

Highlights of CMGE's 2025 Interim Results

CMGE Technology Group Limited (hereinafter referred to as "CMGE") announced its interim results for the six months ended June 30, 2025. During the reporting period, total revenue reached RMB 763 million (in RMB, same below), a year-on-year decrease of 38.1%; adjusted net loss was RMB 638 million. Overseas business revenue reached RMB 235 million, a year-on-year increase of 33.2%, accounting for 30.8% of the Company's total revenue. The main reasons for the loss include: quality issues exposed after the launch of the core self-developed game *Legend of Sword and Fairy: World*, resulting in revenue falling short of expectations; high marketing and promotion expenses for new games *Chunqiu Mystery* and *Legend of Sword and Fairy: World*; one-off severance costs arising from staff optimization for the *Legend of Sword and Fairy: World* project; and impairment losses on certain prepayments due to contract expiration, as well as fair value losses on financial assets caused by poor operating performance of invested companies.

Financial Status

- For the six months ended June 30, 2025, the Group's total revenue was RMB 763 million, a year-on-year decrease of 38.1%; adjusted net loss was RMB 638 million; overseas business revenue was RMB 235 million, a year-on-year increase of 33.2%, accounting for 30.8% of total revenue; net cash flow from operating activities was RMB 109 million.
- Gross profit margin increased to 33.9% from 30.2% in the same period of 2024, mainly due to the growth of overseas business revenue and the lower revenue-sharing ratio of overseas channel partners compared to Mainland China.

Summary Data

1. Revenue Structure (for the six months ended June 30, 2025)

- Game distribution business revenue: RMB 656 million, accounting for 86.0% of total revenue, a year-on-year decrease of 34.4%
- Game development business revenue: RMB 73 million, accounting for 9.6% of total revenue, a year-on-year decrease of 42.1%
- IP licensing business revenue: RMB 33.5 million, accounting for 4.4% of total revenue, of which *Legend of Sword and Fairy* IP licensing revenue

was RMB 33 million, a year-on-year increase of 134.8%

2. User Data (for the six months ended June 30, 2025)

- Total new registered users: 42.824 million
- Average monthly active users (MAU): 11.573 million
- Average monthly paying users (MPU): 833,000
- ARPPU: RMB 152.7

3. Costs and Expenses

- Cost of sales: RMB 504 million, a year-on-year decrease of 41.4%, accounting for 66.1% of total revenue (compared to 69.8% in the same period of 2024)
- Selling and distribution expenses: RMB 373 million, a year-on-year increase of 151.0%, mainly due to increased marketing and promotion expenses for new games
- Administrative expenses: RMB 86 million, a year-on-year increase of 4.3%, mainly due to one-off staff severance costs for the *Legend of Sword and Fairy: World* project
- R&D costs: RMB 94 million, a year-on-year decrease of 14.8%

Global Publishing of Premium IP Games and Innovative Mini-Games

(I) Domestic Publishing

1. Premium IP Games

- *Sanqian Huanshi*: Launched in April 2025, officially licensed by Tencent Animation, integrating 13 domestic animation IPs. Ranked 1st on the Apple App Store Free Games chart and 1st on TapTap's Trending and New Games charts in its first month. However, paying user conversion efficiency was low, and revenue fell short of expectations.
- *Daily Life of Chat Group*: Launched in May 2025, adapted from the novel *Cultivation Chat Group*. Revenue did not meet expectations. The game will undergo continuous updates and promotional strategy adjustments.
- *New Romance of the Three Kingdoms: The Legend of Cao Cao*: Launched on June 27, 2025, officially licensed by Koei Tecmo. In its first month, it maintained a rating of 8 (on a 10-point scale) on TapTap,

approximately 4.5 (on a 5-point scale) on Huawei AppGallery, and 4.8 (on a 5-point scale) on the Apple App Store, achieving 3rd place on the App Store Strategy Games chart. Due to its short time since launch, its revenue contribution during the reporting period was limited.

2. Innovative Mini-Games

- *Chunqiu Mystery*: Launched in January 2025. Ranked 24th on the WeChat Game Best-Selling Chart in its first month, climbing to 10th in the following month. Paid user retention rates exceeded those of similar products. Achieved cumulative gross revenue exceeding RMB 100 million within three months of launch, surpassing expectations. During the reporting period, promotion expenses were high, with gradual recovery expected within 2025.
- Existing mini-games such as *Battle of Ling Xiao*, *Smash Product*, and *The National Gunlord – The Frontier* continued to operate steadily, consistently contributing profits.

(II) Overseas Publishing

- *Tauren-T GO*: Launched in Hong Kong, Macau, Taiwan, China, Singapore, and Malaysia in January 2025. Topped the Apple App Store Free Games chart in these three regions within four days. However, it did not align well with the payment habits of overseas players, resulting in a lower-than-expected user lifetime value (LTV) and no profit contribution.
- *Fights Break Firmament: Wushuan*: Launched in Hong Kong, Macau, Taiwan, China, Singapore, and Malaysia in April 2025, officially licensed by Yuewen Group. In its first month, it ranked 1st on the Apple App Store Free Games chart in Taiwan and Hong Kong, China, 28th on the Best-Selling chart in Taiwan, China, and 41st in Hong Kong, China, achieving strong revenue performance.
- *Soul Land: Shrek Academy*: Launched in Vietnam in March 2025. In its first month, it ranked 1st on the Apple App Store Free Games chart and 9th on the Best-Selling chart in Vietnam, and 2nd on the Google Play Store Free Games chart and 15th on the Best-Selling chart.
- *Soul Land: Space and Time Reversal*: Launched in Hong Kong, Macau, and Taiwan, China, in May 2025. Developed with investment from CMGE. In its first month, it ranked 1st on the Apple App Store Free Games chart and 19th on the Best-Selling chart in Taiwan, China, and 3rd on the Free Games chart and 9th on the Best-Selling chart in Hong Kong, China.

Long-Term Game Operations

- Several games launched over five years ago continued to contribute revenue and profit, including premium IP games such as *One Piece: The Road of the Strong* (launched over nine years ago), *Legend of Sword and Fairy: Wen Qing*, *One Piece: The Voyage*, *Dynasty Warriors: Hegemony*, as well as innovative mini-games like *The National Gunlord – The Frontier* (launched over six years ago) and *Battle of Ling Xiao*.

Game Self-Development

- *Legend of Sword and Fairy: World*: Launched in February 2025. The project was initiated in 2021 and developed for over three years. After launch, issues such as excessive scale, low visual fidelity, and inadequate user guidance were exposed, leading to revenue falling short of expectations. The R&D team has been optimized, the project lead replaced, the monetization model redesigned, and nearly 20 version updates completed. Continuous optimization will be carried out to improve revenue.
- *City Lord*: A Three Kingdoms strategy game self-developed by Wenmai Hudong, exclusively distributed in China by 37 Interactive Entertainment. Its overseas version, *Three Kingdoms: Heros of the Land*, launched in Hong Kong, Macau, Taiwan, China, Singapore, and Malaysia on July 31, 2025, ranking 1st on the Apple App Store Free Games chart in Taiwan, China, in its first month. It will subsequently launch in Vietnam and South Korea.
- *Code: Dark Night Legend*: A new Legend genre game self-developed by Wenmai Hudong. During the reporting period, multiple rounds of pre-launch testing were conducted. The launch was postponed to the second half of 2025 to allow for additional optimization time to pursue quality benchmarks. It is expected to surpass the predecessor, *Mir World: Thunder* 霸业, in terms of user scale, revenue, and brand influence.

The Legend of Sword and Fairy IP Operation

- **Cross-Media Integration (Animation, Series, Games)**: Co-produced with Tencent Penguin Pictures the animated series *The Legend of Sword and Fairy 3* (to air on Tencent Video in 2025); *The Legend of Sword and Fairy 4* animated series (cooperation with Bilibili, in development); *The Legend of Sword and Fairy 1* animated work (cooperation with Bilibili). In preparation: live-action dramas *The Legend of Sword and Fairy: The Return of the Wanderer* (original story) and *The Legend of Sword and Fairy 2: The Legend of Yi Ru* (development based on

a popular character). Co-creating a radio drama of *The Legend of Sword and Fairy* with ChineseAll (featuring an all-star voice cast and cinematic sound effects, exclusively on the Tu U APP). Collaborating with Shanghai “Xiaojuchang” to develop a new Yue Opera version of *The Legend of Sword and Fairy*.

- **Literary Derivatives:** The novel *The Legend of Sword and Fairy 1* was published in January 2025. Novels for *The Legend of Sword and Fairy 3*, *3 Side Story*, *5*, *5 Prequel*, *6*, as well as original spin-offs *Yaotai Xue* and *Qionghua Houzhuan*, are in development and will be released successively within 2025.
- **Game Development:** *The Legend of Sword and Fairy 4 Remake* is in development. Live mobile games *Legend of Sword and Fairy: The New Beginning* and *Legend of Sword and Fairy: Wen Qing* continue long-term operations. A new licensing agreement was established with Kingnet Entertainment for a card-based RPG game based on the *Legend of Sword and Fairy* IP (entering the development phase in 2026).
- **Physical Products & Offline Events:** Collaborated with Suplay to launch the “Magic Life” mini blind box series. Launched the “One Side of Sword and Fairy” national touring comic convention series in 2025, with events held in Hefei, Beijing, and Hangzhou in the first half of the year, covering 10 provinces with a total exhibition area of 50,000 square meters for the full year. Partnered with Mochi Music to release a deluxe box set of the original *The Legend of Sword and Fairy* soundtrack and other 30th-anniversary physical albums. Collaborated with Guangnian Studio, STAREXVA Studio, and Feiwan Toys to produce statues of Zhao Ling’er, Han Lingsha, Liu Mengli, and cloth-costume action figures of Li Xiaoyao and Zhao Ling’er (to be released in 2025). Expanded offline retail channels through a partnership with March Monster.
- **IP Licensing Revenue:** During the reporting period, *The Legend of Sword and Fairy* IP licensing revenue was RMB 33 million, a year-on-year increase of 134.8%.

Large-Scale Application of AI AIGC Technology

- AIGC technology is applied in game development, publishing, marketing, and operations. In publishing and marketing, it is used for daily generation of creative scripts, content, and art assets. In operations, the AI content engine intelligently generates gameplay designs and event plans, improving operational efficiency.

Outlook for the Second Half of 2025

(I) Development Strategy

- Adhere to “Business Focus + Cost Control”: Focus on core competencies, deeply cultivate innovative mini-game publishing, expand overseas business (focusing on Hong Kong, Macau, Taiwan, China, Japan, South Korea, and Southeast Asia); focus self-development efforts on the Legend game genre, strictly control costs, and cautiously explore self-development of mini-games; strengthen risk control at project initiation and budget management, and leverage AI to improve management efficiency.
- Continue the strategy of “Global Publishing of Premium IP Games and Innovative Mini-Games + Self-Development,” focusing operations around the *Legend of Sword and Fairy* IP.

(II) Products Planned for Launch in the Second Half of the Year

[Image placeholder – Click to view full spreadsheet]

(III) Key Business Plans

1. **Premium IP and Mini-Game Publishing:** Domestically, advance the launch of *Naruto: Konoha Masters* (launched in July, ranked 1st on the Apple App Store Free Games chart in its first month), *Code: DreamWorks All Stars* (Universal Pictures IP, planned to complete development and enter testing in 2025), as well as the mini-game version of *New Rakshasa Street*, *Code: Xian*, *Code: Legend*, and several other mini-games. Overseas, advance the launches of *Soul Land: Space and Time Reversal* (Southeast Asia launch in October), *Soul Land: Shrek Academy* (South Korea launch), and *Dynasty Warriors: Hegemony* (Japan launch).
2. **Self-Development Business:** Advance the overseas launches of *Code: Dark Night Legend* and *Three Kingdoms: Heros of the Land*, strictly controlling R&D costs to increase success rates.
3. **Sword and Fairy IP Operation:** Advance the development of *Sword and Fairy 4* and *Sword and Fairy 1* animations, and the live-action dramas *The Legend of Sword and Fairy: The Return of the Wanderer* and *The Legend of Sword and Fairy 2: The Legend of Yi Ru*. Launch the AStation Sword and Fairy XR project (Apple Vision Pro launch in October). Partner with Jingtian Technology (Ant Group) to release the “30th Anniversary of Sword and Fairy: Eternal Companionship” digital collectibles. Continue holding the “One Side of Sword and Fairy” comic conventions and expand the IP derivative ecosystem.

4. **Web3 Strategy:** Accelerate the RWA (Real World Asset) tokenization plan for the *Legend of Sword and Fairy* IP. Launch a Web3 aggregated payment tool (aggregating multiple currencies, integrated into the game ecosystem and overseas business to shorten settlement cycles). Plan to launch the decentralized Web3 esports tournament platform “KKFun Esports” by the end of 2025 or early 2026. Establish partnerships with Hong Kong stablecoin sandbox pilot issuers, OSL Group, and Pangu Company to capitalize on Hong Kong’s Web3 policy opportunities.

Corporate Social Responsibility

- **Environmental Protection & ESG:** Adhere to environmental protection principles, integrate them into business decisions, establish ESG policies and procedures, promote paperless approvals and online meetings to reduce carbon emissions. Awarded “ESG Information Disclosure Excellence Enterprise” in July 2025.
- **Public Welfare:** Continue the “CMGE Dream Building Library” project in cooperation with the China Population Welfare Foundation and Lingshan Foundation. As of 2025, 13 libraries have been built since the project’s inception in 2017, covering multiple provinces including Guangdong, Hebei, and Jilin.
- In the first half of 2025, the proportion of revenue contributed by minors under the age of 18 remained below 0.01%.