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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, 2024**

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, 2024, together with the comparative figures for the six months ended June 30, 2023 as below.

The interim results of the Group for the six months ended June 30, 2024 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**

	<b>For the six months ended June 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(%)</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	
<b>Revenue</b>	<b>342,622</b>	333,937	3
<b>Gross Profit</b>	<b>211,787</b>	225,413	(6)
<b>Net profit</b>	<b>38,203</b>	41,717	(8)
<b>Profit attributable to equity holders of the Company</b>	<b>45,059</b>	41,482	9

## KEY OPERATING INFORMATION

	For the six months ended June 30,		
	2024	2023	Change (%)
<b>Average MAUs</b> <i>(in thousands)</i> <sup>(1)</sup>	<b>2,179</b>	1,798	21
<b>Average MPUs</b> <i>(in thousands)</i> <sup>(2)</sup>	<b>253</b>	258	(2)
<b>ARPPU</b> <i>(RMB)</i>	<b>275</b>	296	(7)
 <b>Cumulative registered players</b> <i>(in thousands)</i>	 <b>93,389</b>	 82,365	 13

*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 a well-known mobile game developer and publisher in China, we are committed to offering unparalleled experiences to game players around the world through our landmark captivating games and content.

During the Reporting Period, the Group continued to solidify its core competitiveness in its integrated R&D and operation model. Our games repeatedly achieved outstanding performance in overseas markets, with a number of games demonstrating long term steady performance; at the same time, the Group focused on developing and distributing premium projects, leading to a stable and sustained business growth, as detailed below:

**(1) Our games achieved repeated success in overseas markets, with a continuous growth in the scale and proportion of overseas revenue. In the first half of 2024, the Group's overseas revenue continued to rise, with a year-on-year increase from approximately RMB65 million to approximately RMB143 million, and the proportion of overseas revenue increased from 19.4% in the same period last year to 41.7% this year:** In the first half of 2024, the Group has launched multiple games across various regions worldwide. For example, in February 2024, the Group released a casual game *Fat Goose Gym* (肥鵝健身房) in Japan, which immediately ranked top on both the iOS free games chart and the Google Play free games chart in Japan; *The Marvelous Snail/SuperSnail* (最強蝸牛) was launched in Vietnam in April 2024, and ranked top on the iOS free games chart in the region, furthermore, versions in German, French, Spanish, Portuguese and Italian were also launched in June 2024, providing a more comprehensive coverage of the Southeast Asian and European regions; *Time Voyager* (時光旅行社) was launched in the HMT regions in June 2024, and ranked high on the iOS free games chart;

**(2) Outstanding long-term operation capabilities, with a number of games performing solidly over an extensive period of time:** In June 2024, our self-developed flagship game *The Marvelous Snail/SuperSnail* (最強蝸牛) celebrated the fourth anniversary of its launch in Mainland China and the second anniversary of its launch in Japan, and is celebrating its launch anniversary in North America in August 2024; as of June 30, 2024, the game recorded cumulative gross billings of approximately RMB3,460 million domestically and overseas; in February 2024, *Lantern and Dungeon* (提燈與地下城) released its largest version update since its launch in 2021, as of June 30, 2024, the game recorded cumulative gross billings of approximately RMB317 million; many other major games also continued to contribute steady revenue to the Group;

**(3) The Group focused on R&D and the publication of premium projects, continuing to enrich its pipeline games:** So far this year, the Group has released a number of premium projects, for example, *Lost Light* (迷途之光) was launched in June 2024, and *Ares Virus 2* (阿瑞斯病毒2) was launched in August 2024. The Group has also continued to devote to and expand its pipeline games, such as continuing to polish its self-developed pipeline game *Project E* (項目E), while also introducing high-quality pipeline games such as *Project W* (項目W), *Project HA* (項目HA) and others, delivering high-quality gaming experiences to players worldwide.

During the Reporting Period, the Group recorded a revenue of RMB343 million, representing an increase of 3% over the same period last year; recorded a profit of RMB38.2 million, representing a year-on-year decrease of 8%. As of June 30, 2024, the Group had 93.39 million cumulative registered players, representing a year-on-year increase of 13%; the average number of monthly active users was approximately 2.1789 million, representing a year-on-year increase of 21.22%; the average number of monthly paying users was approximately 252,800, representing a year-on-year decrease of 1.87%; the ARPPU also exceeded RMB275.

## OUR GAMES

The Group develops, publishes and operates a number of premium mobile games. As of June 30, 2024, we have 13 existing mobile application games, covering idle games, Rogue-like RPG and other RPG, and a number of mini program games.

Below is an overview of our major games:

**In terms of mobile application games, *The Marvelous Snail/SuperSnail* (最強蝸牛),** launched in June 2020, is our self-developed idle game. As of June 30, 2024, the game recorded gross billings of approximately RMB3,460 million domestically and overseas, with 27.69 million cumulative registered players. During the Reporting Period, *The Marvelous Snail/SuperSnail* (最強蝸牛) (known as *SuperSnail* in regions including Southeast Asia, Europe and the United States) celebrated the fourth anniversary of its launch in Mainland China, and cooperated with other intellectual property (“IP”) such as *Cairo Games* (開羅遊戲) and *Calabash Brothers* (葫蘆娃); and celebrated the second anniversary of its launch in Japan, cooperated with *Sanrio* (三麗鷗), and continued to provide game players with high-quality contents and novel gameplay. The game was also launched in Vietnam in April 2024, and ranked top on the iOS free games chart in the region, and its versions in German, French, Spanish, Portuguese and Italian were launched in June 2024, providing a more comprehensive coverage of the Southeast Asian and European regions. During the Reporting Period, the total domestic and overseas revenue recorded by the game is approximately RMB189 million.

***Lantern and Dungeon* (提燈與地下城),** launched in March 2021, is a Rogue-like RPG that we introduced through in-licensing. In February 2024, the game cooperated with the renowned IP “Ne Zha” (哪吒) to release a remake of the game with brand-new contents and gameplay, which was also the largest version update since its launch in 2021. During the Reporting Period, the game recorded a total revenue of approximately RMB11.7 million.

***Sword and Fairy: Wen Qing*** (新仙劍奇俠傳之揮劍問情), launched on June 9, 2023, is a story card mobile 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 gained strong popularity among players. The game ranked first on the iOS free games chart and 14th on the iOS bestseller games chart after its launch. In June 2024, the game celebrated its anniversary of its launch. In July 2024, the game was launched in the Southeast Asian region and ranked top on the iOS free games chart in Singapore and Malaysia. During the Reporting Period, the game recorded a revenue of approximately RMB66.7 million. As of June 30, 2024, the game generated approximately RMB355 million in cumulative revenue.

***Cardcaptor Sakura: Memory Key*** (魔卡少女櫻：回憶鑰匙), 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. In September 2023, the game was launched in Mainland China and immediately ranked first on the iOS free games chart and obtained the highest ranking of No. 30 on the iOS bestseller games chart; in October 2023, the game was launched in the HMT regions and ranked top on the iOS free games chart in those three regions, highest ranking second on the iOS bestseller games chart in Hong Kong, top on the iOS bestseller games chart in Macao and fourth on the iOS bestseller games chart in Taiwan. During the Reporting Period, the game generated approximately RMB17.4 million in revenue.

***Fat Goose Gym*** (肥鵝健身房), launched in Japan in February 2024, is a casual game that we introduced through in-licensing, in which players can build a gym through synthetic gameplay, expand more areas and install equipments and furnitures to attract more fat goose customers to visit. The game immediately ranked top on both the iOS free games chart and the Google Play free games chart in Japan after its launch. During the Reporting Period, the game recorded a revenue of approximately RMB27.1 million.

***Lost Light*** (迷途之光), launched in June 2024, is a pixel style roguelike pop-up game that we introduced through in-licensing. The game is based on action-adventure, combining map exploration and card raising gameplay with a huge number of skills to choose from, and allows players to advance and explore through free combination of skills. During the Reporting Period, the game recorded a revenue of approximately RMB3.2 million.

Other primary games such as ***Servitor Project*** (使魔計劃) (launched in January 2023, our self-developed strategy card game), ***Time Voyager*** (時光旅行社) (launched in December 2023, our self-developed infinite-stream casual idle game), ***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 in-licensing) and ***Eternal Adventure*** (無盡大冒險) (launched in June 2015, our self-developed classic game 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 RMB20.1 million in total during the Reporting Period.

**In terms of mini program games**, the Group launched a number of self-developed and in-licensed mini program games during the Reporting Period, including the mini program game version of *The Marvelous Snail/SuperSnail* (最強蝸牛), *Royal Recruits* (皇室護衛隊), *Bullet Legion* (子彈軍團), etc. As of June 30, 2024, the mini program games generated approximately RMB3.4 million in revenue.

## 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 that we organize, opportunities to participate in testing our new games and free in-game virtual items.

As of June 30, 2024, our games had accumulated 14.9728 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 25.24% as compared with the same period last year. 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.



## OUTLOOK

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

	Title	Game Genre	Source	Development Stage as of June 30, 2024	Expected Launch Time
1.	BloodAge (formerly known as Project L (項目L))	RPG	In-licensed	Game production, testing and optimization	2024
2.	Project: Totem (項目：圖騰)	Tower defense game	In-licensed	Game production, testing and optimization	2024
3.	Project V (項目V)	Idle game	In-licensed	Game production, testing and optimization	2025
4.	Project W (項目W)	Card RPG	In-licensed	Game production, testing and optimization	2025
5.	Project HA (項目HA)	Card RPG	In-licensed	Game production, testing and optimization	2025
6.	Project E (項目E)	SLG	Self-developed	Game production, testing and optimization	2025
7.	Project 36Z (項目36Z)	Idle game	In-licensed	Demo production	2025
8.	Project T (項目T)	SLG	In-licensed	Demo production	2026
9.	Project F (項目F)	Survival socialization	In-licensed	Demo production	2026

*Note: During the Reporting Period, the Group optimized the allocation of resources according to the progress of the pipeline game projects, and the progress of Qin Dynasty Anecdotes (大秦異聞錄) and Project P95 (項目P95) has been put on hold.*

Looking ahead, the Group will further enrich its product matrix and actively promote the testing and launch of pipeline games both domestically and overseas.

In August 2024, the Group's in-licensed game *Ares Virus 2* (阿瑞斯病毒2) was launched, which is an adventure survival RPG and a sequel to *Ares Virus* (阿瑞斯病毒) with a top-down perspective and a unique and fresh ballpoint pen style. Players need to resist against the crime syndicate and rebuild their own home. The game features colorful scenes and characters, as well as brain-teasing and fun decryption gameplay, and has received favorable feedbacks from players since its launch.

As of August 2024, the Group introduced two new in-licensed games, of which *Project W* (項目W) is a 2D semi-turn-based card game based on the *Great Ruler* (大主宰), a novel written by the renowned author "Tian Can Tu Dou" (天蠶土豆) and *Project HA* (項目HA) which is a card RPG game.

The Group is also actively promoting the testing and launching of multiple projects overseas. *BloodAge* is a western fantasy themed idle card RPG game which allows players to train heroes of various races to fight. The game will soon be launched in Korea, and the Group will officially tap into the Korean gaming market and continue to release premium games in the region; the testing of the idle game *Project V* (項目V) is also continuing in Europe and the United States.

In addition, the Group will further expand the testing scale of its self-developed post-apocalyptic world SLG game *Project E* (項目E) in the second half of 2024, and other in-licensed pipeline 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, to create a diversified game portfolio and 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 game 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, 2023 and 2024.

	For the six months ended June 30,				2024 vs. 2023
	2024		2023		Change
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%	%
Game operating revenues					
Self-developed	196,738	57.5	237,930	71.2	(17.3)
Licensed	126,434	36.9	80,433	24.1	57.2
Subtotal	323,172	94.4	318,363	95.3	1.5
Game licensing revenue	6,323	1.8	11,317	3.4	(44.1)
Information service revenue	9,290	2.7	2,528	0.8	267.5
Other services and sales	3,837	1.1	1,729	0.5	121.9
<b>Total revenues</b>	<b>342,622</b>	<b>100.0</b>	<b>333,937</b>	<b>100.0</b>	<b>2.6</b>



## ***Game Operating Revenues***

Our game operating revenues increased by 1.5% to RMB323.2 million for the six months ended June 30, 2024 from the corresponding period in 2023. In particular,

- our revenue from self-developed games decreased by 17.3% to RMB196.7 million for the six months ended June 30, 2024 from the corresponding period in 2023, primarily due to the decline in revenue from *The Marvelous Snail/SuperSnail* (最強蝸牛) in the Mainland China and Japan regions and *Servitor Project* (使魔計劃), partially offset by the increase in revenue resulted from *The Marvelous Snail/SuperSnail* (最強蝸牛) in the regions such as the United States and Canada; and
- our revenue from licensed games increased by 57.2% to RMB126.4 million for the six months ended June 30, 2024 from the corresponding period in 2023, primarily due to the launch of new games such as *Fat Goose Gym* (肥鵝健身房), *Lost Light* (迷途之光) and *Loot Rush* (騎士沖呀) and the remake of *Lantern and Dungeon* (提燈與地下城), and the new operation of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) (the game was launched in Mainland China in September 2023, and was launched in the HMT regions in October 2023) contributing to the growth in revenue.

## ***Game Licensing Revenue***

Our game licensing revenue decreased by 44.1% to RMB6.3 million for the six months ended June 30, 2024 from the corresponding period in 2023, primarily due to the decrease in game licensing revenues from *Gumballs & Dungeons* (不思議迷宮) in Mainland China and *The Marvelous Snail/SuperSnail* (最強蝸牛) in the HMT regions.

## ***Information Service Revenue***

Our information service revenue increased by 267.5% to RMB9.3 million for the six months ended June 30, 2024 from the corresponding period in 2023, primarily due to the increase in in-game advertisement views or clicks.

## ***Other Services and Sales***

Our other services and sales revenues increased by 121.9% to approximately RMB3.8 million for the six months ended June 30, 2024 from RMB1.7 million for the corresponding period in 2023, primarily due to the increase in revenue generated from sales of peripheral products and through marketing and promotion on third-party platforms and others.

## ***Cost of Revenues***

Our cost of revenues increased by 20.6% from RMB108.5 million for the six months ended June 30, 2023 to RMB130.8 million for the six months ended June 30, 2024. 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 holders; (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, the impairments of prepayments to some investment companies which were included in the cost of revenues, 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, 2024 and 2023.

	For the six months ended June 30,				2024 vs. 2023
	2024		2023		Change
	RMB'000	%	RMB'000	%	%
	(unaudited)		(unaudited)		
Commissions charged by distribution and payment channels	69,168	52.9	70,589	65.0	(2.0)
Commissions charged by third-party game developers and IP holders	38,173	29.2	11,892	11.0	221.0
Bandwidth and servers custody fee	8,953	6.8	10,287	9.5	(13.0)
Employee benefits expenses	6,051	4.6	6,595	6.1	(8.2)
Others	8,490	6.5	9,161	8.4	(7.3)
<b>Total</b>	<b>130,835</b>	<b>100.0</b>	<b>108,524</b>	<b>100.0</b>	<b>20.6</b>

Our cost of revenue for commissions charged by distribution and payment channels decreased by 2.0% to RMB69.2 million for the six months ended June 30, 2024 from the corresponding period in 2023, primarily due to the decrease in the proportion of revenue generated through certain third-party distribution platforms as compared to the same period last year, which charged higher channel commissions and in turn reduced the commissions paid to the distribution channels.

Our cost of revenue for commissions charged by third-party game developers and IP holder increased by 221.0% to RMB38.2 million for the six months ended June 30, 2024 from the corresponding period in 2023, primarily due to the increased commissions paid to developers of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), and the increased commissions paid to third-party developers and IP holders as a result of the increase in revenue from licensed games brought about by the launch of *Fat Goose Gym* (肥鵝健身房) and the new operation of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) (the game was launched in Mainland China in September 2023, and was launched in the HMT regions in October 2023) and others.

Our cost of revenue for employee benefits expenses decreased by 8.2% to RMB6.1 million for the six months ended June 30, 2024 from the corresponding period in 2023, primarily due to the decrease in number of customer service center employees, which led to the decrease in our employee expenses on a year-on-year basis.

### Gross Profit and Gross Profit Margin

Our gross profit decreased by 6.0% from RMB225.4 million for the six months ended June 30, 2023 to RMB211.8 million for the six months ended June 30, 2024. Our gross profit margin decreased to 62% for the six months ended June 30, 2024 from 68% for the six months ended June 30, 2023, primarily due to the increase in proportion of licensed games operating revenue in the game operating revenue from 25.3% in the same period last year to 39.1% in the Reporting Period; and operating revenues generated from licensed games result in commissions charged by third-party game developers and IP holders, such commissions counts towards the cost of revenues, which in turn lowered the gross profit margin for the Reporting Period.

## 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 selling and marketing personnel; and (iii) others, including office expenses incurred for our selling and marketing activities and miscellaneous expenses.

Our selling and marketing expenses increased by 7.2% from RMB123.1 million for the six months ended June 30, 2023 to RMB131.9 million for the six months ended June 30, 2024. This was primarily due to (i) the increase in selling and marketing expenses resulted from the launch of new games such as *Fat Goose Gym* (肥鵝健身房), *Lost Light* (迷途之光), and the remake of *Lantern and Dungeon* (提燈與地下城); (ii) the increase in overseas selling and marketing personnel as the Company continued to push forward overseas strategies, resulting in an increase in related expenses on a year-on-year basis; and (iii) the aforementioned expenses were partially offset by the decrease in selling and marketing expenses of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *The Marvelous Snail/SuperSnail* (最強蝸牛) in Japan and other games.

## R&D 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 increased by 5.4% from RMB44.7 million for the six months ended June 30, 2023 to RMB47.1 million for the six months ended June 30, 2024. This was primarily due to the increase in R&D staff for some key game projects, which led to an increase in expenses related to our employees engaged in R&D activities on a year-on-year basis.

## 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 increased by 29.4% from RMB21.2 million for the six months ended June 30, 2023 to RMB27.4 million for the six months ended June 30, 2024, primarily due to the compensation for losses of some staffs from unsatisfactory game project and the increase in supporting staffs of the game peripheral products team, which led to an increase in expenses related to our supporting staffs on a year-on-year basis.

## 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 increased by 536.8% from RMB6.6 million for the six months ended June 30, 2023 to RMB42.1 million for the six months ended June 30, 2024, mainly due to the increase in our fair value gains from investment funds and wealth management products.

## **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 decreased by 91.8% from RMB9.2 million for the six months ended June 30, 2023 to RMB0.8 million for the six months ended June 30, 2024, mainly due to the decrease in government subsidies.

## **Other Losses, Net**

Our net other 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 losses increased from RMB0.1 million for the six months ended June 30, 2023 to RMB11.6 million for the six months ended June 30, 2024, primarily due to (i) the appreciation of USD against JPY in the first half of 2024, resulted in exchange losses on USD-denominated payables of individual subsidiaries whose functional currency is JPY; and (ii) partially offset by the exchange gains from the appreciation of the Group's USD holdings due to the appreciation of USD against RMB.

## **Income Tax Expenses**

Our income tax expenses decreased by 95.5% from income tax expenses of RMB16.7 million for the six months ended June 30, 2023 to income tax expenses of RMB0.8 million for the six months ended June 30, 2024, mainly due to: (i) the decline in profit of a profit-making subsidiary; and (ii) the further recognition of deferred tax assets by the Group during the Reporting Period.

## **Profit for the Reporting Period**

Our profit for the Reporting Period decreased by 8.4% from a net profit of RMB41.7 million for the six months ended June 30, 2023 to a net profit of RMB38.2 million for the six months ended June 30, 2024, which were mainly attributable to (i) the increase in the proportion of operating revenues from licensed games for the Reporting Period, resulted in an increase in the commissions paid to third-party game developers and IP holders, and led to a decrease in gross profit; (ii) the appreciation of USD against JPY in the first half of 2024, resulted in an increase in exchange losses of individual subsidiaries; (iii) the launch of some new games during the Reporting Period, resulted in an increase in selling and marketing expenses; and (iv) partially offset by the increase in fair value gains from investment funds and wealth management products.

## Net Profit

	For the six months ended June 30,	
	2024	2023
	(RMB'000)	(RMB'000)
	(unaudited)	(unaudited)
Net Profit	<u>38,203</u>	<u>41,717</u>

The Group recorded a net profit of approximately RMB38.2 million for the six months ended June 30, 2024, as compared to the net profit of approximately RMB41.7 million for the six months ended June 30, 2023. This was primarily attributable to (i) the increase in the proportion of operating revenues from licensed games for the Reporting Period, thereby resulted in an increase in the commissions paid to third-party game developers and IP holders, and led to a decrease in gross profit; (ii) the appreciation of USD against JPY in the first half of 2024, resulted in an increase in exchange losses of individual subsidiaries; and (iii) the launch of some new games during the Reporting Period, resulted in an increase in selling and marketing expenses; and (iv) partially offset by the increase in fair value gains from investment funds and wealth management products.

## 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 21.6% from RMB538.0 million as of December 31, 2023 to RMB421.8 million as of June 30, 2024. 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, 2024, we had borrowings of RMB20.0 million. As of the same date, we had a banking facility of RMB109.0 million, and we did not draw down the facility as deposit to secure our obligations under our foreign currency forward contract.

As of June 30, 2024, the current assets of the Group amounted to approximately RMB1,638.5 million, and the current liabilities of the Group amounted to approximately RMB161.6 million. Current ratio is calculated as total current assets divided by total current liabilities. As of June 30, 2024 and 2023, the current ratio of the Group was 1,013.9% and 1,129.7%, respectively.

Gearing ratio is calculated as total liabilities divided by total assets. As of June 30, 2024 and 2023, the gearing ratio of the Group was 9.8% and 9.2%, respectively.



## **Significant Investments**

As at June 30, 2024, the Group's short-term investments measured at fair value through profit or loss increased by 10.9% from approximately RMB988.9 million as at December 31, 2023 to approximately RMB1,096.4 million as at June 30, 2024. 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, 2024, 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, 2024, we did not pledge any of our assets.

## **Capital Expenditure**

For the six months ended June 30, 2024, our total capital expenditure was approximately RMB1.1 million, compared to approximately RMB1.1 million for the six months ended June 30, 2023. 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 operating activities. We plan to fund our future capital expenditures with our cash from operating activities.



## **Contingent Liabilities**

As of June 30, 2024, 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, 2024.

## **Employee and Remuneration Policy**

As of June 30, 2024, we had 600 full-time employees, substantially all of whom were based in Mainland China and 17 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

FOR THE SIX MONTHS ENDED JUNE 30, 2024

		Six months ended June 30,	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenues	4	342,622	333,937
Cost of revenues	5	<u>(130,835)</u>	<u>(108,524)</u>
<b>Gross profit</b>		<b>211,787</b>	<b>225,413</b>
Selling and marketing expenses	5	(131,912)	(123,052)
Research and development expenses	5	(47,128)	(44,701)
General and administrative expenses	5	(27,440)	(21,199)
Net impairment losses on financial assets	5	(275)	(288)
Fair value changes on investments measured at fair value through profit or loss		42,050	6,603
Other income	6	757	9,176
Other losses, net	7	<u>(11,569)</u>	<u>(104)</u>
<b>Operating profit</b>		<b>36,270</b>	<b>51,848</b>
Finance income		5,322	8,658
Finance costs		<u>(1,295)</u>	<u>(1,168)</u>
Finance income, net		4,027	7,490
Share of results of investments accounted for using equity method		<u>(1,340)</u>	<u>(948)</u>
<b>Profit before income tax</b>		<b>38,957</b>	<b>58,390</b>
Income tax expenses	8	<u>(754)</u>	<u>(16,673)</u>
<b>Profit for the period</b>		<b><u>38,203</u></b>	<b><u>41,717</u></b>
<b>Other comprehensive income:</b>			
Items that may not be reclassified to profit or loss			
– Currency translation differences		7,589	43,084
Items that may be subsequently reclassified to profit or loss			
– Currency translation differences		<u>3,209</u>	<u>–</u>
<b>Total comprehensive income for the period</b>		<b><u><u>49,001</u></u></b>	<b><u><u>84,801</u></u></b>

		Six months ended June 30,	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		45,059	41,482
Non-controlling interests		<u>(6,856)</u>	<u>235</u>
		<u><b>38,203</b></u>	<u><b>41,717</b></u>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		55,225	84,784
Non-controlling interests		<u>(6,224)</u>	<u>17</u>
		<u><b>49,001</b></u>	<u><b>84,801</b></u>
<b>Earnings per share for profit for the period attributable to the equity holders of the Company</b>			
Basic and diluted earnings per share (RMB)	9	<u><b>0.07</b></u>	<u><b>0.06</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

		As at June 30, 2024	As at December 31, 2023
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		15,594	17,141
Right-of-use assets		20,529	22,522
Deferred tax assets		31,169	23,684
Investments accounted for using the equity method		36,896	38,236
Long-term investments measured at fair value through profit or loss		182,109	168,546
Prepayments, deposits and other assets		61,169	48,293
		<u>347,466</u>	<u>318,422</u>
<b>Current assets</b>			
Trade receivables	10	45,213	68,096
Inventories		998	1,327
Prepayments and other assets		50,959	84,128
Short-term investments measured at fair value through profit or loss		1,096,351	988,852
Term deposits		23,091	—
Cash and cash equivalents		421,838	538,003
		<u>1,638,450</u>	<u>1,680,406</u>
<b>Total assets</b>		<u><u>1,985,916</u></u>	<u><u>1,998,828</u></u>
<b>EQUITY</b>			
Share capital	11	44	44
Share premium	11	5,117,821	5,117,821
Other reserves		(2,900,682)	(2,910,848)
Accumulated deficit		(414,629)	(459,688)
<b>Equity attributable to equity holders of the Company</b>		<u>1,802,554</u>	<u>1,747,329</u>
Non-controlling interest		(10,693)	(4,469)
<b>Total equity</b>		<u><u>1,791,861</u></u>	<u><u>1,742,860</u></u>

		As at <b>June 30, 2024</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2023 <i>RMB'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>12,431</b>	15,193
Borrowings		<b>19,968</b>	19,974
Deferred tax liabilities		<b>55</b>	—
		<b>32,454</b>	35,167
<b>Current liabilities</b>			
Trade payables	12	<b>51,469</b>	78,581
Other payables and accruals		<b>47,313</b>	82,935
Contract liabilities		<b>41,597</b>	42,090
Current income tax liabilities		<b>11,134</b>	318
Lease liabilities		<b>10,075</b>	9,193
Short-term liabilities measured at fair value through profit or loss		—	7,671
Borrowings		<b>13</b>	13
		<b>161,601</b>	220,801
<b>Total liabilities</b>		<b>194,055</b>	255,968
<b>Total equity and liabilities</b>		<b>1,985,916</b>	1,998,828

# 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 March 12, 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 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 December 16, 2021.

The condensed consolidated financial statements for the six months ended June 30, 2024 (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 December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board (“**IASB**”) (“**IFRS Accounting Standards**”) as set out in 2023 annual report of the Company dated March 26, 2024 (the “**2023 Financial Statements**”).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the 2023 Financial Statements, except for 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 January 1, 2024:

Amendments to IAS 1	Classification of Liabilities as current and non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

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



The Group applied Amendments to IAS 12 from the effective date on January 1, 2023. In accordance with the amendments, the Group recognised deferred tax related to assets and liabilities arising from a single transaction of leases that gave rise to equal taxable and deductible temporary differences on the initial recognition of leases that occurred on or after the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest comparative period presented being January 1, 2023, an adjustment of RMB2.3 million was recognised to the gross amounts of deferred tax liabilities and deferred tax assets simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the setoff provisions and was presented on a net basis on the consolidated statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on the opening balance of accumulated deficit upon the adoption of the amendments.

**(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 January 1, 2024 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.

		<b>Effective for accounting year beginning on or after</b>
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IAS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
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 June 30, 2024 and December 31, 2023, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended June 30, 2024 and 2023 are as follows:

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Game operating revenues		
– Self-developed	<b>196,738</b>	237,930
– Licensed	<b>126,434</b>	80,433
<b>Subtotal</b>	<b>323,172</b>	318,363
Game licensing revenue	<b>6,323</b>	11,317
Information service revenue	<b>9,290</b>	2,528
Other revenue	<b>3,837</b>	1,729
<b>Total revenues</b>	<b>342,622</b>	333,937
Cost of revenues	<b>(130,835)</b>	(108,524)
<b>Gross profit</b>	<b>211,787</b>	225,413
<b>Gross margin</b>	<b>62%</b>	68%

Revenues of approximately RMB14 million and RMB13 million for the six months ended June 30, 2024 and 2023, respectively, were from five largest single customers.

During the six months ended June 30, 2024 and 2023, 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 June 30, 2024 and 2023, respectively:

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Over the time	<b>173,538</b>	155,154
At a point of time	<b>169,084</b>	178,783
	<b>342,622</b>	333,937

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the six months ended June 30, 2024 and 2023, respectively:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	199,907	269,043
Other areas (a)	142,715	64,894
<b>Total</b>	<b>342,622</b>	<b>333,937</b>

(a) Revenue from other areas mainly include revenue from local versions operated in Japan, the United States of America, Canada, Australia, New Zealand, Hong Kong, Macau and Taiwan Province.

## 5 EXPENSES BY NATURE

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Marketing and promotion expenses	107,893	103,531
Employee benefits expenses	82,977	70,421
Commissions charged by distribution channels	68,157	69,598
Commissions charged by game developers and IP holders	38,173	11,892
Bandwidth and server custody fee	8,953	10,287
Outsourced technical services	6,501	7,798
Office expenses	5,364	4,708
Depreciation of right-of-use assets (Note 15)	5,253	4,998
Professional services fee	4,694	4,947
Depreciation of property, plant and equipment (Note 14)	2,578	2,932
Auditor remuneration		
– Audit service	2,000	2,035
– Non-audit service	102	60
Commissions charged by payment channel	1,011	991
Impairment of non-financial assets	1,000	–
Tax surcharges	639	1,123
Rental expenses and utilities	612	1,023
Net impairment losses on financial assets	275	288
Others	1,408	1,132
<b>Total</b>	<b>337,590</b>	<b>297,764</b>

## 6 OTHER INCOME

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government subsidies	714	9,176
Dividend distribution from long-term investments measured at fair value through profit or loss	43	—
<b>Total</b>	<b>757</b>	<b>9,176</b>

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

## 7 OTHER LOSSES, NET

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Foreign exchange (losses)/gains, net	(11,448)	458
Donations to charity organizations	(223)	(553)
Others	102	(9)
<b>Total</b>	<b>(11,569)</b>	<b>(104)</b>

## 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 gains. 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 June 30, 2024 and 2023.

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 June 30, 2024 and 2023.

#### **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 January 1, 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 RMB255 million as at June 30, 2024.

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax	<b>8,952</b>	14,004
Deferred income tax	<b>(8,198)</b>	2,669
<b>Total income tax expenses</b>	<b><u>754</u></b>	<b><u>16,673</u></b>

## **9 EARNINGS PER SHARE**

### **(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of outstanding shares during the six months ended June 30, 2024 and 2023.

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to ordinary shareholders of the Company (RMB'000)	<b>45,059</b>	41,482
Weighted average number of outstanding ordinary shares	<b><u>691,330,500</u></b>	<u>691,330,500</u>
<b>Basic earnings per share (RMB)</b>	<b><u>0.07</u></b>	<b><u>0.06</u></b>

**(b) Diluted earnings per share**

Diluted earnings 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 June 30, 2024 and 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 June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Distribution channels	33,182	60,216
Game publishers	7,513	5,872
Information service customers	4,269	1,682
Others	284	362
	<u>45,248</u>	<u>68,132</u>
Less: allowance for impairment	<u>(35)</u>	<u>(36)</u>
	<u><u>45,213</u></u>	<u><u>68,096</u></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 June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Within 3 months	39,674	65,638
3 months to 6 months	4,896	2,342
6 months to 1 year	659	152
1 to 2 years	19	—
	<u>45,248</u>	<u>68,132</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
<b>Authorised</b>				
As at December 31, 2023 and June 30, 2024	<u>5,000,000</u>	<u>50</u>	<u>—</u>	<u>—</u>
<b>Issued (Unaudited)</b>				
As at December 31, 2023 and June 30, 2024	<u>691,331</u>	<u>7</u>	<u>44</u>	<u>5,117,821</u>

## 12 TRADE PAYABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade payables	<u>51,469</u>	<u>78,581</u>

Trade payables are primarily sharing of proceeds due to game developers and IP holders, advertisement and related to the purchase of services for server custody. 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 June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Within 3 months	26,061	71,284
Over 3 months	<u>25,408</u>	<u>7,297</u>
	<u>51,469</u>	<u>78,581</u>

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: 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 (including sale of treasury shares). As of the end of the Reporting Period, no treasury shares were held by the Company.

### **EVENTS AFTER THE REPORTING PERIOD**

There are no material subsequent events undertaken by the Group after June 30, 2024 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, 2024:

Use of proceeds	Net proceeds from the Global Offering (after taking into account the partial exercise of the over- allotment option (HK\$ million)	Amount utilized during the Reporting Period (HK\$ million)	Utilized amount up to June 30, 2024 (HK\$ million)	Unutilized amount up to June 30, 2024 (HK\$ million)	Expected timeline for fully utilizing the unutilized amount <sup>(1)</sup>
For expanding our game portfolio and invest in our game R&D capabilities and related technologies	324.0	43.1	296.7	27.3	By June 2025
For expanding our business in the overseas markets	231.4	–	231.4	–	N/A
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	4.6	111.9	27.0	By June 2025
For pursuing strategic investments in and acquisitions of upstream and downstream companies along the mobile game industry chain	138.9	16.6	131.9	7.0	By December 2024
For working capital and general corporate purposes	<u>92.6</u>	<u>–</u>	<u>92.6</u>	<u>–</u>	<u>N/A</u>
<b>Total</b>	<b><u>925.8</u></b>	<b><u>64.3</u></b>	<b><u>864.5</u></b>	<b><u>61.3</u></b>	

*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 C1 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 C3 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, 2024.

## **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. Yuan Yuan (Chairman), Professor Lam Sing Kwong Simon and Ms. Fang Weijin. Mr. Yuan Yuan 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, 2024 together with the Group's auditor, 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, 2024 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](http://www.hkexnews.hk)) and on the website of the Company ([www.qcplay.com](http://www.qcplay.com)). The interim report for the six months ended June 30, 2024 will be 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 C1 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
“HMT”	Hong Kong, Macao and Taiwan
“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
“Macao”	the Macao Special Administrative Region of the PRC
“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 C3 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, Macao 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, 2024 to June 30, 2024
“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
“Taiwan”	Taiwan Province of the PRC
“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 22, 2024

*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 Professor Lam Sing Kwong Simon, Mr. Yuan Yuan and Ms. Fang Weijin as independent non-executive Directors.*