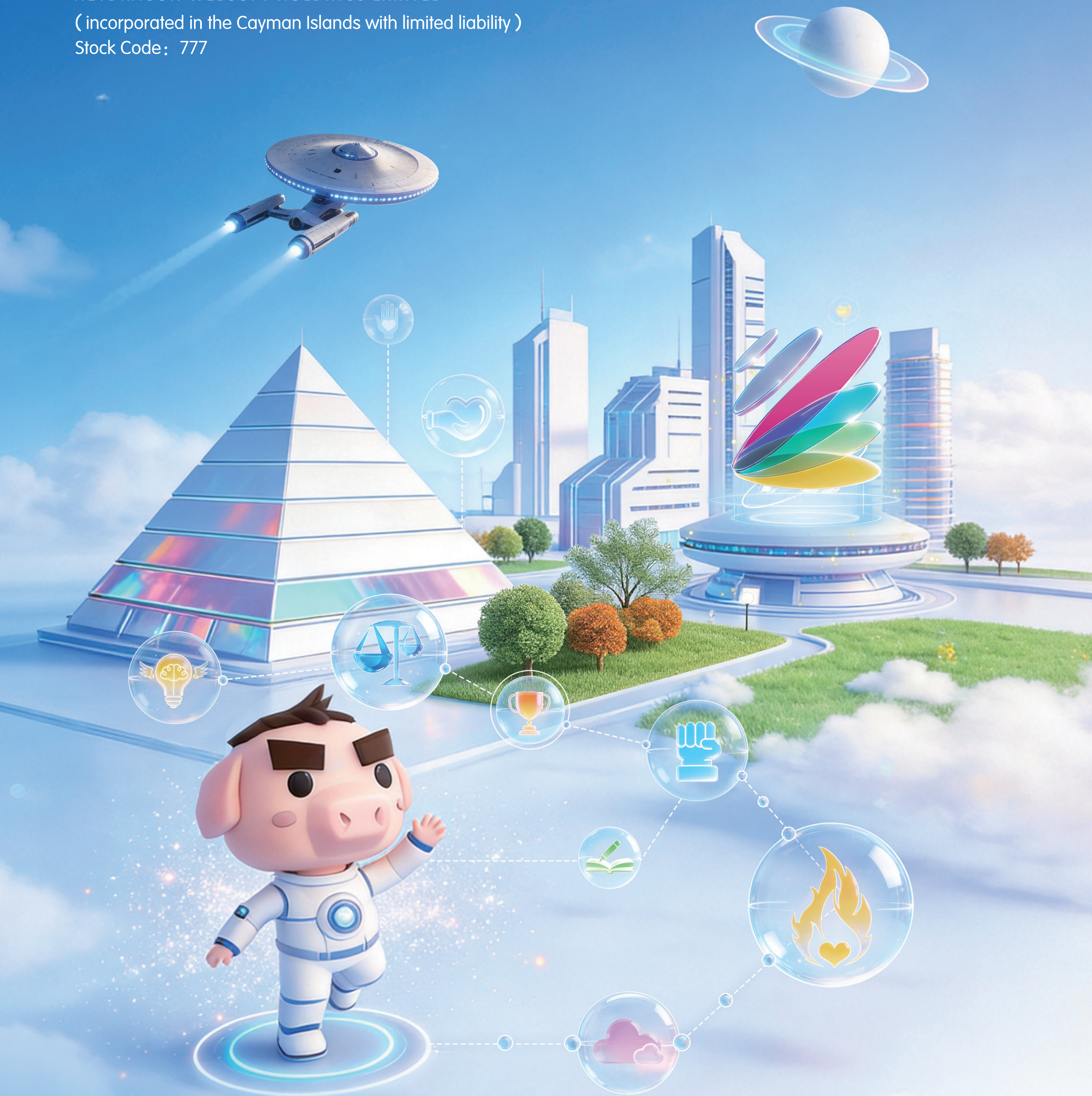
2026 INTERIM REPORT

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



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NETDRAGON WEBSOFT HOLDINGS LIMITED

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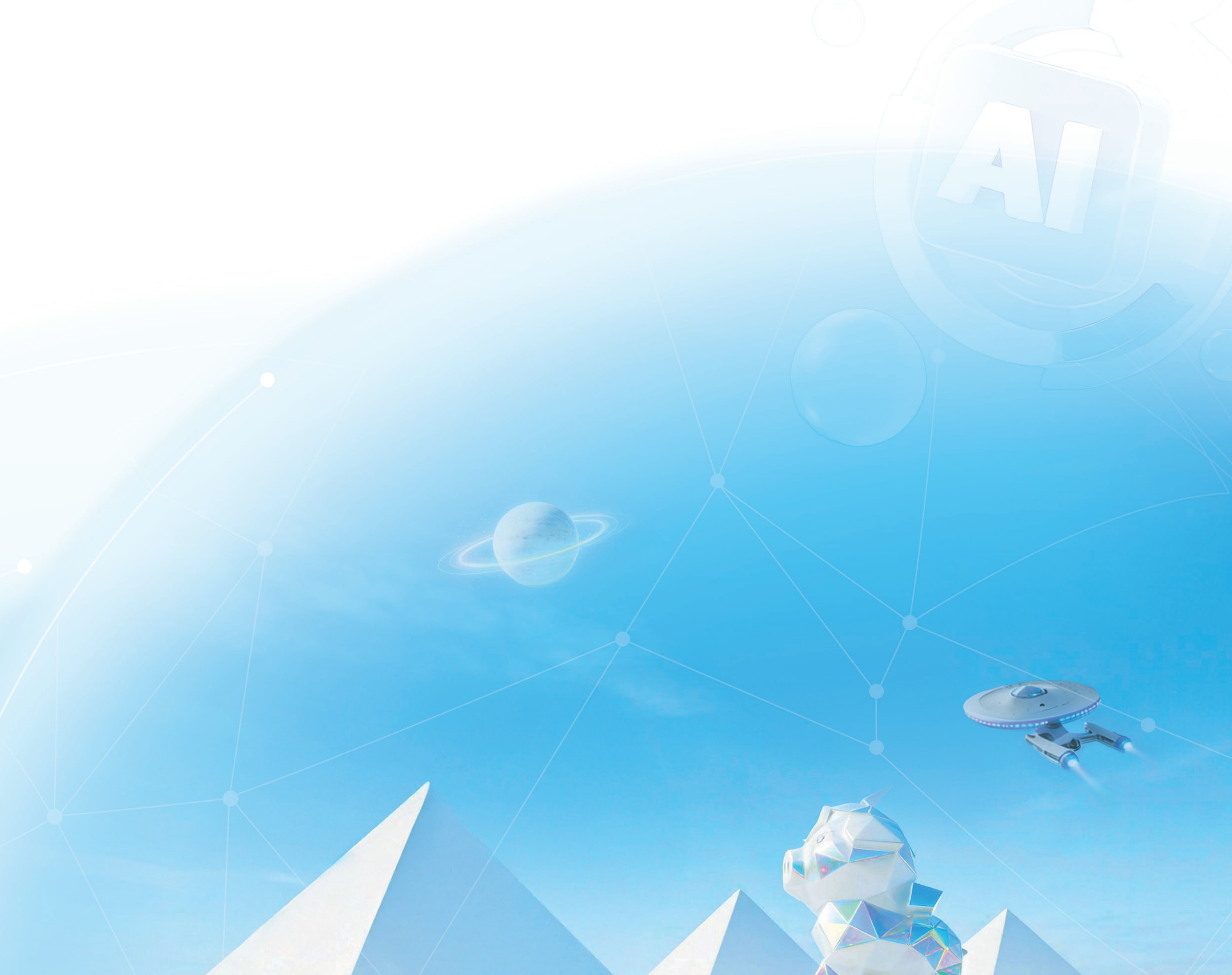

MANAGEMENT DISCUSSION AND ANALYSIS

(1) FINANCIAL HIGHLIGHTS AND REVIEW

2026 First Half Financial Highlights

- Revenue was RMB2.1 billion, representing a 12.2% decrease YoY.
- Revenue from gaming and application services was RMB1.6 billion, representing 75.8% of the Group's total revenue and an 8.8% decrease YoY, 3.1% increase HoH.
- Revenue from Mynd.ai business was RMB505 million, representing 24.2% of the Group's total revenue and a 21.2% decrease YoY.
- Gross profit was RMB1.5 billion, representing an 11.7% decrease YoY. Gross margin improved by 0.4 ppts to 69.9%.
- Operating expenses decreased by 17.8% YoY to RMB1.1 billion, reflecting the impact of our cost reduction and efficiency improvement measures.
- Operating profit increased by 24.1% YoY to RMB144 million.
- Profit attributable to owners of the Company was RMB36 million, representing a 20.0% increase YoY.
- The Company declared an interim dividend of HKD0.50 per ordinary share for the six months ended 30 June 2026.

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

Segmental Financial Highlights

(RMB million)	**2026 First Half**		2025 First Half	
	Gaming and application services	**Mynd.ai business**	Gaming and application services (Restated)	Mynd.ai business
Revenue	**1,585**	**505**	1,738	641
Gross profit	**1,321**	**140**	1,498	163
Gross margin	**83.3%**	**27.7%**	86.2%	25.4%
Core segmental profit (loss)	**461**	**(126)**	524	(195)
Segmental operating expenses[1]				
– Research and development	**(334)**	**(75)**	(436)	(104)
– Selling and marketing	**(178)**	**(104)**	(197)	(139)
– Administrative	**(312)**	**(75)**	(330)	(118)

Note 1: Segmental operating expenses exclude unallocated expenses/income such as directors' emoluments, certain selling and marketing 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.

(2) BUSINESS REVIEW AND OUTLOOK

On 18 August 2026, moyu AI – an AI Workforce Ecosystem aiming to assist different verticals/industries made its debut at the Global Smart Education Conference. This marks a critical milestone in effort to transform NetDragon Websoft Holdings Limited ("NetDragon" or the "Company") and its subsidiaries (collectively referred to as the "Group") to a true AI company. Positioned as a multi-scenario AI application ecosystem built on an AI Agent technical infrastructure, moyu AI provides a new AI application paradigm for work, learning, creation, and design, going beyond the traditional dimensions of work assistants and digital employees to drive AI to become a partner for everyday life.

In addition to developing new AI business, our existing core businesses also delivered resilient results. In the first half of 2026, revenue from the gaming business recorded HoH growth, demonstrating a stable recovery trend. This underscores the value resilience and sustainable growth of the Company's flagship evergreen IP, driven by strategic initiatives to optimize consumer spending structures and deepen community engagement. Additionally, the systematic deployment of our proprietary *AI Employee Matrix* across gaming operations further reduced operating expenses in the gaming and application services segment, leading to a 10.3% HoH increase in core segmental profit. Mynd.ai Inc. ('Mynd.ai'), our US-listed subsidiary, significantly narrowed its core segmental loss by 35.4% YoY in the first half of 2026, whilst Service and SaaS revenue grew YoY.

We are actively fulfilling our shareholder return commitment of distributing no less than HKD600 million over the next 12 months since 26 March 2026. Accordingly, the Board has approved an interim dividend of HKD0.50 per ordinary share. As of the end of June 2026, our net cash and liquid investments position amounted to RMB1.8 billion, providing solid support for our fundamental business principles of continuously enhancing cash returns to investors.

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

Gaming and Application Services Business

In the first half of 2026, revenue from our gaming and application services amounted to RMB1.6 billion, representing a decrease of 8.8% YoY and an increase of 3.1% HoH. As our self-developed *AI Employee Matrix* was deployed across the gaming business in a more organised, full-chain and wholistic manner, segmental operating expenses decreased by 14.4% YoY and 10.5% HoH. The stabilisation and recovery in revenue, together with cost efficiencies delivered by our AI+ strategy, supported resilient profitability. Core segmental profit reached RMB461 million, increased by 10.3% HoH.

In the gaming sector, the resilience of our flagship evergreen IPs was clearly demonstrated, supporting a stabilisation in revenue: In the first half of 2026, gaming revenue increased by 2.3% HoH, reflecting the positive impact of the strategic initiatives we have pursued over the past two years, including a continued focus on content innovation, user growth and deeper AI adoption. Meanwhile, our *AI Employee Matrix* further enhanced overall efficiency across multiple functions, including R&D, operations and maintenance, contributing to a 23.4% YoY and 13.0% HoH decrease in segmental R&D expenses for the gaming and application services.

Driven by a series of major content updates, user engagement across the *Eudemons* IP continued to strengthen. The average monthly active users (MAU) increased sequentially for five consecutive half-year periods since the first half of 2024, exceeding 3 million in the first half of 2026, up 24.1% YoY and 15.8% HoH, driving overall *Eudemons* IP revenue to increase by 3.7% HoH. Driven by enhanced character progression features in the MMO segment and locally themed marketing initiatives in the casual segment, overseas revenue from the Conquer IP, denominated in US dollars, increased by 19.3% YoY and 6.5% HoH, respectively. Revenue from the PC version of the *Heroes Evolved* IP increased 4.4% YoY and 2.3% HoH in the first half of 2026, marking the seventh consecutive half-year period of YoY revenue growth since the first half of 2023.

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

Gaming and Application Services Business (Cont'd)

In the first half of 2026, NetDragon continued to deepen the integration of "gaming + cultural tourism". The *Eudemons* IP's Year of the Horse campaign in collaboration with cultural tourism partners including Shandan Horse Farm and Xinjiang Akhal-Teke Horse Base, effectively enhanced user participation. As part of the *Eudemons* IP's 20th anniversary celebrations, the Company partnered with Liuyang's cultural and tourism to launch the IP's first short drama, with related in-game activities driving MAU during the month up 17.2% YoY. In August 2026, NetDragon partnered with the Fujian Department of Cultural Tourism to launch two light mini-games using AI capabilities. Built around the 2026 Fujian Provincial City Football League, the gamified experiences enhanced public benefits by deeply embedding into the cultural tourism welfare system, representing another new exploration by NetDragon in the "gaming + cultural tourism" sphere.

In the first half of 2026, AI employee workload contribution reached 35-40%, as we have deployed AI employees across 269 roles, enabling real-time scaling based on task volume. Leveraging our *AI Content Factory*, we plan to add several new language editions for *Eudemons* and *Heroes Evolved* by the end of the year, and launch various specific versions of *Eudemons* and *Conquer*.

In the application services sector, moyu AI opened up a new growth vertical for the Company: Moyu AI platform has formally gone into the testing phase, with its mobile version simultaneously launched for testing overseas. In the first half of the year, the Company conducted a series of fine-tunings across targeted use cases such as content creation and education. Specifically, content creation scenarios covered story ideation, plot extension, character setting, comic storyboarding and personalized video generation. Educational scenarios explored use cases such as instructional design, teaching material generation, Q&A knowledge bases and teaching assistance. Feedback from ongoing testing will inform further product iterations and expansion into new application scenarios.

The strategic cooperation between our Hong Kong subsidiary, Cherrypicks, and Zhongke WengAI has further deepened. Leveraging AI platforms such as X-Agent, we have begun developing a variety of applications, including AI admin and AI driven loyalty platform INSTORE CX for local businesses in the Hong Kong and Macao markets. We are also collaborating to build the international versions of ScienceOne, a large language model for scientific research, and Claworks, an enterprise-grade secure Agent platform.

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

Mynd.ai

The first half of 2026 reflected continued execution against our operating transformation: stronger gross margin, materially lower operating expenses, improved adjusted EBITDA, and better cash usage, while we continued to build recurring revenue through services and software-as-a-service ("SaaS"). These actions are creating a more efficient operating model and positioning Mynd.ai to pursue sustainable growth as market conditions improve.

Key highlights:

- Gross margin expanded 2.3 percentage points to 27.7% from 25.4% in the prior-year period.
- Total operating expenses reduced 29.6% to RMB254 million from RMB361 million in the prior-year period.
- Net loss narrowed 30.8% to RMB164 million from RMB237 million in the prior-year period.
- Adjusted EBITDA improved 53.7% to a loss of RMB63 million from a prior-year loss of RMB136 million.
- Net cash used in operating activities improved 38.5%, or RMB114 million, compared to the prior-year period.
- Free cash outflow improved 38.8%, or RMB119 million, compared to the prior-year period.
- Service and SaaS revenue grew YoY, demonstrating continued momentum in recurring revenue streams despite lower total revenue in the period.

We remain focused on disciplined execution, liquidity management and continued growth in our SaaS and services businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Corporate Development Milestones and Awards for the First Half of 2026

Corporate Development Milestones/Recognitions

Award Issuer	**Name of the Award**
Fujian Provincial Department of Industry and Information Technology (福建省工業和信息化廳)	Fujian Provincial Leading Industrial Enterprise (福建省工業龍頭企業)
Ministry of Industry and Information Technology, Ministry of Education, Ministry of Culture and Tourism, and National Radio and Television Administration	2025 Typical Metaverse Cases (2025 年元宇宙典型案例)
Fuzhou New Area Party Working Committee (Changle District Party Committee), Fuzhou New Area Management Committee (Changle District People's Government)	2025 Outstanding Contribution Award of Changle District, Fuzhou City (福州市長樂區 2025 年度卓越貢獻獎)
China Culture and Entertainment Industry Association (中國文化娛樂產業協會)	Game IP Integration and Application Advanced Unit, The 21st China Game Industry "Gold Finger" Awards (第21屆中國遊戲產業"金手指"活動遊戲IP融合應用先進單位)
China Culture and Entertainment Industry Association (中國文化娛樂產業協會)	Cultural Tourism + Technology Integration Innovation Event, The 21st China Game Industry "Gold Finger" Awards (第21屆中國遊戲產業"金手指"活動文旅+科技融合創新活動)
British Educational Training and Technology Show (BETT)	2026 BETT "Company of the Year" Award
Integrated Systems Europe (ISE)	ISE 2026 Best of Show Award
Roadshow China (路演中)	The 9th China Excellence IR - "Outstanding Value Creation Award" (第九屆卓越IR「卓越價值創獎」)

(3) LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2026, the Group had restricted bank deposit, pledged bank deposits, bank deposits with original maturity over three months and cash and cash equivalents of approximately RMB3,478 million (31 December 2025: RMB3,940 million), of which 78.7%, 15.3% and 6.0% were denominated in RMB, USD and other currencies, respectively.

As at 30 June 2026, the Group had net current assets of approximately RMB1,252 million as compared with approximately RMB1,126 million as at 31 December 2025.

(4) TREASURY POLICY

The Group adopts a conservative and disciplined approach to treasury management. It is the Group's policy not to engage in high-risk investments or speculative derivative products, nor to invest working capital in financial products with significant underlying leverage or risks. Treasury activities are conducted with the objectives of preserving capital, maintaining adequate liquidity, managing financing costs and mitigating material financial risks arising from the Group's operations, borrowings and foreign currency exposures.

(5) DEBT MATURITY AND CURRENCY PROFILE

The Group's total bank borrowings and other debts, including convertible note, as at 30 June 2026 amounted to RMB2,502 million (31 December 2025: RMB2,784 million) which comprises principal amount of bank borrowings of RMB2,065 million (31 December 2025: RMB2,356 million) and convertible note of RMB437 million (31 December 2025: RMB428 million).

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

As at 30 June 2026

	Denominated in			
	RMB	**USD**	**HKD**	**Total**
	RMB million	**RMB million**	**RMB million**	**RMB million**
On demand	860	–	47	907
Within one year	1,158	437	–	1,595
Total	2,018	437	47	2,502

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

As at 31 December 2025

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

(6) GEARING RATIO

The gearing ratio (consolidated bank borrowings/consolidated total equity) was 0.40 (31 December 2025: 0.44). As at 30 June 2026, total bank borrowings of the Group amounted to approximately RMB2,065 million (31 December 2025: RMB2,356 million) which included variable-rate loan of RMB47 million (31 December 2025: RMB66 million) and fixed-rate loan of RMB2,018 million (31 December 2025: RMB2,290 million). The bank borrowings as at 30 June 2026 and 31 December 2025 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.

(7) CAPITAL STRUCTURE

As at 30 June 2026, the Group's total equity amounted to approximately RMB5,168 million (31 December 2025: RMB5,388 million).

(8) CONTINGENT LIABILITIES

As at 30 June 2026 and 31 December 2025, the Group did not have any material contingent liabilities.

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

Save as disclosed in this interim report, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures for the six months ended 30 June 2026.

During the period, the Group did not have other plans for material 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 and the business transactions conducted in these areas during the period were mainly denominated and settled in Hong Kong dollar and European 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 in a timely and effective manner.

(11) CREDIT RISKS

As at 30 June 2026, 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 condensed consolidated statement of financial position.

In order to minimise the credit risk of trade 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.

(11) CREDIT RISKS (Cont'd)

The credit risk on restricted bank deposit, 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 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, 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.

(13) STAFF INFORMATION

For the period under review, the breakdown of the number of employees of the Group is set out below:

	As at 30 June 2026	As at 31 December 2025	As at 30 June 2025
Research and development	**986**	1,360	1,556
Selling and marketing	**335**	415	539
Accounting, finance and general administration	**577**	775	793
Production	**659**	511	520
Total	**2,557**	3,061	3,408

(14) PERFORMANCE EVALUATION

Progress and Achievements in Human Resources of the Group for the First Half of 2026

The year 2026 marks a critical milestone for the implementation of the Company's "AI Now" strategy. The Company is committed to driving the transformation of its business and organisation from being "AI-assisted" to "AI-Native". This transformation represents not only a technological upgrade but also a systemic reform of the organisational model, working methods and management philosophy.

In the first half of 2026, the Group advanced the implementation of the AI-Native model across multiple key business scenarios and achieved phased results, including the establishment and successful operation of AIGC content production lines, the rapid replication of classic gameplay by AI, and the launch of innovative products such as AI employees. These achievements have validated AI's breakthrough innovation capabilities in the education and gaming businesses, bringing new possibilities for business development. In the first half of the year, centred on the development goals of "AI Now", the human resources system advanced systematic optimisation and reform across dimensions such as organisational models, talent standards, compensation and performance, and management tools. This drives the continuous evolution of the organisation towards an intelligent direction featuring human-machine collaboration, providing organisational and talent safeguards for the realisation of the Company's strategic goals. As of 30 June 2026, the total number of employees of the Group was 2,557.

(14) PERFORMANCE EVALUATION (Cont'd)

I. Establishing a Highly Collaborative Human-AI Organisation to Enhance Core Organisational Competitiveness

1. Organisational Evolution into a Human-AI Collaborative Structure

The Company has continuously driven the organisation to become flatter and more efficient through initiatives such as task restructuring, process automation, and AI substitution. In the first half of 2026, the per capita output of the core business units improved steadily; the talent pool developed towards a direction of higher value and greater creativity; and the operational efficiency and effectiveness of the organisation improved significantly.

2. Recruitment of High-end Talent Focused on AI

The Company has always attached great importance to the recruitment and cultivation of high-calibre talent, leveraging on its diversified business platforms to continuously attract outstanding talent from various fields to join the Company. In the first half of 2026, the Company continued to intensify its efforts in recruiting talent in the AI sector. Centring on core areas such as AI algorithms, large model applications, and AI product design, the Company attracted outstanding industry professionals by offering market-competitive remuneration and broad prospects for career development, thereby building a talent reserve for the development of its AI business.

3. Providing an AI Working Platform for All Employees to Build Core Capabilities

The Company continued to develop a company-wide AI capability platform, iterate model selection for the AI hub, provide employees with an AI exploration fund, and enhance agent coding capabilities and enterprise-level workflow experiences. By opening the AI learning platform, organising AI innovation competitions, and holding AI excellence evaluations, the Company has elevated the abilities of employees to utilise and collaborate with AI, fostering an atmosphere where all staff are adept at using AI.

(14) PERFORMANCE EVALUATION (Cont'd)

II. Deepening Remuneration and Performance Management Reform to Ignite Organic Corporate Drive

1. Upgrading Performance Assessment from "Assessing Individuals" to "Assessing Individuals and AI"

Building on the digital infrastructure of performance management, the Company has comprehensively upgraded its assessment standards. Employees are required to be accountable for both individual contributions and AI-collaborative contributions. When setting business objectives, the human-machine division of labour and the expected collaborative outputs are clearly defined; during performance evaluation, both individual results and AI-collaborative effectiveness are assessed.

2. Aligning Remuneration and Incentives with Performance Outcomes and Favouring Towards High-Yield and AI-skilled Talents

To foster a high-performance culture and promote healthy competition, the Company continued to advance the systematic upgrade of its remuneration mechanism in the first half of 2026. Driving remuneration reform as the core strategy, the Company designed highly variable remuneration schemes for senior personnel based on the principle of "grading by skills, paying for results, and incentivising based on contribution". This mechanism reinforces the allocation logic of "better pay for better performance" and leverages high incentives to drive high-value outputs. Furthermore, talents mastering key AI skills are provided with more opportunities for promotion/salary increments and offered competitive remuneration packages, ensuring the recruitment and retention of key talents.

3. Continuous Optimisation of Employee Welfare Experience

The Company continued to focus on the employee welfare experience, regularly evaluating the effectiveness of implementation of various benefits through a dedicated internal mechanism for enhancing benefit efficacy. In the first half of 2026, the Company allocated welfare resources to areas with the highest employee awareness and the greatest need for care. It introduced exclusive welfare options for core high-performing personnel and provided differentiated welfare packages, including supplementary leave and learning and development funds, thereby catering to the diversified needs of employees.

(14) PERFORMANCE EVALUATION (Cont'd)

III. Empowering Human Resources Management with AI to Enhance Management Effectiveness

The Company regards AI empowerment as an important engine to drive management upgrades, comprehensively promoting the in-depth application of AI technology within the organisation. In the human resources domain, the Company is systematically elevating management efficiency and professional quality centring on three major directions — data infrastructure construction, intelligent reconstruction of core processes, and the implementation of AI tool systems. These initiatives facilitate the transformation of employee roles from "executors" to "enablers", enabling personal experience to be consolidated into organisational-level rules and intelligent agent capabilities.

Looking forward, the Company will continue to firmly advance the development of an AI-oriented organisation. Guided by "AI Now" as its guiding principles for action, the Company will persistently propel the intelligent upgrade of the human resources management system. The Company will continuously optimize its talent structure, stimulate organisational vitality, and enhance employee care, driving high-quality business development through organisational innovation and talent upgrades to sustain its competitive advantage in the AI era.

(15) STAFF TRAININGS

Talent Development Overview

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. Since the end of 2023, in order to support the efforts in the transformation into an "AI-driven organisation", the Company reshaped the skill structure of its staff and fully implemented the "human-machine collaboration" model through technical empowerment and resource sharing. The Company has successively 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 AI learning resources and courses, the Company has 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 establishing dedicated AI incentive packages and weekly/monthly project-based rapid reward mechanisms, we created an open and shared atmosphere for technical exchanges to encourage employees to share AI application cases and innovation achievements and continue to improve the overall AI talent capabilities and practical level of the Company.

Work Achievements in the First Half of 2026

In the first half of 2026, the Company comprehensively advanced the enhancement of employees' AI capabilities and the development of the talent cultivation system, and implemented multiple employee training and talent nurturing initiatives, thereby consolidating the foundation of corporate talent development.

(15) STAFF TRAININGS (Cont'd)

In terms of the accumulation of professional capabilities and the development of self-directed learning, the Company focused on core business scenarios and role-specific competency requirements. It developed and accumulated multiple AI-related professional training courses and launched them on its official learning platform, providing robust learning resource support for employees' regular self-directed learning and continuous professional skill iterations.

In respect of technical talent cultivation and R&D capability upgrading, the Company made the continuous evolution of its R&D organisational structure a strategic priority. In the first half of 2026, the Engineering Academy comprehensively advanced a talent strategy upgrade centring on the AI-native R&D paradigm, covering cutting-edge technological knowledge such as Agent orchestration and cluster scheduling, as well as practical engineering skills for full-process R&D automation. During the first half of 2026, in-depth technical cooperation was carried out with Microsoft, jointly organising the Commander of Intelligent Agents Challenge (the "CIA Challenge"). The Company continuously established partnerships with major computing power and tool platforms through an open approach, focusing on educational product innovation and the continuous enhancement of R&D efficiency.

The Engineering Academy adopted a "Competition-Training Integration" cultivation approach, categorising training scenarios into practical skills competitions and best practice exchanges to satisfy the needs and career development paths of employees in different positions. Simultaneously, through results-oriented assessments, emphasis was placed on the transformation and application of participating projects and shared experiences into real business scenarios, ensuring timely feedback on the effectiveness of talent development. In the first half of 2026, a total of 13 sharing and exchange sessions for the AI Best Practices series of the Engineering Academy were successfully held. Through continuous, high-frequency, lightweight learning, these sessions helped teams broaden the cognitive boundaries of AI technology and elevated the practical operation capabilities of intelligent applications among all employees, laying a solid foundation in talent competencies for the comprehensive implementation of the AI-native R&D paradigm.

Heart sign-in

As one of the important corporate cultures of the Company, heart sign-in helps project leaders, management and other core personnel to organise and record their thoughts on the project or business, maintain their awareness of their work, and constantly upgrade themselves to effectively promote the efficient operation of the business. In the first half of 2026, 17,633 heart sign-ins were published by the Heart Sign-in Club, with a total of 578 participant engagements and pageviews reaching 4,306,932. We let all the employees of the Company not only experience the corporate culture, but also learn about strategy, technology, management, product, design, operation and AI across multiple fields through the heart sign-in method, injecting continuous momentum into the mutual growth of individuals and the organisation.

(16) 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.

(17) INTERIM DIVIDEND

On 27 August 2026, the Board resolved to declare an interim dividend of HKD0.50 per share for the six months ended 30 June 2026 (2025: interim dividend of HKD0.50 per share). The interim dividend will be paid to the shareholders whose names appeared on the register of members of the Company on 11 September 2026. It is expected that the interim dividend will be distributed on or around 30 October 2026.

As of the date of this report, the Company holds 5,162,284 treasury shares, which will not be eligible for dividends or distributions.

(18) CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend will be Friday, 11 September 2026. The register of members of the Company will be closed from Friday, 11 September 2026 to Monday, 14 September 2026, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend for the six months ended 30 June 2026, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 10 September 2026.

OTHER INFORMATION

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

As at 30 June 2026, 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:

Name of Director	Name of Company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
Liu Dejian *(Note 2)*	The Company	Beneficial owner and through a controlled corporation	224,567,919 (L)	42.27%
		Deemed interests of treasury shares held by the Company	5,162,284 (L)	0.97%
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	224,567,919 (L)	42.27%
		Deemed interests of treasury shares held by the Company	5,162,284 (L)	0.97%

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 amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
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%

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.

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 1.93% of the Shares which is represented by beneficial interest of 10,264,000 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 42.27% of the Shares through their direct and deemed shareholding in all of DJM Holding Ltd., a trust of Liu Luyuan and their respective shares held as beneficial owner in each of their personal capacities.

   As at 30 June 2026, there were 5,162,284 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 2,019,040 Shares, a beneficiary of a trust of 120,000 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.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2026, 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.

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 30 June 2026, 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Name of Company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100 (L)	35.97%
		Deemed interests of treasury shares held by the Company *(Note 2)*	5,162,284 (L)	0.97%

Notes:

1. The letter "L" denotes the shareholder's long position in the share capital of the relevant member of the Group.

2. As at 30 June 2026, there were 5,162,284 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 30 June 2026.

OTHER INFORMATION

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.

During the six months ended 30 June 2026, no share options and no 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 2026 and 30 June 2026 were 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 as at 1 January 2026 and 30 June 2026 were 5,312,625.

SHARE SCHEMES (Cont'd)

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 of the share option by the grantee on or before 28 days after the offer date.

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 30 June 2026, 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 six months ended 30 June 2026 are as follows:

2008 Share Option Scheme

Grantee	Date of grant	Exercise Price *HKD*	As at 1 January 2026	Number of share options Granted	Exercised	Cancelled	Lapsed	As at 30 June 2026
Independent non-executive Directors								
Liu Sai Keung, Thomas	31.03.2017	23.65	100,000	–	–	–	–	100,000
Total			100,000	–	–	–	–	100,000

SHARE SCHEMES (Cont'd)

Share Option Scheme (Cont'd)

2018 Share Option Scheme

Grantee	Date of grant	Exercise Price	As at 1 January 2026	Number of share options Granted	Exercised	Cancelled	Lapsed	As at 30 June 2026
		HKD						
Executive Director								
Leung Lim Kin, Simon	24.01.2020	21.07	4,000,000	–	–	–	–	4,000,000
Independent non-executive Directors								
Liu Sai Keung, Thomas	24.01.2020	21.07	100,000	–	–	–	–	100,000
Total			4,100,000	–	–	–	–	4,100,000

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.

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.

SHARE SCHEMES (Cont'd)

Share Award Scheme (Cont'd)

As at 30 June 2026, no awarded shares were granted under the 2024 Share Award Scheme. Details of the outstanding awarded shares under the 2024 Share Award Scheme during the six months ended 30 June 2026 are as follows:

		Number of awarded shares						
Grantee	**Date of grant**	**As at 1 January 2026**	**Granted**	**Vested**	**Cancelled**	**Lapsed**	**As at 30 June 2026**	**Vesting Period**
Executive Director								
Leung Lim Kin, Simon	02.04.2025	240,000	–	120,000	–	–	120,000	02.04.2025 – 02.04.2027
		240,000	–	120,000	–	–	120,000	

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 on 2 April 2026 was HKD9.33.

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: No awarded shares were granted during the six months ended 30 June 2026. Hence, number of Shares that may be issued in respect of awards granted under the Existing Share Schemes during the period divided by the weighted average number of Shares in issue (excluding treasury shares) for the period ended 30 June 2026 was not applicable.

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.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code under Appendix C3 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standard of dealings as set out on the Model Code under Appendix C3 to the Listing Rules and the code of conduct of the Company regarding securities transactions by the Directors for the six months ended 30 June 2026.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates (as defined under 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 the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Mr. Lin Dongliang ("Mr. Lin") has retired and ceased to be a non-executive Director of the Company with effect from 1 June 2026. For further details, please refer to the announcement of the Company dated 1 June 2026.

Throughout the period under review, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

OTHER INFORMATION

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 Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control systems, which include financial, operational and compliance controls and risk management functions.

The Audit Committee reviews the interim and annual condensed consolidated financial results of the Group. In addition, the Audit Committee also reviews and approves the pricing policy and the performance for the continued connected transactions and connected transactions relating to structure contracts, other contracts and control documents of the Group.

As at the date of this interim report, Audit Committee comprises three independent non-executive Directors, namely Li Sing Chung Matthias (the chairman of the Audit Committee), Liu Sai Keung, Thomas and Lo Wing Yan William.

The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company. The Group's interim results for the six months ended 30 June 2026 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2026, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's listed securities (including any sale of treasury shares).

As at 30 June 2026, the Company held 5,162,284 treasury shares. During the six months ended 30 June 2026, the Company transferred 171,216 treasury shares to the trustee of the 2024 Share Award Scheme. 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.

By Order of the Board
NetDragon Websoft Holdings Limited
Liu Dejian
Chairman

Hong Kong, 27 August 2026

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF NETDRAGON WEBSOFT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of NetDragon Websoft Holdings Limited (the "Company") and its subsidiaries set out on pages 34 to 76, which comprise the condensed consolidated statement of financial position as of 30 June 2026, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2026

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2026

		Six months ended 30 June	
		2026	2025
		(Unaudited)	(Unaudited)
	NOTES	**RMB million**	RMB million
Revenue	4	**2,090**	2,381
Cost of revenue		**(629)**	(726)
Gross profit		**1,461**	1,655
Other income and gains	5(a)	**50**	89
Impairment loss under expected credit loss model, net of reversal		**1**	(4)
Selling and marketing expenses		**(283)**	(336)
Administrative expenses		**(418)**	(474)
Research and development costs		**(409)**	(540)
Other expenses and losses	5(b)	**(262)**	(279)
Share of results of associates and joint ventures		**4**	5
Operating profit		**144**	116
Interest income on pledged bank deposits		**16**	12
Exchange loss on pledged bank deposits, financial assets at fair value through profit or loss, bank borrowings, convertible and exchangeable bonds and derivative financial instrument		**(41)**	(8)
Fair value change on financial assets at fair value through profit or loss		**24**	(6)
Fair value change on derivative financial instrument		**–**	15
Finance costs		**(59)**	(67)
Profit before taxation		**84**	62
Taxation	6	**(93)**	(93)
Loss for the period	7	**(9)**	(31)

	NOTE	Six months ended 30 June 2026 (Unaudited) RMB million	2025 (Unaudited) RMB million
Other comprehensive income for the period, net of income tax:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8**	16
Item that will not be reclassified to profit or loss:			
Fair value change on equity instruments at fair value through other comprehensive income		**12**	–
Other comprehensive income for the period		**20**	16
Total comprehensive income (expense) for the period		**11**	(15)
Profit (loss) for the period attributable to:			
– Owners of the Company		**36**	30
– Non-controlling interests		**(45)**	(61)
		(9)	(31)
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		**55**	41
– Non-controlling interests		**(44)**	(56)
		11	(15)
		RMB cents	RMB cents
Earnings per share	9		
– Basic		**6.88**	5.57
– Diluted		**6.88**	5.57

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2026

	NOTES	**30 June 2026 (Unaudited) RMB million**	31 December 2025 (Audited) RMB million
Non-current assets			
Property, plant and equipment	10	**2,136**	2,249
Right-of-use assets	10	**249**	317
Investment properties		**4**	41
Goodwill		**299**	311
Intangible assets	10	**515**	699
Interests in associates and joint ventures		**97**	64
Equity instruments at fair value through other comprehensive income		**39**	27
Financial assets at fair value through profit or loss	11	**457**	302
Loan receivables		**38**	54
Other receivables, prepayments and deposits	14	**134**	286
Deferred tax assets		**1**	1
Restricted bank deposit		**26**	–
		3,995	4,351
Current assets			
Properties under development		**70**	70
Properties for sale		**264**	264
Inventories	12	**174**	223
Financial assets at fair value through profit or loss	11	**173**	133
Loan receivables		**219**	189
Trade receivables	13	**327**	303
Other receivables, prepayments and deposits	14	**570**	432
Tax recoverable		**62**	28
Pledged bank deposits		**1,663**	2,087
Bank deposits with original maturity over three months		**499**	308
Cash and cash equivalents		**1,290**	1,545
		5,311	5,582

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2026

	NOTES	**30 June 2026 (Unaudited) RMB million**	31 December 2025 (Audited) RMB million
Current liabilities			
Trade and other payables	15	**1,091**	1,036
Contract liabilities		**302**	441
Lease liabilities		**29**	42
Provisions		**93**	112
Derivative financial instrument	11	**1**	1
Bank borrowings	16	**2,065**	2,356
Convertible note	18	**437**	428
Tax payable		**41**	40
		4,059	4,456
Net current assets		**1,252**	1,126
Total assets less current liabilities		**5,247**	5,477
Non-current liabilities			
Other payables	15	**4**	3
Lease liabilities		**14**	22
Deferred tax liabilities		**61**	64
		79	89
Net assets		**5,168**	5,388
Capital and reserves			
Share capital	19	**39**	39
Share premium and reserves		**5,231**	5,394
Equity attributable to owners of the Company		**5,270**	5,433
Non-controlling interests		**(102)**	(45)
		5,168	5,388

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Attributable to owners of the Company														Non-controlling interests	Total equity
	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		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
			(Note a)	(Note b)	(Note c)	(Note d)			(Note e)							
At 1 January 2025 (audited)	39	1,159	9	107	10	938	246	22	(3)	51	(35)	(54)	3,338	5,827	39	5,866
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	–	–	30	30	(61)	(31)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	11	–	–	11	5	16
Total comprehensive income (expense) for the period	–	–	–	–	–	–	–	–	–	–	11	–	30	41	(56)	(15)
Acquisition of additional equity interest from non-controlling interest	–	–	–	(1)	–	–	–	–	–	–	–	–	–	(1)	(2)	(3)
Awarded shares vested to employees	–	–	–	–	–	–	–	–	2	(1)	–	–	(1)	–	–	–
Recognition of equity-settled share-based payments, net of share options forfeited	–	–	–	–	–	–	–	–	–	(12)	–	–	13	1	7	8
Disposal of subsidiaries	–	–	–	(3)	–	–	–	–	–	–	–	–	–	(3)	(22)	(25)
Contribution from a non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2	2
Final dividend for 2024 declared	–	–	–	–	–	–	(246)	–	–	–	–	–	–	(246)	–	(246)
Interim dividend for 2025 proposed	–	(242)	–	–	–	–	242	–	–	–	–	–	–	–	–	–
At 30 June 2025 (unaudited)	39	917	9	103	10	938	242	22	(1)	38	(24)	(54)	3,380	5,619	(32)	5,587
At 1 January 2026 (audited)	**39**	**918**	**9**	**83**	**10**	**1,016**	**238**	**22**	**(56)**	**39**	**(10)**	**(41)**	**3,166**	**5,433**	**(45)**	**5,388**
Profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36**	**36**	**(45)**	**(9)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**12**	**-**	**19**	**1**	**20**
Total comprehensive income (expense) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**12**	**36**	**55**	**(44)**	**11**
Acquisition of additional equity interest from non-controlling interest	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**1**	**-**
Awarded shares vested to employees	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**
Recognition of equity-settled share-based payments, net of share options forfeited	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**7**
Deemed disposal of equity interest to non-controlling interest	**-**	**-**	**-**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**(17)**	**-**
Vested share-based compensation of Mynd.ai (as defined in Note 9), net of shares withheld for taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**3**	**(4)**	**(1)**
Final dividend for 2025 declared	**-**	**-**	**-**	**-**	**-**	**-**	**(238)**	**-**	**-**	**-**	**-**	**-**	**1**	**(237)**	**-**	**(237)**
Interim dividend for 2026 proposed	**-**	**-**	**-**	**-**	**-**	**-**	**228**	**-**	**-**	**-**	**-**	**-**	**(228)**	**-**	**-**	**-**
Transfer of fair value reserve upon the disposal of investment properties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22)**	**-**	**-**	**-**	**-**	**22**	**-**	**-**	**-**
At 30 June 2026 (unaudited)	**39**	**918**	**9**	**99**	**10**	**1,016**	**228**	**-**	**(55)**	**38**	**(3)**	**(29)**	**3,000**	**5,270**	**(102)**	**5,168**

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.

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.) 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
OPERATING ACTIVITIES		
Loss for the period	**(9)**	(31)
Adjustments for:		
Taxation	**93**	93
Interest income on pledged bank deposits, bank balances, loan receivables and refundable rental deposits	**(32)**	(33)
Fair value change on derivative financial instrument	**–**	(15)
Fair value change on financial assets at fair value through profit or loss	**(24)**	6
Fair value change in investment properties	**–**	4
Gain on disposal of leasehold land included in right-of-use assets	**(13)**	–
Amortisation of intangible assets	**57**	90
Depreciation of property, plant and equipment	**99**	101
Depreciation of right-of-use assets	**28**	40
Impairment loss of intangible assets	**130**	92
Interest expense on bank borrowings (included in finance costs)	**19**	18
Interest expense on convertible and exchangeable bonds and convertible note (included in finance costs)	**34**	41
Others	**–**	(20)
Operating cash flows before movements in working capital	**382**	386
(Increase) decrease in trade receivables	**(74)**	34
Decrease in inventories	**38**	17
Decrease in properties for sale	**–**	8
Decrease (increase) in other receivables, prepayments and deposits	**25**	(21)
Decrease in trade and other payables	**(201)**	(247)
Decrease in contract liabilities	**(139)**	(120)
Decrease in provisions	**(15)**	(3)
Cash generated from operations	**16**	54
Interest paid	**(47)**	(34)
Income tax paid	**(129)**	(83)
NET CASH USED IN OPERATING ACTIVITIES	**(160)**	(63)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2026

		Six months ended 30 June	
		2026	2025
		(Unaudited)	(Unaudited)
	NOTES	**RMB million**	RMB million
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(75)**	(55)
Placement of bank deposits with original maturity over three months		**(400)**	(318)
Withdrawal of bank deposits with original maturity over three months		**207**	108
Placement of pledged bank deposits		**(1,249)**	(1,293)
Withdrawal of pledged bank deposits		**1,666**	761
Placement of restricted bank deposit		**(26)**	–
Purchase of intangible assets	10	**(17)**	(341)
Proceeds from disposal of intangible assets		**–**	233
Interest received		**42**	31
Purchase of financial assets at fair value through profit or loss		**(614)**	(1,417)
Proceeds from disposal of financial assets at fair value through profit or loss		**567**	1,435
Other investing activities		**(4)**	(40)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**97**	(896)
FINANCING ACTIVITIES			
New bank borrowings raised	16	**1,766**	1,242
Repayment of bank borrowings	16	**(2,057)**	(706)
Repayment of lease liabilities		**(20)**	(32)
Redemption of convertible and exchangeable bonds	17	**–**	(293)
Acquisition of partial interest of subsidiaries		**–**	(3)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(311)**	208
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(374)**	(751)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**1,545**	2,498
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**119**	(46)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**1,290**	1,701

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, 20th Floor, 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 condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

3. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2025.

3. ACCOUNTING POLICIES (Cont'd)

Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11

The application of the amendments to HKFRS Accounting Standards in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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.

Types of goods and services

	Six months ended 30 June 2026 (Unaudited)			
	Gaming and application services RMB million	**Mynd.ai business RMB million**	**Property development RMB million**	**Total RMB million**
Revenue from sales of pre-paid game cards for online and mobile games	**1,400**	**–**	**–**	**1,400**
Sales of education equipment and related goods	**38**	**467**	**–**	**505**
Revenue from educational services	**120**	**38**	**–**	**158**
Revenue from provision of mobile solution, products and marketing services	**27**	**–**	**–**	**27**
Revenue from property development	**–**	**–**	**–**	**–**
	1,585	**505**	**–**	**2,090**

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

Types of goods and services (Cont'd)

	Six months ended 30 June 2025 (Unaudited)			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Revenue from sales of pre-paid game cards for online and mobile games	1,528	–	–	1,528
Sales of education equipment and related goods	60	622	–	682
Revenue from educational services	119	19	–	138
Revenue from provision of mobile solution, products and marketing services	31	–	–	31
Revenue from property development	–	–	2	2
	1,738	641	2	2,381

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

Timing of revenue recognition

	Six months ended 30 June 2026 (Unaudited)			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
A point in time	1,438	467	–	1,905
Over time	147	38	–	185
	1,585	505	–	2,090

	Six months ended 30 June 2025 (Unaudited)			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
A point in time	1,588	622	2	2,212
Over time	150	19	–	169
	1,738	641	2	2,381

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

Geographical information

	Six months ended 30 June 2026 (Unaudited)			
	Gaming and application services RMB million	**Mynd.ai business RMB million**	**Property development RMB million**	**Total RMB million**
Mainland China	**1,350**	**–**	**–**	**1,350**
United States of America ("USA")	**189**	**348**	**–**	**537**
Europe (Note)	**1**	**139**	**–**	**140**
Other regions	**45**	**18**	**–**	**63**
	1,585	**505**	**–**	**2,090**

	Six months ended 30 June 2025 (Unaudited)			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Mainland China	1,486	–	2	1,488
USA	205	453	–	658
Europe (Note)	–	154	–	154
Other regions	47	34	–	81
	1,738	641	2	2,381

Note: Europe mainly includes United Kingdom, Spain, Romania, Germany, France and others. Each of which individually contributed less than 10% of total revenue.

4. 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.

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 June 2026 (unaudited)			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Segment revenue	1,585	505	–	2,090
Segment profit (loss)	391	(164)	(1)	226
Unallocated other income and gains				83
Unallocated corporate expenses and losses				(225)
Profit before taxation				84

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

	Six months ended 30 June 2025 (unaudited)			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Segment revenue	1,738	641	2	2,381
Segment profit (loss)	402	(237)	(7)	158
Unallocated other income and gains				29
Unallocated corporate expenses and losses				(125)
Profit before taxation				62

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.

4. 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:

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
Gaming and application services	**6,372**	6,619
Mynd.ai business	**1,154**	1,346
Property development	**804**	765
Total segment assets	**8,330**	8,730
Unallocated	**976**	1,203
	9,306	9,933

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 fair value through profit or loss ("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.

5. OTHER INCOME AND GAINS, OTHER EXPENSES AND LOSSES

(a) Other income and gains

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Government grants (Note)	**2**	12
Interest income on bank balances, loan receivables, and refundable rental deposits	**16**	21
Gain on disposal of leasehold land included in right-of-use assets	**13**	–
Net gain on disposal of subsidiaries	**–**	27
Others	**19**	29
	50	89

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 RMB1 million (six months ended 30 June 2025: RMB10 million) for the six months ended 30 June 2026 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 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 with an amount of RMB1 million (six months ended 30 June 2025: RMB2 million) for the six months ended 30 June 2026.

(b) Other expenses and losses

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Redundancy payments	**88**	154
Fair value change in investment properties	**–**	4
Other tax and charges	**12**	18
Impairment loss of intangible assets	**130**	92
Others	**32**	11
	262	279

6. TAXATION

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
The tax charge comprises:		
Hong Kong Profits Tax		
– Current period	**1**	17
PRC Enterprise Income Tax		
– Current period	**54**	74
– Under provision in prior years	**2**	3
– Withholding tax	**35**	2
	91	79
Taxation in other jurisdictions		
– Current period	**1**	2
Deferred tax		
– Current period	**–**	(5)
	93	93

The Group is operating in certain jurisdictions where the Pillar Two Rules is 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 Global Anti-base Erosion Rules based on management's best estimate, the management of the Group considered the impact is not material.

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Loss for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**14**	17
Other staff costs		
Salaries and other benefits	**588**	790
Contributions to retirement benefits schemes	**87**	73
Share-based payments expense	**7**	7
Redundancy payments	**88**	154
	784	1,041
Amortisation of intangible assets	**57**	90
Depreciation of property, plant and equipment	**99**	101
Depreciation of right-of-use assets	**28**	40
Total depreciation and amortisation	**184**	231
Cost of goods sold for education equipment and related goods	**369**	484
Advertising and promotion expenses (included in selling and marketing expenses)	**152**	165
Reversal of impairment of inventories	**–**	(8)
Impairment loss of properties for sale	**–**	6

8. DIVIDENDS

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Dividends recognised as distribution during the period:		
2025 final dividend – Hong Kong dollar ("HKD") 0.50 (2025: 2024 final dividend – HKD0.50) per share	**237**	246

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.50 per share, amounting to HKD263 million (equivalent to RMB228 million), will be paid to the shareholders of the Company whose names appear in the register of members on 11 September 2026.

9. 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:

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the period attributable to the owners of the Company	**36**	30

9. EARNINGS PER SHARE (Cont'd)

	Number of shares Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of shares in issue during the period 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)	**525,920**	531,133

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 periods. Diluted earnings per share also did not assume the exercise of the restricted stock units ("RSUs") granted by Mynd.ai Inc. ("Mynd.ai"), a subsidiary of the Company, under the Mynd.ai Equity Incentive Plan (the "Mynd Incentive Plan") as disclosed in Note 20 (iii), since the exercise of the RSUs would result in an increase in earnings per share for both periods.

10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the current interim period, the Group paid approximately RMB75 million (six months ended 30 June 2025: RMB55 million) for the acquisition of property, plant and equipment to expand its operations which mainly included RMB37 million (six months ended 30 June 2025: RMB30 million) in plant and equipment and RMB31 million (six months ended 30 June 2025: RMB18 million) in construction in progress.

During the current interim period, the Group entered into several new lease agreements ranging from 2 to 5 years (six months ended 30 June 2025: 1 to 2 years). The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets of RMB3 million (six months ended 30 June 2025: RMB8 million) and lease liabilities of RMB3 million (six months ended 30 June 2025: RMB8 million).

During the current interim period, the Group paid approximately RMB17 million (six months ended 30 June 2025: RMB341 million) for the acquisition of intangible assets, of which nil (six months ended 30 June 2025: United States dollar ("USD") 42 million (equivalent to RMB305 million)) was for acquisition of cryptocurrencies. In addition, the Group did not dispose of cryptocurrencies during the current interim period (six months ended 30 June 2025: disposed of cryptocurrencies of USD32 million (equivalent to RMB233 million), resulting in a gain on disposal of less than RMB1 million). During the six months ended 30 June 2026, the Group performed impairment testing with reference to the market price of the corresponding cryptocurrencies as a result of the market turmoil of cryptocurrencies indicating that the relevant intangible assets may be impaired and recognised impairment loss of approximately RMB130 million (six months ended 30 June 2025: RMB92 million).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENT

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
Financial assets at FVTPL		
– Unlisted funds (Note a)	**172**	218
– Unlisted equity investments (Note b)	**216**	29
– Listed securities	**73**	79
– Foreign currency forward contracts	**32**	4
– Structured deposits	**51**	50
– Film and program investments	**46**	55
– Callable range accrual credit linked notes	**26**	–
– Callable range accrual notes	**14**	–
	630	435
Analysed for financial reporting purpose:		
Non-current	**457**	302
Current	**173**	133
	630	435
Derivative financial instrument (under current liabilities)		
– Embedded derivatives in convertible note (defined in Note 18)	**1**	1

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.

12. INVENTORIES

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
Finished goods	**174**	223

13. TRADE RECEIVABLES

The Group generally allows a credit period ranging from 30 days to 60 days to its distribution and payment channels/trade customers.

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:

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
0 – 30 days	**178**	155
31 – 60 days	**53**	51
61 – 90 days	**12**	27
Over 90 days	**84**	70
	327	303

14. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
Prepayments to third parties (Note a)	113	133
Refundable rental and guarantee deposits (Note b)	47	46
Other receivables from agents for acquisition of cryptocurrencies	4	4
Contract assets (Note c)	24	22
Other receivables and deposits	101	104
Other tax recoverable	88	95
Government grant receivables	54	54
Prepayments for investments (Note d)	105	246
Consideration receivable from disposal of property, plant and equipment	101	–
Consideration receivable from disposal of leasehold land included in right-of-use assets	57	–
Others	10	14
	704	718
Analysed for financial reporting purpose:		
Non-current	134	286
Current	570	432
	704	718

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 30 June 2026 are balances of (i) RMB8 million (31 December 2025: 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 (31 December 2025: 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).

14. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Cont'd)

Notes: (Cont'd)

(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, RMB105 million (31 December 2025: RMB108 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.

15. TRADE AND OTHER PAYABLES

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
Trade payables (Note a)	**293**	320
Accrued staff costs	**108**	226
Deferred income (Note b)	**6**	7
Other tax payables	**34**	20
Payables for purchase of property, plant and equipment	**157**	158
Consideration payables	**3**	3
Accrued expenses	**80**	101
Dividend payable	**228**	–
Others (Note c)	**186**	204
	1,095	1,039
Analysed for financial reporting purpose:		
Non-current	**4**	3
Current	**1,091**	1,036
	1,095	1,039

15. 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:

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
0 – 90 days	**148**	183
91 – 180 days	**87**	91
181 – 365 days	**17**	3
Over 365 days	**41**	43
	293	320

(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.

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounted to RMB1,766 million (six months ended 30 June 2025: RMB1,242 million), and repaid bank loans amounted to RMB2,057 million (six months ended 30 June 2025: RMB706 million). The bank borrowings as at 30 June 2026 carry interest at (i) one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2.20% or 2.35% per annum; or (ii) interest rate of 0.50% to 2.70% per annum. The Group's borrowings were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries.

The bank borrowings as at 31 December 2025 carried interest at (i) one-month HIBOR plus 2.20% or 2.35% per annum; (ii) Secured Overnight Financing Rate at date of borrowing plus 2.30% per annum; or (iii) interest rate of 0.57% to 3.30% per annum. The Group's borrowings were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries.

17. 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 USD150 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 are exercisable at the option of bondholders, in whole or in part and can be exchangeable for ordinary shares of Mynd.ai at any time and from time to time during the exchange period. 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. The convertible and exchangeable bonds are denominated in USD. 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.

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 ended 31 December 2025 was set out as below:

	RMB million (Audited)
At 1 January 2025	295
Redemption/settlement (Note)	(302)
Interest accrued	9
Exchange adjustments	(2)
At 31 December 2025	–

Note: During the period ended 30 June 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 redeemed portion was approximately USD42 million (equivalent to RMB302 million). As a result, no loss of redemption of the convertible and exchangeable bonds had been recognised in profit or loss during the period ended 30 June 2025. During the period ended 30 June 2025, total cash outflows for the redemption payment net of interest paid in prior period amounted to approximately USD41 million (equivalent to RMB293 million).

18. 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 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 be 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.

Convertible 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 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 ("ADS") in lieu of the Mynd.ai's ordinary shares, par value USD0.001 per share upon conversion of the Convertible Note.

18. CONVERTIBLE NOTE (Cont'd)

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.

At initial recognition, the embedded derivative of the Convertible Note was classified as derivative financial instrument (Note 11). The fair value of the derivative financial instrument was RMB1 million and RMB1 million at 30 June 2026 and 31 December 2025, respectively.

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 period/year are set out as below:

	30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million
At 1 January	**428**	396
Interest accrued	**34**	66
Settlement of interest	**(12)**	(25)
Exchange adjustments	**(13)**	(9)
	437	428

19. SHARE CAPITAL OF THE COMPANY

	Number of shares	Nominal value	
		USD	RMB million
Authorised:			
Ordinary shares of USD0.01 each			
At 1 January 2025 (audited), 30 June 2025 (unaudited), 31 December 2025 (audited) and 30 June 2026 (unaudited)	1,000,000,000	10,000,000	76
Issued and fully paid:			
Ordinary shares of USD0.01 each			
At 1 January 2025 (audited), 30 June 2025 (unaudited), 31 December 2025 (audited) and 30 June 2026 (unaudited)	531,262,533	5,312,625	39

20. SHARE-BASED PAYMENT TRANSACTIONS

(i) 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. As at 30 June 2026, the outstanding share options under the 2008 Share Option Scheme and 2018 Share Option Scheme were 100,000 and 4,100,000, 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. As at 30 June 2026, no share option was granted under the 2024 Share Option Scheme. The purpose of the 2024 Share Option Scheme is to provide the eligible participant ("Eligible Participant") as defined in 2024 Share Option Scheme with the opportunity to acquire interests in the Company and to encourage the Eligible Participant to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The table below discloses movements of the Company's share options:

	Number of share options
Outstanding as at 1 January 2025	5,600,000
Forfeited during the year	(1,400,000)
Outstanding as at 31 December 2025 and 30 June 2026	**4,200,000**

The Group did not recognise the expenses for the six months ended 30 June 2026 and 2025 in relation to share options granted by the Company.

20. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(ii) Share award scheme by the Company

The Company has adopted a 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 total expenses of less than RMB1 million were recognised by the Group for the six months ended 30 June 2026 (six months ended 30 June 2025: RMB1 million) in relation to the Award.

Movements in the awarded shares granted during the year ended 31 December 2025 and the six months ended 30 June 2026 were as follows:

Six months ended 30 June 2026 (Unaudited)

Name of category of participant	Date of grant	Outstanding at 1 January 2026	Granted during the period	Awards vested during the period	Forfeited during the period	Outstanding at 30 June 2026
Director	2 April 2025	240,000	-	(120,000)	-	120,000

Year ended 31 December 2025 (Audited)

Name of category of participant	Date of grant	Outstanding at 1 January 2025	Granted during the year	Awards vested during the year	Forfeited during the year	Outstanding at 31 December 2025
Director	2 April 2025	–	360,000	(120,000)	–	240,000

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.

20. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(iii) 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 ADS.

As at 30 June 2026, Mynd.ai had outstanding share-based awards representing 1,877,919 (30 June 2025: 4,646,774) ADSs.

During the six months ended 30 June 2026, Mynd.ai recorded share-based compensation expenses of RMB7 million (equivalent to USD1 million) (six months ended 30 June 2025: RMB7 million (equivalent to USD1 million)) in general and administrative expenses in the condensed consolidated statements of profit or loss and other comprehensive income. As at 30 June 2026, total unrecognised compensation expense related to unvested awards was RMB16 million (equivalent to USD2 million) (31 December 2025: RMB28 million (equivalent to USD4 million)), which is expected to be recognised over a weighted-average period of 1.3 years (31 December 2025:1.7 years).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liability are measured at fair value at the end of each reporting period. The fair values of these financial assets and financial liability 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).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liability	Fair value as at 30 June 2026 (Unaudited) RMB million	31 December 2025 (Audited) RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets						
Equity instruments at fair value through other comprehensive income ("FVTOCI") – Unlisted equity securities	**39**	27	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 14.92% (31 December 2025: 13.00%).	The higher the discount rate, the lower the fair value.
Financial assets at FVTPL – Listed securities	**73**	79	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial assets at FVTPL – Unlisted funds	**16**	–	Level 2	Price provided by the financial institutions 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	**32**	4	Level 2	Future discounted cash flows are estimated based on the applicable forward foreign exchange rates.	N/A	N/A

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liability	Fair value as at 30 June 2026 (Unaudited) RMB million	Fair value as at 31 December 2025 (Audited) RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets (Cont'd)						
Financial assets at FVTPL – Structured deposits	**51**	50	Level 2	Price provided by the financial institutions with reference to foreign currency contracts.	N/A	N/A
Financial assets at FVTPL – Callable range accrual credit linked notes	**26**	N/A	Level 2	Price provided by the financial institutions with reference to constant maturity treasury rate, reference credit default swap and reference entity.	N/A	N/A
Financial assets at FVTPL – Callable range accrual notes	**14**	N/A	Level 2	Price provided by the financial institutions with reference to constant maturity treasury rate.	N/A	N/A
Financial assets at FVTPL – Unlisted equity investment	**4**	11	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 69.46% (31 December 2025: 69.92%) 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	**26**	8	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 84.33% (31 December 2025: 83.66%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liability	Fair value as at 30 June 2026 (Unaudited) RMB million	Fair value as at 31 December 2025 (Audited) RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets (Cont'd)						
Financial assets at FVTPL – Unlisted funds	**156**	218	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 – Unlisted equity investment	**176**	N/A	Level 3	Price reference to the latest financing agreement.	N/A	N/A
Financial assets at FVTPL – Film investment	**3**	3	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% (31 December 2025: 12.58%).	The higher the discount rate, the lower the fair value.
Financial assets at FVTPL – Program investment	**3**	11	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% (31 December 2025: 16.88%).	The higher the discount rate, the lower the fair value.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liability	Fair value as at 30 June 2026 (Unaudited) RMB million	Fair value as at 31 December 2025 (Audited) RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets (Cont'd)						
Financial assets at FVTPL – Film investment	**40**	41	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 25.49% (31 December 2025: 21.73%).	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 41.13% (31 December 2025: 39.26%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Financial liability						
Derivative financial instrument – Convertible note	**1**	1	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 100.00% (31 December 2025: 85.00%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Cont'd)

There was no transfer between Level 1, Level 2 and Level 3 during both periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the condensed 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:

	Equity instruments at FVTOCI	**Financial assets at FVTPL**
	RMB million	RMB million
At 1 January 2025 (audited)	8	270
Additions	–	86
Fair value changes	–	(41)
Exchange adjustments	–	(1)
At 30 June 2025 (unaudited)	8	314
At 1 January 2026 (audited)	**27**	**302**
Additions	**–**	**138**
Fair value changes	**12**	**(15)**
Exchange adjustments	**–**	**(7)**
At 30 June 2026 (unaudited)	**39**	**418**

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements (Cont'd)

Of the total fair value change on financial assets at FVTPL for the period included in profit or loss, fair value loss of RMB15 million (six months ended 30 June 2025: RMB41 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".

Included in other comprehensive income is an amount of RMB12 million (six months ended 30 June 2025: Nil) related to unlisted equity securities held at the end of the current reporting period and is reported as "fair value change on equity instruments at fair value through other comprehensive income".

Reconciliation of Level 3 fair value measurements of financial liability:

	Derivative financial instrument RMB million
At 1 January 2025 (audited)	21
Fair value changes	(15)
At 30 June 2025 (unaudited)	6
At 1 January 2026 (audited)	**1**
Fair value changes	**–**
At 30 June 2026 (unaudited)	**1**

Of the total fair value change on derivative financial instrument for the period included in profit or loss, RMB15 million gain related to convertible notes for the six months ended 30 June 2025 (six months ended 30 June 2026: Nil). Fair value gain on derivative financial instrument is included in "fair value change on derivative financial instrument".

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets and financial liability that are measured at fair value on a recurring basis (Cont'd)

Fair value measurements and valuation process

The board of directors of the Group has named the finance department, which is headed up by the Acting Chief Financial Officer of the Group, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Acting Chief Financial Officer reports the finance department's findings to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

22. RELATED PARTY TRANSACTIONS

The Group is controlled by the Controlling Shareholders, Dr. Liu Dejian and Mr. Liu Luyuan, who have entered into an 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 period 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.
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.

22. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Related party transactions and balances (Cont'd)

Nature of transactions	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Education management fee to Fujian Data	**7**	4
Promotional expense to Fuzhou Yanle	**2**	1
Technical service fee to Guoteng	**1**	–

As at 30 June 2026, amounts due from joint ventures and associates (included in other receivables, prepayments and deposits) are RMB10 million (31 December 2025: RMB14 million). As at 30 June 2026 and 31 December 2025, the amounts due from joint ventures and associates are not trade in nature, unsecured, non-interest bearing and repayable on demand.

Saved as disclosed above, the Group had continuing connected transaction during the period, including lease agreements entered with Fuzhou 851 with the lease term till 2027 for the use of office premise located in the PRC. During the period, the Group has made repayment of the lease liabilities of RMB11 million (six months ended 30 June 2025: RMB15 million). As at 30 June 2026, the corresponding carrying amount of the lease liabilities is RMB18 million (31 December 2025: RMB29 million).

22. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Salaries, allowances and other short-term employee benefits	**39**	33
Share-based payments expense	**–***	1
	39	34

* Less than RMB1 million

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

23. CAPITAL COMMITMENTS

At the end of reporting period, the Group had the following capital commitments contracted for but not provided in the condensed consolidated financial statements:

	30 June 2026	31 December 2025
	(Unaudited)	(Audited)
	RMB million	RMB million
Capital expenditure in respect of:		
– Capital injection in a joint venture and an associate	**32**	24
– Acquisition of property, plant and equipment	**503**	163
– Properties under development projects	**13**	31
	548	218