

- **CMGE Technology Group Limited (hereinafter referred to as “CMGE”) announced its Interim Results 2021 on August 23. The interim period revenue recorded RMB 2.18 billion, with a year-on-year growth of 27.2%. The net profit attributable to the owners of the parent company reached RMB 393.5 million, with a year-on-year growth of 36.8% The net profit after adjustment was RMB 402 million, with a year-on-year growth of 17.6%. The gross margin increased to 38.5% from 31% in the same period last year.**
  
- **Financial position**
  - As at June 30, 2021, the total revenue reached RMB 2.18 billion, with a year-on-year growth of 27.2%. The net profit attributable to the owners of the parent company reached RMB 393.5 million, with a year-on-year growth of 36.8%. The net profit after adjustment reached RMB 402 million, with a year-on-year growth of 17.6%. The gross margin increased to 38.5% from 31% in the same period last year.
  
- **Stable growth in distribution business segments, and substantial growth of revenues from overseas, licensing and R&D businesses as highlights**
  - As of June 30, 2021, the income of distribution business reached RMB 1.5253 billion, with a year-on-year growth of 2.4%; the income of game R&D business reached RMB 567 million, with a year-on-year growth of 156.8%; the income of overseas business reached 219.7 million, with a year-on-year growth of 6250.4%; and the income of licensing business reached RMB 87.8 million, with a year-on-year growth of 2012.6%.
  - As of June 30, 2021, the number of newly registered game users was 58.014 million in total, with a year-on-year increase of 6.73%. Number of monthly charged users totaled 1.442 million, with a year-on-year increase of 27.05%. Number of monthly active users totaled 19.084 million with a year-on-year increase of 26.8%. In the first half of 2021, the contribution of underage players to the CMGE’s domestic game income accounts for about 0.026%.
  
- **Multiple games were released within the period by cooperation with the traffic giants, new products were outstanding in performance, and long-term operated products were stable in income.**

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At present, CMGE has a huge IP storage, including 50 authorized IPs and 68 self-owned IPs, 118 in total. As at June 30, 2021, CMGE has 85 online operating games.

- On April 22, mobile game *One Piece Blood Routes*, jointly launched by CMGE and Nuverse under ByteDance, reached No.1 in the Best Free Game List and Top 3 on Best-seller List on Apple Store, in the first month of release in Mainland China, and was awarded the Best Game of the Month recommended by editors of Apple Store.
  - Launched in April 28, the mobile game *Soul Land: Douluo Dalu* reached No.1 in the Best Free Game List on Apple Store, in the first month of release in Mainland China, and was selected in the recommendation lists of Today and Current Best Seller for several times.
  - The self-developed mobile game *Chinese Paladin: Sword and Fairy JY* and web game *Legend of Blood Drinking* were released in the half first half of 2021, with outstanding performance.
  - Games that were already released before 2020 continued to make steady revenue and profit contributions in the first half of 2021, for instance the self-developed *The World of Legend – Thunder Empire*, *Legend of Dragon City* and chess and card games, as well as the independently released *Condor Heroes Trio*.
  - As at the end of the period, the Company has 50 authorized IPs and 68 self-owned IPs, and its authorized IP storage keeps growing.
- **Multiple high-quality games performed well in Hong Kong, Macau, Taiwan and overseas markets**
    - Launched in January 2021, the *Condor Heroes Trio* reached No.1 in the Best Free Game List on Apple Store, in the first day of release in Hong Kong, Macau and Taiwan, and ranked No.1 on Best-seller Lists on Apple Store and Google Play in the first month of release in the three regions.
    - The *Condor Heroes Trio* was launched in Singapore and Malaysia in June 2021, and reached No.1 in the Best Free Game Lists on Apple Store and Google Play in the first month of release.
    - The mobile game *Hitman Reborn* was launched in Southeast Asia in June, and reached Top 3 in the Best Free Game Lists on Apple Store and Google Play in the first month of release.

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- **Invested in IP influence building, made efforts in enriching IP world view and developed IP-based peripheral product line**

- In the first half of 2021, the IP *Chinese Paladin* under the Group was exhibited in offline animation exhibitions in Nanjing, Wuhan, Nanning, Chongqing and Beijing to over 100,000 visitors.
- In the first half of 2021, the Group's self-owned IPs - *Chinese Paladin*, *Monopoly* and *Xuan Yuan Sword* were awarded gold, silver and bronze awards respectively in the section of "China's IP of the Year" instructed by the National Copyright Administration (CPCPD) and hosted by the National Intellectual Property Exchange Center Alliance.
- The Group cooperated with Pop Mart on the IP - *Chinese Paladin* and jointly developed blind boxes series products.
- Jointly with excellent partners, the Group developed several types of models and toys characterized by Chinese styles, including the Super Kamii blind boxes, weapons of heroine's in *Chinese Paladin*, statue of Lin Yueru and figure of Tang Xuejian, continuously enhancing influence of *Chinese Paladin* among young people by reaching young consumers through multiple channels.
- As of June, Chinese Paladin's Tmall store has listed five categories of products, such as cultural and creative products and figure products, with sales of more than RMB 8 million.
- In the first half of 2021, the Group reached strategic cooperation with Riot Games on the IP of *League of Legends*, and the Group was authorized to develop nearly 100 cultural and creative products of *League of Legends* falling into 11 categories.

- **In terms of R&D investment, CMGE has completed the investment in Shenzhen Heyao Network Technology, Xin Rui Interactive Entertainment, and Fuzhou Tornado Network Technology in the first half of the year, and has acquired Softstar Technology (Beijing) and the rights and interests of IP of *Chinese Paladin* in Mainland China in the second half.**

- The Group has completed its investment in four R&D companies, namely Shenzhen Heyao Network Technology, Xin Rui Interactive Entertainment, and Fuzhou Tornado Network Technology, and plans to exclusively launch a mobile MMORPG featuring oriental fantasy and alien world - *Code: Mountains and Rivers*, developed by

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Shenzhen Heyao Network Technology. In addition, the namesake card game of a popular novel *Chat Group* authorized by China Literature, and developed by Xin Rui Interactive Entertainment, will be exclusively distributed by the Group. CMGE has joined hands with Fuzhou Tornado Network Technology to test a European and American theme simulated development + SLG mobile game developed by the Group in many overseas countries. Also, the Group, together with Shanghai Bantu Network Technology, has developed a war chess game in the second half of 2020.

- On August 5, 2021, the Group acquired 49% of the shares of Softstar Technology (Beijing), a subsidiary of Softstar Entertainment Inc., and the full ownership of IP *Chinese Paladin* in Mainland China at HK \$641.8 million, making it the sole owner of the registration, authorization and use rights and interests of this IP in Mainland China. The acquisition has helped strengthen the ecological competitiveness of the Group's IP-oriented games and ensure the long-term and stable development of IP-oriented game strategy.
- **The Group has reached strategic cooperation with many enterprises, including Huawei, bilibili, etc.**
  - CMGE has reached strategic cooperation with Huawei on game business. Based on Huawei's terminal platform, HMS full-scene ecological capability, 5G, public cloud, AI, big data and other advantages, as well as CMGE's high-quality game content and IP-based derivatives, the two companies will actively carry out comprehensive and in-depth cooperation in deep and joint operation of games, IP derivatives and brands, HMS ecology, and game competitiveness, so as to realize resource sharing, mutual benefit and win-win results, and establish a stable and sustainable strategic partnership.
  - CMGE has entered a partnership with bilibili, which has the priority to reach product cooperation with CMGE. Furthermore, the purchase of CMGE's new shares by bilibili and other subscribers has been completed, and the total net proceeds received by the Group amounted to approximately HK \$849 million.
- **The Group has continued to increase investment in self-developed business, and deploy multiple game categories covering mobile phones, webpages, PCs and other terminals.**
  - *Chinese Paladin 7*, self-developed by its holding subsidiary, Softstar Technology (Beijing), has been available for advance order in July, and will be officially launched

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on October 15, as well as the cloud version.

- The third-generation mobile games and a variety of H5 games and web games of the self-developed *Code: The World of Duke* and *The World of Legend – Thunder Empire* by Wenmai Interactive, a wholly-owned subsidiary of the Group, will be launched in the second half of 2021.
  - In the first half of the year, the Group officially established three R&D studios: Starry Sky Studio, Zero Studio and Dayu Studio. Among them, Starry Sky Studio and Softstar Technology (Beijing) are currently developing an open world cross-platform RPG *Code: The World* based on its own IP *Chinese Paladin*, which is expected to be officially launched in 2023.
  - Zero Studio is currently developing a 3D asymmetrical competitive game - *Code: EM*, which is expected to be launched in 2022. Dayu Studio mainly develops leisure and card games. It is currently developing *Code: DF*, which is expected to be launched in the second half of 2021.
- **In terms of game distribution business in the second half of the year, the Group will launch several star games for the Chinese mainland market.**
    - Developed by EZFun (a company invested by the Group) in the second half of 2021 and exclusively distributed by Tencent Games, *Dynasty Warriors: Domination* was officially launched on August 10, and won the first place in the Best Free Game List on Apple Store in mainland China in the first month of release.
    - The new mobile game *The Legend of the New Fairy Sword and Chivalry: Wielding a Sword to Ask for Love*, developed by the R&D team of the *Condor Heroes Trio*, is expected to be launched in the second half of 2021.
    - The mobile game *New Record of a Mortal's Journey to Immortality*, adapted from the IP *A Record of A Mortal's Journey to Immortality*, will be launched in Q4 synchronously with the second season of its namesake animation.
    - *My Sword Training Diary*, developed by Love Games (a company invested by the Group), and other games adapted from popular IP *Swords Drawn: My Independent Regiment* and *Rakshasa Street: Born To Be King* are expected to be launched in the second half of the year.
  - **In the second half of the year, the overseas market is the core part of the Group's IP**

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**game global distribution strategy, and the Group will continue to increase overseas operation and marketing investment for this market.**

- *Condor Heroes Trio* will be launched in Vietnam, South Korea and Thailand.
- *Hitman Reborn* will be launched in South Korea.
- In the second half of the year, the Group will launch a number of new games in Hong Kong, Macao, Taiwan, Southeast Asia, Europe and the United States, including *Soul Land - Return of Battle God*, *Rampage Primitive Man*, *Code: DF*, *Code: Chatelain's World*, *Chinese Paladin: Sword and Fairy JY*, *Valonia and the Mysteries* and *Huajianghu: Beimoting*. The independently developed PC game *Chinese Paladin 7* will also be launched in the overseas market simultaneously with the Chinese mainland market.
- *Dynasty Warriors: Domination* will be launched in Hong Kong, Macao and Taiwan in the first half of 2022, and will be successively launched in Japan and South Korea thereafter.
- *All Star Fight*, jointly produced by CMGE and Nuverse under ByteDance, will be firstly launched in overseas regions in the first half of 2022. More games such as *Swords Drawn: My Independent Regiment*, *Justice Bao* and *Doom War Chariot* will be launched in the overseas market in 2022.
- In terms of IP operation in the second half of the year, the Group will focus on the operation of its own IP Chinese Paladin in fields of film, television and novel, with special emphasis on exploring the excellent cultural value of IP and exporting Chinese culture to the outside world.
  - In the second half of 2021, the Group will work with Tencent Penguin Pictures to shoot *Chinese Paladin 1* TV series and produce its animated dramas, work with iQIYI, among others, to shoot *Chinese Paladin 4* and *Chinese Paladin 5 Prequel* TV series, and work with Tencent Video, Wanda Pictures, Platinum Star Culture, and so on, to launch a number of films, TV series, animated films, online films and online skits adapted from *Chinese Paladin*. Several literary works based on *Chinese Paladin 1*, *Chinese Paladin 2*, *Chinese Paladin 4*, the *Legend of Xianxia*, *Yaotai Snow* and the *Epilogue of Qionghua* have begun to be written and are expected to be published in 2021. The Group is also preparing several mobile games based on Chinese Paladin, including the new mobile game *The Legend of the New Fairy Sword and Chivalry*:

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*Wielding a Sword to Ask for Love* developed by the R&D team of the *Condor Heroes Trio*, and the open world RPG cross-platform game *Code: World* jointly developed by the Group's self-development studio Starry Sky Studio and Softstar Technology (Shanghai), which will be launched in the second half of 2021 and 2023 respectively. Under the premise of inheriting Chinese traditional culture, the Group will deeply explore the excellent cultural values of IP, convey positive values to the outside world, build Chinese Paladin into a Chinese game brand with global top influence, and create a new peak for the influence of IP Chinese Paladin, and most importantly, make Chinese stories and Chinese culture go further and deeper into people's hearts.

- **Respond to social concerns and actively practice social responsibility.**

- Adhering to the plan of "CMGE Dream Building Library", the Group established the eighth "CMGE Dream Building Library" in the Central Primary School of Lvcongpo Town, Badong County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province on April 23.
- On July 22, the Group launched an emergency relief campaign for the rainstorm disaster in Henan Province, initially donating RMB 1 million to the Henan Charity General Federation for the resettlement of people in the disaster areas, raising necessary flood control materials and daily necessities and supporting the needs of post-disaster recovery.
- The Group was awarded as the "Enterprise with Relatively Outstanding Social Responsibility Performance" at the 2021 Game Responsibility Forum sponsored by People's Daily Online.
- All the games launched by the Group have been connected to the real-name authentication system and anti-addiction system, and are provided with game age reminders, and the protection measures for minors in China have been further strengthened. No game service is provided for minors from 10:00 pm to 8 am the next day, with a limit of 1.5 hours per day for minors on non-statutory holidays and 3 hours per day on statutory holidays. Players under the age of 8 are prohibited from paying in the Group's games. The monthly cumulative consumption limit for minors aged 8 to 16 is not exceeding RMB 200 in the Group's games, and the monthly cumulative consumption limit for minors aged 16 to 18 is not exceeding RMB 400 in the Group's games. In the first half of 2021, the consumption of underage players (under the age of 18) accounted for about 0.026% of the Group's domestic game revenue.

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