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**NetDragon(0777.HK) 2019 Annual Results Conference Call and Webcast**

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**NetDragon's Management Team**

Dr. Simon Leung, Group Vice Chairman and Executive Director  
Mr. Ben Yam, Group CFO  
Mr. Wang Song, Group Senior Vice President  
Mr. Vin Riera, CEO of Promethean  
Ms. Susan Kim, CEO of Edmodo

**Moderator:**

Dear friends. Good morning. Thank you for joining NetDragon Websoft Holdings Limited today for our 2019 annual results presentation. Our 2019 annual results presentation PPT will be broadcasted on our webcast platform. The PPT is also available for download on our company website [www.nd.com.cn](http://www.nd.com.cn) under the investor relations tag IR webcast section. Before the start of our presentation, please allow me to introduce the management who are joining us today:

Dr. Simon Leung, Group Vice Chairman and Executive Director, Mr. Ben Yam, Group CFO, Mr. Wang Song, Group Senior Vice President, Mr. Vin Riera, CEO of Promethean and Ms. Susan Kim, CEO of Edmodo. Now let's pass our time to Dr. Simon Leung to host our presentation today.

**Simon Leung:**

Thank you. Good morning, good afternoon and good evening depending on which part of the world you are. Thank you for joining our call today. I just realized when I got up this morning that we are doing this call on April 1. I have to admit I did not pick the date, and I can also assure you it is not an April Fools' joke when we talk about our earnings in 2019. We have about an hour. You guys have seen a lot of the data, so what we will do is - we will go through the high-level and hit the highlights. Then I will save some time for Q&A. Before we do that, let me make some comment on the presenters today. That's a lot of old faces who you have met before, maybe with the exception of me. So Ben and I have been in this call for quite some time. The other one is Vin, our CEO of Promethean, who has been doing this for quite some time. We have two new faces, one is Wang Song. We affectionately call him Yun Fei. He knows a lot about our gaming business, so we are so happy to have Yun Fei joining us today. Last but not least, it's the only female on the call. I told Susan thank you for joining us, because she is going to add some class to this presentation. So that's the introduction, then let me hit the highlights.

Let's take a look at our results. Page 5, needless to say, we grew our top line and bottom line. You'd have expected that as we released our profit alert. You can switch to page 6 very quickly. It's a record high for both (revenue) and profits, which we are very happy about.

I just keep the highlight about the gaming business. We see very balanced growth for 2019 including in desktop and mobile. The other exciting part is that our international business is also picking up steam. It's truly a well-balanced growth performance.

Promethean is our flagship education business and continues to maintain global market leadership. Vin is going to talk a little about that. The next two points actually come together that is something we have been working on because we have different assets within the company. We started looking at how we can implement a country-wide or district-wide strategy to really leverage all our assets in the education business that we can help either an area or country to grow. Egypt is a prime example which I will talk about it more later on. Even though the announcement was made in 2020, we've been working on this and a lot of the hard work was actually put in in 2019.

And of course, we would like to thank our investors for believing in that and so we are looking at a whole year dividend of HK\$0.40 (per share). Next on gaming I did hit the highlights. Just one more point I want to talk about is that we have broad-based revenue growth across all of our major IPs. I'm not going to steal the thunder, so I will leave Yun Fei to talk more about that. On learning, again I did hit the highlights. On Promethean, we are looking at the shipment increase. This is actually ex-Russia. For those of you who are very familiar with us, we have a tender business which would make the quarters look uneven, so we purposely took it out and you can track our core business. It has very strong growth. Egypt is one of the prime examples and we have more in the pipeline. We are basically rolling on all cylinders.

Very quickly on Edmodo, this whole virus outbreak has created a lot of problems for a lot of businesses in a lot of countries. The reason why we are doing this call is because of that. But that has turned into a very interesting business opportunity to us. Since the outbreak, our traffic has grown multiple times. Our DAU is approaching more like 5 million in total from around 1 million plus, so there is a lot of opportunity. For those of you who have been following us, Egypt's ministry of education has announced putting 22m students and over 10,000 teachers on Edmodo to allow them to deal with the current situation. One thing I would like to mention right now, to me this is not like a stopgap solution, but more about distant learning or remote learning in what I call the new normal. I don't see people retreating from it after this virus situation. I think this is actually going to be here to stay, so this is to the advantage of our business and our capability.

Quickly about China, it's actually very similar to outside of China. Our DAU went up and we did support a few of the provinces such as Hubei and Fujian in terms of remote education. And we also started pushing our product Promethean in China last year and you will see the traction coming up in 2020.

The last part I want to go through before I hand it to Ben is the dashboard. The exciting part on the learning side is that the DAU is 5 million+. I joked around with Susan that the number goes up every time we talk. So we will take good advantage of it. On the gaming side, it has always been very strong, but I want to highlight the upcoming titles, which are quite exciting. Now I want to hand over to Ben, our CFO, and he will take you through the highlights of the numbers, and then he will hand over to Yun Fei to talk about gaming. Ben please take it over.

**Ben Yam:**

Well thank you Simon. Hello all, I am going to take you all through the financials, so if we all go to slide 12, well first of all let me draw your attention to the top line and bottom line. In terms of record high, as Simon mentioned, in 2019 we set record highs on two fronts. First is our revenue which has gone up by 15%. The other is the net profit, which has gone up by 48% to over RMB 800 million. Further you can look at the bottom line and also EBITDA, which is a closer approximation to the operating cash flow we generated. EBITDA is over RMB 1.2 billion. If you look at non-GAAP operating profit, it is also close to RMB 1.1 billion. We do have a number of non-GAAP accounting adjustments and this non-GAAP figure would more closely represent our core operating profit.

If you go down to revenue, you know Simon mentioned that gaming continued to develop solid growth with close to 40% year-over-year growth, on the back of broad-based increase across all our major IPs. If you look at the education top line, it dropped by 6.6%. But this is due to the timing of our Russia tenders. So to elaborate a little more, in 2018, we won phase 2 tender with the city of Moscow, which is over USD 60 million and that was all recognized in 2018. And the phase 3 of that tender, we are expecting it to release in 2020. That's why we excluded Russia to do the comparative presentation. If you exclude Russia tenders, our revenue went up by 12% year-over-year. That growth rate is driven by our continued global market leadership, the increasing penetration of our interactive classroom technologies and also the increased traction in emerging markets. And Vin will go into a lot more details on that.

Going on to my second slide, which is slide 13 I believe, there are few things that I want to highlight. In terms of education, I would like to highlight that we actually had a great second half with our education business. Our education revenue sequentially increased by 28.5% from first half to second half. The revenue actually grew by 14% year-over-year for second half. And the second half growth was on the back of very positive reception of our new Promethean Elements Series, or we would like to call it v7. We started the shipment of that product in the second quarter of last year. That is going to give us a lot of momentum in 2020. On gaming, again revenue was up across all our three major IPs, and we are seeing very strong growth in our PC as well as our mobile gaming business. Our overseas revenue also increased significantly. And also I want to highlight that, you know, in terms of the gaming revenue trend in the past few years, if you look at the past 4 years since 2015, our gaming revenue has grown at a CAGR of 35% and our gaming segmental profit has increased sevenfold in this period. I want to emphasize that our gaming business has been delivering very consistent, sustainable growth over the past many years and we are looking forward to seeing that trend to continue in the years to come.

And that's all for my session. I would like to pass the time to my colleague Senior VP Wang Song, who will go over the details of our gaming business.

**Wang Song (Yun Fei):**

Hello all. Next, I'll brief you on our gaming business in 2019.

Our gaming business maintained satisfactory growth in 2019. This is mainly fueled by our three classic IPs, Eudemons Online, Heroes Evolved, and Conquer Online, and for the following reasons. The first is returning users. In 2019, we made several business decisions and upgraded user services to attract and win back users. Second, to increase engagement among existing users, we released a bunch of expansion packs and new gameplays. Third, new gameplays, such as auto chess, have refreshed users' gaming experience. The fourth is IP crossover, which also saw fruitful outcomes. We've also put great efforts on strengthening overseas business in 2019 and achieved considerable revenue increase. Over 10 new games are under development. Some of them have been approved by the National Radio and Television Administration (NRTA) and implemented first-stage testing. They are expected to be released this year.

Back to our classic IPs. For Eudemons Online, we've focused on both the game content and the IP itself. Innovative approaches were adopted in IP strengthening and reputation building in 2019. First, we rode the trend of traditional Chinese style and cultural elements and carried out a series of theme activities. The IP crossovers with the Palace Museum, some intangible cultural heritage programs, and the Chinese box-office blockbuster Ne Zha have re-energized and greatly promoted our brand and attracted the target audience. Apart from that, cross-industry brand collaboration was also our focus. For example, we have held offline joint activities with Huawei Mobile, SF Express, Confiserie Lauenstein, and Happy Valley Shenzhen. Third, our marketing strategy also penetrated the pan-entertainment sector. We linked the game content with entertainment stars, variety shows, and other trendy social topics. For example, our

collaboration with WBO titleholder Zou Shiming, singer from The Rap of China Yang Hesu, and popular artist Wang Leehom. We have successfully enhanced our game promotion and brand reputation by attracting the attention of the public and creating hot topics.

For Conquer Online, our main target of 2019 was to retain existing users, engage again with rather inactive users, and boost revenue. To achieve the goals, we released lots of new game versions with new careers, instance dungeons, and gameplays, and upgraded old careers. Some advanced cultivation systems, such as the Weapon Spirit, were introduced to set more goals for users and keep them engaged. To jack up the revenue, we have released cross-server chess and card gameplays overseas, and new equipment and cultivation systems, and paid activities in China.

For Heroes Evolved, we mainly cooperated with anime IPs last year, which has significantly promoted the brand value, the number of users, and incremental revenue for new paid skins. This has contributed to the satisfactory revenue growth of the game.

In addition to these three classic IPs, we developed a new ACGN MMO game last year called Vows of Heroes (Under Oath) and expected it to be the fourth IP of NetDragon. We officially collaborated with the Chinese famous ACGN website Bilibili in 2019 and appointed them as the exclusive publisher of Vows of Heroes (Under Oath). The game is supposed to be launched in the middle of this year.

In 2020, we will continue to develop several longstanding IPs and at the same time launch more new products. We will also strengthen our overseas market expansion and IP strategy.

As you can see on our pipeline this year, there are seven games, including series extension products of Eudemons Online and Heroes Evolved, Vows of Heroes (Under Oath), and Legends of the Ocean, an SLG product for overseas markets.

Through continuous development, the three classic IPs, Eudemons Online, Conquer Online, and Heroes Evolved, have now got more and more series extension products. In the future, we will continue to strengthen the products of our three IPs, and will at the same time launch new IPs. We hope there will be more IPs in our IP portfolio.

For the overseas markets, we've been gradually reinforcing the operation since 2019 and this will be furthered in 2020 from the following aspects: First, we will improve our overseas product lines by developing multiple language versions, such as Italian, French and German. They are versions that were made in quick response to the pandemic. There will also be products that target overseas users, such as the before-mentioned SLG products. Second, we will keep expanding overseas channels. Future attempts are expected to cover offline promotion in internet cafts. Second, we will keep app stores. Overseas operation platforms are also one of our targets. For example, we plan to release Eudemons Online on Steam this year. Meanwhile, we will hold overseas offline competition events for Heroes Evolved to enhance our brand awareness and exposure.

And at last, let's talk about IPs. People often ask: Is there a revenue ceiling for gaming? My answer is definitely YES. But if a game evolves into an IP, the ceiling can be broken through. When the IP becomes a model, there will be no ceiling at all. We realized this matter a few years ago and since then we've been actively developing the Eudemons Online IP to boost its revenue. You can see that over the past few years, we have put in a lot of efforts to increase people's awareness to the Eudemons Online IP. At the same time, we have launched a series of products, and thus increased the gross billing of the whole IP. As a result, the annual gross billing maintained exceptional growth from 2015 to 2019. So, undoubtedly, we will follow the same path in 2020 and launch more new products in the Eudemons series. On the next slide, you can

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see the number of Eudemons Online IP series extension products in each corresponding year. There were 3 in 2015, and 7 in 2019, and in 2020 we plan to launch 2 to 3 more products.

This year, we will make more new attempts involving IP novels, IP online drama series and IP peripheral products, as well as more IP crossovers, to enhance our IP and brand recognition. Meanwhile, we will enrich the overall IP. We will also try more innovative initiatives involving stage dramas, musicals, and music to build and strengthen our IPs and boost revenue.

That's all about the gaming business. Thank you.

**Simon Leung:**

I am going to ask Vin to start talking about Promethean. Vin, are you ready?

**Vin Riera:**

Yep. Absolutely great. Thank you, Simon. Good morning everybody, this is Vin Riera and I'm the CEO of Promethean. I'm excited to participate in the call today and share Promethean's 2019 full year performance. I will also provide some context around Promethean's growth, the interactive flat panel market, and some of our new initiatives that we began in 2019. Let's begin our full year 2019 highlights. 2019 was an exciting year of Promethean. In Q2, we launched and began shipping our new V7 Elements Series products line in time to impact the buying season. Our V7 products are differentiated, and it's designed for the education market, and packaged with our award-winning lesson delivery software. Immediately upon the launch, V7 was well received across the market. In addition to the successful product launch, the sales and marketing efforts Promethean had in the first half of the year also supported our full year growth. These efforts along with the new product line allowed for a 20% increase in revenue from the first half to the second half of 2019.

Promethean has a core competency in selling interactive flat panels around the globe. We have proven we can compete, win and implement large-scale country-wide tenders. Egypt was an example of that in 2019. As I review some of the YOY numbers, I will focus on the core run-rate business growth, and will exclude the large Russia project that was done in 2018. Ben mentioned this earlier, but for reference, there is no Russian tenders to compete for in 2019, and we believe the Russia phrase III tender will take place in 2020. With that in mind, I'm pleased to report that Promethean panel unit volume grew by 27% YOY, and revenue grew by 12%. Within the education market, Promethean continued to be the No.1 provider of interactive flat panels globally, with the exception of China. We did that by growing our business in our core markets, and competing and winning Egypt as a large tender.

Promethean also set out to enter the corporate market, to create a new revenue stream in what we believe to be a closely adjacent market. We were able to enter this market by adapting our top-of-the-line V7 titanium products with existing best-in-class conferencing solutions to get into the market quickly and with a quality offering. We started these efforts in Q3, and in late Q4 we received our very first order for a V7 corporate product. We are going to continue to focus and pursue this market in 2020.

In the next slide, I'll speak to revenue growth in 2019. There are few areas that I would like to draw your attention to on this slide. First, you will see the continued revenue growth of our run-rate core business on a YOY basis. Next, you can see the impact of growth that Promethean can achieve when we compete for and win large tenders. Notice that the revenue that we won in 2018 in Russia, while there was no Russia tender in 2019, we were able to replace a portion of that revenue with growth in our core markets and by winning a large tender in Egypt in 2019. Egypt was the largest tender in the global marketplace that we competed for and won. Finally, you can imagine the potential growth that we could achieve if multiple

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country-wide tenders that we could compete for and win were released within a fiscal year. In the next slide, I will review the trends in the business relative to product volume. To begin with, this slide shows two different products types, panels refer to interactive flat panels, boards refer to interactive whiteboards, they are legacy projector-based technology. You will notice YOY consecutive growth on our panels. In 2019, our panel volumes increased in our core run-rate business and in our tender business. Panel volumes increased as we expanded our product line to include our new V7 nickel product, which is an entry-level, value-based interactive flat panel that is attractive to a broad set of buyers across the globe, especially in the emerging markets and budget conscious geographies. You can see the speed of adoption of the panels as a front-of-class solution, is outpacing the decline in interactive whiteboards. This speaks to the accessibility of our products to a broader portion of the market, allowing customers with limited budgets to procure entry-level interactive panels and increasing the speed that customers can afford to replace interactive whiteboards with interactive flat panels. As we exit 2019, interactive flat panel technology is and will continue to be the primary choice for front-of-class solutions.

Next, I'll speak to Promethean's global market leadership and differentiation. Promethean continues to hold the NO.1 position in many of the largest markets around the globe within K12 education. We can accomplish this by offering products that span across the largest part of the addressable market. Our V7 Elements Series has 3 different product lines that are designed to scale from entry-level, value-based for a basic use case, to a feature-rich product that meets the needs of complex classroom applications. Some products are designed for country-specific applications, but our primary 3 product lines with screen sizes that scale from 65 to 86 inches will meet most of the needs of an education buyer across the globe. All of our hardware models are offered with a form factor and features designed to be used in the classroom and are paired with our ActivInspire lesson delivery software. The hardware and software bundle help Promethean customers when they make the transition from interactive boards to panels and it also helps us compete for new business by having a clearly differentiated offering.

The next slide highlights the large addressable market for our interactive flat panels. To put the size of the market in perspective, there are 43 million classrooms or teaching spaces globally. At the end of 2019, it is estimated that only 31% of those markets had a panel or board installed. In the mature markets, like the US or some countries in Europe, we expect growth rates to be between 9% and 27%. However, we believe that the largest opportunities for growth will come from emerging markets over the next several years. Within the emerging markets, we have engaged with multiple ministries of education that are looking for classroom solutions for the entire country. Our products are a great fit for their needs, and I believe that between the mature and emerging markets, there are ample opportunities for growth in the foreseeable future.

I want to shift gears quickly, away from front-of-class technologies, and share NetDragon's intelligent classroom project that we started at the beginning of 2019. Egypt was looking for a quick and scalable solution to expand classrooms throughout the country. There is a need to provide high quality education to their K12 population, and part of that requirement was to expedite the building of physical structures to house the teachers and students. However, the timeline to build actual brick-and-mortar structures would take too long to meet their goals, so NetDragon and Promethean, working closely together, created an offering of a durable, modular structure that is cost effective, can be assembled in less than 3 days, and comes equipped with a full suite of NetDragon education technologies. In 2019, the Egyptian ministry of

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education signed a MOU to deploy 265,000 intelligent classrooms in Egypt. In Q4, the first pilot order of 100 classrooms was placed, and these units are currently being deployed in Egypt. This comprehensive solution has drawn interest from other countries, such as Lebanon, Pakistan, Iraq and Uzbekistan. Thank you for allowing me to discuss the Promethean achievements in 2019. And I will turn it over to my colleague Susan Kim.

**Susan Kim:**

Thank you, Vin. Good morning, good afternoon, good evening everyone. As Vin mentioned, my name is Susan Kim and I am the CEO of Edmodo. And it's my pleasure to share some highlights. At Edmodo, we consider ourselves and are truly a global online platform, connecting educators and learners around world across 192 countries, 400,000 schools and 100 million registered accounts. At Edmodo we talk a lot about the future of learning, and due to the global pandemic, that is COVID-19, that future is now. You can see from this chart the immense growth in daily active users over the past month. Our global daily active users have surpassed over 4 million, representing a 400% YOY growth, driven by Italy with 14x growth and Indonesia with 9x growth. It's worth noting that the numbers shown here don't reflect the full rollout of our most recent country-wide deployment.

On the next slide, due to global school closures, we have been busy supporting and partnering with governments and school administrators to bring their schools online. As Vin mentioned, there is an Egypt country-wide deployment. Similarly, leveraging NetDragon and Promethean, Egypt recently designated Edmodo as their online learning platform for the entire Egyptian K-12 school system. We are currently onboarding 1 million teachers and 22 million students. In times of crisis, true priorities become crystal clear, and in the case of Edmodo, the need to provide an immediate, viable distance learning solution enabling communication between parties with next-generation classroom tools is paramount. We've been hard at work developing these products and features that not only address current needs but next-gen features to sustain engagement both in the classroom and beyond. Recently, we have launched our first online tutoring service AskMo in Q4 of 2019. On this next slide you will see that AskMo, which represents the first of our online tutoring products, is off to a promising start. We are seeing strong market response and engagement, notably daily time spent on the app. In the past 2 weeks daily engagement has grown not only beyond this 4 min 9 seconds, but actually beyond 6 mins. And finally, our goals and areas of focus for 2020. Looking ahead, we will continue to focus on scaling, large-scale implementation and onboarding tools, reporting and analytics for administrators, organizations and governments, fast iterative product launches to address current needs and deliver on the next-generation classroom which includes gamified and social learning, and to continue to develop our online tutoring product line. With that I'm going to turn it back Dr. Simon Leung.

**Simon Leung:**

Thank you, Susan. This is actually a wonderful presentation. I will quickly summarize how we look at everything in 2020. On the gaming side, Yun Fei talked a lot about it. He's very clear on our strategy and how we look forward. We do expect continued growth in that area and the only thing I want to point out is that we have 6 new games with approved licenses already. On the learning side, you heard from both Vin and Susan on some of the growth initiatives within their businesses. What I want to highlight here is the continued execution of our country strategy. Let's take Egypt as example where I'm quite involved together with the different CEOs in making that happen. This is a classic case of where we can provide hardware,

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software, infrastructure and also platform. This allows Egypt to not only improve their education but become the leader in that area.

You heard Vin talking about people buying classroom technology to their existing classrooms. But we also create the solution called Intelligent Classroom to help them address the shortage of classrooms. And at the same time, Edmodo went in and has become the de facto standard supporting all the students and all the teachers and ultimately connecting all the parents to this platform so they can do learning collaboratively, initially in Egypt but they can also go outside of Egypt. At the same time, we have a lot of technology we can bring in, such as virtual classrooms and broadcasting system. There's something they developed for the last few years called EKB (the Egyptian Knowledge Bank) which will be integrated into Edmodo so that students can access content. But we will give them more tools so that they can provide even more content and more premium content on top of it, and also help them to monetize. Some of our services that Susan talked about like AskMo is going to be a perfect solution for Egypt because they have a lot of teachers that all speak Arabic so they can be part of the AskMo solution providing help to the local students. At the same time, because they speak Arabic, they can potentially support students in UAE, the Middle East, and different places, so again very exciting development for us. You know, Egypt is a big focus, but at the same time we are also working on other countries. The other countries may not take 100% of what Egypt is doing, but 80% we will be pretty happy. And for China, we will continue to grow and I think that's very good.

One thing I would be remiss to not talk about is the COVID-19 impact both creating some challenges but at same time also creating opportunities. We don't see this as a huge impact on our gaming business, if there's any impact it will be positive as people will be spending more time at home and spending more time on games. On Promethean side, the challenges will be more on the timing, because if you remember our purchase season is more in Q2 and Q3, but with this virus situation, we do see this getting pushed out a little bit, we are looking at maybe a quarter (of delay) right now. But the good news is that we do not see the demand diminish. We are still talking to them and they are very enthusiastic about using our technology. If you remember we talk about the new normal, with that they will really need to invest into more technology to support distance learning and at-home learning even when they come back to the "normal state". Case in point is - actually in the US, we see even more opportunities. We don't know when it will happen, but the US \$2 trillion stimulus package, in there \$13bn is earmarked to invest into education, so trust me we are looking at that both from the eyes of Promethean and also the eyes of Edmodo. With that, it's good to Edmodo. COVID-19 didn't negatively impact Edmodo but it positively impacts Edmodo in terms of the usage because all of a sudden everybody realizes the importance of having a community, the importance of connecting teachers and students in remote areas. So we see opportunities not only in countries like Italy and Indonesia that Susan talked about, but even in the US we do see increase of activities by about 30%. Because our base is big, 30% is actually quite a bit. We are seeing similar trend in China, where at-home learning is going to be big and it will continue to leverage our resources and then we will start monetizing the business. So with that, thank you for your attention, I hope we did give you not only a good view of what we have done in 2019, but I think we also give you a clear strategy and our view of the business in 2020. So with that, I'm going to give it back to the operator and then we will go into the Q&A. Thank you.

**Moderator:**

Thank you, Dr Leung and management. Now it's time for our Q&A session. You are welcome to raise your questions in the following two ways. First, if you would like to raise questions through this conferencing system, you may press star one on your phone keypad and our operator will bring you through. Second, if you would like to raise questions via our webcast platform, please click the question mark on the screen and type your question in the Q&A box.

**Susanna Chui, DBS:**

Good morning Simon and Ben and thank you for taking my question. NetDragon did a very great job in 2019, so could we have the 2020 guidance for revenue growth in the online games and education segments? Also, the profitability outlook especially on the education segment. Could we expect the loss from the education segment to stabilize or even narrow down in 2020? That's my first question, thanks.

**Simon Leung:**

Let me take it. Susanna, thank you for the compliment. We did try very hard and will continue to do it. In terms of guidance, you know we don't give it out at calls like this. I'd suggest you go talk to Ben offline. A quick comment on the segmental loss of our education business. Edmodo is going to pick up a lot of steam and we can monetize it in so many different ways by charging per student, per teacher and set it up for administrator. We can advertise and offer services. Actually, we do see the momentum picking up. Definitely, we see continued narrowing losses and we are going to be positive (turn profitable) as soon as possible. OK, Ben's friend, so talk to Ben.

**Zhao Feiya, Haitong International:**

I have two questions. The first is, as mentioned by Mr. Wang, Vows of Heroes (Under Oath) will be launched in the middle of this year, so what about Eudemons II? Can you share with us some testing data of these two games? You also mentioned that there will be some game IP crossover this year. What is the current progress in this part? Are there any partners that you are already in talks with?

**Wang Song (Yun Fei):**

According to our current plan with Bilibili, Vows of Heroes (Under Oath) will be released between July to August. So far, we've completed the closed beta test, and the performance data turned out great. The paid beta test will follow soon.

Eudemons II is planned to launch in the second half of this year. We've been working closely with Kingsoft to finalize the testing time. However, due to the pandemic, the schedule might be postponed to this month or next month.

**Zhao Feiya, Haitong International:**

My second question is about the education business. As Simon said, the pandemic may impact your orders this year, so I would like to know the current progress of the tenders, especially those in Egypt. This year, Egypt may very likely be hit by the pandemic and the locust plagues. Will the Egyptian government budget be affected by this? And what is the current order progress?

**Simon Leung:**

In terms of the tenders, perhaps we did not explain them very clearly. Last year, we successfully won a contract for about 30,000 units of panels. In Q4 last year, only a small part of the panels was delivered, and the rest of the order will continue to be fulfilled this year. In addition, lots of opportunities are arising from the pandemic. We have meetings with the Egyptian government almost every day because they have an increasing demand for science and technology since the outbreak.

Let's start with Promethean. There continues to be opportunities but the timing may be delayed a bit. The government is spending a lot of time working with us to promote Edmodo. So I think Promethean may be affected a bit, but overall there's not much impact. Besides, we have deployed 100 Intelligent Classrooms there so that they can do different trials with our products and make the final decision.

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Their budget starts from 1st July. Egypt has a different calendar. So the budget plan has already been revealed in the parliament. In the short term, some unexpected incidents may impact us a little but I think only the timing will be affected. Before we talked more about Promethean but now Edmodo is having an unprecedented opportunity in Egypt. Basically, all the students will be on our Edmodo. So we can charge them a subscription fee for the provision of support and services. Generally speaking, our revenue in Egypt this year will not only come from the hardware and software of Promethean but also Edmodo from Q3 to Q4.

**Moderator:**

Thank you very much. We would like to welcome our next question. The next question comes from Eric Qiu from CCBI.

**Eric Qiu, CCBI:**

Thanks for taking my questions. Regarding the gaming business, the slides indicate that the gross billing of Eudemons Online has leapfrogged from RMB 800 million to RMB 4.4 billion from 2015 to 2019. In other words, the gross billing has multiplied by 5 times in the last four to five years, which is quite remarkable for a well-established IP. So, is this impressive growth a result of user expansion or ARPU increase? What are the contributing factors to such a gross billing upsurge for a well-established game?

Besides, how were Edmodo and Promethean affected during the outbreak? The virus is running rampant overseas, so will it affect Promethean's orders? On the other hand, will Edmodo see a considerable rise in its online business?

**Simon Leung:**

Yun Fei, you may first answer the question about Eudemons Online.

**Wang Song (Yun Fei):**

There are several reasons. First, undoubtedly, both the number of users and ARPU have increased. For example, active users of Eudemons Online (Simplified Chinese Version) expanded by 30% last year. Second, as you can see in the image below, we've launched a series of products for Eudemons Online. As we expand the product line, its gross billing has increased significantly.

**Simon Leung :**

Well, we already have answers to your questions regarding Promethean and Edmodo on slide 45. For Promethean, there may be some impact on timing but we haven't seen anything that we should be concerned about. Promethean has been in close contact with us. Though we don't give any guidance, currently speaking, everything by March is fine. So, we should get a clear picture in the next quarter. And we're not so worried about the delay. In some countries, especially the United States, around USD 13 billion out of the stimulus package will be invested in education. When the money is finally delivered, we will have more opportunities. In a word, there may be some possible negative effect in a specific period, but the general situation will remain relatively stable and sound.

For Edmodo, I've given my guidance before. It's time to monetize Edmodo in the second half of the year because we are discussing with Egypt how to create access for all students to the platform. There will be many conversations on the cost and revenue. As for revenue, we have to think about how to price the platform and how to integrate additional services into it when the community is established. This is why

Susan has talked so much about AskMo and other related aspects. After Edmodo was implemented in Egypt, it can be monetized in so many ways. However, we finally found that the SaaS subscription model is the best one. In this way, we can charge a certain fee from each student and teacher and sell additional services.

**Eric Qiu, CCBI:**

I have a follow-up question. You've just mentioned commercialization. It seems that a social commerce-related platform or application was supposed to come out in Q4 of last year. What's the final result and progress on that project? Or is it postponed to the second half of this year?

**Simon Leung:**

Social commerce is a general concept. As Susan mentioned in slide 41, our AskMo is designed to provide tutoring services, but it's also a part of our social commerce plan. The future is quite encouraging, so AskMo will be our priority. Besides, when we gain enough traffic, we can make advertisements or marketing programs. For example, there is an American company named Target, which seems to have been taken over by Walmart. They would like to join us to do some back-to-school programs because we have the ability to reach out to many students and parents directly. In the past few months, they came back to us and said our e-commerce idea will be very helpful to their online digital marketing because it can bring more traffic to them during the pandemic. Actually, we can do this not only in America but in many other places in the world. We are highly optimistic about Edmodo this year and the pandemic gives us even stronger confidence.

**Moderator:**

Thank you, Dr Leung. Now we would like to welcome our next question. And the next question comes from Yang Linlin from GF Securities.

**Yang Linlin, GF Securities:**

Greetings. Gaming should perform well in the pandemic, so could you share your expectation on the growth for Eudemons Online, Heroes Evolved and Conquer Online?

The other question is about education. As for education, the overseas education business might be affected by the pandemic. However, the demand for online education across China is skyrocketing. Is there a need to adjust your business strategies and put them in place?

**Simon Leung:**

Yun Fei, you may first talk about the gaming business.

**Wang Song (Yun Fei):**

We have seen a positive trend in our gaming business during the pandemic. In February, our game-related statistics hit new highs, including daily active users, peak concurrent users, and top-ups. This year, our gaming business is expected to maintain the momentum. As for some specific figures and numbers, I believe that our colleagues in the relevant departments will give you an accurate answer later.

**Simon Leung:**

For education, we are not adjusting our strategy. We want to push it forward more quickly. NetDragon has devoted a lot of time in the fields of online education and e-learning. We have driven traffic during the pandemic by implementing projects around the world. For example, I have talked a lot about our

cooperation with Egypt. We have a lot of clients from various countries and regions approaching us with similar demand. The case in China is similar. During the pandemic, we've provided online education solutions and live streaming services to Hubei and Fujian provinces through our platform. I would say that we are doing things better and faster. It is all about monetization instead of commercialization, which we have already covered. If you like to know and talk more in detail, we can do it after the meeting.

**Moderator:**

Thank you, Dr Leung. Before we welcome our next question from the webcast platform, let me reintroduce the ways we can raise questions. So first, if you would like to raise questions through the teleconferencing system, you may press star one on your keypad. And you may click the question mark on our webcast platform to ask questions in the Q&A box. Now let me welcome the question from our webcast platform. This is the question from Mr. Chung of Everbright SHK. He would like to ask: What is our sales target of Promethean in China in 2020?

**Simon Leung :**

As we just said, we're not going to talk about guidance at this meeting. Please contact Ben, and then we'll see how we can give you the information you need after the meeting. Of course, we have set the internal targets, which will certainly be more ambitious than last year's growth, but we will not give guidance at this meeting.

**Moderator:**

Thanks Simon. The next question comes from Chen Zhangfeng of Hechuang Capital.

**Chen Zhangfeng, Hechuang Capital:**

Greetings. In terms of the education sector in China, NetDragon has partnered with the National Center for Educational Technology, with the use of a SaaS model. Can you give us a ballpark estimate for this year's earnings or the market share of your educational products and services?

**Simon Leung:**

Market share is not the only thing we look at because we have won some tenders. The number of market shares will look good due to the tenders. I would suggest that we focus on the month-on-month or year-on-year growth of every business. I would also refer you to our IR team. They will provide you with our earnings guidance and more figures later on. But we will not give such guidance at this meeting.

**Moderator:**

Next question comes from our online webcast platform. It's from Lawrence of Boston Partners. It's about our gaming business. The question is: Which countries are you seeing traction for international growth and, where do you see the contribution in the next 3-5 years for our gaming business ?

**Simon Leung:**

Yun Fei, you can take that question.

**Wang Song (Yun Fei):**

Currently, the biggest contributors are the US, European, and Middle East markets. We will strengthen our foothold in these markets. We also see huge potential in emerging markets. Last year we did a series of small-scale tests and discovered some regions with good potentials. We will try to expand more in these markets.

**Moderator:**

Welcome our next question from the teleconferencing system. Thank you.

**Operator:**

Next question comes from Pricilla Chan of Clough Capital.

**Pricilla Chan, Clough Capital:**

Good morning management. Can you share with us the impact of the virus outbreak on Edmodo and Promethean's businesses?

**Simon Leung:**

I think we talked about this subject quite a few times, so I don't know what additional information you are looking for. I urge you go back to p.45. I am happy to have Vin and Susan add more comments. You can look at our outlook for 2020. Vin and Susan, do you have any additional comments?

**Susan Kim:**

Outside of Asia, we are still fighting the virus and will be in lock-down for quite some time. There is going to be continued demand and that doesn't show any signs of stopping. It's now about sustaining that demand, servicing it, and building next generation features that deepen engagement, which is the precondition for monetization. On top of that, we have such a huge opportunity working in partnership with Promethean and NetDragon with these country-wide deployments. The deployment in Egypt is starting to awaken. The US market, which is our most mature market, has been growing as slow as the other markets. But we now have state projects. What we want to do is statewide deployment because of the news coming out from Egypt. So if you are looking for the outlook for 2020, it will be strong. It presents an opportunity for us to start aggressively.

**Simon Leung:**

Vin, any comments from you?

**Vin Riera:**

I think I just built on what you said earlier, which is we don't believe that the demand is entirely perishable on interactive devices in classrooms. We all fundamentally agree that the classrooms are going to open back up again. When they do it, they need to be ready with all sorts of technology, interactive flat panels and Edmodo.

**Pricilla Chan, Clough Capital:**

We have to help our clients to build the classrooms and so on. But just because of the epidemic, we have to hold on all these kinds of projects. Is the case like that?

**Simon Leung:**

I am not so sure what do you mean by holding on to these projects. For Promethean, as Vin said, we see the demand is still there and I think there will be some timing impact. What you meant is that the project is going to go away but I don't see that happening. But we do see the impact on timing. On Edmodo, it's a totally different story. Because of where we are, there's much more immediate need for them to go address that issue. The issue is what I call the new normal because I don't see everything going back exactly the way it was. Because people kind of understand something will happen, it could be a virus, hurricane or something else, so this kind of remote learning is here to stay. That's why we are calling it the new normal. Because of that, I see continued pressure for us to really support a lot of people whether it's in Edmodo or in China using our other assets. I think this is how we look at the project.

**Moderator:**

I would like to call your attention again for raising your questions. If you would like to raise questions through the teleconferencing system, please press star one. And you may also click the question mark on our webcast platform to ask questions. Let's welcome our next question from our online webcast system. The question is from Jacob from Cable Car Capital. The question is: Do you have any update on the anticipated timing and funding of the Egyptian pop-up classroom MOU?

**Simon Leung:**

First of all, we've shipped about 100 of them. In terms of the current budget situation, the Egyptian government has a chunk of money in their budget starting 1<sup>st</sup> July. So they can do the Intelligent Classroom in the next fiscal year. At the same time, they also have another budget within the Egyptian government, not necessary under the ministry of education, but under the ministry of transportation. That's the money for them to build physical schools. They did have a plan to do that. That's another pot of money potentially the ministry of education can tap into. This is good news. All the money is there in the next fiscal year. We don't control what they do. We do not know whether there will be some delay and we will keep a close eye. That's all of the things I can tell you at this moment.

**Moderator:**

We will like to welcome the last question.

**Operator:** The last question comes from Mr.Jia of Everbright.

**Jia Changhao, Everbright:**

I would like to know the guidance for revenue in 2020 and 2021, and also the margin in 2020 and 2021.

**Simon Leung:**

We don't give guidance at this call. I suggest you talk to Ben or Maggie of our IR department. Thank you everybody. It's great to be here with you to share the good news of 2019 and to give you the outlook of 2020. We are very confident about our business model, both in gaming and education. We don't see the demand diminish. But we do see some impact on timing. On the Edmodo side, we do see huge opportunities for us to really support a lot of these governments, states and provinces to address the current issue. That allows us to start monetizing much quicker than expected. Once again, we are very confident

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about our 2020 business. Thank you for joining. I'd like to thank all the speakers for spending the time here with you. Thank you again.