

NetDragon Announces 2025 Interim Financial Results

*Operating Expenses Reduced by 16% To Date, Full Impact Anticipated in H2 2025 and Beyond
Announcing Shareholder Return Program of No Less Than HKD600 Million
Embracing the New AI Era: AI Content Factory Empowering the Entire Company*

(Hong Kong, 28 August 2025) NetDragon Websoft Holdings Limited (“NetDragon” or the “Company”; Hong Kong Stock Code: 777), a global leader in building internet communities, today announced its financial results for the first half of 2025. NetDragon’s management team will hold a conference call and webcast at 10:00am Hong Kong time on 29 August 2025 to discuss the results and recent business development.

Dr. Dejian Liu, Chairman of NetDragon, commented: “We maintained stable operations despite temporary challenges in the first half of 2025. The gaming business advanced its execution under the established ‘Evergreen Operation Plan’. While this led to short-term revenue fluctuations, gaming performance has now stabilised, showing only a marginal HoH decline in revenue. Meanwhile, Mynd.ai business was affected by external factors including increased tariffs and softening demand in its key markets. While challenges persist, our efforts to streamline operations and enhance cost efficiency have resulted in a 15.6% YoY reduction in the Company’s operating expenses with full impact anticipated in the second half of 2025 and beyond, paving the way for future profitability.”

“We are confident in our long-term sustainable growth and value-creation potential. With solid results from multiple strategic investments and robust cash reserves, we are well positioned to further our commitment of enhancing shareholder returns. The Board of Directors has approved an interim dividend of HKD0.5 per ordinary share, representing an increase of 25% YoY, and a distribution of no less than HKD600 million to our shareholders over the next 12 months through a combination of dividend payments and share repurchases (Shareholder Return Program).”

“For the longer term of development, we fully embraced the new artificial intelligence (AI) era and upheld our vision of ‘Infinite Growth’, while further advancing the execution of our dual-focus strategy - ‘AI+Gaming’ and ‘AI+Education’. In the gaming sector, our evergreen flagship IP *Eudemons* continued to elevate content quality and launched a series of crossover collaborations with cultural heritage projects and public welfare initiatives, leading to sustained growth in user engagement. Meanwhile, our *Conquer* IP delivered solid progress in overseas expansion and content monetisation. The ‘Content+Esports’ engine for *Heroes Evolved* IP proved to be a significant success. In the education sector, we implemented a systematic restructuring of our domestic EdTech businesses, sharpening our focus on core AI-powered projects such as country-level platforms, as well as the vocational education business. Our U.S.-listed subsidiary, Mynd.ai, successfully launched its next-generation integrated solution, ActivPanel 10® and Promethean ActivSuite® software, and reached an agreement to acquire an award-winning AI voice assistant

technology, leveraging our vast user base to further enhance our SaaS offerings. In addition, we introduced Zhongke WengAI (“Wenge”), a leading AI large language model company in China, as a strategic shareholder of our Hong Kong-based subsidiary Cherrypicks to support its AI evolution. In August, Cherrypicks and Wenge jointly released three co-developed AI applications: the international version of X-Agent (AI-powered zero-code enterprise agent factory), WiSky (multilingual intelligence platform with AI-powered social listening for global decisions), and YoYa (multimodal creative studio with AI-powered all-in-one intelligent audio-video synthesis). This milestone marks the first time that China’s core AI technologies have been brought to global markets under the lead of a Hong Kong enterprise. In early June, we unveiled our strategy of empowering global digital education development through AI Content Factory at the United Nations High-level Expert Group Meeting in New York, as we move forward with partners to build a global education metaverse platform.”

2025 First Half Financial Highlights

- Revenue was RMB2.4 billion, representing a 27.9% decrease YoY.
- Revenue from the gaming and application services was RMB1.7 billion, representing 73.0% of the Company’s total revenue and reflecting an 18.1% decrease YoY, but the performance has stabilised with a 4.3% decrease HoH.
- Revenue from Mynd.ai business was RMB641 million, representing 26.9% of the Company’s total revenue and a 45.7% decrease YoY, reflecting the extended demand adjustment caused by economic uncertainty.
- Gross profit was RMB1.7 billion, representing a 24.7% decrease YoY, whereas gross profit margin increased 2.9 percentage points to 69.5% YoY.
- Operating expenses decreased by 15.6% YoY to RMB1.4 billion, reflecting the early impact of our cost reduction and efficiency improvement measures, which are expected to be fully realised in the second half of 2025.
- Profit attributable to owners of the Company was RMB30 million, representing a 92.5% decrease YoY, affected by an impairment loss of intangible assets as of 30 June 2025 which is expected to fully reverse in the second half of 2025 based on the current market price, as well as one-off expenses associated with the staff optimisation plan. Excluding these two items, the decrease in adjusted profit attributable to owners of the Company significantly narrowed.
- The Company declared an interim dividend of HKD0.5 per ordinary share for the six months ended 30 June 2025.

- **Segmental Financial Highlights**

	2025 First Half		2024 First Half		Variance	
(RMB million)	Gaming and application services	Mynd.ai business	Gaming and application services	Mynd.ai business	Gaming and application services	Mynd.ai business
Revenue	1,738	641	2,121	1,180	-18.1%	-45.7%
Gross profit	1,498	163	1,849	351	-19.0%	-53.6%
Gross margin	86.2%	25.4%	87.2%	29.7%	-1.0 ppts	-4.3 ppts
Core segmental profit (loss)	501	(195)	688	(111)	-27.2%	+75.7%
Segmental operating expenses ¹						
- Research and development	(436)	(104)	(595)	(101)	-26.7%	+3.0%
- Selling and marketing	(197)	(139)	(210)	(139)	-6.2%	-
- Administrative	(330)	(118)	(324)	(200)	+1.9%	-41.0%

Gaming and Application Services Business

Revenue from our gaming and application services amounted to RMB1.7 billion in the first half of 2025, representing a decrease of 18.1% YoY and a slight decrease of 4.3% HoH. We remain committed to long-term operations and the development of evergreen IPs. While revenue experienced a temporary decline due to certain short-term factors, we continued to enhance player experience, drive user growth, and strengthen engagement - laying a solid foundation for the long-term sustainability of our gaming business. With the continued progress of business optimisation, segmental operating expenses have been effectively controlled, representing a decrease of 14.7% YoY, while core segmental profit rebounded HoH to RMB501 million, demonstrating strong resilience and positive recovery momentum.

In the gaming sector, the deployment of the AI Content Factory further enhanced operational efficiency: The overall workforce structure has been enhanced to further align with the AI era, thereby strengthening team capability and cohesion, which led to a 26.7% YoY reduction in R&D costs across the gaming and application service segment. Alongside cost optimisation, our “AI+” strategy has also significantly boosted our efficiency: different gaming teams under the same IP now collaborate more effectively through the AI Content Factory, achieving better integration and greatly enhancing cross-version content collaboration and automated generation capabilities. Our R&D and

¹ Segmental operating expenses exclude unallocated expenses/income such as directors' emoluments and certain 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.

innovation efforts also closely align with the AI trends: Our major new title, *Code-MY*, started its closed beta testing for IP users in August, with preparations for its official launch underway. The mobile game *Code-Alpha* is preparing to expand into multiple overseas markets. With the support of AI Content Factory, our flagship IP *Eudemons* will be able to efficiently roll out multi-language versions, opening new opportunities overseas. Meanwhile, *Legend of Eudemons* was successfully launched on several mini game platforms in the first half, further enhancing the IP's influence. In addition, our other self-developed IPs such as *Under Oath* and *Zero Online*, are scheduled for release through publishing and licensing partnerships, bringing in additional revenue. Looking forward, we are positioning the long-term R&D focus on AI-native games. We have already built preliminary capabilities in AIGC graphical design, multi-agent collaboration, intelligent NPC, closed-loop data iteration, data safety and compliance, planning to roll out prototypes by phases to lay the foundation for next-generation gaming innovation.

In the application services sector, we further advance our strategy of fully embracing the new AI era: Our domestic EdTech business will focus on core AI-powered projects such as country-level platforms, as well as vocational education business. In Thailand, our AI-driven vocational education project collaborated with the Ministry of Higher Education, Science, Research, and Innovation (MHESI) was officially launched, providing nationwide training in fields such as new electric vehicles for university students and the broader youth community. Supported by the World Bank, we signed a cooperation agreement with the Ministry of Secondary Education of Cameroon (MINESEC) to enhance digital education in the country, with the aim of improving education equity and teaching quality. Our Hong Kong-based subsidiary Cherrypicks successfully secured strategic investment from Wenge and will serve as its sole overseas commercialisation and go-to-market platform, facilitating the rollout of China's leading AI technologies in Hong Kong, Macau, and overseas markets. Wenge's "YaYi" large language model and its AI-Scientist Agent ranked first across two global AI Agent benchmarks in 2025, underscoring its world-class R&D capabilities. In August, Cherrypicks and Wenge jointly launched AI applications including social listening and multimodal content creation tools globally. Leveraging Hong Kong's position as an international innovation and technology hub and its multilingual environment, these products will expand into overseas markets such as Southeast Asia, Europe, and the U.S. Beyond creating new revenue streams, this strategic partnership will further strengthen our AI capabilities and resources.

Beyond the gaming and application services business, the strategic value of the Company's initiatives in frontier technologies and the AI+ ecosystem continues to materialise: Our investee in AI edge devices successfully launched a new generation of AI glasses, marking a key breakthrough in consumer applications. In cultural creativity and IP operations, the influence of our investee's flagship IP portfolio further expanded, driving stronger commercialisation. Going forward, we will continue to focus our strategic investments on frontier technologies including AI, XR, robotics, and blockchain, as well as the cultural innovation sector, ensuring solid synergy effects with our core businesses.

Mynd.ai

Notwithstanding industry-wide softening throughout most of our key geographic markets, customer budget uncertainties, and increased tariffs, we are focused on positioning Mynd.ai for future success. The introduction of our next-generation integrated solution, ActivPanel 10[®] and Promethean ActivSuite[®] software, is the first step in the transformation of our core offerings designed to enhance cybersecurity, facilitate a seamless “plug and play” experience with customers’ existing technology, and lower lifetime cost of ownership. The accelerated product portfolio evolution is further enabled and enhanced by our continued focus on various cost optimisation initiatives designed to improve our competitive positioning in the market and facilitate further investments in our business. On the investment front, we are very excited to highlight our entry into an agreement to acquire an award-winning AI voice assistant technology, which we expect to complete during the third quarter. We believe that this acquisition will allow us to accelerate and evolve our AI-enabled solution roadmap and significantly enhance the interaction of the full ecosystem of software and hardware offerings in a classroom.

The key financial highlights for Mynd.ai in the first half of 2025 are as follows:

- Revenue of RMB641 million compared to RMB1,180 million for the same period in the prior year, with the decrease primarily driven by declines in customer spending due to budgetary reductions caused by economic uncertainty
- Core segmental loss of RMB195 million compared to a loss of RMB111 million for the same period in the prior year
- Cash flow from continuing operations decreased by RMB239 million compared to the same period in the prior year, with cash reserves of RMB208 million as of June 30, 2025
- Reduced outstanding indebtedness by RMB53 million since year end
- Management continuing to implement cost saving measures to mitigate effects of education technology market headwinds

- End -

Management Conference Call and Webcast

NetDragon's management team will hold a conference call and webcast at 10:00am Hong Kong time on 29 August, 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/njMGbE
International	+852 2112 1888
Mainland China	4008 428 338
HK (China)	+852 2112 1888
US	+1 866 226 1406
UK	0800 032 2849
Passcode	3307029#

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 in the live webcast should visit the aforementioned website 10 minutes prior to the call, then click on the icon for "2025 Interim Results Presentation and Webcast" and follow the registration instructions.

About NetDragon Websoft Holdings Limited

NetDragon Websoft Holdings Limited (HKSE: 777) 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. Over the desktop and mobile internet eras, NetDragon previously established 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*, *Conquer Online*, *Heroes Evolved* and *Under Oath*. In the past 10 years, NetDragon has also achieved success with its EdTech business both domestically and globally. Fully embracing the new AI era, NetDragon is driving its vision of "Infinite Growth" through a dual-focus strategy of "AI+Gaming" and "AI+Education". With its AI Content Factory empowering operations and working with partners to develop a global learning metaverse, NetDragon is committed to once again building a massive user community in the new AI era.

NetDragon's overseas edtech business entity, 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.



NetDragon

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