

Highlights of CMGE's 2024 Interim Results

CMGE Technology Group Limited (hereinafter referred to as "CMGE") announced its 2024 interim results on 28 August, with total revenue of RMB1,233 million (hereinafter referred to as "H1 2024") and adjusted net profit of -208 million. Due to suboptimal performance by certain investee companies within the group during the reporting period, along with impairments on non-operating financial assets, the Group has recorded a net loss. However, the Group's operating businesses continued to be profitable. Through resource optimisation and cost reduction, and with the launch of a number of new games in the second half of the year to generate revenue, it is expected that the operating results will improve in the second half of the year.

Financial position

- As at 30 June 2024, the Group had total revenue of RMB1,233 million and adjusted net profit of -208 million, with the operating businesses still generating profits and revenue from overseas businesses accounting for 14.3% of the Company's revenue.

Summary data

- As at 30 June 2024, revenues from publishing business reached \$1 billion; revenues from self-development business reached \$126.3 million; and revenues from Proprietary IP operation reached \$107.1 million.
- As of 30 June 2024, the total number of new registered users reached 47,297,000; the average monthly paying users reached 1,027,000; and the average monthly active users reached 14,392,000.
- R&D investment was \$110.2 million, a decrease of 58.7% year-on-year, due to the completion of the development of the self-developed "World of Castellan" and the capitalisation of the R&D expenses of the self-developed "Sword and Fairy World" as it entered the testing stage.

Global publishing of high-quality IP games and innovative mini-games:

- Co-published with Tanwan Games on 31 January, Soul Land: Shrek Academy

was ranked No. 1 on the Apple Store free list, No. 24 on the bestseller list, and No. 1 on TapTap's Hot List in the first month of launch, and its first month's gross revenue exceeded RMB 100 million.

- Developed by the R & D company EZfun Interactive, which is invested by CMGE, "Fight Break Spheres" was launched in June. In the first month of its launch, the game ranked the second on Apple Store's free list, the thirteenth of best-selling list, and won the superstar recommendation of hardcore alliance.
- In the first half of the year, after the launch of our new mini-game "Smash It!", it climbed to the 32nd position on the WeChat Game Bestseller Chart and simultaneously ranked first among tower defense match-three elimination games in the mini-game category.
- The mini-game "Lord Don't Run" also recorded a monthly gross revenue of over 10 million for a number of months during the reporting period.
- Sword and Fairy: Wen Qing was launched in Hong Kong, Macao and Taiwan in December 2023, and in its first month of launch, it ranked No. 1 on the Apple App Store Free Chart in the three regions mentioned above, No. 1 on the Apple Store Best Seller Chart in Hong Kong and Macao, and No. 3 on the Apple Store Best Seller Chart in Taiwan.
- A number of high-quality IP games that are already in operation, such as "Sword and Fairy: Wen Qing", "The New Legend of The Condor Heroes: Iron Blood and Loyal Heart", "One Piece: The Voyage", "Dynasty Warriors: Hegemony" and "One Piece – the Road of the Strong", as well as innovative mini games that are already in operation, such as "Battle of Ling Xiao" and "Fire at Will", continued to contribute to revenues and profits in 2024.
- The game "Sword and Fairy World" has already begun its online reservation campaign, with nearly 5 million reservations and excellent test data.
- The game World of Castellan is expected to complete its tuning targets and scale up its rollout in the second half of 2024.
- The game "Code: Dark Night Legend" is a self-developed game similar to "The World of Legend - Thunder Empire", which has completed its research and development and is scheduled to be launched in the year.
- The Group has significantly reduced game development costs by leveraging advancements in Artificial Intelligence and Generative Content (AIGC)

technologies. We have integrated AIGC innovations into key aspects of game production, including art design and content creation, which has effectively optimized our cost structure and enhanced efficiency. Technologically, we have implemented various advancements to elevate environmental realism and enhance player immersion in virtual worlds. AIGC technologies have been extensively applied to Non-Player Character (NPC) creation. Utilizing an event-driven AI decision-making framework, we can rapidly generate NPC behaviors. These intelligent NPCs adapt their actions and conversations according to natural environmental conditions, fostering a naturally authentic social ecosystem that enhances the realism of the virtual world. These technological innovations have not only saved on development expenses but also improved the efficiency of game production. They have proven instrumental in maintaining the scheduled progress of both game development and testing phases.

Legend of Sword and Fairy IP operation:

- The television series " Legend of Sword and Fairy 4", which was filmed in conjunction with iQiyi, was officially broadcast in January.
- The television series adapted from "Legend of Sword and Fairy 6", "Pray for the Present", produced in conjunction with Shandong Film and Television, was officially broadcast in January.
- The television series adapted from " Legend of Sword and Fairy 1", " Sword and Fairy: Paladin Legend ", which is jointly produced with Tencent Video, was officially aired in April.
- The interactive video production of the Immortal Sword IP, produced in association with Qishu Youyu, Guangzhou Hippo and Guangzhou Xiaoyou, has been officially launched in November 2023.
- Entered into a strategic partnership with Penguin Pictures to co-produce the " Legend of Sword and Fairy 1" and " Legend of Sword and Fairy 3" animated series. The trailer for the " Legend of Sword and Fairy 3" animated series was released in 2023, and the main animated film is scheduled for release in 2025.
- The animated drama " Legend of Sword and Fairy 5", which has entered into a partnership with Bilibili, is in production.
- Continuing its collaboration with PopMart and launched blind boxes series. The Legend of Sword and Fairy Chinese Traditional Festival Figures Series

and The Legend of Sword and Fairy Chinese Traditional Musical Instrument Figures Series for global sale.

- Together with many renowned partners, jointly launched products in 2024, including pop beans series of Legend of Sword and Fairy, Gift + series figures, figure of A Nu, statue of Zhao Linger, statue of Lin Yueru and other figures, which gained support from consumers.
- In July, the 29th anniversary celebration of " Legend of Sword and Fairy " was successfully held, with related offline activities held in Hangzhou City, Zhejiang Province, Changzhou City, Jiangsu Province and Chongqing Municipality respectively.
- Legend of Sword and Fairy Real Scene Project has already opened in December 2023 in Chongqing, and in July 2024 in Hangzhou, Zhejiang Province and Changzhou, Jiangsu Province. The Shanghai and Suzhou projects are in the final stages of preparation.
- In April, we reached a strategic cooperation with Chaojing Group, and in June, we reached a strategic cooperation with Hopson Commercial, and continued to promote the integration of various resources from related affiliates to assist in the publishing of CMGE IP games and the commercialisation of Legend of Sword and Fairy IP.

Global release of High-quality IP games and innovative mini-games in the second half of the year

- Soul Land: Reversed Spacetime: Developed by invested Love Games at a cost of \$200 million, it is scheduled to be launched in mainland China in September, and player reservations have been opened in February.
- Daily Life of Chat Group: Based on the bestselling supernatural and exotic novel Cultivation Chat Group, pre-launch player reservations opened in April and are scheduled to be launched within the year.
- Naruto: Konoha Master: Following the classic card gameplay of its predecessor Naruto: Ninja Masters, pre-launch player reservations were opened in August and are scheduled to be launched within the year.
- New Romance of the Three Kingdoms - The Legend of Cao Cao : Adapted from the classic single-player wargame Three Kingdoms of Cao Cao, it has opened its first billing test in August and is scheduled to be launched during 2025 Chinese New Year.

- It is planned to continue to launch a number of new small game products during the year, including Country Love's Business Life, Spring and Autumn Xuanqi and Three Thousand Illusory Worlds, so as to achieve further growth in the small game distribution business.
- Soul Land: Shrek Academy: launched in Hong Kong, Macao and Taiwan on 22 August, topped the free list of Apple Store in Hong Kong, Macao and Taiwan in the first week of launch, and won the fourth place in the best-seller list of Apple Store in Hong Kong and the seventh place in the best-seller list of Apple Store in Taiwan.
- Code: FA and Smash It: to be launched in Hong Kong, Macau and Taiwan in the second half of the year.
- Dynasty Warriors: Hegemony: to be launched in Japan in the second half of the year.

Second half of the game independent research and development

- Sword and Fairy World: The fourth test will be held soon, the official launch will be pushed forward in full force during the year, and the number of product reservations will be expected to exceed 10 million.
- World of Castellan: expected to complete its tuning targets and scale up its rollout in the second half of 2024
- Codename: Dark Legend: a self-developed game, which has finished the research and development stage, plans to carry out test and is scheduled to be launched in the second half of the year.

Proprietary IP operation in the second half of the year

- A series of written works based on Legend of Sword and Fairy and two official original spin-offs, Yao Tai Xue and Qiong Hua Hou Zhuan, are in the creation stage and will be released in 2024 and 2025 respectively.
- Legend of Sword and Fairy 2 was published in June 2024 by CITIC Press. The written works of Legend of Sword and Fairy 1 will be published in the second half of 2024. The rest of the series and the two official original spin-offs, Yao Tai Xue and Qiong Hua Hou Zhuan, will be released in 2024 and 2025.
- The Legend of Sword and Fairy real scene project opens in December 2023 in Chongqing and in July 2024 in Hangzhou, Zhejiang Province and Changzhou,

Jiangsu Province. The Shanghai and Suzhou projects are in the final stages of preparation.

Legend of Sword and Fairy IP matrix has already covered the fields of games, comics, literature, content experience, real scene entertainment, film and television, animation, music, virtual idols, derivative products, etc., and will continue to create more living content to enhance the reputation of the IP among young users. It is expected that with the addition of Chaojing Group, Legend of Sword and Fairy will accelerate its business development in IP operation services, theme business planning and execution, derivatives design and development and other related tracks, and both parties will help each other with resources in the IP industry chain, closely integrating for mutual benefit.

- In August, it has reached the linkage co-operation of "Little Heroes" and "Legend of Sword and Fairy I" with Guangzhou 4399 Information Technology Co.
- The plan is to authorise a third-party developer to carry out the development of the mobile game Code: Sword and Fairy 3D, adding new vigour to the Legend of Sword and Fairy IP family.

Multi-dimensional practice of social responsibility

- The Group has long supported the "CMGE Dream Libraries" project, which is conducive to reading for young people, and has steadily pushed forward the implementation of the project, with twelve "CMGE Dream Libraries" already completed.
- The Group strictly complies with relevant national policies and connects all games published by the Group to real-name authentication, anti-obsession systems and age-appropriate reminders for games, so as to fully protect the healthy growth of minors.
- During the first half of 2024, the contribution of players under the age of 18 to the Group's domestic game revenue in China was less than 0.01%.
- Gamma Data organised the 2023 China Game Corporate Social Responsibility Report and CMGE was selected as the "Outstanding Enterprise in Social Responsibility Performance", and received the "2023 Social Responsibility Award" from the Guangdong Provincial Department of Culture and Tourism and the Guangdong Provincial Game Industry Association.