHntMys2dHRldz09
International	+852 2112 1888
Mainland China	4008 428 338
HK (China)	+852 2112 1888
US	+1 866 226 1406
UK	0800 032 2849
Passcode	3201527#

The live and archived webcast of the conference call will be available on the Investor Relations section of NetDragon's website at <http://ir.nd.com.cn/en/category/webcast>. Participants of the live webcast should visit the aforementioned website 10 minutes prior to the call, then click on the icon for "2024 Annual Results Conference Call and Webcast" and follow the registration instructions.

About NetDragon Websoft Holdings Limited

NetDragon Websoft Holdings Limited (HKSE: 0777) is a global leader in building internet communities, with a long track record of developing and scaling multiple internet and mobile platforms that impact hundreds of millions of users, including previous establishments of China's first online gaming portal, 17173.com, and China's most influential smartphone app store platform, 91 Wireless.

Established in 1999, NetDragon is one of the most reputable and well-known online game developers in China with a history of successful game titles including *Eudemons Online*, *Heroes Evolved*, *Conquer Online* and *Under Oath*. In the past 10 years, NetDragon has also achieved success with its online education business both domestically and globally, and its overseas education business, currently a U.S.-listed subsidiary named Mynd.ai, is a global leader in interactive technology and its award-winning interactive displays and software can be found in more than 1 million learning and training spaces across 126 countries.

For investor enquiries, please contact:

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

	2024	2023
	RMB million	RMB million
Revenue	6,047	7,101
Cost of revenue	<u>(2,105)</u>	<u>(2,703)</u>
Gross profit	3,942	4,398
Other income and gains	398	264
Impairment loss under expected credit loss model, net of reversal	2	(3)
Selling and marketing expenses	(758)	(807)
Administrative expenses	(1,164)	(1,199)
Research and development costs	(1,429)	(1,382)
Other expenses and losses	(249)	(446)
Share of results of associates and joint ventures	<u>3</u>	<u>(4)</u>
Operating profit	745	821
Interest income on pledged bank deposits	13	-
Exchange gain (loss) on pledged bank deposits, financial assets at fair value through profit or loss, convertible and exchangeable bonds and derivative financial instruments	5	(21)
Fair value change on financial assets at fair value through profit or loss	67	75
Fair value change on derivative financial instruments	87	28
Finance costs	<u>(161)</u>	<u>(268)</u>
Profit before taxation	756	635
Taxation	<u>(642)</u>	<u>(188)</u>
Profit for the year	<u>114</u>	<u>447</u>

Other comprehensive (expense) income for the year, net of income tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	26	43
Reclassification of cumulative translation reserve upon disposal of a foreign operation	(6)	-
Item that will not be reclassified to profit or loss:		
Fair value change on equity instruments at fair value through other comprehensive income	(26)	(22)
Other comprehensive (expense) income for the year	(6)	21
Total comprehensive income for the year	108	468
Profit (loss) for the year attributable to:		
- Owners of the Company	311	550
- Non-controlling interests	(197)	(103)
	114	447
Total comprehensive income (expense) for the year attributable to:		
- Owners of the Company	301	570
- Non-controlling interests	(193)	(102)
	108	468
	RMB cents	RMB cents
Earnings per share		
- Basic	58.60	103.00
- Diluted	58.60	103.00

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024**

	2024	2023
	RMB million	RMB million (Restated)
Non-current assets		
Property, plant and equipment	2,315	2,422
Right-of-use assets	394	380
Investment properties	50	60
Goodwill	312	325
Intangible assets	784	868
Interests in associates and joint ventures	50	43
Equity instruments at fair value through other comprehensive income	8	45
Financial assets at fair value through profit or loss	516	453
Loan receivables	29	12
Other receivables, prepayments and deposits	288	351
Deferred tax assets	-	433
	4,746	5,392
Current assets		
Properties under development	70	70
Properties for sale	272	280
Inventories	238	405
Financial assets at fair value through profit or loss	191	38
Loan receivables	125	79
Trade receivables	454	702
Bills receivables	1	-
Other receivables, prepayments and deposits	469	492
Tax recoverable	39	39
Pledged bank deposits	1,114	315
Bank deposits with original maturity over three months	215	329
Cash and cash equivalents	2,498	2,241
	5,686	4,990



Current liabilities

Trade and other payables	1,284	1,518
Contract liabilities	454	491
Lease liabilities	58	76
Provisions	113	127
Derivative financial instruments	21	107
Bank borrowings	1,729	1,033
Convertible and exchangeable bonds	295	256
Convertible note	396	357
Tax payable	64	80
	<u>4,414</u>	<u>4,045</u>
Net current assets	1,272	945
Total assets less current liabilities	6,018	6,337

Non-current liabilities

Other payables	5	37
Lease liabilities	71	45
Bank borrowings	-	1
Deferred tax liabilities	76	80
	<u>152</u>	<u>163</u>
Net assets	5,866	6,174

Capital and reserves

Share capital	39	39
Share premium and reserves	5,788	5,856
Equity attributable to owners of the Company	<u>5,827</u>	<u>5,895</u>
Non-controlling interests	39	279
	<u>5,866</u>	<u>6,174</u>