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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board of Directors of Qingci Games Inc. is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2023, together with the comparative figures for the six months ended June 30, 2022 as below.

The interim results of the Group for the six months ended June 30, 2023 have been reviewed by the Audit Committee and by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board.

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2023	2022	Change
	(RMB'000)	(RMB'000)	(%)
	(unaudited)	(unaudited)	
Revenue	333,937	268,114	25
Gross Profit	225,413	166,012	36
Net profit/(loss)	41,717	(86,872)	(148)
Profit/(loss) attributable to equity holders of the Company	41,482	(75,671)	(155)

KEY OPERATING INFORMATION

	For the six months ended June 30,		
	2023	2022	Change (%)
Average MAUs <i>(in thousands)</i> ⁽¹⁾	1,798	2,348	(23)
Average MPUs <i>(in thousands)</i> ⁽²⁾	258	284	(9)
ARPPU <i>(RMB)</i>	296	209	41
Cumulative registered players <i>(in thousands)</i>	82,365	76,162	8

Notes:

- (1) Our Average MAUs are calculated by dividing (i) the total MAUs of a game; or (ii) the aggregate of the total MAUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MAUs did not consider each game's data before its official launch.
- (2) Our Average MPUs are calculated by dividing (i) the MPUs of a game, or (ii) the aggregate of the total MPUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MPUs did not consider each game's data before its official launch.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

As an established mobile game developer and publisher in China, we are committed to offering engaging experiences to game players around the world through our landmark and captivating games and content.

During the Reporting Period, the Group took various measures and achieved significant progress in its business: (1) completed the launching of a number of new games, for example, in January 2023, the Group's self-developed game *Servitor Project* (使魔計劃) was launched; in June 2023, the Group and CMGE jointly released the *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), and the game ranked first on the iOS free games chart and 14th on the iOS bestseller games chart after its launch; (2) continued to promote global business deployment, consolidated existing markets, and continuously expanded to other regional markets. *The Marvelous Snail* (最強蝸牛) was launched in Thailand in January 2023, and ranked first on the free games chart and highest the fifth on the iOS bestseller games chart in Thailand, and the Group has been preparing for the release of the game in other parts of Southeast Asia; in June 2023, *The Marvelous Snail* (最強蝸牛) celebrated the anniversary of its launch in Japan, and ranked among top 30 on the iOS bestseller games chart in Japan; after the Reporting Period, *The Marvelous Snail* (最強蝸牛) was also launched in the United States, Canada and Australia on August 3, 2023, and ranked top on the iOS free games chart in those three regions; and (3) enriched and improved its pipeline games, polished its self-developed games *Time Voyager* (時光旅行社) and *Project E* (項目E), prepared for the release of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) in Mainland China, Hong Kong, Macao and Taiwan in the second half of the year, and continuously licensing in-licensed games in order to bring high-quality gaming experience to our players.

During the Reporting Period, the Group recorded a revenue of RMB334 million, and profit attributable to equity holders of the Company of RMB41 million. As of June 30, 2023, the Group had more than 82.36 million cumulative registered players, representing a year-on-year increase of 8.14% as compared with last year. In addition, the average number of monthly active users was around 1.8 million with an ARPPU of RMB296.

OUR GAMES

The Group develops, publishes and operates top-rated online mobile games. As of June 30, 2023, we had eight existing mobile games, covering idle game, Rogue-like RPG and other RPG.

Below is an overview of our primary games:

The Marvelous Snail (最強蝸牛), officially launched in June 2020, is our self-developed idle game. As of June 30, 2023, the game recorded gross billings of approximately RMB2.975 billion domestically and overseas, with 24.53 million cumulative registered players. The average weekly player retention rate of *The Marvelous Snail (最強蝸牛)* reached 25.9% since its launch and up to June 30, 2023, signifying a strong vitality of the game.

During the Reporting Period, *The Marvelous Snail (最強蝸牛)* (known as “SuperSnail” in Southeast Asia, Europe and America) was successfully launched in Thailand in January 2023, and ranked first on the free games chart and highest the fifth on the iOS bestseller games chart in Thailand after its release. In June 2023, *The Marvelous Snail (最強蝸牛)* celebrated the anniversary of its launch in Japan, and ranked among top 30 on the bestseller games chart in Japan. *The Marvelous Snail (最強蝸牛)* was also launched in the United States, Canada and Australia on August 3, 2023 and ranked top on the iOS free games chart in those three regions. Domestically, *The Marvelous Snail (最強蝸牛)* cooperated with other intellectual property (“IP”) such as the *Chuka Ichiban (廚神小當家)* and the *Forbidden City (紫禁城)*, and continued to provide game players with high-quality contents and novel gameplay. During the Reporting Period, the revenue generated from our games amounted to approximately RMB210 million domestically and overseas.

The Sword and Fairy: Wen Qing (新仙劍奇俠傳之揮劍問情), officially launched on June 9, 2023, is a story mobile card game jointly published by the Group and CMGE. The game reproduces the classic single-player storyline in high definition to create a highly restorative sword and fairy experience. With the unique fusion of card +RPG+SLG in its diversified gameplay, it has been strongly supported by many players. The game ranked first on the iOS free games chart and 14th on the bestseller games chart after its launch. The game generated approximately RMB68.3 million in revenue as of June 30, 2023.

Lantern and Dungeon (提燈與地下城), launched in March 2021, is a Rogue-like RPG that we introduced through in-licensing. During the Reporting Period, the game cooperated with the *Homer and Landau (虹貓藍兔)*, and adequate preparation was made for the remake version. As of June 30, 2023, the game generated gross billings of approximately RMB303 million, with 5.07 million cumulative registered players. In addition, the average weekly player retention rate of *Lantern and Dungeon (提燈與地下城)* was 31.72% since its launch and up to June 30, 2023. During the Reporting Period, the game generated total revenue of approximately RMB8.3 million. We are also developing a remake version of the game with brand-new content and gameplay, and will prepare for the release of the game in Hong Kong, Macau and Taiwan.

Servitor Project (使魔計劃), launched in January 2023, is a strategy card game that adopts classical turn-based combat style independently developed by us. It was created by the original development team that crafted the Group’s classic game *Eternal Adventure* (無盡大冒險), in which players pick and train a series of servitors, and equip them with selected attributes, while meeting like-minded friends to form a game union to explore various levels in a vast isekai. The game generated revenue of approximately RMB27.8 million as of June 30, 2023.

Other primary games such as *Gumballs & Dungeons* (不思議迷宮) (launched in August 2016, our self-developed Rogue-like RPG), *Ares Virus* (阿瑞斯病毒) (launched in August 2018, our survival RPG introduced through licensing) and *Eternal Adventure* (無盡大冒險) (launched in June 2015, one of our self-developed classic games that combines the features of idle gameplay experience and Diablo-like adventure) also continued to contribute steady revenue to the Group, which amounted to approximately RMB5.5 million, RMB2.8 million and RMB0.5 million, respectively, during the Reporting Period.

PLAYER COMMUNITY

We have nurtured a vibrant community of players on various mobile game forums and social media platforms – QingCi Enthusiasts community. Through the QingCi community, our players can receive the latest information about our games, including recent events we organize, opportunities to participate in testing our new games and free in-game virtual items.

Our frequent and close interactions with QingCi Enthusiasts creates a virtuous circle as the feedback from the player community can help us to develop and improve our games, thereby attracting more active players. We are also building the “Qingyu” (青宇) platform, which has basic gaming functions, including a customer service system, a live streaming system, game-themed novels and videos, and a physical item exchange system. The platform has access to a number of Qingci’s self-developed and launched games, allowing players of different games to socialise and interact with each other on the platform, thus further enhance the stickiness of players and recognition of the “Qingci” (青瓷) brand. As of June 30, 2023, our games had accumulated 11.9557 million QingCi Enthusiasts who contacted us through our official accounts and groups on social media platforms, such as Tencent QQ, WeChat, TapTap and Bilibili, representing an increase of 12.58% as compared with the same period of last year.

OUTLOOK

Looking forward, the Group will continue to enrich its pipeline games, including deploying existing games to explore overseas markets, continuing to create new prime games with original IPs and licensing in quality games.

At present, the Group has a pipeline of 12 mobile games as shown below, covering various genres and categories, including RPG, SLG and casual games:

Title	Mobile Game Genre	Source	Development Stage as of June 30, 2023	Expected Launch Time
Cardcaptor Sakura: Memory Key (魔卡少女櫻：回憶鑰匙)	Female-oriented casual game	In-licensed	Game production, testing and optimization	2023
Time Voyager (時光旅行社)	Rogue-like RPG	Developed in-house	Game production, testing and optimization	2023
Project Totem (項目：圖騰)	Tower defense game	In-licensed	Game production, testing and optimization	2023
Bladeheart Ninja 2 (刃心2)	Parkour	In-licensed	Game production, testing and optimization	2024
Ares Virus 2 (阿瑞斯病毒2)	RPG	In-licensed	Game production, testing and optimization	2024
Loot Rush (騎士衝呀)	ACT RPG	In-licensed	Game production, testing and optimization	2024
Master Cat (超喵星計劃)	Casual game	In-licensed	Game production, testing and optimization	2024
Project D	STG	In-licensed	Game production, testing and optimization	2024
Project E	SLG	Developed in-house	Game production, testing and optimization	2024
Project MN	Simulation game	In-licensed	Demo production	2025
Project V	Idle game	In-licensed	Demo production	2025
Project 36Z	Simulation game	In-licensed	Demo production	2025

In terms of the existing games, the Group will continue to push forward its plans of exploring overseas markets and developing new versions in order to reach more players. For instance, the Group will further deepen the layout of its iconic game *The Marvelous Snail* (最強蝸牛) in the Southeast Asian market and is currently preparing for the release of the game in other regions of Southeast Asia. Meanwhile, the game will launch its H5 version in the fourth quarter of 2023, which will allow players to experience the game in a more convenient way through variety of channels. Apart from this, *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) is also preparing for its H5 version.

In terms of self-developed games, the *Time Voyager* (時光旅行社) has been tuned for several rounds. Featuring a combination of Rogue-like RPG, card and chess gameplay, it is an original worldview infinite-stream strategy game, in which players can take on the role of a Time Voyager and travel to the intertwined past, present, future, virtual and reality. It is one of the key products of the Group's pipeline games. *Project E* (項目E) is a post-apocalyptic world SLG game that is dedicated to bringing an immersive experience to the players, and is currently in the iterative stage for the demo version, aiming to provide small-scale demo for players in the second half of the year.

In terms of in-licensed games, the Group is also planning to release *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) (also known as (庫洛魔法使：回憶鑰匙)), which is a mobile game created based on the teenage girl themed animation of *Cardcaptor Sakura: Clear Card* (庫洛魔法使：透明牌篇) with genuine licensing. The game features a Chibi role known as Sakura playing with online blind box, focusing on collection and growing, etc., with a built-in AR system. The game will be released in Mainland China, Hong Kong, Macau and Taiwan in the second half of the year. The *Loot Rush* (騎士衝呀) has obtained a game publication number and will gradually commence its paid testing. The game combined Rogue-like elements with action gameplay, including a vertical-screen action game that allows players to easily navigate through the game, a group of knights with their respective characteristics and unique fighting styles, together with exhilarating sense of hitting, randomly generated events and diversified levels, which provide players with an exhilarating gameplay experience. As of August 2023, the Group has added one new in-licensed game, being a tower defense game *Project: Totem* (項目：圖騰), which will commence open-beta testing in North America in the fourth quarter; the Group is also advancing the co-release of a casual game *Code: Fish* (代號：Fish) in Japan. Other licensed games are also making good progress.

The Group will continue to push forward the release plan of our pipeline games, and identify high-quality game projects, so as to create a diversified game portfolio and expand the Group's "QingCi Universe" to bring a high-quality gaming experience to our players all over the world.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from (i) game operating business where we generate revenues primarily from the sales of in-game virtual items; (ii) game licensing business where we generate revenues from license fees paid by third-party publishers; (iii) information services business where we generate revenues from providing performance-based in-game marketing and promotion services to advertisers or their agents who promote their customers' products in our games to players; and (iv) other services and sales where we generate revenues from sales of peripheral products and provision of technical services.

The following table sets forth a breakdown of our revenues by line of business for the six months ended June 30, 2022 and 2023.

	For the six months ended June 30,				2023 vs. 2022
	2023		2022		Change
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%	%
Game operating revenues					
Self-developed	237,930	71.2	225,214	84.0	5.6
Licensed	80,433	24.1	23,069	8.6	248.7
Subtotal	318,363	95.3	248,283	92.6	28.2
Game licensing revenue	11,317	3.4	14,992	5.6	(24.5)
Information service revenue	2,528	0.8	4,839	1.8	(47.8)
Other services and sales	1,729	0.5	—	—	N/A
Total revenues	333,937	100.0	268,114	100.0	24.6

Game Operating Revenues

Our game operating revenues increased by 28.2% to RMB318.4 million for the six months ended June 30, 2023 from the corresponding period in 2022. In particular,

- our revenue from self-developed games increased by 5.6% to RMB237.9 million for the six months ended June 30, 2023 from the corresponding period in 2022, primarily due to the increase in revenue resulted from the launch of new online game *Servitor Project* (使魔計劃) and *The Marvelous Snail* (最強蝸牛) in Thailand and the continued operation of *The Marvelous Snail* (最強蝸牛) in Japan, partially offset by the decline in revenue from *The Marvelous Snail* (最強蝸牛) in Mainland China.
- our revenue from licensed games increased by 248.7% to RMB80.4 million for the six months ended June 30, 2023, from the corresponding period in 2022, primarily due to the increase in revenue from the newly launched game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) during the Reporting Period, partially offset by the decrease in revenue from *Lantern and Dungeon* (提燈與地下城).

Game Licensing Revenue

Our game licensing revenue decreased by 24.5% to RMB11.3 million for the six months ended June 30, 2023 from the corresponding period in 2022, primarily due to the decrease in game licensing revenues from *Gumballs & Dungeons* (不思議迷宮) in Mainland China and *The Marvelous Snail* (最強蝸牛) in Hong Kong, Macau and Taiwan, respectively.

Information Service Revenue

Our revenue from information service decreased by 47.8% to RMB2.5 million for the six months ended June 30, 2023 from the corresponding period in 2022, primarily due to fewer in-game advertisement views or clicks.

Other services and sales

Our other services and sales revenues increased to approximately RMB1.7 million for the six months ended June 30, 2023 from nil in the corresponding period in 2022, primarily because the Company commenced providing technical supporting services.

Cost of Revenues

Our cost of revenues increased by 6.3% from RMB102.1 million for the six months ended June 30, 2022 to RMB108.5 million for the six months ended June 30, 2023. Our cost of revenues primarily consisted of (i) commissions charged by distribution and payment channels, representing revenue share payments to third-party distribution platforms and payment service providers for our self-published games; (ii) commissions charged by third-party game developers and IP holder; (iii) bandwidth and servers custody fee; (iv) employee benefits expenses related to our system maintenance and customer service personnel, including wages, salaries, bonuses, social insurance contributions and other employee benefits; and (v) others, including outsourced technical service fees for short messaging services, professional service fees and miscellaneous expenses.

The following table sets forth our cost of revenues by nature in absolute amounts and as percentages of our total cost of revenues for the six months ended June 30, 2023 and 2022.

	For the six months ended June 30,				2023 vs. 2022	
	2023		2022		Change	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>%</i>	
	(unaudited)		(unaudited)			
Commissions charged by distribution and payment channels	70,589	65.0	67,995	66.6	3.8	
Commissions charged by third-party game developers and IP holder	11,892	11.0	8,141	8.0	46.1	
Bandwidth and servers custody fee	10,287	9.5	10,590	10.4	(2.9)	
Employee benefits expenses	6,595	6.1	8,512	8.3	(22.5)	
Others	9,161	8.4	6,864	6.7	33.5	
Total	108,524	100.0	102,102	100.0	6.3	

Our cost of revenue for commissions charged by distribution and payment channels increased by 3.8% to RMB70.6 million for the six months ended June 30, 2023 from the corresponding period in 2022, primarily due to higher commissions paid to distribution platforms resulting from the increase in game operating revenues.

Our cost of revenue for commissions charged by third-party game developers and IP holder increased by 46.1% to RMB11.9 million for the six months ended June 30, 2023 from the corresponding period in 2022, primarily due to incremental commissions paid to third-party developers and IP holder as a result of the increase in revenue from the newly launched game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情).

Our cost of revenue for employee benefits expenses decreased by 22.5% to RMB6.6 million for the six months ended June 30, 2023 from the corresponding period in 2022, primarily due to the decrease in our employee expenses on a year-on-year basis.

Gross Profit and Gross Margin

Our gross profit increased by 35.8% from RMB166.0 million for the six months ended June 30, 2022 to RMB225.4 million for the six months ended June 30, 2023. Our gross margin increased to 68% for the six months ended June 30, 2023 from 62% for the six months ended June 30, 2022, primarily due to (i) an increase of 28.2% in game operating revenues for the Reporting Period on a year-on-year basis, and an increase of mere 3.8% in commissions charged by distribution and payment channels (the “**Channel Commissions**”) in the cost of revenues on a year-on-year basis, resulting in the increase of gross margin. Further, the percentage of revenue from self-operated games (also known as the “**self-operated revenue**”) out of the game operating revenues of the Company has increased to 35.4% in the Reporting Period from 29.9% in the same period last year. As the self-operated revenue does not incur any Channel Commissions for distribution, resulting in a lower growth rate of distribution and payment of Channel Commissions than the growth rate of game operating revenues, which in turn improved the gross margin for the Reporting Period; and (ii) the revenue for the Reporting Period increased by 24.6% on a year-on-year basis, and the three types of fixed expenses under cost of revenue, namely (1) employee benefits expenses; (2) bandwidth and servers custody fee; and (3) others, remained almost flat during the Reporting Period, comparing to the same period last year, which led to an increase in gross margin.

Selling and Marketing Expenses

Our selling and marketing expenses consisted of (i) marketing and promotion expenses paid to our online and offline marketing service providers, including traffic acquisition and brand marketing and promotion expenses; (ii) employee benefits expenses related to our sales and marketing personnel; and (iii) others, including office expenses incurred for our sales and marketing activities and miscellaneous expenses.

Our selling and marketing expenses decreased by 18.9% from RMB151.7 million for the six months ended June 30, 2022 to RMB123.1 million for the six months ended June 30, 2023. This was primarily due to (i) the decrease in marketing and promotion expenses of *The Marvelous Snail* (最強蝸牛) in Japan, despite the partial set-off by the increase in marketing and promotion expenses for the newly launched games, *Servitor Project* (使魔計劃) and *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情); and (ii) the decrease in the employee benefits expenses related to our sales and marketing personnel on a year-on-year basis.

Research and Development Expenses

Our R&D expenses consisted of (i) employee benefits expenses related to our R&D staff; (ii) outsourced technical service fee; and (iii) others, including office expenses incurred for our R&D activities, depreciation of right-of-use assets, rental expenses, utilities and miscellaneous expenses.

Our R&D expenses decreased by 19.7% from RMB55.6 million for the six months ended June 30, 2022 to RMB44.7 million for the six months ended June 30, 2023. This was primarily due to (i) the decrease in expenses related to our employees engaged in R&D activities on a year-on-year basis and (ii) the decrease in outsourced technical service fees.

General and Administrative Expenses

Our general and administrative expenses primarily consisted of (i) employee benefits expenses related to our supporting staff; (ii) depreciation of right-of-use assets on our leases; (iii) tax surcharges, including VAT surcharges and stamp duty; (iv) rental expenses and utilities; and (v) others, including office expenses, depreciation of property, plant and equipment, professional services fee and miscellaneous expenses.

Our general and administrative expenses decreased by 48.4% from RMB41.1 million for the six months ended June 30, 2022 to RMB21.2 million for the six months ended June 30, 2023, primarily due to (i) the decrease in expenses related to our supporting staff on a year-on-year basis; and (ii) the decrease in professional service fees.

Fair Value Changes on Investments Measured at Fair Value through Profit or Loss

Our fair value changes on investments measured at fair value through profit or loss reflected changes in the fair value of (i) certain of our long-term equity investments, which were equity investments in private equity funds as limited partners without significant influence, and investments in investee companies; and (ii) our short-term investments, primarily consisting of investment funds and wealth management products.

Our fair value gains on investments measured at fair value through profit or loss decreased by 41.2% from RMB11.2 million for the six months ended June 30, 2022 to RMB6.6 million for the six months ended June 30, 2023, mainly due to the decrease in our fair value gains from investment funds and unsatisfactory operation performance of several long-term investments.

Other Income

Our other income primarily consisted of subsidies, mainly including government subsidies granted by local governments to support our R&D activities and in recognition of our contribution to local economic development.

Our other income increased by 103.5% from RMB4.5 million for the six months ended June 30, 2022 to RMB9.2 million for the six months ended June 30, 2023, mainly due to the increase in government subsidies.

Other Gains/(Losses), Net

Our net other gains/losses primarily consisted of (i) net foreign exchange gains or losses arising from revenue and trade receivables denominated in USD and JPY; and (ii) donations to charity organizations.

Our net other gains decreased by 102.4% from net other gains of RMB4.3 million for the six months ended June 30, 2022 to net other losses of RMB0.1 million for the six months ended June 30, 2023, primarily due to (i) the impact of appreciation of USD against JPY in the first half of 2023 on our revenue and trade receivables denominated in JPY; and (ii) partially offset by the appreciation of our USD holdings due to the appreciation of USD against RMB.

Income Tax Expenses

Our income tax expenses increased by 24.7% from income tax expenses of RMB13.4 million for the six months ended June 30, 2022 to income tax expenses of RMB16.7 million for the six months ended June 30, 2023, mainly due to: (i) the increase in profit from a profitable subsidiary; and (ii) the Group did not further recognize deferred tax assets and utilized part of the previously recognized deferred tax assets in the Reporting Period.

Profit/loss for the Reporting Period

Our profit/loss for the Reporting Period decreased by 148.0% from a net loss of RMB86.9 million for the six months ended June 30, 2022 to a net profit of RMB41.7 million for the six months ended June 30, 2023. The turnaround of the Group's results from net loss to net profit for the Reporting Period was mainly attributable to (i) the increase in revenue brought about by the games newly launched and the long-term operation of *The Marvelous Snail* (最強蝸牛) in Japan during the Reporting Period; and (ii) the control on various expenses (including but not limited to promotion fees and staff remuneration) imposed by the Company, which resulted in a decrease in total expenses during the Reporting Period.

Liquidity, Capital Resources and Gearing Ratio

We fund our operations primarily through cash generated from our operating activities and capital contribution from our Shareholders.

The Group's total cash and cash equivalents decreased by 30.9% from RMB1,001.9 million as of December 31, 2022 to RMB692.4 million as of June 30, 2023. The decrease in total cash and cash equivalents during the Reporting Period was primarily due to (i) the usage of proceeds raised from the Global Offering; and (ii) the usage of part of our own funds for short-term investments.

As of June 30, 2023, we had a banking facility of RMB80.0 million, in which, we have obtained unsecured bank loans of RMB20.0 million, and we drew down approximately RMB0.4 million as deposit to secure our obligations under our foreign currency forward contract.

As of June 30, 2023, the current assets of the Group amounted to approximately RMB1,738.5 million, and the current liabilities of the Group amounted to approximately RMB153.9 million. Current ratio is calculated as total current assets divided by total current liabilities. As of June 30, 2023 and 2022, the current ratio of the Group was 1,129.7% and 527.7%, respectively.

Gearing ratio is calculated as total liabilities divided by total assets. As of June 30, 2023 and 2022, the gearing ratio of the Group was 9.2% and 17.5%, respectively.

Significant Investments

As at June 30, 2023, the Group's short-term investments measured at fair value through profit or loss increased by 82.9% from approximately RMB489.7 million as at December 31, 2022 to approximately RMB895.7 million as at June 30, 2023. The short-term investments mainly included investment funds. The increase was mainly attributable to the improvement of utilization of its own fund by the Group during the Reporting Period in order to further enhance the yields of its cash assets. For the six months ended June 30, 2023, no single investment of the Group accounted for more than 5% of the total assets of the Group.

Material Acquisitions and Disposals

During the Report Period, the Group made no material acquisitions nor material disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of June 30, 2023, we did not pledge any of our assets.

Capital Expenditure

For the six months ended June 30, 2023, our total capital expenditure was approximately RMB1.1 million, compared to approximately RMB7.7 million for the six months ended June 30, 2022. Our capital expenditure primarily included our purchase of property, plant and equipment, mainly related to the purchase of office equipment. We funded these expenditures with cash generated from our operations. We plan to fund our future capital expenditures with our cash from operating activities.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities.

Foreign Exchange Risk Management

We operate globally through overseas third-party publishers and are exposed to foreign exchange risk arising from various currency exposures, mainly including USD and JPY. Our foreign exchange risk primarily arose from recognized assets and liabilities when receiving or to receive foreign currencies from overseas counterparties. We managed our foreign exchange risk exposures through foreign currency forward contracts during the six months ended June 30, 2023.

Employee and Remuneration Policy

As of June 30, 2023, we had 611 full-time employees, substantially all of whom were based in China and 11 of whom were based overseas.

We recruit talent primarily from job fairs as well as word-of-mouth referrals. We provide regular training to our employees covering various aspects including our culture and technical know-how. We also follow up with the employees to evaluate the effect of the training, which is aimed at enhancing our employees' skillset and helping them stay up-to-date with industry and technology developments. In addition, we discover and incubate future game producers who display strong innovation and game design talent. We encourage and support our employees keen on mobile game development to become our producers. They may form new core project teams with other like-minded employees to develop new games. We compensate our employees with salaries, welfare payments, and performance-based and annual bonuses.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenues	4	333,937	268,114
Cost of revenues	5	<u>(108,524)</u>	<u>(102,102)</u>
Gross profit		225,413	166,012
Selling and marketing expenses	5	(123,052)	(151,748)
Research and development expenses	5	(44,701)	(55,639)
General and administrative expenses	5	(21,199)	(41,112)
Net impairment losses on financial assets	5	(288)	(103)
Fair value changes on investments measured at fair value through profit or loss		6,603	11,225
Other income	6	9,176	4,510
Other (losses)/gains, net	7	<u>(104)</u>	<u>4,317</u>
Operating profit		51,848	(62,538)
Finance income		8,658	2,231
Finance costs		<u>(1,168)</u>	<u>(1,033)</u>
Finance income, net		7,490	1,198
Share of results of investments accounted for using equity method		(948)	135
Losses on impairment of investments accounted for using the equity method		–	(12,294)
Profit/(loss) before income tax		58,390	(73,499)
Income tax expenses	8	<u>(16,673)</u>	<u>(13,373)</u>
Profit/(loss) for the period		<u>41,717</u>	<u>(86,872)</u>
Other comprehensive income/(loss):			
Items that may not be reclassified to profit or loss – Currency translation differences		<u>43,084</u>	<u>56,800</u>
Total comprehensive income/(loss) for the period		<u>84,801</u>	<u>(30,072)</u>

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:			
Equity holders of the Company		41,482	(75,671)
Non-controlling interests		<u>235</u>	<u>(11,201)</u>
		<u>41,717</u>	<u>(86,872)</u>
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		84,784	(18,538)
Non-controlling interests		<u>17</u>	<u>(11,534)</u>
		<u>84,801</u>	<u>(30,072)</u>
Earnings/(loss) per share for profit for the period attributable to the equity holders of the Company			
Basic and diluted earnings/(loss) per share (<i>RMB</i>)	<i>9</i>	<u>0.06</u>	<u>(0.11)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023	As at 31 December 2022
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		16,928	19,005
Right-of-use assets		20,191	26,168
Deferred tax assets		25,351	27,861
Investments accounted for using the equity method		18,910	19,858
Long-term investments measured at fair value through profit or loss		197,211	200,223
Prepayments, deposits and other assets		<u>13,637</u>	<u>9,678</u>
		292,228	302,793
Current assets			
Trade receivables	10	64,882	52,341
Inventories		65	78
Prepayments and other assets		85,493	60,978
Short-term investments measured at fair value through profit or loss		895,650	489,717
Restricted cash		–	8,573
Cash and cash equivalents		<u>692,416</u>	<u>1,001,922</u>
		1,738,506	1,613,609
		2,030,734	1,916,402
EQUITY			
Share capital	11	44	44
Share premium	11	5,117,821	5,117,821
Other reserves		(2,888,819)	(2,932,121)
Accumulated deficit		<u>(380,835)</u>	<u>(422,317)</u>
Equity attributable to equity holders of the Company		1,848,211	1,763,427
Non-controlling interests		<u>(4,510)</u>	<u>(4,527)</u>
Total equity		1,843,701	1,758,900

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		13,156	16,596
Borrowings		<u>19,981</u>	<u>–</u>
		<u>33,137</u>	<u>16,596</u>
Current liabilities			
Trade payables	12	52,705	10,078
Other payables and accruals		35,630	67,640
Short-term liabilities measured at fair value through profit or loss		40	420
Contract liabilities		47,566	41,283
Current income tax liabilities		8,924	11,278
Lease liabilities		9,018	10,207
Borrowings		<u>13</u>	<u>–</u>
		<u>153,896</u>	<u>140,906</u>
Total liabilities		<u><u>187,033</u></u>	<u><u>157,502</u></u>
Total equity and liabilities		<u><u>2,030,734</u></u>	<u><u>1,916,402</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Qingci Games Inc. (the “**Company**”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 12 March 2021. The Company is an investment holding company. The Company and its subsidiaries, including consolidated structured entities (together, the “**Group**”) are principally engaged in the development and operation of mobile games and provision of information services (the “**Listing Business**”) in the People’s Republic of China (the “**PRC**”) and other areas. For the purpose of preparing the consolidated financial statements, Mainland China refers to the PRC, excluding Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan Province of the PRC.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 16 December 2021.

The condensed consolidated financial statements for the six months ended 30 June 2023 (the “**Interim Financial Information**”) are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) unless otherwise stated.

2 BASIS OF PREPARATION

The Interim Financial Information have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), “Interim Financial Reporting”.

The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as set out in 2022 annual report of the Company dated 28 March 2023 (the “**2022 Financial Statements**”).

3 ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the 2022 Financial Statements, except for the estimation of income tax (see note 8) and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards which are relevant to the Group’s operations and are mandatory for the financial year beginning on or after 1 January 2023:

Amendments to IAS 8	Definition of Accounting Estimates
IFRS 17	Insurance Contracts
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The adoption of these new and amended standards does not have material impact on the condensed consolidated financial statements of the Group.

(b) **New standards and amendments to standards that have been issued but not effective**

The following new standards and amendments to standards have been issued, but are not effective for the Group's financial year beginning on 1 January 2023 and have not been early adopted by the Group. None of these new standards and amendments to standards is expected to have a material impact on the consolidated financial statements of the Group.

		Effective for accounting year beginning on or after
Amendments to IAS 1	Classification of Liabilities as current and non-current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4 SEGMENT INFORMATION AND REVENUE

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the directors of the Company consider that the Group's operation is operated and managed as a single segment and no segment information is presented, accordingly.

As at 30 June 2023 and 31 December 2022, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Game operating revenues		
– Self-developed	237,930	225,214
– Licensed	80,433	23,069
Subtotal	318,363	248,283
Game licensing revenue	11,317	14,992
Information service revenue	2,528	4,839
Other revenue	1,729	–
Total revenues	333,937	268,114
Cost of revenues	(108,524)	(102,102)
Gross profit	225,413	166,012
Gross margin	68%	62%

Revenues of approximately RMB13 million and RMB18 million for the six months ended 30 June 2023 and 2022, respectively, were from five largest single customers.

During the six months ended 30 June 2023 and 2022, none of single customers individually exceeding 10% of the Group's revenue.

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the six months ended 30 June 2023 and 2022, respectively:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Service transferred overtime	155,154	119,905
Service transferred at a point of time	178,783	148,209
	<u>333,937</u>	<u>268,114</u>

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the six months ended 30 June 2023 and 2022, respectively:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	269,043	233,522
Outside Mainland China (a)	64,894	34,592
Total	<u>333,937</u>	<u>268,114</u>

(a) Revenue from outside Mainland China mainly include revenue from local versions operated in Japan, Hong Kong, Macau and Taiwan Province.

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Marketing and promotion expenses	103,531	118,313
Employee benefits expenses	70,421	113,966
Commissions charged by distribution channels	69,598	67,396
Commissions charged by game developers and IP holder	11,892	8,141
Bandwidth and server custody fee	10,287	10,590
Outsourced technical services	7,798	7,454
Depreciation of right-of-use assets	4,998	5,370
Professional services fee	4,947	6,215
Office expenses	4,708	4,305
Depreciation of property, plant and equipment	2,932	2,290
Auditor remuneration		
– Audit service	2,035	1,800
– Non-audit service	60	120
Tax surcharges	1,123	1,263
Rental expenses and utilities	1,023	1,260
Commissions charged by payment channel	991	599
Net impairment losses on financial assets	288	103
Others	1,132	1,519
	<u>297,764</u>	<u>350,704</u>
Total	297,764	350,704

6 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government subsidies	9,176	4,510
	<u>9,176</u>	<u>4,510</u>

There are no unfilled conditions or contingencies related to the above government subsidies.

7 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Foreign exchange gain	458	6,857
Donations to charity organizations	(553)	(2,433)
Others	(9)	(107)
	<u>(104)</u>	<u>4,317</u>
Total	(104)	4,317

8 INCOME TAX

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit in respect of operations in Hong Kong.

PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the six months ended 30 June 2023 and 2022.

Certain subsidiaries of the Group in the PRC, accordingly, are accredited as “high and new technology enterprise” and entitled to a preferential income tax rate of 15% during the six months ended 30 June 2023 and 2022.

Certain subsidiaries are accredited as a “software enterprise” under the relevant PRC Laws and regulations. They are exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the “**tax holiday**”).

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the six months ended 30 June 2023 and 2022.

PRC Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5% in certain circumstances.

Since the Group intends to permanently reinvest earnings from QC Digital Group to further expand its businesses in PRC after the reorganization, it does not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period. Cumulative undistributed earnings of the Company's PRC subsidiaries intended to be permanently reinvested were RMB304 million as at 30 June 2023.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	14,004	10,751
Deferred income tax	2,669	2,622
Total income tax expenses/(benefit)	<u>16,673</u>	<u>13,373</u>

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to ordinary shareholders of the Company by the weighted average number of outstanding shares during the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to ordinary shareholders of the Company (RMB'000)	41,482	(75,671)
Weighted average number of outstanding ordinary shares	<u>691,330,500</u>	<u>690,980,749</u>
Basic earnings/(loss) per share (RMB)	<u>0.06</u>	<u>(0.11)</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of outstanding ordinary shares to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2022, the Company had over-allotment option to the IPO that had potential ordinary shares, diluted loss per share presented is the same as the basic loss per share as the inclusion of potential ordinary shares in the calculation of diluted loss per share would be anti-dilutive.

For the six months ended 30 June 2023, diluted earnings per share presented is the same as the basic earnings per share as there was no dilutive potential ordinary share.

10 TRADE RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Distribution channels	53,833	36,830
Game publishers	5,913	10,845
Information service customers	1,299	791
Others	<u>4,043</u>	<u>3,898</u>
	65,088	52,364
Less: allowance for impairment	<u>(206)</u>	<u>(23)</u>
	<u>64,882</u>	<u>52,341</u>

- (a) Distribution Channels and game publishers and information service customers usually settle the amounts within 30–60 days. Aging analysis of trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 3 months	59,372	42,930
3 months to 6 months	1,787	6,502
6 months to 1 year	1,276	2,932
1 to 2 years	<u>2,653</u>	<u>–</u>
	<u>65,088</u>	<u>52,364</u>

11 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Authorised				
As at 30 June 2023 and 31 December 2022	<u>5,000,000</u>	<u>50</u>	<u>–</u>	<u>–</u>
Issued (Unaudited)				
As at 1 January 2022	685,000	7	44	5,151,253
Issuance of ordinary shares upon IPO over allotment (a)	6,331	–	–	55,888
Dividend distribution to the shareholders (Note 13)	–	–	–	(89,320)
As at 30 June 2022	<u>691,331</u>	<u>7</u>	<u>44</u>	<u>5,117,821</u>
Issued (Unaudited)				
As at 1 January 2023 and 30 June 2023	<u>691,331</u>	<u>7</u>	<u>44</u>	<u>5,117,821</u>

- (a) On 12 January 2022, following the partial exercise of over-allotment option available upon its IPO, the Company issued 6,330,500 new ordinary shares at HKD11.20 per share and raised gross proceeds of approximately HKD71 million (equivalent to RMB58 million). The net proceeds was approximately HKD68 million (equivalent to RMB56 million) after deducting listing expenses directly relating to the share issuance.

12 TRADE PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	<u>52,705</u>	<u>10,078</u>

Trade payables are primarily related to the purchase of services for server custody, advertisement and sharing of proceeds due to game developers and IP holder. The credit terms of trade payables granted to the Group are usually 30 to 90 days.

Aging analysis of trade payables based on the recognition date of the trade payables at the respective reporting dates are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 3 months	52,238	9,891
Over 3 months	<u>467</u>	<u>187</u>
	<u>52,705</u>	<u>10,078</u>

13 DIVIDEND DISTRIBUTION

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividend Distribution	<u>—</u>	<u>89,320</u>

The final dividend of HK15.2 cents per share for the year ended 31 December 2021, amounted HKD105,082,236 (equivalent to approximately RMB89,319,901) as total was approved in the shareholders' meetings of the Company held on 6 June 2022 and paid on 29 July 2022.

No dividend has been paid or declared by the Company during the six months ended 30 June 2023.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after June 30, 2023 and up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Stock Exchange on December 16, 2021. The net proceeds received from the Global Offering (taking into account the partial exercise of the over-allotment option and after deducting the underwriting fees and commission and other estimated expenses payable by the Company in connection with the Global Offering) was approximately HK\$925.8 million.

The table below sets out the planned usage of the net proceeds from the Global Offering and actual usage up to June 30, 2023:

Use of proceeds	Net proceeds from the Global Offering (after taking into account the partial exercise of the over- allotment option) <i>(HK\$ million)</i>	Amount utilized during the Reporting Period <i>(HK\$ million)</i>	Utilized amount up to June 30, 2023 <i>(HK\$ million)</i>	Unutilized amount up to June 30, 2023 <i>(HK\$ million)</i>	Expected timeline for fully utilizing the unutilized amount ⁽¹⁾
For expanding our game portfolio and invest in our game R&D capabilities and related technologies	324.0	57.3	152.5	171.5	By December 2024
For expanding our business in the overseas markets	231.4	42.9	221.7	9.7	By December 2024
For strengthening our game publication and operation capabilities in China's mobile game market and the market recognition of our "QingCi" brand and our IPs	138.9	38.1	99.9	39.0	By December 2024
For pursuing strategic investments in and acquisitions of upstream and downstream companies along the mobile game industry chain	138.9	4.9	98.1	40.8	By December 2024
For working capital and general corporate purposes	92.6	–	92.6	–	N/A
Total	925.8	143.2	664.8	261.0	

Note:

- (1) The expected timeline for utilization of the unutilized proceeds disclosed above is based on the best estimation from the Board in accordance with latest information as at the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG code as its own code of corporate governance.

The Board is of the view that the Company has complied with all code provisions as set out in part 2 of the CG Code for the Reporting Period.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2023.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consist of three independent non-executive Directors, namely Mr. Zhang Longgen (Chairman), Professor Lam Sing Kwong Simon and Ms. Fang Weijin. Mr. Zhang Longgen possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2023 together with the Group's auditors, PricewaterhouseCoopers, and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's unaudited interim financial information and the related notes thereto for the six months ended June 30, 2023 as set out in the announcement have been reviewed by the Group's auditor, PricewaterhouseCoopers.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.qcplay.com). The interim report for the six months ended June 30, 2023 will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“ACT”	the action games
“ARPPU” or “average revenue per paying user”	average revenue per month per paying user, which is calculated by (i) dividing our revenue from a game for a specified period by the total MPUs of such game for that period; or (ii) dividing our total game revenue for a specified period by the aggregate of the total MPUs of all of our games for that period, as applicable
“Audit Committee”	the audit committee of the Company
“average MAUs”	calculated by dividing (i) the total MAUs of a game, or (ii) the aggregate of the total MAUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MAUs did not consider each game’s data before its official launch
“average MPUs”	calculated by dividing (i) the MPUs of a game, or (ii) the aggregate of the total MPUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MPUs did not consider each game’s data before its official launch
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

“CMGE”	CMGE Technology Group Limited, an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 0302)
“Company”	Qingci Games Inc. (青瓷游戏有限公司), an exempted company incorporated in the Cayman Islands with limited liability on March 12, 2021 and whose Shares are listed on the Stock Exchange
“Director(s)”	the director(s) of our Company
“Global Offering”	has the meaning ascribed to it under the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries from time to time
“HK dollar” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Japanese Yen” or “JPY”	Japanese Yen, the lawful currency of Japan
“Listing”	the listing of Shares on the Main Board of the Stock Exchange on December 16, 2021
“Listing Date”	December 16, 2021, being the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“MAU(s)”	monthly active users, which represents the number of active users during a specified calendar month

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MPU(s)”	monthly paying users, which represents the number of paying players during a specified calendar month
“PRC”, “Mainland China” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus issued by the Company on December 6, 2021 in connection with the Hong Kong public offering of the Shares
“R&D”	research and development
“Reporting Period”	six months from January 1, 2023 to June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Rogue-like RPG”	a type of RPG, which allows players to explore and unlock new content by levels in various adventures that embed randomness and surprises through treasure hunt, map discovery and other unpredictable events. Players acquire a sense of excitement during such adventures and a sense of self-achievement as their game avatars grow through their efforts
“RPG”	the role-playing games
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary share(s) in the capital of the Company with nominal value of US\$0.00001 each
“SLG”	the simulation games
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	United States Dollars, the lawful currency of the United States of America

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our Shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

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

Hong Kong, August 24, 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.