

# Key Points of CMGE 2022 H1

## Financial Results

- **CMGE Technology Group Limited (hereinafter referred to as "CMGE") announced its 2022 interim results on August 25<sup>th</sup>. The total interim revenue in 2022 reached RMB 1.233 billion, down 43.5% year on year with a loss of RMB 15.65 million. Meanwhile, revenue from overseas business achieved RMB 228 million, up 3.6% year on year, accounting for 18.5% of CMGE's total revenue. The gross profit margin increased from 38.5% to 40.6% over the same period last year.**

- **Financial Status**

- As of June 30<sup>th</sup>, 2022, the total revenue was RMB 1.233 billion, down 43.5% year on year. Due to the failure to obtain approval numbers, the launch of many games was delayed, such as "Sword and Fairy: Wen Qing", "Cultivation Fantasy", "Rakshasa Street: Chosen One" and the independently developed "World of Castellan". R&D investment was RMB 204 million, up 65.1% year on year, and the total loss was RMB 15.65 million. Compared with the same period last year, revenue from overseas business accounted for a larger proportion of CMGE's revenue, and the gross profit margin increased from 38.5% to 40.6%.

- **IP game R&D and global distribution:**

**The proportion of revenue from overseas business and R&D investment increased year on year, and the existing games continued to contribute to revenue.**

- As of June 30<sup>th</sup>, 2022, revenue from overseas business reached RMB 228 million, up 3.6% year on year, and the proportion of revenue from overseas business increased to 18.5%. Revenue from publishing, independent research and development (R&D) and licensing business achieved RMB 1.02 billion, RMB 180 million and RMB 30.76 million, respectively.

- As of June 30<sup>th</sup>, 2022, the total number of newly registered game users was 38.37 million. There were 940,000 paying users per month on average, and the average number of monthly active users reached 12.78 million.

- CMGE continued to increase R&D investment, with the number of R&D personnel reaching 632. R&D investment increased to RMB 204 million, up 65.1% year on year.

- **In the first half of 2022, a lot of games were launched overseas and included in the bestseller list and top free games list of Apple and Google in many regions with**

## **outstanding achievements.**

- "Dynasty Warriors: Hegemony" was launched in Hong Kong, Macao, Taiwan, Singapore, and Malaysia in January, ranking first in the Top Free Games List of Apple and Google in Hong Kong, Macao, and Singapore, first in the Best Selling Games List of Apple in Hong Kong and Macao, as well as second in the Best Selling Games List of Apple in Taiwan.
- "Soul Land: God of Battle Arise" was launched in Vietnam in March, ranking first and fourth respectively in Apple's Top Free Games List and Best Selling Games List in Vietnam that month.
- "The New Legend of the Condor Heroes: Iron Blood and Loyal Heart" was released in Thailand in January and Vietnam in June.

**• In the first half of 2022, CMGE continued to expand its R&D business, with many products ready to be launched, and the games in operation continued to contribute to revenue and profit.**

• The games in operation continued to contribute to revenue and profit, including the independently developed "The World of Legend: Thunder Empire", "Legend of Dragon City" and other card and board games, the independently released "The New Legend of the Condor Heroes: Iron Blood and Loyal Heart" and "Soul Land: God of Battle Arise", as well as "One Piece: The Voyage" and "Dynasty Warriors: Hegemony" co-produced with third parties.

• In terms of new products, "A New Record of a Mortal's Journey to Immortality" was launched in January, which was recommended by the Mobile Hardcore Alliance as a star game of the month. However, the launch of some games was postponed, such as "Sword and Fairy: Wen Qing", "Cultivation Fantasy", "Rakshasa Street: Chosen One" and the independently developed "World of Castellan".

• Independently developed by Wenmai Hudong, "Call of Pioneers", an integrated strategy mobile game with the global theme, was granted an approval number and scheduled to be launched in December.

• The public beta of "Code: Soldiers", a similar mobile game independently developed by Wenmai Hudong, will be launched in Q4. The final test of "World of Castellan" was completed, and the game will be published after obtaining license.

• By June 30<sup>th</sup>, 2022, a total of 450,000 sets of the PC version of "The Legend of Sword and Fairy 7", independently developed by Beijing Softstar, were sold. More than 210,000 sets of the online game version were sold. The console version will be launched in Hong Kong, Macao, Taiwan, Southeast Asia, Japan, and North America in August 2022. A total of 1.23 million sets of the independently developed PC game "Monopoly 10" were sold as of the end of June, and the game will be released on Xbox/PS in July.

**• In the first half of the year, CMGE invested in superior-quality developers in the industry, providing high-class products such as "Code: Basketball 3v3" and "Ultraman:**

## **The Gathering".**

- CMGE completed the investment in Shanghai Zhoujing Network Technology Co., Ltd., holding 51% of its shares and officially becoming its controlling shareholder. The game "Code: Basketball 3v3" that runs on PCs, consoles and mobile phones with a long life cycle, will be officially tested in the fourth quarter and scheduled to be officially launched in the first half of 2023.
- The investment in Hainan Hemera Information Technology Co., Ltd. was completed in the first half of this year. This team is developing the mobile game "Ultraman: The Gathering" with the Ultraman IP licensed by Tsuburaya Productions Co., Ltd. in Japan. The game will be exclusively distributed by CMGE and planned to be officially launched in the second half of 2022.

- **Self-owned IP operation**

**Cooperation across the whole industrial chain of the Legend of Sword and Fairy IP has yielded remarkable results, with many projects in this IP universe implemented and IP popularity rising.**

- CMGE is continuously intensifying the value development of the Legend of Sword and Fairy IP, and forming an in-depth cooperation layout among the whole industrial chain of this IP that covers games, film and television, animation, literature, music, derivatives, real scene entertainment, and other fields.
- In the field of games, CMGE continued its cooperation with Immersive World to launch the VR game "The Legend of Sword and Fairy 1 VR" with an unprecedented experience. Softstar Technology (Shanghai) Co., Ltd., a wholly-owned subsidiary of CMGE, officially approved the single-player game "The Legend of Sword and Fairy 4: Remake" which is in the R&D stage. In the second half of 2022, the scenario-based card mobile game "Sword and Fairy: Wen Qing" will be launched. The large-scale massively multiplayer online role-playing game (MMORPG) "The Legend of Sword and Fairy· Yuanqi", a project in cooperation with Alibaba's Lingxi Games, will be presented in 2023.
- In the field of film & television and animation, the filming of "The Legend of Sword and Fairy I" in cooperation with Tencent Penguin Pictures will start in November 2021 and the filming of "The Legend of Sword and Fairy IV", co-produced with iQIYI, will start in February 2022. "The Legend of Sword and Fairy II", a television work, was filmed in the first half of 2022. "The Legend of Sword and Fairy VI", jointly produced with Shandong Film and Television Production Co., Ltd., will be filmed in the second half of 2022. In terms of animation, CMGE will cooperate with Bilibili to produce "The Legend of Sword and Fairy IV", and collaborate with Tencent Penguin Pictures to film "The Legend of Sword and Fairy I" and "The Legend of Sword and Fairy III".
- In the field of digital collection, the digital collection of "The Legend of Sword and Fairy" was launched on TheOne.art platform for the first time in January with great success.

In partnership with Alifish Platform, an e-commerce platform for digital collections, CMGE released 80,000 decorations for the digital collection version of "The Legend of Sword and Fairy" that can be paid with the Alipay payment code in April. Meanwhile, CMGE issued 24,240 NFT digital warriors of "The Legend of Sword and Fairy VII" in May through Tencent Huanhe Platform, an e-commerce platform for digital collections. Nearly 190,000 people participated in the random draw of pre-subscription qualification, and the digital warriors were sold out in one second.

- In other fields, the first blind box series "Garage Kits of the Chinese Traditional Festival Series of the Legend of Sword and Fairy", co-presented with POP MART, was officially released globally in April. At the same time, in cooperation with well-known partners such as Good SmileArts, Infinity Studio of Shanghai Qiku Network Technology Co., Ltd. and Bandai Namco Entertainment (Shanghai), CMGE will jointly launch Chinese-style models and toys including clay toy A Nu, clay toy Long Kui in red/blue clothes, figurine of Lin Yueru from the Elegance Series, garage kit of Han Lingsha, figurine of Yue Qingshu, garage kit and figurine of Li Xiaoyao, figurine of Chong Lou, and swordswoman's weapon model in the Legend of Sword and Fairy. Meanwhile, "The Sword and Fairy Alliance", the first online community that integrates personal space, content co-creation, content realization and socializing for the Legend of Sword and Fairy, will be tested in the second half of 2022.

- Hangzhou Xiqi Xianjian Town, a real scene entertainment project, is expected to have a soft opening in the second half of 2022.

- **Metaverse platform**

**"Sword and Fairy World", a large-scale open world game and a metaverse platform for entertainment and social contact, will be tested for the first time in the second half of 2022 and officially launched in the first half of 2023.**

- "Sword and Fairy World", independently developed by CMGE, is China's first open world game that spans PCs, consoles, virtual reality devices and mobile phones. It is also the first Chinese metaverse platform for entertainment and social contact with Chinese culture, providing deep experience of virtual reality and allowing players to truly become virtual characters with virtual reality devices.

- Based on the R&D team's rich experience in virtual reality technology and open world role-playing game (RPG) technology, the game combines user-generated content with rich social functions, providing players with a highly differentiated immersive experience. Branded merchants will also join the game platform to provide players with fire-new and authentic consumption scenarios. Players will be able to participate in the development and reform of the "World of the Legend of Sword and Fairy" with different virtual identities. They can choose how they live, play, and socialize in this world according to their own behavioral philosophy, and explore the game world with their own desires and dreams.

- As a metaverse game with Chinese style and open world elements, "Sword and Fairy World" boasts rich open world content and massive-multiplayer online (MMO) gameplay. The combination of Chinese style and IP features in "Sword and Fairy World" intensifies the

user engagement. Furthermore, created by "Sword and Fairy World", the City of Sky, i.e., the Chinese-style metaverse of the Legend of Sword and Fairy, will be a metaverse platform for entertainment and social interaction, which is an excellent extension of gameplay for open world game players.

- The Chinese-style metaverse of the Legend of Sword and Fairy will show players a fairyland with relax and leisure countryside and landscapes, as well as lofty mountains and steep hills, where players can build their own villas, courtyards and farmhouses. They can go fishing, boating and farming with their beloved friends. They can design their favorite clothes, pets and casual games, sharing and playing together to achieve better returns as creators. They can attend parties and watch performances elaborated by the platform here. The Chinese-style branded merchants can provide players with immersive consumption experience, and introduce manufacturing, agriculture, forestry and animal husbandry, so that players can experience the fun of controlling the output of the real economy online.

- **Eight blockbuster games will be released in China in the second half of 2022.**

- “The King of Fighters: All Stars”, a large-scale independently developed mobile game adapted from IP, has been granted a license number. It will be launched firstly in mainland China in the second half of 2022, and later will be launched in many countries and regions around the world. This product covers all the stars of SNK game series and links many top manga characters.

- “Ultraman: The Gathering”, developed by Hainan Hemera with Group’s strategic investment, has been granted a license, and will be officially launched in the second half of 2022. It is a mobile game adapted from the IP series of Ultraman with license, attracting more than one million users to register during the testing period.

- “Cultivation Fantasy”, researched and developed by Love Games (Shanghai) Internet Technology Co., Ltd. with Group’s strategic investment, has been granted a license in August, and will be launched in the second half of 2022. It is an idle mobile game created by the team led by the great producer Cheng Liangqi.

- “Call of Pioneers”, an independently developed global 3D card strategy mobile game, has been granted a license number, and will be officially launched in the second half of 2022.

- “Monopoly 11”, an independently developed PC game, is expected to be released on NS and Steam platforms this year.

- “Sword and Fairy: Wen Qing”, created by the R&D team of “The New Legend of The Condor Heroes: Iron Blood and Loyal Heart”, is licensed by the full series of “The Legend of Sword and Fairy” and will be launched in the second half of 2022.

- “Rakshasa Street: Chosen One”, a 3D ARPG mobile game with the new China Chic art style, is authorized by both comics and animation of Rakshasa Street, and will be launched in the second half of 2022.

- “World of Castellan”, an independently developed integrated strategy mobile game, adopted a highly innovative gameplay of group confrontation competition and deep social

interaction functions, and is expected to be launched in the second half of 2022.

- **Five games will be released overseas in the second half of 2022 to implement the overall overseas strategy.**

- “Dynasty Warriors: Hegemony” was launched in Southeast Asia in August and will be launched in South Korea in the second half of the year.

- “Soul Land: God of Battle Arise” will be launched in South Korea in the second half of this year, following its launch in Vietnam.

- The mobile game “Ultimate Judge: Bao Qingtian” will be launched in Thailand in the second half of the year.

- The mobile game “Cultivation Fantasy” will be launched in Singapore, Malaysia, Hong Kong, Macao, and Taiwan.

- The 3D idle mobile game “Don't Say Good Night to Fairy Tales” will be launched in Hong Kong, Macao, and Taiwan.

- **Many independently developed games enter intensive testing period and are ready for launch.**

- “The King of Fighters: All Stars” independently developed by CMGE’s Mantianxing Studio has been granted a license and will be launched first in mainland China in the second half of 2022.

- The console version of “The Legend of Sword and Fairy VII” independently developed by Beijing Softstar, a subsidiary of the Group, will be launched in Hong Kong, Macao, Taiwan, Southeast Asia, Japan, and North America since August.

- “Monopoly 11” independently developed by Beijing Softstar, a subsidiary of the Group, will be launched in the third quarter of 2023.

- The games such as “World of Castellan”, “Call of Pioneers”, and “Code: Soldiers” independently developed by Wenmai Hudong, a subsidiary of the Group, are in progress smoothly. “Code: Soldiers” is scheduled to finish its R&D stage in the fourth quarter of 2022 and enter the pre-launch testing period.

- “Code: Basketball 3v3” independently developed by Shanghai Zhoujing, a holding subsidiary of the Group, will grasp the rapid development of 3x3 basketball professionalism and e-sports business, as well as the development opportunities of sports powerful nation, to create a e-sport game that run on PCs, consoles, and mobile phones, and build a “e-sports ecology of street basketball sports” with this as the core. The game is expected to be tested in the second half of 2022 and officially launched in the first half of 2023.

- **The Sword and Fairy IP brand will be built constantly, and more projects will be**

## **launched to further popularize the Sword and Fairy IP metaverse.**

- The Sword and Fairy Alliance, the first online community that integrates personal space, content co-creation, content realization and social interaction, will enter the testing period in the second half of the year.
- “Sword and Fairy: Wen Qing” will be launched in the second half of 2022, the self-developed “Sword and Fairy World” and “The Legend of Sword and Fairy Yuanqi”, co-produced by Lingxi Games under Alibaba, will be launched in 2023.
- As the first physical book of the Legend of Sword and Fairy, “the Legend of Sword and Fairy IV” will be published by the Group in conjunction with Moli Press of CITIC Press in 2022. “Yao Tai Xue”, a Legend of Sword and Fairy novel, will also be released in the second half of 2022.
- The new version of “The Legend of Sword and Fairy I”, “The Legend of Sword and Fairy II”, “Xian Xia Zhuan”, “Qiong Hua Hou Zhuan” and other works are also being created.
- In terms of IP derivatives, CMGE will launch the first virtual digital person Longkui and its accounts on short video apps such as Kaishou and Douyin in the second half of 2022, and successively launch more collectable digital collections of the Legend of Sword and Fairy, as well as many attractive derivative peripheral products.
- The real scene entertainment project Hangzhou Xiqi Xianjian Town will have a soft opening in the second half of 2022.
- **Actively practicing social responsibility in multiple dimensions**
  - CMGE has long supported the “CMGE Dream Libraries” project that benefits young readers. By June 2022, CMGE has built the tenth “CMGE Dream Libraries” and steadily promoted the implementation of this project by donating two libraries every year.
  - On March 10<sup>th</sup>, CMGE allocated a special fund of RMB 1 million to purchase anti-pandemic materials locally in order to support Hong Kong's fight against the pandemic, and contacted the social anti-pandemic organizations in Hong Kong for orderly distribution.
  - As for the protection of minors, all the games published by CMGE are connected to the real-name authentication system and anti-addiction system with age limit reminders. CMGE strictly implements the new regulations of the National Press and Publication Administration on preventing minors from indulging in games, and only provides one-hour online game services for minors from 8:00 p.m. to 9:00 p.m. on Fridays, Saturdays, Sundays and statutory holidays, in an effort to fully protect the healthy growth of minors.
  - CMGE 's games all have restrictions on young consumers. In the first half of 2022, players under the age of 18 accounted for about 0.0029% of CMGE's game revenue in China.
  - CMGE was rated as an "Outstanding Social Responsibility Performance Enterprise" at the 2021 Game Responsibility Forum hosted by People's Daily Online.