

# CMGE 23H1 Performance Highlights

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- **CMGE Technology Group Co., Ltd. (hereinafter referred to as "CMGE")** announced its 23H1 performance report on August 25th. The company achieved a total H1 revenue of RMB 1.535 billion (RMB, the same below), a year-on-year increase of 24.6%. The net profit attributable to the parent company was RMB 56.824 million, and after adjusting for net profit, it stood at RMB 76.168 million, successfully turning losses into gains. Throughout the period, multiple games from the group successfully obtained game licenses, benefiting from the normalized issuance process for domestic game licenses in 2023. During the first half of the year, CMGE launched 8 new mobile games. Simultaneously, several self-developed games entered the testing phase before their official release. CMGE incorporated AIGC technology into both its self-development and publishing processes. This integration aimed to enhance efficiency in game development and distribution while reducing associated costs, effectively achieving cost savings and improved productivity.

- **Financial Overview**

- As of June 30, 2023, the company's total revenue reached RMB 1.535 billion, a 24.6% increase compared to the previous year. The net profit attributable to the parent company was RMB 56.824 million, and after adjustments, it reached RMB 76.168 million, successfully reversing the company's financial trajectory from losses to profits.

- **Key Financial Metrics**

- By June 30, 2023, CMGE's revenue from publishing operations reached RMB 1.217 billion, while revenue from self-development operations reached RMB 259 million. Additionally, revenue from proprietary IP operations amounted to RMB 59.81 million.

- CMGE's user base also demonstrated robust growth: the total number of newly registered users for games reached 48.68 million, a year-on-year increase of 26.9%.

The average monthly paying users stood at 1.13 million, growing by 20.2%. The average monthly active users reached 15.63 million, marking a 22.3% growth compared to the previous year.

- CMGE continued to prioritize research and development efforts in the first half of the year, allocating RMB 267 million to this aspect. This investment represented a significant growth of 30.6% compared to the previous year.

- **Global Publishing of IP Games**

- CMGE's exclusively published game "Sword and Fairy: Wen Qing" in June. The game garnered over 8 million pre-registrations across all platforms before its official launch. It achieved first place on the App Store's Top Free Game List and fourteenth place in the Best Selling Game List during its first month. Additionally, it received a strong recommendation from the Mobile Hardcore Alliance.
- The game "Ultraman: Assemble," developed by Hemera Game invested by CMGE, was launched in mainland China in January. It secured second place on China's mainland App Store's Top Free Game List in its first month.
- "Swallowed Star: Dawn," developed by Guangzhou Maigi invested by CMGE, was launched in April. It achieved first place on China's mainland App Store's Top Free Game List and thirty-seventh place in the Best Selling Game List during its debut month. It also received a strong recommendation from the Mobile Hardcore Alliance.
- "Cultivation Fantasy," developed by Love Games invested by CMGE, was launched in May. It ranked first on the TapTap popular games chart during its debut month. Moreover, it secured third place on China's mainland App Store's Top Free Game List and twenty-first place in the Best Selling Game List.
- In addition to these new releases, "One Piece: The Voyage," and "Dynasty Warriors: Hegemony" in collaboration with third parties, alongside self-published games like "The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart" and "Soul Land: God of Battle Arise," continued to contribute to the group's revenue and profitability throughout 2023.

- **Self-Development:**

- CMGE has taken a significant step in domestic game development with its first

self-developed Chinese-style open-world metaverse game, "Sword and Fairy: World." The game successfully obtained a game license in June and received its first exposure in the same month. It garnered praise from numerous players and is set to officially launch within 2023.

- The self-developed mobile game "The King of Fighters: All Stars" (known as "SNK: Fighting Generation" overseas) was launched in February in Hong Kong, Macau, Taiwan, Singapore, and Malaysia. In its first month, the game achieved the top spot on the App Store's Top Free Game List and reached as high as the fifth position on the top-grossing chart. It also secured the first spot on the Google Play's Top Free Game List.
- In the realm of esports gaming, "Hoop City: 3V3," developed by the group's investment-controlled company, Shanghai Zhoujing, has completed its development phase. It obtained a game license in May and is scheduled to enter multiple rounds of testing before an expected 2023 launch. This game aims to establish itself as a high-quality PC-based esports game. Upon launch, the company plans to build a highly influential esports competition around it.
- The fully-owned subsidiary, Wenmai Interactive, successfully obtained a game license for its self-developed game "World of Castellan" in February. The game has entered its final testing phase and is slated for exclusive release in the domestic market by 37 Interactive during the second half of the year.
- The self-developed PC game "Legend of Sword and Fairy 7," released by the fully-owned subsidiary Beijing Softstar in the second half of 2021, has achieved remarkable sales figures. As of June 30, 2023, the PC version has sold over 550,000 units, and the cloud gaming version has surpassed 210,000 units. Additionally, the console version was launched in August 2022 in Hong Kong, Macau, Taiwan, Southeast Asia, Japan, and North America, accumulating over 90,000 units in sales by June 30, 2023.
- Beijing Softstar's self-developed PC game "RichMan 11" received a game license in March 2023. Following its launch on Steam and Switch platforms in October 2022, the game arrived on WeGame and Steam platforms in June 2023. By June 30, 2023, global sales for "RichMan 10" and "RichMan 11" have surpassed 1.63 million units and 270,000 units, respectively.

- **Self-Owned IP Operations:**

- CMGE has embarked on an extensive strategy to leverage its “The Legend of Sword and Fairy” IP across various industries, including games, film, television, animation, literature, music, merchandise, and live entertainment. Collaborations with top-tier partners in each of these fields have contributed to the development of a comprehensive “Sword and Fairy” IP universe. The first official fan community for the “Sword and Fairy” series, “Sword and Fairy Alliance,” opened for user registration in April.
- In terms of gaming, the role-playing card mobile game “Sword and Fairy: Wen Qing” was successfully launched in June. “Sword and Fairy: World” is currently in the testing phase. The idle mobile game developed in partnership with Kingnet, “Sword and Fairy: A New Beginning,” has obtained a game license and is set to launch within the year. The large-scale MMORPG mobile game co-produced with Alibaba’s Lingxi Entertainment, “Sword and Fairy: Yuan Qi,” has entered its final testing stage. Following the success of “Sword and Fairy 4 VR,” the new VR game “Sword and Fairy 1 VR,” offering a fresh experience, was launched in cooperation with Immersion World in 2022. The company has established strategic partnerships with VR terminal company DPVR and PICO, ByteDance’s XR brand, with plans to bring “Sword and Fairy” VR games to DPVR and PICO VR platforms by 2024.
- In the realm of film and television, CMGE has established a long-term strategic partnership with Tencent Video for the “Sword and Fairy” IP. Currently, the TV series “Sword and Fairy 1,” co-produced with Tencent Video, has finished filming and is expected to be released in 2023. Tencent Video will also collaborate with CMGE on the production of the TV series adaptation of “Sword and Fairy 3.” Animated adaptations of “Sword and Fairy 1” and “Sword and Fairy 3” are also in production in collaboration with Tencent Video, with the animated series for “Sword and Fairy 3” expected to premiere in the summer of 2024. “Sword and Fairy: World” is poised to be a pivotal element in the collaborative creation of a Chinese-style metaverse universe alongside Tencent Video. Leveraging their respective strengths, both parties aim to jointly promote this flagship Chinese-style fantasy game. CMGE has cooperated with partners like Iqiyi to produce TV series adaptations of “Sword and Fairy 4”. Additionally, the Shandong Film & TV Group Co., known for producing popular TV dramas like “Nirvana in Fire” and “The Disguiser,” has completed filming for “Sword and Fairy 6” and is expected to release it in 2023. The film “Jiu Jian Xian,” co-produced with Beijing Jetsen Technology Co., Ltd., is set to premiere in the second half of 2023. In July, CMGE successfully hosted the 28th anniversary celebration of “Sword and Fairy” in the form of a Bilibili live broadcast, offering

players an immersive audiovisual experience. "Sword and Fairy 1," as the second official "Sword and Fairy" book, following "Sword and Fairy 4" novel, was submitted to the publishing house for publication in May.

- CMGE collaborated with well-known partners such as GSAS, PANTASY, and REVERSE STUDIO to launch various cultural and creative products, including clay figures Nüwa's Descendants, Li Mengli, Sword and Fairy 1998 - Singleplayer Building Blocks, Protagonist Funtall Figures, and Flower-Picking Zhao Ling'er. Collaborations with Shanghai Infinity Studio, APEX-TOYS, TriEagles Studio, Myethos, Lightyear Studio, Huwan Culture, MCSD, and other renowned companies resulted in the creation of various figurines, including Sword and Fairy Gift+ series, Xiaoya - Zhao Ling'er figure, Anu figure, Zixuan figure, Kuiyu figure, Lin Yueru poseable action figure, Nüwa Spirit - Dream Snake statue, and more.

- **Sword and Fairy: World- A Chinese Fantasy Metaverse Platform**

- In April, the pre-registration for "Sword and Fairy: World" began, and on April 27, the first in-game PV was released. The game obtained licenses for both mobile and PC platforms in June and is set to undergo multiple rounds of pre-launch testing in the latter half of the year.

- Leveraging the rich experience and expertise of CMGE's subsidiary, Starry Sky Studio, in open-world RPG and virtual reality technology, the game will offer players an immersive experience, incorporating user-generated content and robust social features. Players can partake in the development and evolution of the "Sword and Fairy" world in various virtual roles, choosing their own way of life, play, and social interaction. The aim is to create a highly immersive experience with AI-powered NPC interactions within the game world.

- In February, CMGE became one of the inaugural eco-partners of Baidu's "ERNIE Bot," signaling the integration of Baidu's cutting-edge conversational AI technology into the open-world gaming domain. This partnership grants "Sword and Fairy: World" access to leading AI advancements. In May, a comprehensive collaboration with Microsoft was established, encompassing cloud computing, big data, and Azure OpenAI technology. "Sword and Fairy: World" will pioneer the deployment of AI-based large-scale models, custom-tailoring a specialized language model for an enhanced immersive experience. "Sword and Fairy: World" implements NPC interaction through AI. NPC interactions, guided by AI, offer players individual character backgrounds and personalities, influencing subsequent storyline

development. The goal, through the fusion of AIGC, is to provide players with an interactive and immersive experience where virtually everything is interactive. Combining UGC tools with AI technology will enable users to create diverse and rich content at a lower cost and greater convenience.

- **23H2 Global Release Plan for IP Games**

- CMGE plans to release the "Soul Land: Shrek Academy," the first large-scale MMORPG mobile game based on the "Soul Land" IP in mainland China. Additionally, a simulation business game, "Country Love Story," inspired by the "Country Love" IP, is scheduled for release.
- "Rakshasa Street: Chosen One," a mobile game that has achieved considerable success in mainland China, is anticipated to be launched in Hong Kong, Macau, and Taiwan.
- Furthermore, "Dynasty Warriors: Hegemony" is expected to be released separately in Japan and Western markets in the latter half of the year.

- **23H2 Self-Developed Game Launches**

- The wholly-owned subsidiary, Wentai Interactive, has entered the final testing phase for the self-developed game "World of Castellan." It obtained approval in February and is planned to be exclusively published by 37 Interactive in the latter half of the year.
- The PC-based sports esports game "Hoop City: 3V3" by the holding subsidiary, Shanghai Zhoujing, has entered the final testing stage before launch. It has obtained approval and is expected to be released within the year.
- Continued iterations and upgrades will be applied to the currently operational self-developed games, including "The King of Fighters: All Stars," "Legend of Dragon City," "The World of Legend – Thunder Empire," and various board games, to enhance the revenue contribution of products during stable operational periods.

- **23H2 Self-Owned IP Operations**

- CMGE will collaborate with the leading cloud service provider, Weiling Times, in a strategic partnership to jointly build an MR content ecosystem, creating an interactive MR game that disrupts traditional gaming experiences based on the

"Sword and Fairy" IP.

- Together with Weiling Times, CMGE will introduce virtual characters of classic roles such as Li Xiaoyao, Zhao Ling'er, and Long Kui.
- Leveraging Weiling Times' new AI paradigm for game production, it will accelerate the creation of rich game content for "Sword and Fairy: World."
- CMGE will work with Tencent Video on "Sword and Fairy 1," collaborate with iQiyi on "Sword and Fairy 4," and co-produce "Sword and Fairy: 6" with Shandong Film & TV Group Co. These adaptations are scheduled to premiere between 2023 and 2024.
- The novel "Yaotai Snow" from the "Sword and Fairy" series is also set to be published in 2023. New versions of "Sword and Fairy 1" and "Sword and Fairy 2," as well as works like "Xianxia Chronicle" and "Qionghua Sequels," are also in the creative process.
- Following the successful launch of the first blind box series, "Sword and Fairy: Traditional Chinese Festival Collectibles," in collaboration with POP MART, CMGE will continue its collaboration this year to release the second blind box series, "Sword and Fairy: Traditional Chinese Instrument Collectibles."

- **Sword and Fairy: World- A Chinese Fantasy Metaverse Platform**

- "Sword and Fairy: World" will undergo multiple rounds of testing and promotion in the latter half of the year, with CMGE fully committed to launching the game within 2023.

- **Multi-Dimensional Social Responsibility**

- CMGE has long supported the "CMGE DreamBuild Library" project, which promotes youth reading. The implementation of this project is progressing steadily, with eleven "CMGE DreamBuild Libraries" already established.
- CMGE strictly adheres to relevant national policies, implementing real-name authentication, anti-addiction systems, and age-appropriate reminders for all released games. It also strictly enforces the new rules from the National Press and Publication Administration on limiting game services to minors to only one hour per day on Fridays, Saturdays, Sundays, and statutory holidays from 8:00 PM to 9:00 PM, fully protecting the healthy growth of minors.

- All games under CMGE's umbrella have regulations restricting underage consumption. In the first half of the year, players under the age of 18 accounted for less than 0.01% of CMGE's gaming revenue in China.
- At the 2022-2023 Game Responsibility Forum organized by People's Daily Online, CMGE was selected as a company with "relatively outstanding social responsibility performance" and received the "2022 Responsible Business Award" from the Guangdong Provincial Department of Culture and Tourism and the Guangdong Provincial Game Industry Association.