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Qingci Games Inc.

青瓷游戏有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6633)

PROFIT UPDATE IN RESPECT OF THE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022

This announcement is made by Qingci Games Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders (the “**Shareholders**”), investors and potential investors of the Company that, based on a preliminary review of the unaudited management accounts of the Group for the year ended December 31, 2022 (the “**Reporting Period**”) and information currently available to the Board, the Group is expected to record:

- (1) A revenue for the Reporting Period ranging from approximately RMB620.0 million to RMB640.0 million, as compared to the revenue of approximately RMB1,105.8 million for the year ended December 31, 2021. It is expected that an adjusted net profit ranging from approximately RMB46.0 million to RMB76.0 million will be recorded as compared to the adjusted net profit of approximately RMB442.1 million for the year ended December 31, 2021. The expected decrease in revenue and adjusted net profit were primarily attributable to (i) a drop in revenue from landmark games as they reached a mature stage of their life cycles; (ii) the utilization of part of the deferred tax assets which were recognized in previous years during the Reporting Period and an increase (from 0% to 15%) in the applicable income tax rate for a profitable subsidiary, which resulted in an increase in income tax expenses; and (iii) the continuing increase in research and development investment for the pipeline games, including the increase in the number of employees engaging in research and development activities and the corresponding increase in employee benefits.

- (2) Based on the application of International Financial Reporting Standards (“IFRS”), the Company recorded a net profit of approximately RMB45.0 million to RMB75.0 million during the Reporting Period as compared to the net loss of approximately RMB368.6 million for the year ended December 31, 2021, turning from loss to profit. The main factors that led to the loss last year including (i) changes in fair value of convertible redeemable preference shares; and (ii) financial instruments issued to investors, which led to total losses of approximately RMB745.0 million for the same period last year, no longer existed during the Reporting Period.

Reference is made to the prospectus of the Company dated December 6, 2021 (the “Prospectus”) in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange (the “Listing”). As disclosed in the Prospectus, adjusted net profit for the three years ended December 31, 2020 and the six months ended June 30, 2020 and 2021, respectively were set out by adding back several accounting items, namely share-based compensation, losses from financial instruments issued to investors, fair value changes of convertible redeemable preferred shares, and listing expenses (collectively, the “Adjusted Items”). Same treatment has also been applied to the adjusted net profit during the Reporting Period. The share-based compensation expenses during the Reporting Period is one-off and non-recurring in nature and not be indicative of our results of operation. The losses on relating to this share-based compensation expenses was approximately RMB1.0 million for the Reporting Period.

Although the Group recorded a decline in revenue and adjusted net profit for the Reporting Period as compared to 2021, and a loss of approximately RMB86.9 million in the first half of 2022, however, (i) as *The Marvelous Snail* (最強蝸牛) in Japan was launched in June 2022, its revenue was released gradually in the second half of the year, and the accumulated regional gross billings in Japan exceeded RMB100 million as of October 2022; and (ii) complementing the iterations, IP cooperations and other activities of multiple versions of existing games such as *The Marvelous Snail* (最強蝸牛) in Mainland China and *Lantern and Dungeon* (提燈與地下城), the effective long-term operation has promoted the Group to obtain stable revenue, and recorded an adjusted net profit of approximately RMB132.9 million to RMB162.9 million in the second half of 2022.

The Board believes that during the Reporting Period, the Group constantly enhanced its core competitiveness: on the one hand, it deepened its integrated mode of research and operation, and sufficiently prepared for the release of a number of self-developed and in-licensed games; on the other hand, the Group continued to promote its global business deployment, and *The Marvelous Snail* (最強蝸牛), one of its self-developed games, was launched in Japan in June 2022 and in Thailand in January 2023 (also known as *Super Snail* in Thailand), and achieved good performance in terms of games ranking in both countries. The Board believes that the launch plan of a number of new games in 2023 will effectively promote the business development of the Group.

The Company is in the process of finalizing the annual results of the Group for the Reporting Period. The information contained in this announcement is based solely on the preliminary assessment by the Board of the unaudited consolidated management accounts of the Group for the Reporting Period and the information currently available to the Board, which has yet to be reviewed by the audit committee and/or the independent auditors of the Company. Accordingly, the actual results of the Group for the Reporting Period may differ from the information disclosed in this announcement. Shareholders, investors and potential investors of the Company are advised to refer to the details in the annual results announcement of the Group for the Reporting Period, which is expected to be published by the end of March 2023.

Shareholders, investors and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Qingci Games Inc.
Liu Siming
Executive Director

Hong Kong, March 2, 2023

As at the date of this announcement, the Board comprises Mr. Yang Xu, Mr. Huang Zhiqiang, Mr. Liu Siming and Mr. Zeng Xiangshuo as executive directors, and Mr. Zhang Longgen, Professor Lam Sing Kwong Simon and Ms. Fang Weijin as independent non-executive directors.