



2022
Interim Report

青瓷游戏有限公司 Qingci Games Inc.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 6633



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Xu (*Chairman*)

Mr. Huang Zhiqiang

Mr. Liu Siming

Mr. Zeng Xiangshuo

Independent Non-executive Directors

Mr. Zhang Longgen

Professor Lam Sing Kwong Simon

Ms. Fang Weijin

AUDIT COMMITTEE

Mr. Zhang Longgen (*Chairman*)

Professor Lam Sing Kwong Simon

Ms. Fang Weijin

REMUNERATION COMMITTEE

Professor Lam Sing Kwong Simon (*Chairman*)

Mr. Zhang Longgen

Mr. Yang Xu

NOMINATION COMMITTEE

Mr. Yang Xu (*Chairman*)

Professor Lam Sing Kwong Simon

Ms. Fang Weijin

JOINT COMPANY SECRETARIES

Mr. Zhu Chengyin

Ms. So Shuk Yi Betty

AUTHORIZED REPRESENTATIVES

Mr. Liu Siming

Ms. So Shuk Yi Betty

REGISTERED OFFICE IN CAYMAN ISLANDS

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Cayman Islands

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Wanchai, Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central, Hong Kong



CORPORATE INFORMATION

LEGAL ADVISORS

As to Hong Kong law

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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited

P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

PRINCIPAL BANKS

Bank of China Limited

Xiamen Cross Strait Financial Center Sub Branch
No. 495, Gaolin Middle Road
Huli District, Xiamen
Fujian, China

China Merchants Bank Co., Ltd.

Xiamen Wuyuanwan Sub Branch
1/F, Sanfu Financial Center
No. 990 Anling Road
Huli District, Xiamen
Fujian, China

China Merchants Bank Co., Ltd.

Hong Kong Branch
31/F, Three Exchange Square
8 Connaught Place
Hong Kong

China Merchants Bank Co., Ltd. (Off-shore Banking Department) Shenzhen China

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No.18, Lingshiguan Road
Siming District, Xiamen
Fujian, China

COMPANY WEBSITE

www.qcplay.com

STOCK CODE

6633



Financial Highlights

	For the six months ended June 30,		
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)	Change (%)
Revenue	268,114	762,950	(64.9)
Gross profit	166,012	574,522	(71.1)
Loss attributable to equity holders of the Company	(75,671)	(93,785)	(19.3)
Non-IFRS measure:			
Adjusted net (loss)/profit ⁽¹⁾	(86,872)	313,693	(127.7)

Note:

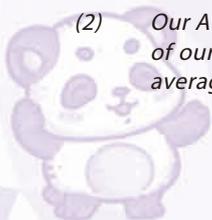
- (1) We define adjusted net (loss)/profit as net (loss)/profit for the period adjusted by adding back changes in fair value of convertible redeemable preference shares, loss from financial instruments issued to investors, listing expenses and share-based compensation ("**Adjusted Items**"). We eliminate the impacts of these items that our management do not consider to be indicative of our operating performance, as they are either non-cash items or non-recurring expenses. In particular, changes in fair value of convertible redeemable preference shares, loss from financial instruments issued to investors and listing expenses will not recur after the Listing. Changes in fair value of convertible redeemable preference shares will not recur after the Listing as convertible redeemable preferred shares have been converted into ordinary shares upon the Listing. Loss from financial instruments issued to investors will not recur after the Listing because the financial instruments issued to investors were already derecognized upon the share exchange in May 2021. Our share-based compensation expenses are one-off and non-recurring in nature and not considered by our management to be indicative of our results of operation. Same treatment has also been applied to the adjusted net loss during the Reporting Period, but as there was no Adjusted Items incurred during the Reporting Period, the amount of the adjusted net loss during the Reporting Period is the same as the net loss amount calculated based on the IFRS.

KEY OPERATING INFORMATION

	For the six months ended June 30,		
	2022	2021	Change (%)
Average MAUs (in thousands) ⁽¹⁾	2,348	3,064	(23.4)
Average MPUs (in thousands) ⁽²⁾	284	575	(50.6)
ARPPU (RMB)	209	221	(5.2)
Cumulative registered players (in thousands)	76,162	67,979	12.0

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 implemented the integrated mode of research and operation, and achieved steady development in the self-developed games business and game publishing business. For the six months ended June 30, 2022, the Group's revenue decreased comparing to the corresponding period in 2021 mainly due to *The Marvelous Snail* (最強蝸牛) in Mainland China and the *Lantern and Dungeon* (提燈與地下城) reached the mature stage of their life cycles (for details, please refer to the section headed "Financial Review – Revenue" below). Meanwhile, the Group continued to boost its overseas business. In terms of self-developed games, *The Marvelous Snail* (最強蝸牛) was successfully published in Japan in June 2022. In the first week of its launch, the game made remarkable achievements having ranked first on both the iOS free games ranking and the Google Play free games ranking in Japan, and ranked among top ten on the iOS bestseller games ranking in Japan. In terms of game publishing, *Lantern and Dungeon* (提燈與地下城) continued to record stable performance. As of June 30, 2022, the Group's cumulative registered players reached 76.16 million, representing an increase of approximately 5.8% as compared with the end of last year. In the first half of 2022, the average number of monthly active users reached around 2.35 million; and ARPPU reached RMB209. In addition, the Group has recently made significant progress in its pipeline games. The Group has cooperated with CMGE to jointly publish a mobile game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) on designated platforms. The Group will also publish a mobile game *Code: Key* (代號：Key) that combines the features of idle gameplay and pretty girl dress-up elements. It is expected that the publication of the above-mentioned games will contribute to the Group's continuous business development.

OUR GAMES

The Group develops, publishes and operates top-rated online mobile games. As of June 30, 2022, we had six existing mobile games, covering idle game, rogue-like RPG and other RPG.

Below is an overview of our major games:

***The Marvelous Snail* (最強蝸牛)**, officially launched in June 2020, is our self-developed idle game. It generated gross billings exceeding RMB1.8 billion in the first year after its launch and approximately RMB2.4 billion as of June 30, 2022, which maintains a strong performance. The game recorded more than 22.81 million cumulative registered players as of June 30, 2022. It had an average MAU of over 1.552 million and an average MPU of over 207 thousand in the first half of 2022. The average weekly player retention rate of *The Marvelous Snail* (最強蝸牛) exceeded 26.1% from its launch to June 30, 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, *The Marvelous Snail* (最強蝸牛) was successfully published in Japan on June 8, 2022. In the first week of its launch, the game ranked first on both the iOS free games ranking and the Google Play free games ranking in Japan, and ranked among top ten on the iOS bestseller games ranking in Japan. *The Marvelous Snail* (最強蝸牛) generated gross billings of approximately RMB67.50 million in a total of two months (from June 8, 2022 to August 8, 2022) after its launch in Japan. We have also released major game version updates such as “The Second Anniversary Celebration of The Marvelous Snail – Panda Paradise” (最強蝸牛二週年慶典 – 熊貓樂園) and “Aero’s Domain” (埃羅神域), and cooperated with *Pleasant Goat and Big Big Wolf* (喜羊羊與灰太狼) and *The Monkey King* (大鬧天宮) to further enhance the attractiveness of game contents to players. The game generated aggregate revenues of approximately RMB234.8 million in the first half of 2022.



Lantern and Dungeon (提燈與地下城) is our in-licensed rogue-like RPG officially launched in March 2021. During the Reporting Period, we released version updates such as “Anniversary” (週年慶) and “Ikong Island Fantasy” (伊空島幻境), and also cooperated with *Pleasant Goat and Big Big Wolf* (喜羊羊與灰太狼) and Panpan Foods to continue to provide players with rich game contents. As of June 30, 2022, the game recorded approximately 4.905 million cumulative registered players. In the first half of 2022, it achieved an average MAU of over 103 thousand, an average MPU of over 16 thousand. Further, the average weekly player retention rate of *Lantern and Dungeon* (提燈與地下城) was 32.68% since its launch to June 30, 2022. The game generated aggregate revenues of approximately RMB18.6 million for the first half of 2022.

Other major 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 in-licensed survival RPG), *Eternal Adventure* (無盡大冒險) (launched in June 2015, our self-developed classic game combining with idle gameplay and Diablo-like adventure features) have also maintained outstanding performance, and continued to contribute stable income to the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

PLAYER COMMUNITY

We have nurtured 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 the recent events we organize, opportunities to participate in testing our new games and free in-game virtual items.

We have frequent and close interactions with QingCi Enthusiasts, creating a virtuous circle as the feedback from the player community can help us develop and improve our games, thereby attracting more active players. In addition, such interaction further enhances players' loyalty and increases the awareness of the "QingCi" brand. For example, in May 2022, the Group has adopted a giant panda at the China Giant Panda Conservation and Research Center on behalf of the QingCi players, and named it "QingCi" (青糍) through the vote of players, which has the same pronunciation of the Company's name "Qingci" (青瓷) and has Chinese traditional cultural characteristics. The second anniversary version of the Group's iconic game *The Marvelous Snail* (最强蜗牛) has also adopted panda element as its theme. As of June 30, 2022, our games had accumulated 10.62 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 0.9% as compared with the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In the first half of 2022, the Group made significant progress in its pipeline games, including the successful promotion of *The Marvelous Snail* (最強蝸牛) to open up the Japanese market and the continued polishing of *Servitor Project* (使魔計劃), *Time Voyager* (時光旅行社) and other new prime games with original IPs. Recently, the Group has also introduced licenses of a number of quality games, such as *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情). Looking forward, the Group will continue to enrich game genres and expand its “QingCi universe” by leveraging its strong competitiveness in the integrated mode of research and operation.



MANAGEMENT DISCUSSION AND ANALYSIS

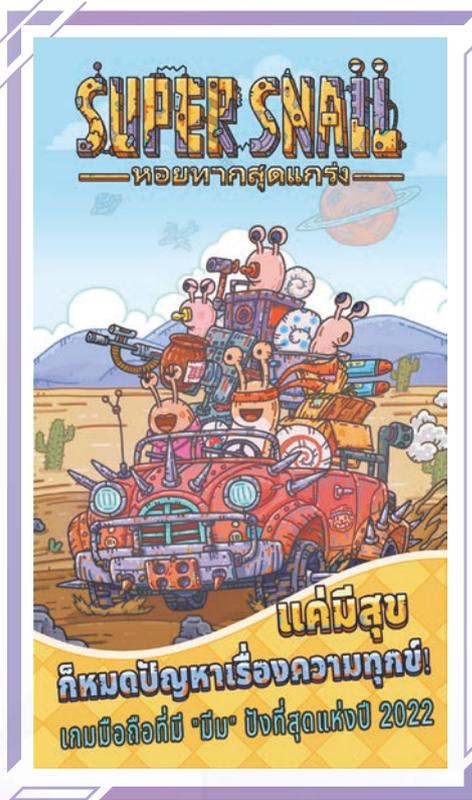
The Group currently has a pipeline of 13 mobile games, covering a wide range of genres and types, including RPG, SLG and ACT RPG.

Title	Mobile Game Genre	Source	Development Stage as of June 30, 2022	Expected Launch Time
Sword and Fairy: Wen Qing (新仙劍奇俠傳之揮劍問情)	Interactive story mobile card game	In-licensed	Game production, testing and optimization	2022
Code: Key (代號 : Key)	Female-oriented idle game	In-licensed	Game production, testing and optimization	2022
Servitor Project (使魔計劃)	Idle game	Developed in-house	Game production, testing and optimization	2022
Loot Rush (騎士沖呀)	ACT RPG	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
Bladeheart Ninja 2 (刃心2)	Parkour	In-licensed	Game production, testing and optimization	2023
Ares Virus 2 (阿瑞斯病毒2)	RPG	In-licensed	Game production, testing and optimization	2023
Master Cat (超喵星計劃) (formerly known as Project B)	Casual game	In-licensed	Game production, testing and optimization	2023
Project E	SLG	Developed in-house	Game production, testing and optimization	2023
Project D	STG	In-licensed	Demo production	2024
Project MN	Simulation games	In-licensed	Demo production	2024
Project A	Tower defense	Developed in-house	Game production, testing and optimization	2024
Project C	ACT	In-licensed	Game production, testing and optimization	2024



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the existing games, the Group will continue to push forward its plans for exploring overseas markets, for instance, the Group is preparing for the release of its iconic game *The Marvelous Snail* (最強蝸牛) in Thailand and North America. The game is also being developed for its H5 version, allowing players to experience the charm of this game through diversified channels in a more convenient way.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of self-developed pipeline games, *Servitor Project* (使魔計劃) has entered the paid testing and fine-tuning stage before its official release. This game is a rogue-like RPG, which adopts classical turn-based combat style, allowing players to form their own teams by picking and training a series of servitors pets to explore various levels in a vast isekai. Another key product *Time Voyager* (時光旅行社) is also being prepared for release in various regions, including Mainland China, Hong Kong, Macau and Taiwan. Both products have inherited the Group's innovative design, genre and type strengths and character expression in gameplay, and enhanced their social attributes as well, which are expected to bring a refreshing experience to players. *Project E*, a post-apocalyptic world SLG game dedicated to providing an immersive experience for players, has gradually started to introduce a small group of players for testing and fine-tuning, with its R&D in smooth progress.



In terms of in-licensed pipeline games, the Group will release a mobile game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) jointly with CMGE. This game is derived from a game series named *Legend of Sword and Fairy* (仙劍奇俠傳) and its intellectual property ("IP") has influential and commercial value. The Group will also publish a mobile game *Code: Key* (代號：Key) that combines the features of idle gameplay and pretty girl dress-up elements. The game is currently under testing and is being prepared for release in Hong Kong, Macau and Taiwan regions.

In addition, *Loot Rush* (騎士沖呀) has completed several rounds of testing locally and overseas, and the Group will further implement the release plan based on the approval of game publication numbers and test results. *Master Cat* (超喵星計劃) (formerly described as Project B) has obtained a game publication number and will commence its paid testing gradually. Other major in-licensed games such as *Bladeheart Ninja 2* (刃心2) and the sequel to the popular ongoing game *Ares 2* (阿瑞斯2) have also completed their latest round of testing. In addition, *The Romance of the Three Kingdoms: Enemy at the Gates* (三國演義：兵臨城下), the mobile game invested and developed by the Group, has obtained a game publication number and the Group is currently working on launching and operation arrangement.

While promoting the release of existing in-licensed games, the Group will further identify high-quality game projects, with the aim to create a diversified game portfolio across different genres and types, and expand the Group's "QingCi universe", thus increasing the influence of the "QingCi" brand in the minds of game players and the Group's brand awareness in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

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 licenses fees paid by third-party publishers; and (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.

The following table sets forth a breakdown of our revenues by line of business for the six months ended June 30, 2021 and 2022.

	For the six months ended June 30,				2022 vs. 2021 Change %
	2022		2021		
	RMB'000 (Unaudited)	%	RMB'000 (Audited)	%	
Game operating revenues					
Self-developed	225,214	84.0	496,391	65.1	(54.6)
Licensed	23,069	8.6	233,242	30.6	(90.1)
<i>Subtotal</i>	248,283	92.6	729,633	95.6	(66.0)
Game licensing revenue	14,992	5.6	18,930	2.5	(20.8)
Information service revenue	4,839	1.8	14,387	1.9	(66.4)
Total revenues	268,114	100.0	762,950	100.0	(64.9)

Game Operating Revenues

Our game operating revenues decreased by 66.0% to RMB248.3 million for the six months ended June 30, 2022 from the corresponding period in 2021. In particular,

- Our revenue from self-developed games decreased by 54.6% to RMB225.2 million for the six months ended June 30, 2022 from the corresponding period in 2021, primarily due to the decrease in revenue from *The Marvelous Snail* (最強蝸牛) in Mainland China as it entered into the maturity stage.
- Our revenue from licensed games decreased by 90.1% to RMB23.1 million for the six months ended June 30, 2022, from the corresponding period in 2021 primarily due to the decrease in revenue from *Lantern and Dungeon* (提燈與地下城) as it entered into the maturity stage.



MANAGEMENT DISCUSSION AND ANALYSIS

Game Licensing Revenues

Our game licensing revenues decreased by 20.8% to RMB15.0 million for the six months ended June 30, 2022 from the corresponding period in 2021, primarily due to the decreases 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 revenues from information service decreased by 66.4% to RMB4.8 million for the six months ended June 30, 2022 from the corresponding period in 2021, primarily due to fewer in-game advertisement views or clicks.

Cost of Revenues

Our cost of revenues decreased by 45.8% from RMB188.4 million for the six months ended June 30, 2021 to RMB102.1 million for the six months ended June 30, 2022. 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; (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 revenue by nature in absolute amounts and as percentages of our total cost of revenues for the six months ended June 30, 2022 and 2021.

	For the six months ended June 30,				2022 vs. 2021 % Change
	2022		2021		
	RMB'000 (Unaudited)	%	RMB'000 (Audited)	%	
Commissions charged by distribution and payment channels	67,995	66.6	131,823	70.0	(48.4)
Commissions charged by third-party game developers	8,141	8.0	33,210	17.6	(75.5)
Bandwidth and servers custody fee	10,590	10.4	12,902	6.8	(17.9)
Employee benefits expenses	8,512	8.3	3,434	1.8	147.9
Others	6,864	6.7	7,059	3.8	(2.8)
Total	102,102	100.0	188,428	100.0	(45.8)

MANAGEMENT DISCUSSION AND ANALYSIS

Our cost of revenue for commissions charged by distribution and payment channels decreased by 48.4% to RMB68.0 million for the six months ended June 30, 2022 from the corresponding period in 2021, primarily due to lower commissions paid to distribution platforms attributable to the decrease in game operating revenues.

Our cost of revenue for commissions charged by third-party game developers decreased by 75.5% to RMB8.1 million for the six months ended June 30, 2022 from the corresponding period in 2021, primarily due to the decrease in commissions paid to third-party developers as a result of the decrease in revenue from *Lantern and Dungeon* (提燈與地下城) as it entered into the maturity stage.

Our cost of revenue for employee benefits expenses increased by 147.9% to RMB8.5 million for the six months ended June 30, 2022 from the corresponding period in 2021, primarily due to the increase in number of employee and the increase in average salary of staff.

Gross Profit and Gross Margin

Our gross profit decreased by 71.1% from RMB574.5 million for the six months ended June 30, 2021 to RMB166.0 million for the six months ended June 30, 2022. Our gross margin decreased to 62% for the six months ended June 30, 2022 from 75% for the six months ended June 30, 2021, primarily due to (i) a decrease of RMB26 million in revenue recognized from *The Marvelous Snail* (最強蝸牛), which reached the mature stage of life cycle while the players' life cycles for the Reporting Period are expected to extend comparing to the same period last year, in Mainland China; (ii) a decrease of 64.9% in revenue for the Reporting Period on a year-over-year basis, and an increase of RMB2.5 million in cost of revenues for the Reporting Period, particularly three fixed expenses namely (1) employee benefits expenses; (2) bandwidth and servers custody fee; and (3) others, comparing to the same period last year; (iii) the revenue generated from *The Marvelous Snail* (最強蝸牛) was not fully reflected due to relatively short operating period since its launch in Japan on June 8, 2022, while its cost of revenue generated in the Reporting Period being recognized correspondingly during the Reporting Period, leading to a further drop of 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 38.1% from RMB245.1 million for the six months ended June 30, 2021 to RMB151.7 million for the six months ended June 30, 2022. This was primarily due to the decrease in selling and marketing expenses as *The Marvelous Snail* (最強蝸牛) in Mainland China and *the Lantern and Dungeon* (提燈與地下城) reached the mature stage of their life cycles, despite the partial off-set by increase in selling and marketing expenses for the launch of *The Marvelous Snail* (最強蝸牛) in Japan.



MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

Our research and development 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 research and development expenses increased by 208.4% from RMB18.0 million for the six months ended June 30, 2021 to RMB55.6 million for the six months ended June 30, 2022. This was primarily due to the increase in number of R&D staff and the increase in average salary of employee.

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) listing expenses; (iv) tax surcharges, including VAT surcharges and stamp duty; (v) rental expenses and utilities; and (vi) others, including office expenses, depreciation of property, plant and equipment, professional services fee and miscellaneous expenses.

Our general and administrative expenses increased by 43.4% from RMB28.7 million for the six months ended June 30, 2021 to RMB41.1 million for the six months ended June 30, 2022, primarily due to (i) the increase in number of supporting employee and the increase in average salary of staff; and (ii) amortization of right-of-use assets and renovation cost of a newly leased workplace.

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

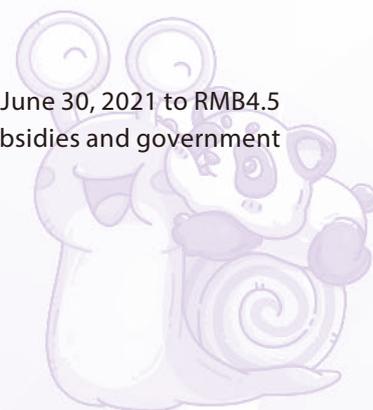
Our fair value changes on investments measured at fair value through profit or loss reflected changes in the fair value of (i) certain of our long-term equity investments, which were equity investments in private equity funds as limited partners without significant influence, and investments in investee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

Our fair value gains on investments measured at fair value through profit or loss increased by 472.1% from RMB2.0 million for the six months ended June 30, 2021 to RMB11.2 million for the six months ended June 30, 2022, mainly due to increase in our fair value gains from investment funds.

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 54.6% from RMB2.9 million for the six months ended June 30, 2021 to RMB4.5 million for the six months ended June 30, 2022, mainly due to the increase in R&D subsidies and government subsidies.



MANAGEMENT DISCUSSION AND ANALYSIS

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 U.S. dollars; (ii) donations to charity organizations; and (iii) dividend distribution from a private equity fund we invested in.

Our net other gains increased by 203.8% from net other losses of RMB4.2 million for the six months ended June 30, 2021 to net other gains of RMB4.3 million for the six months ended June 30, 2022, this turnaround from net other losses to net other gains was primarily due to the impact of depreciation of RMB against US dollar in the first half of 2022 on our revenue and trade receivables denominated in US dollar.

Income Tax Expenses

Our income tax expenses increased by 240.4% from income tax credit of RMB9.5 million for the six months ended June 30, 2021 to income tax expenses of RMB13.4 million for the six months ended June 30, 2022, mainly due to: (1) applicable income tax rate increased in a profitable subsidiary. The subsidiary is accredited as a “software enterprise” under the relevant PRC Laws and regulations. It was exempted from corporate income tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years; and (2) the Group did not further recognize deferred tax assets and utilized part of the previously recognized deferred tax assets in the current period.

Loss for the Reporting Period

Our loss for the Reporting Period decreased by 7.4% from a net loss of RMB93.8 million for the six months ended June 30, 2021 to a net loss of RMB86.9 million for the six months ended June 30, 2022. The Group recorded a loss during the Reporting Period mainly due to (i) the decrease in revenue as our landmark games reached mature stage of their life cycles; (ii) marketing expenses incurred from intensive marketing and promotion since the launch of *The Marvelous Snail* (最強蝸牛) on June 8, 2022 in Japan which is yet to be fully offset by its generated revenue as the game has a relatively short launch duration during the Reporting Period; (iii) the continuing increase in research and development investment for the Group’s pipeline games, including the increase in the number of employees engaging in research and development activities and the corresponding increase in employee benefits expenses; and (iv) non-existence of the main factors in the Reporting Period that led to the loss in the same period last year, including (1) changes in fair value of convertible redeemable preference shares; and (2) financial instruments issued to investors, which led to total losses of approximately RMB392 million for the same period last year.



MANAGEMENT DISCUSSION AND ANALYSIS

Non-IFRS Measures – Adjusted Net Profit

To supplement our unaudited consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted net profit as an additional financial measure which is not presented in accordance with IFRS. We believe this is meaningful because potential impacts of certain items which our management do not consider closely relevant to our operating performance have been eliminated, and this would be useful for investors to compare our financial results directly with those of our peer companies.

Adjusted net profit eliminates the effect of certain non-cash or non-recurring items, namely (i) changes in fair value of convertible redeemable preference shares; (ii) losses from financial instruments issued to investors; (iii) listing expenses; and (iv) share-based compensation. The term “adjusted net profit” is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the Reporting Period. The following table reconciles our adjusted net profit for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS, but as there was no Adjusted Items incurred during the Reporting Period, the amount of the adjusted net loss during the Reporting Period is the same as the net loss amount calculated based on the IFRS.

	For the six months ended	
	June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss for the period	(86,872)	(93,785)
Add:		
Changes in fair value of convertible redeemable preference shares	–	338,380
Losses from financial instruments issued to investors	–	53,928
Listing-related expenses	–	15,170
Share-based compensation	–	–
Adjusted net (loss)/profit	(86,872)	313,693



MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an adjusted net loss of approximately RMB86.9 million for the six months ended June 30, 2022, as compared to the adjusted net profit of approximately RMB313.7 million for the six months ended June 30, 2021. The turnaround from adjusted net profit to adjusted net loss was primarily attributable to (i) the decrease in revenue as our landmark games reached mature stage of their life cycles; (ii) marketing expenses incurred from intensive marketing and promotion since the launching of *The Marvelous Snail* (最強蝸牛) on June 8, 2022 in Japan which is yet to be fully offset by its generated revenue as the game has a relatively short launch duration during the Reporting Period; and (iii) the continuing increase in research and development investment for the Group's pipeline games, including the increase in the number of employees engaging in research and development activities and the corresponding increase in employee benefits expenses.

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 31.3% from RMB1,168.1 million as of December 31, 2021 to RMB802.6 million as of June 30, 2022. 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, 2022, we did not have any borrowings or unutilized banking facility.

As of June 30, 2022, the current assets of the Group amounted to approximately RMB1,661.4 million, and the current liabilities of the Group amounted to approximately RMB314.8 million. Current ratio is calculated as total current assets divided by total current liabilities. As of June 30, 2022 and 2021, the current ratio of the Group was 527.7% and 438.5%, respectively.

Gearing ratio is calculated as total liabilities divided by total assets. As of June 30, 2022 and 2021, the gearing ratio of the Group was 17.5% and 192.6%, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

As of December 31, 2021, the fair value of the investment funds and wealth management products held by the Group amounted to approximately RMB355,313,000, among which details of the investment with a value of 5% or more of the Group's total assets as of December 31, 2021 are as follows:

Name of Investment Fund	AP China USD Currency Fund – AP China Flexible Cash Management Plan (AP China 美元貨幣基金 – AP China 靈活現金管理計劃) (“ AP China Fund ”)
Name of Counterparty	AP China Unicorn Fund SPC
Name of Group Company	Qingci Games Inc.
Date of acquisition	November 26, 2021
Investment Cost	US\$20,000,000 equivalent to approximately RMB127,514,000 ⁽¹⁾
Type of Product and investment scope	Currency market fund, investment in currency market instruments such as cash, bank deposits, notes and treasury bonds.
Expiry Date of the lock up period	January 7, 2022
Term of the Product	No fixed term
Fair value as of December 31, 2021	RMB127,612,000 ⁽¹⁾
Percentage to the Group's total asset as of December 31, 2021	Approximately 6.8%

Note:

(1) Calculated based on the exchange rate of US\$1.00 : RMB6.3757.

The Company recorded a gain in fair value of the AP China Fund of approximately RMB98,000 in the consolidated statement of profit or loss and other comprehensive income for the year of 2021. The Company fully redeemed the AP China Fund on March 24, 2022 and recorded a gain of RMB329,000 for the six months ended June 30, 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

AP China Unicorn Fund SPC (“**AP China**”) is a closed-ended exempted segregated portfolio company incorporated with limited liability pursuant to the laws of the Cayman Islands and is principally engaged in management and investment of asset denominated in US dollar. To the best knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, AP China and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Company’s subscription for the AP China Fund for wealth management purpose in order to improve the utilization of its own fund and enhance the yields of its cash assets.

As at June 30, 2022, the Group’s short-term investments measured at fair value through profit or loss increased by 109.7% from approximately RMB355.3 million as at the end of 2021 to approximately RMB745.3 million as at the end of June 2022. The short-term investments mainly included investment funds and wealth management products. 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, 2022, 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, 2022, we did not pledge any of our assets.

Capital Expenditure

For the six months ended June 30, 2022, our total capital expenditure was approximately RMB7.7 million, compared to approximately RMB4.0 million for the six months ended June 30, 2021. Our capital expenditure primarily included our purchase of property, plant and equipment, mainly related to the purchase of office equipment and vehicles. 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, 2022, we did not have any material contingent liabilities.



MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risk Management

We operate globally through overseas third-party publishers and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to U.S. dollars. 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, 2022.

Employee and Remuneration Policy

As of June 30, 2022, we had 538 full-time employees, substantially all of whom were based in China and 15 of whom were based in Japan.

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.



Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2022.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2022, the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest ⁽¹⁾
Mr. Yang Xu (“Mr. Yang”) ⁽²⁾	Settlor of a discretionary trust	206,057,019	29.81%
Mr. Huang Zhiqiang (“Mr. Huang”) ⁽³⁾	Settlor of a discretionary trust	25,015,715	3.62%
	Interest in controlled corporation	37,307,058	5.40%
Mr. Liu Siming (“Mr. Liu”) ⁽⁴⁾	Settlor of a discretionary trust	12,842,792	1.86%
Mr. Zeng Xiangshuo (“Mr. Zeng”) ⁽⁵⁾	Interest in controlled corporation	7,439,214	1.08%

Notes:

(1) The calculation is based on the total number of issued shares of the Company as at June 30, 2022, being 691,330,500 Shares.



OTHER INFORMATION

- (2) *The Company is held as to 29.81% by Keiskei Holding Ltd., following the completion of the Global Offering and the partial exercise of the Over-allotment Option on January 7, 2022. Keiskei Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Yang Family Holding Limited and 1% by Keiskei QC Ltd., a company wholly-owned by Mr. Yang. Yang Family Holding Limited is held by the Peter Yang Family Trust, which was established by Mr. Yang as the settlor. TMF (Cayman) Ltd. is the trustee of the Peter Yang Family Trust, and Mr. Yang and his family members are the beneficiaries of the Peter Yang Family Trust. As such, Mr. Yang is deemed to be interested in our Shares held by Keiskei Holding Ltd.. Mr. Yang is also a director of Keiskei Holding Ltd..*
- (3) *The Company is held as to 3.62% and 5.40% by Intelligence QC Holding Ltd. and Intelligence QC Ltd., respectively, following the completion of the Global Offering and the partial exercise of the Over-allotment Option on January 7, 2022. Intelligence QC Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Intelligence Future Holding Limited and 1% by Intelligence QC Ltd., a company wholly-owned by Mr. Huang. Intelligence Future Holding Limited is held by Intelligence Future Trust, which was established by Mr. Huang as the settlor. TMF (Cayman) Ltd. is the trustee of Intelligence Future Trust, and Mr. Huang and his family member are the beneficiaries of the Intelligence Future Trust. As such, Mr. Huang is deemed to be interested in our Shares held by Intelligence QC Holding Ltd. and Intelligence QC Ltd.. Mr. Huang is also a director of Intelligence QC Holding Ltd..*
- (4) *The Company is held as to 1.86% by Gentle Tiger Holding Ltd., following the completion of the Global Offering and the partial exercise of the Over-allotment Option on January 7, 2022. Gentle Tiger Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Sebastian Family Holding Limited and 1% by Gentle Tiger Ltd., a company wholly-owned by Mr. Liu. Sebastian Family Holding Limited is held by the Sebastian Family Trust, which was established by Mr. Liu as the settlor. TMF (Cayman) Ltd. is the trustee of the Sebastian Family Trust, and Mr. Liu and his family members are the beneficiaries of the Sebastian Family Trust. As such, Mr. Liu is deemed to be interested in our Shares held by Gentle Tiger Holding Ltd.. Mr. Liu is also a director of Gentle Tiger Holding Ltd..*
- (5) *Cloud Rings Ltd. is a company incorporated in the BVI which owns 7,439,214 shares of the Company and is wholly-owned by Mr. Zeng. As such, Mr. Zeng is deemed to be interested in the 7,439,214 Shares held by Cloud Rings Ltd..*

Save as disclosed above, so far as the Directors and the chief executive of the Company are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified under Division 7 and 8 of Part XV of the SFO or recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2022, the interests of relevant persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding interest ⁽¹⁾
Keiskei Holding Ltd. ⁽²⁾	Beneficial owner (L)	206,057,019	29.81%
Yang Family Holding Limited ⁽²⁾	Interest in controlled corporation (L)	206,057,019	29.81%
Mr. Yang ⁽²⁾	Settlor of a discretionary trust (L)	206,057,019	29.81%
HK Kunpan ⁽³⁾	Beneficial owner (L)	128,243,058	18.55%
G-bits ⁽³⁾	Interest in controlled corporation (L)	128,243,058	18.55%
Intelligence QC Ltd. ⁽⁴⁾	Beneficial owner (L)	37,307,058	5.40%
Mr. Huang ⁽⁴⁾	Settlor of a discretionary trust (L)	25,015,715	3.62%
	Interest in controlled corporation (L)	37,307,058	5.40%
Rapid Yacht Limited ⁽⁵⁾	Beneficial interest (L)	50,156,076	7.26%
Mr. Ye Jiting ("Mr. Ye") ⁽⁵⁾	Interest in controlled corporation (L)	50,156,076	7.26%
TMF (Cayman) Ltd. ⁽⁶⁾	Trustee (L)	243,915,526	35.28%
Alibaba Qookka ⁽⁷⁾	Beneficial interest (L)	36,884,938	5.34%
Alibaba ⁽⁷⁾	Interest in controlled corporation (L)	36,884,938	5.34%

Notes:

(1) The calculation is based on the total number of issued shares of the Company as at the June 30, 2022, being 691,330,500 Shares.



OTHER INFORMATION

- (2) *The Company is held as to 29.81% by Keiskei Holding Ltd., following the completion of the Global Offering and the partial exercise of the Over-allotment Option on January 7, 2022. Keiskei Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Yang Family Holding Limited and 1% by Keiskei QC Ltd., a company wholly-owned by Mr. Yang. Yang Family Holding Limited is held by the Peter Yang Family Trust, which was established by Mr. Yang as the settlor. TMF (Cayman) Ltd. is the trustee of the Peter Yang Family Trust, and Mr. Yang and his family members are the beneficiaries of the Peter Yang Family Trust. As such, Mr. Yang is deemed to be interested in our Shares held by Keiskei Holding Ltd.. Mr. Yang is also a director of Keiskei Holding Ltd..*
- (3) *HK Kunpan is a direct wholly-owned subsidiary of G-bits.*
- (4) *The Company is held as to 3.62% and 5.40% by Intelligence QC Holding Ltd. and Intelligence QC Ltd., respectively, following the completion of the Global Offering and the partial exercise of the Over-allotment Option on January 7, 2022. Intelligence QC Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Intelligence Future Holding Limited and 1% by Intelligence QC Ltd., a company wholly-owned by Mr. Huang. Intelligence Future Holding Limited is held by Intelligence Future Trust, which was established by Mr. Huang as the settlor. TMF (Cayman) Ltd. is the trustee of Intelligence Future Trust, and Mr. Huang and his family member are the beneficiaries of the Intelligence Future Trust. As such, Mr. Huang is deemed to be interested in our Shares held by Intelligence QC Holding Ltd. and Intelligence QC Ltd.. Mr. Huang is also a director of Intelligence QC Holding Ltd..*
- (5) *The Company is held as to 7.26% by Rapid Yacht Limited following the completion of the Global Offering and the partial exercise of the Over-allotment Option on January 7, 2022, and Rapid Yacht Limited is wholly owned by Mr. Ye. As such, Mr. Ye is deemed to be interested in our Shares held by Rapid Yacht Limited.*
- (6) *TMF (Cayman) Ltd. is the trustee of Intelligence Future Trust, Peter Yang Family Trust and Sebastian Family Trust which in aggregate held 243,915,526 Shares. Hence, TMF (Cayman) Ltd. is deemed to be interested in such 243,915,526 Shares as a trustee.*
- (7) *Alibaba Qookka is ultimately owned by Alibaba.*

Saved as disclosed above, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified.



OTHER INFORMATION

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 period from the listing of the Company on the Listing Date to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after June 30, 2022 and up to the date of this report.

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, 2022:

Use of proceeds	Net proceeds from the Global Offering (after taking into account the partial exercise of the over-allotment option) (HK\$ million)	Utilized amount up to June 30, 2022 (HK\$ million)	Unutilized amount up to June 30, 2022 (HK\$ million)	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	28.2	295.8	by December 2024
For expanding our business in the overseas markets	231.4	66.7	164.7	by December 2024



OTHER INFORMATION

Use of proceeds	Net proceeds from the Global Offering (after taking into account the partial exercise of the over-allotment option) (HK\$ million)	Utilized	Unutilized	Expected timeline for fully utilizing the unutilized amount ⁽¹⁾
		amount up to June 30, 2022 (HK\$ million)	amount up to June 30, 2022 (HK\$ million)	
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	36.7	102.2	by December 2024
For pursuing strategic investments in and acquisitions of upstream and downstream companies along the mobile game industry chain	138.9	9.8	129.1	by December 2024
For working capital and general corporate purposes	92.6	84.0	8.6	by December 2022
Total	925.8	225.4	700.4	

Note:

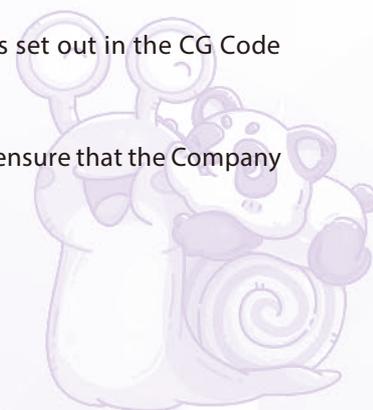
- (1) The expected timeline for utilization of the unutilized proceeds disclosed above is based on the best estimation from the Board in accordance with latest information as at the date of this report.

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 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.



OTHER INFORMATION

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 for the six months ended June 30, 2022 and up to the date of this report.

CHANGE IN DIRECTORS' INFORMATION

There has been no change in the Directors' information which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

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, 2022 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, 2022 as set out in this interim report have been reviewed by the Group's auditor, PricewaterhouseCoopers.

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 23, 2022



Report on Review of Interim Financial Information

To the Board of Directors of Qingci Games Inc.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 86, which comprises the interim condensed consolidated statement of financial position of Qingci Games Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 23, 2022



Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Revenues	6	268,114	762,950
Cost of revenues	7	(102,102)	(188,428)
Gross profit		166,012	574,522
Selling and marketing expenses	7	(151,748)	(245,071)
Research and development expenses	7	(55,639)	(18,043)
General and administrative expenses	7	(41,112)	(28,666)
Net impairment (losses)/reversal on financial assets	7	(103)	71
Fair value changes on investments measured at fair value through profit or loss	8	11,225	1,962
Other income	9	4,510	2,917
Other gains/(losses), net	10	4,317	(4,157)
Operating profit		(62,538)	283,535
Finance income		2,231	697
Finance costs		(1,033)	(283)
Finance income, net	11	1,198	414
Fair value changes of convertible redeemable preferred shares	28	-	(338,380)
Share of results of investments accounted for using equity method	17	135	5,046
Losses on impairment of investments accounted for using the equity method	17	(12,294)	-
Losses from financial instruments issued to investors	27	-	(53,928)
Loss before income tax		(73,499)	(103,313)
Income tax (expenses)/benefit	12	(13,373)	9,528
Loss for the period		(86,872)	(93,785)
Other comprehensive income/(loss):			
Items that may not be reclassified to profit or loss			
- Currency translation differences		56,800	1,604
- Fair value changes on convertible redeemable preferred shares due to own credit risk		-	(986)
Total comprehensive loss for the period		(30,072)	(93,167)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Loss for the period attributable to:			
Equity holders of the Company		(75,671)	(93,785)
Non-controlling interests		(11,201)	–
		(86,872)	(93,785)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(18,538)	(93,167)
Non-controlling interests		(11,534)	–
		(30,072)	(93,167)
Loss per share for profit for the period attributable to the equity holders of the Company			
Basic and diluted loss per share (RMB)	13	(0.11)	(9.84)

The notes on pages 37 to 86 are an integral part of these condensed consolidated financial statements.



Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	<i>Notes</i>	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	13,784	8,446
Right-of-use assets	15	30,828	32,063
Deferred tax assets	16	37,925	40,175
Investments accounted for using the equity method	17	23,010	29,169
Long-term investments measured at fair value through profit or loss	18	142,815	136,252
Prepayments, deposits and other assets	19	8,810	6,915
		257,172	253,020
Current assets			
Trade receivables	20	67,864	48,211
Inventories		125	279
Prepayments and other assets	19	35,258	44,004
Short-term investments measured at fair value through profit or loss	21	748,598	355,313
Restricted cash	22(b)	6,983	–
Cash and cash equivalents	22(a)	802,584	1,168,076
		1,661,412	1,615,883
		1,918,584	1,868,903
EQUITY			
Share capital	23	44	44
Share premium	23	5,117,821	5,151,253
Other reserves	24	(2,975,422)	(3,032,555)
Accumulated deficit		(548,271)	(472,600)
Equity attributable to equity holders of the Company		1,594,172	1,646,142
Non-controlling interests		(11,341)	193
Total equity		1,582,831	1,646,335



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

	<i>Notes</i>	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	26	20,912	22,735
		20,912	22,735
Current liabilities			
Trade payables	29	61,233	5,745
Other payables and accruals	30	143,017	103,346
Short-term liabilities measured at fair value through profit or loss	21	3,344	–
Contract liabilities	25	88,470	74,918
Current income tax liabilities		8,073	5,997
Lease liabilities	26	10,704	9,827
		314,841	199,833
Total liabilities		335,753	222,568
Total equity and liabilities		1,918,584	1,868,903

The notes on pages 37 to 86 are an integral part of these condensed consolidated financial statements.

The financial statements on pages 30 to 86 were approved by the Board of Directors on August 23, 2022 and were signed on its behalf.

Yang Xu
Director

Liu Siming
Director



Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

Notes	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Accumulated deficit	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
As at January 1, 2022	44	5,151,253	(3,032,555)	(472,600)	1,646,142	193	1,646,335
Comprehensive loss							
Loss for the period	-	-	-	(75,671)	(75,671)	(11,201)	(86,872)
Other comprehensive income							
- Currency translation differences	-	-	57,133	-	57,133	(333)	56,800
Total comprehensive loss for the period	-	-	57,133	(75,671)	(18,538)	(11,534)	(30,072)
Transaction with owners in their capacity as owners							
Issuance of ordinary shares upon IPO over allotment	23	55,888	-	-	55,888	-	55,888
Dividend distribution to the shareholders	31	(89,320)	-	-	(89,320)	-	(89,320)
Total transactions with owners in their capacity as owners for the period	-	(33,432)	-	-	(33,432)	-	(33,432)
As at June 30, 2022	44	5,117,821	(2,975,422)	(548,271)	1,594,172	(11,341)	1,582,831



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2022

	Notes	Attributable to equity holders of the Company				Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated deficit) RMB'000	
(Audited)						
As at January 1, 2021		-	-	139,572	74,631	214,203
Comprehensive loss						
Loss for the period		-	-	-	(93,785)	(93,785)
Other comprehensive income						
- Currency translation differences		-	-	1,604	-	1,604
- Fair value changes on convertible redeemable preferred shares due to own credit risk		-	-	(986)	-	(986)
Total comprehensive loss for the period		-	-	618	(93,785)	(93,167)
Transaction with owners in their capacity as owners						
Changes in the carrying amount of financial instruments issued to investors	27	-	-	(251,564)	-	(251,564)
Effect of Share Exchange	28	-	-	(633,303)	-	(633,303)
Effect of reorganization of the Group	24	1	2,313,575	(2,313,575)	-	1
Dividend distribution to the then shareholders	31	-	-	-	(180,000)	(180,000)
As at June 30, 2021		1	2,313,575	(3,058,252)	(199,154)	(943,830)

The notes on pages 37 to 86 are an integral part of these condensed consolidated financial statements.



Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Cash flows from operating activities			
Cash (used in)/generated from operations		(59,187)	116,957
Income tax paid		(8,481)	(7,506)
Net cash (used in)/generated from operating activities		(67,668)	109,451
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(7,682)	(4,031)
Purchase of short-term financial assets at fair value through profit and loss	21	(652,678)	(30,000)
Redemption of short-term financial assets at fair value through profit and loss	21	300,286	1,296
Acquisition of long-term investments measured at fair value through profit or loss	18	(5,000)	(48,000)
Acquisition of investments accounted for using the equity method	17	(3,000)	(12,109)
Payment of performance guarantee for foreign exchange forward contracts		(6,983)	-
Loan repayment from related parties and third parties (including interests)		-	367
Investment return received from wealth management products issued by commercial banks	9	-	120
Dividends from long-term investments measured at fair value through profit or loss	10	-	8
Net cash used in investing activities		(375,057)	(92,349)
Cash flows from financing activities			
Issuance of ordinary shares upon IPO over allotment	23	55,888	-
Capital contributions from the then shareholders	23	-	1
Issuance of convertible redeemable preferred shares	28	-	401,000
Dividend paid to the then shareholders of a subsidiary	31	-	(180,000)
Payment for lease liabilities (including interests)	15	(5,946)	(1,812)
Listing expense payment		(1,635)	(1,826)
Net cash generated from financing activities		48,307	217,363
Net (decrease)/increase in cash and cash equivalents		(394,418)	234,465
Cash and cash equivalents at the beginning of the period		1,168,076	443,248
Effects of exchange rate changes on cash and cash equivalents		28,926	(1,756)
Cash and cash equivalents at the end of the period	22(a)	802,584	675,957

The notes on pages 37 to 86 are an integral part of these condensed consolidated financial statements.

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 (the “Listing Business”) in the People’s Republic of China (the “PRC”, “Mainland China”, for the purpose of preparing the consolidated financial statements, PRC and Mainland China refers to the People’s Republic of China, excluding the Hong Kong Special Administrative Region (“Hong Kong”), the Macau Special Administrative Region (“Macau”) and Taiwan Province) and other countries and regions.

The Company has its primary listing (the “IPO”) on the Stock Exchange of Hong Kong Limited on December 16, 2021.

The condensed consolidated financial statements for the six months ended June 30, 2022 (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, 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as set out in 2021 annual report of the Company dated March 24, 2022 (the “2021 Financial Statements”).



NOTES TO THE INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES**(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, 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous contract – cost of fulfilling a contract
Annual Improvements	Improvements to IFRS Standards 2018–2020

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

A number of new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2022 and have not been early adopted by the Group in preparing the Interim Financial Information. None of these is expected to have a significant effect on the Interim Financial Information based on the preliminary assessment made by management.

4 FINANCIAL RISK MANAGEMENT**4.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2021 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended June 30, 2022.



NOTES TO THE INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other owners and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's risk associated with capital management is low.

4.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements.

(a) Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value as at June 30, 2022 and December 31, 2021, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



NOTES TO THE INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at June 30, 2022.

<i>Notes</i>	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As at June 30, 2022				
Financial assets				
Short-term investments measured at fair value through profit or loss	21			
– Investment funds (i)	–	–	732,656	732,656
– Investment in listed companies (ii)	15,942	–	–	15,942
Investments in unlisted companies and private equity funds	18			
– Investments in private equity funds	–	–	58,997	58,997
– Investments in unlisted companies	–	–	83,818	83,818
	15,942	–	875,471	891,413
Financial liabilities				
Derivative financial instruments – Foreign currency forward contracts (iii)	21			
	–	3,344	–	3,344
	–	3,344	–	3,344



NOTES TO THE INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

As at December 31, 2021, none of the Group's financial liabilities are measured at fair value. The following table presents the Group's assets that are measured at fair value as at December 31, 2021.

	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)					
As at December 31, 2021					
Short-term investments measured at fair value through profit or loss					
	21	-	1,072	354,241	355,313
- Investment funds (i)					
Investments in unlisted companies and private equity funds					
	18	-	-	58,997	58,997
- Investments in private equity funds					
		-	-	77,255	77,255
- Investments in unlisted companies					
		-	1,072	490,493	491,565

- (i) *Investment funds' principal and returns are not guaranteed. The Group invested in investment funds which holds a combination of term deposits, securities and futures. Fair value of Level 2 investment funds were recognized based on the periodic reports from investment funds. Fair value of Level 3 investment funds were determined by using various applicable valuation techniques. Changes in fair value of these financial assets had been recognized in "Fair value changes on investments measured at fair value through profit or loss" in the consolidated statements of comprehensive income.*
- (ii) *This presents investments in listed companies' equity security.*
- (iii) *The Group entered into foreign exchange forward contracts to manage its foreign currency exposure. The outstanding notional amount of foreign exchange forward contracts as at June 30, 2022 was USD17 million that due in one year. Changes in fair value of these foreign exchange forward contracts had been recognized in "Fair value changes on investments measured at fair value through profit or loss" in the consolidated statements of comprehensive income. No foreign exchange forward contract was outstanding as at December 31, 2021.*

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including investments in unlisted companies and private equity funds for the six months ended June 30, 2022 and 2021. Details of the movements and significant unobservable inputs used in Convertible redeemable Preferred Shares are set out in Note 28.

Investments in unlisted companies and private equity funds

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
At the beginning of the period	136,252	77,800
Additions	5,000	56,000
Changes in fair value	1,563	916
At the end of the period	142,815	134,716
Net unrealized gains	1,563	916

Investment funds and wealth management products issued by commercial banks

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
At the beginning of the period	354,241	–
Additions	635,799	30,000
Changes in fair value	13,983	18
Redemption	(299,254)	–
Currency translation impact	27,887	–
At the end of the period	732,656	30,018
Net unrealized gains	13,983	18



NOTES TO THE INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(c) Valuation process and techniques

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once a year, the team uses valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- the use of quoted market prices or dealer quotes for similar instruments;
- the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- the latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- a combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc..

There were no change to valuation techniques during the reporting period. Details of the movements and significant unobservable inputs and major assumptions used in the valuation for Convertible redeemable Preferred Shares are presented in Note 28.



NOTES TO THE INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(d) Valuation inputs and relationship to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)		As at June 30, 2022	As at December 31, 2021	
Investments in unlisted companies and private equity funds	142,815	136,252	Expected volatility	49.71%	42.87% - 58.04%	The higher the expected volatility, the higher the fair value
			Discount for lack of marketability ("DLOM")	30%	20.00% - 30.00%	The higher the DLOM, the lower the fair value
Investment funds and wealth management products issued by commercial banks	732,656	354,241	Expected rate of return	1.2% - 3.3%	1.2% - 3.32%	The higher the expected rate of return, the higher the fair value

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Financial Statements.



NOTES TO THE INTERIM FINANCIAL INFORMATION

6 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, 2022 and December 31, 2021, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended June 30, 2022 and 2021 are as follows:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Game operating revenues		
– Self-developed	225,214	496,391
– Licensed	23,069	233,242
Subtotal	248,283	729,633
Game licensing revenue	14,992	18,930
Information service revenue	4,839	14,387
Total revenues	268,114	762,950
Cost of revenues	(102,102)	(188,428)
Gross profit	166,012	574,522
Gross margin	62%	75%



NOTES TO THE INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION AND REVENUE (CONTINUED)

Revenues of approximately RMB18 million and RMB34 million for the six months ended June 30, 2022 and 2021, respectively, were from five largest single customers.

During the six months ended June 30, 2022 and 2021, 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, 2022 and 2021, respectively:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Service transferred overtime	119,905	389,478
Service transferred at a point of time	148,209	373,472
	268,114	762,950

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the six months ended June 30, 2022 and 2021, respectively:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Mainland China	233,522	742,945
Outside Mainland China (a)	34,592	20,005
Total	268,114	762,950

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Marketing and promotion expenses	118,313	233,170
Employee benefits expenses	113,966	36,074
Commissions charged by distribution channels	67,396	130,170
Bandwidth and server custody fee	10,590	12,902
Commissions charged by game developers	8,141	33,210
Outsourced technical services	7,454	6,508
Professional services fee	6,215	1,161
Depreciation of right-of-use assets (Note 15)	5,370	1,732
Office expenses	4,305	4,953
Depreciation of property, plant and equipment (Note 14)	2,290	462
Auditor remuneration		
– Audit service	1,800	–
– Non-audit service	120	–
Tax surcharges	1,263	2,275
Rental expenses and utilities	1,260	348
Commissions charged by payment channel	599	1,653
Net impairment losses on financial assets	103	(71)
Listing expenses	–	15,170
Others	1,519	420
Total	350,704	480,137



NOTES TO THE INTERIM FINANCIAL INFORMATION

8 FAIR VALUE CHANGES ON INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Fair value changes in long-term investments measured at fair value through profit or loss <i>(Note 18)</i>	1,563	916
Fair value changes in short-term investments measured at fair value through profit or loss <i>(Note 21)</i>	9,662	1,046
Total	11,225	1,962

9 OTHER INCOME

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Government subsidies	4,510	2,797
Investment return from wealth management products issued by commercial banks	-	120
Total	4,510	2,917

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

10 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Foreign exchange gain/(loss), net	6,857	(4,005)
Donations to charity organizations	(2,433)	(187)
Dividend distribution from long-term investments measured at fair value through profit or loss	-	8
Others	(107)	27
Total	4,317	(4,157)

11 FINANCE INCOME, NET

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Finance income		
Interest income from bank deposits	2,231	697
Finance costs		
Interest expenses on lease liabilities	(768)	(237)
Bank charges	(265)	(46)
Finance income, net	1,198	414



NOTES TO THE INTERIM FINANCIAL INFORMATION

12 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, 2022 and 2021.

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 that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% 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, 2022 and 2021.



NOTES TO THE INTERIM FINANCIAL INFORMATION

12 INCOME TAX (CONTINUED)**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 RMB238 million as at June 30, 2022.

	Six months ended June 30,	
	2022 RMB’000 (Unaudited)	2021 RMB’000 (Audited)
Current income tax	10,751	4,553
Deferred income tax <i>(Note 16)</i>	2,622	(14,081)
Total income tax expenses/(benefit)	13,373	(9,528)



NOTES TO THE INTERIM FINANCIAL INFORMATION

12 INCOME TAX (CONTINUED)

Income tax expenses/(benefit) are recognised based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Loss before income tax	(73,499)	(103,313)
Tax calculated at statutory income tax rate of 25% in mainland China	(18,375)	(25,828)
Tax effects of:		
Effect of different tax rates available to different jurisdictions	6,446	87,495
Preferential income tax rates applicable to subsidiaries	(10,197)	(85,624)
Expenses not deductible for income tax purposes	231	1,041
Tax effect of losses from financial instruments issued to investors (Note 27)	–	6,741
Super Deduction for research and development expenses	(2,763)	(2,590)
Tax losses for which no deferred income tax assets were recognized	33,766	5
Temporary differences for which no deferred income tax assets were recognized, net	4,265	9,232
Total income tax expenses/(benefit)	13,373	(9,528)

13 LOSS PER SHARE**(a) Basic loss per share**

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of outstanding shares during the six months ended June 30, 2022 and 2021.

For the purpose of computing basic and diluted loss per share for the six months ended June 30, 2021, 9,530,575 ordinary shares issued in the reorganisation were assumed to have been issued and allocated from the beginning of the periods presented as if the Company has been established by then. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted.

Redeemable shares that are contingently returnable are not treated as outstanding and are excluded from the calculation of basic loss per share.



NOTES TO THE INTERIM FINANCIAL INFORMATION

13 LOSS PER SHARE (CONTINUED)

(a) Basic loss per share (continued)

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Audited)
Loss attributable to ordinary shareholders of the Company (RMB'000)	(75,671)	(93,785)
Weighted average number of outstanding ordinary shares	690,980,749	9,530,575
Basic loss per share (RMB)	(0.11)	(9.84)

(b) Diluted loss per share

Diluted 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 June 30, 2021, the Company had convertible redeemable preferred shares (Note 28) that are potential ordinary shares. For the six months ended June 30, 2022, the Company had over-allotment option to the IPO that has potential ordinary shares. For the six months ended June 30, 2022 and 2021, 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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

14 PROPERTY, PLANT AND EQUIPMENT

	Servers and other equipment RMB'000	Furniture and appliances RMB'000	Vehicles RMB'000	Total RMB'000
(Audited)				
At January 1, 2021				
Cost	1,170	3,012	2,140	6,322
Accumulated depreciation	(1,170)	(1,221)	–	(2,391)
Net book amount	–	1,791	2,140	3,931
Six months ended June 30, 2021				
Opening net book amount	–	1,791	2,140	3,931
Additions	–	1,169	2,862	4,031
Depreciation	–	(213)	(249)	(462)
Closing net book amount	–	2,747	4,753	7,500
At June 30, 2021				
Cost	1,170	4,181	5,002	10,353
Accumulated depreciation	(1,170)	(1,434)	(249)	(2,853)
Net book amount	–	2,747	4,753	7,500



NOTES TO THE INTERIM FINANCIAL INFORMATION

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Servers and other equipment RMB'000	Furniture and appliances RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
(Unaudited)					
At January 1, 2022					
Cost	1,170	5,110	5,648	-	11,928
Accumulated depreciation	(1,170)	(1,498)	(814)	-	(3,482)
Net book amount	-	3,612	4,834	-	8,446
Six months ended June 30, 2022					
Opening net book amount	-	3,612	4,834	-	8,446
Additions	-	2,243	-	5,439	7,682
Depreciation	-	(839)	(204)	(1,247)	(2,290)
Disposal	-	(43)	-	-	(43)
Currency translation impact	-	(11)	-	-	(11)
Closing net book amount	-	4,962	4,630	4,192	13,784
At June 30, 2022					
Cost	1,170	7,353	5,648	5,439	19,610
Accumulated depreciation	(1,170)	(2,391)	(1,018)	(1,247)	(5,826)
Net book amount	-	4,962	4,630	4,192	13,784

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Cost of revenues	338	71
Selling and marketing expenses	445	110
Research and development expenses	1,166	236
General and administrative expenses	341	45
	2,290	462

NOTES TO THE INTERIM FINANCIAL INFORMATION

15 RIGHT-OF-USE ASSETS

	Properties RMB'000
(Audited)	
At January 1, 2021	
Cost	16,333
Accumulated depreciation	(5,939)
Net book amount	10,394
Six months ended June 30, 2021	
Opening net book amount	10,394
Depreciation (Note 7)	(1,732)
Closing net book amount	8,662
At June 30, 2021	
Cost	16,333
Accumulated depreciation	(7,671)
Net book amount	8,662
(Unaudited)	
At January 1, 2022	
Cost	43,006
Accumulated depreciation	(10,943)
Net book amount	32,063
Six months ended June 30, 2022	
Opening net book amount	32,063
Additions	9,115
Depreciation (Note 7)	(5,370)
Disposal	(4,928)
Currency translation impact	(52)
Closing net book amount	30,828
At June 30, 2022	
Cost	45,782
Accumulated depreciation	(14,954)
Net book amount	30,828



NOTES TO THE INTERIM FINANCIAL INFORMATION

15 RIGHT-OF-USE ASSETS (CONTINUED)

The consolidated statement of comprehensive income and the consolidated statement of cash flows contain the following amounts relating to leases:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Depreciation charge of right-of-use assets	5,370	1,732
Interest expenses	768	237
Expenses relating to short-term leases	1,260	348
The cash outflow for leases payment related to short-term lease as operating activities	1,260	348
The cash outflow for leases as financing activities	5,946	1,812

16 DEFERRED INCOME TAXES

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

Deferred tax assets

	As at	As at
	June 30,	December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The balance comprises temporary differences attributable to:		
– Tax losses	14,442	13,000
– Marketing and promotion expenses	14,233	16,430
– Contract liabilities	8,994	9,151
– Temporary difference related to payroll payables	2,366	2,259
– Short-term investments measured at fair value through profit or loss	689	–
– Right-of-use assets and lease liabilities	125	162
– Loss allowance for financial assets	34	13
Total gross deferred tax assets	40,883	41,015
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,958)	(840)
Net deferred tax assets	37,925	40,175

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 DEFERRED INCOME TAXES (CONTINUED)

Deferred tax assets (continued)

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Deferred tax assets:		
– to be recovered within 12 months	25,730	25,236
– to be recovered after 12 months	12,195	14,939
	37,925	40,175

Deferred tax liabilities

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
– Long-term investments measured at fair value through profit or loss	912	521
– Short-term investments measured at fair value through profit or loss	2,046	319
Total gross deferred tax liabilities	2,958	840
Set-off of deferred tax assets pursuant to set-off provisions	(2,958)	(840)
Net deferred tax liabilities	–	–



NOTES TO THE INTERIM FINANCIAL INFORMATION

16 DEFERRED INCOME TAXES (CONTINUED)

Deferred tax assets

The movement on the gross deferred income tax assets is as follows:

	Tax losses	Net impairment loss on financial assets	Investments measured at fair value through profit or loss	Marketing and promotion expenses	Right-of-use assets and lease liabilities	Contract liabilities	Temporary difference related to payroll payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Audited)								
At January 1, 2021	434	7	46	-	-	583	1,743	2,813
Credited/(charged) to consolidated income statement	(434)	(3)	(46)	14,066	20	302	212	14,117
At June 30, 2021	-	4	-	14,066	20	885	1,955	16,930
(Unaudited)								
At January 1, 2022	13,000	13	-	16,430	162	9,151	2,259	41,015
Credited/(charged) to consolidated income statement	1,000	21	689	(2,197)	(37)	(157)	107	(574)
Currency translation impact	442	-	-	-	-	-	-	442
At June 30, 2022	14,442	34	689	14,233	125	8,994	2,366	40,883



NOTES TO THE INTERIM FINANCIAL INFORMATION

16 DEFERRED INCOME TAXES (CONTINUED)**Deferred tax liabilities**

The movement on the gross deferred income tax liabilities is as follows:

	Long-term investments measured at fair value through profit or loss RMB'000	Short term investments measured at fair value through profit or loss RMB'000	Total RMB'000
(Audited)			
At January 1, 2021	–	188	188
Charged/(credited) to consolidated income statement	69	(26)	43
At June 30, 2021	69	162	231
(Unaudited)			
At January 1, 2022	521	319	840
Charged to consolidated income statement	391	1,657	2,048
Currency translation impact	–	70	70
At June 30, 2022	912	2,046	2,958

The Group only recognizes deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at June 30, 2022 and December 31, 2021, the Group did not recognize deferred income tax assets of RMB33.77 million and RMB0.25 million, in respect of cumulative tax losses amounting to RMB135.17 million and RMB0.98 million. These tax losses in Mainland China will expire from 2026 to 2027.



NOTES TO THE INTERIM FINANCIAL INFORMATION

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period	29,169	11,683
Additions (a)	6,000	12,109
Share of results of associates	135	5,377
Impairment (b)	(12,294)	–
At the end of the period	23,010	29,169

- (a) During the six months ended June 30, 2021, the Group further obtained 21% shares of an associate which mainly engaged in mobile game development for a consideration of RMB7.1 million. After the transaction, the Group held 45.64% shares of the unlisted company. The Group remained significant influence in the unlisted company.

During the six months ended June 30, 2022, the Group obtained 20% shares of an associate which mainly engaged in mobile game development for a consideration of RMB6 million. The Group had significant influence in the unlisted company.

- (b) During the six months ended June 30, 2022, the Group made impairment provision of approximately RMB12 million against the carrying amounts of certain investment in associate (for the six months ended June 30, 2021: Nil), which was made based on the recoverable amount of the associate. The Group determined the recoverable amounts of these investments based on their value in use.
- (c) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Aggregate carrying amount of individually immaterial associates	23,010	29,169
Aggregate amounts of the Group's share of: – Profit from operations	135	5,377

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 LONG-TERM INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Movements in long-term investments measured at fair value through profit or loss during the six months ended June 30, 2022 and 2021, are as follows:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
At the beginning of the period	136,252	77,800
Additions (a)	5,000	56,000
Change in fair value (Note 8)	1,563	916
At the end of the period	142,815	134,716

As at June 30, 2022 and December 31, 2021, long-term investments measured at fair value through profit or loss mainly represented: 1) investments in associates with significant influence in the form of redeemable instruments and measured at fair value through profit or loss; 2) equity investments in private equity funds in which the Group act as limited partners without significant influence. The Group has determined the fair value of these financial assets based on certain valuation techniques as disclosed in Note 4.3.

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Investments in private equity funds	58,997	58,997
Investments in unlisted companies	83,818	77,255
	142,815	136,252



NOTES TO THE INTERIM FINANCIAL INFORMATION

18 LONG-TERM INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

- (a) During the six months ended June 30, 2021, the Group obtained 10.31% and 3.58% shares in two private equity funds which mainly invested in internet and game industry, with a consideration of RMB10 million and RMB30 million, respectively. The Group acted as limited partners with no seat in investment committee. The Group had no significant influence in the private equity funds and measured the investments as long-term investments measured at fair value through profit or loss.

The Group also obtained 2% shares of an unlisted company which mainly engaged in animation and cartoon production with a consideration of RMB16 million. The Group made the investment in the form of redeemable instruments and had no board seat in the unlisted company. Accordingly, the Group recognized the investment as long-term investments measured at fair value through profit or loss.

During the six months ended June 30, 2022, the Group obtained 10% shares of an unlisted company which mainly engaged in game community, with a consideration of RMB5 million. The Group made the investment in the form of redeemable instruments. Accordingly, the Group recognized the investment as long term investments measured at fair value through profit or loss.

19 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Non-current		
Rental and other deposits	3,055	1,160
Prepayments for game licenses (a)	5,755	5,755
	8,810	6,915
Current		
Prepayments for marketing and promotion services	8,842	16,445
Prepayments for sharing of proceeds (a)	16,566	14,554
Prepayments to service providers	4,082	6,578
Rental and other deposits	4,965	5,659
Others	827	781
Less: allowance for impairment	(24)	(13)
	35,258	44,004

- (a) The Group licenses online games from game developers and pays game license fees and sharing of proceeds earned from selling in-game virtual items to game developers. The prepayments for game license fees are transferred to intangible assets when the Group receives related licensed games. The prepayments for sales-based sharing of proceeds are expensed and recorded into cost of revenues on incurred basis.

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 TRADE RECEIVABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Distribution channels	55,584	38,646
Game publishers	9,649	9,087
Information service customers	2,801	555
	68,034	48,288
Less: allowance for impairment	(170)	(77)
	67,864	48,211

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Third parties	58,437	39,299
Related parties	9,597	8,989
	68,034	48,288
Less: allowance for impairment	(170)	(77)
	67,864	48,211



NOTES TO THE INTERIM FINANCIAL INFORMATION

20 TRADE RECEIVABLES (CONTINUED)

- (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, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Within 3 months	61,332	47,208
3 months to 6 months	6,674	1,080
6 months to 1 year	28	–
1 to 2 years	–	–
	68,034	48,288

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the six months ended June 30, 2022 and 2021, the expected loss rate for related parties trade receivables is low and immaterial, and the expected credit loss rates for third-parties trade receivables are determined according to provision matrix as follows:

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Within 3 months	0.17%	0.17%
3 months to 6 months	2.22%	2.14%
6 months to 1 year	11.97%	9.04%
1 to 2 years	66.27%	34.66%
Over 2 years	100.00%	100.00%

The expected loss rates are based on the payment profiles of sales over a period of 24 month before June 30, 2022 and December 31, 2021 respectively and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified growth rate of Gross Domestic Product and IT & Information Service Output Price Index of the countries in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 TRADE RECEIVABLES (CONTINUED)

(b) (continued)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At the beginning of the period	77	232
Provision	170	115
Reversal	-	(221)
Receivables written off during the period as uncollectable	(77)	-
At the end of the period	170	126

The provisions and reversal of provisions for impaired receivables have been included in "Net impairment losses on financial assets" in the consolidated statement of comprehensive income.

- (c) The directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as at June 30, 2022 and December 31, 2021.
- (d) The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As at	As at
	June 30,	December 31,
	2022	2021
	(Unaudited)	(Audited)
USD	43,214	34,053
RMB	18,768	14,235
HKD	6,052	-
	68,034	48,288

- (e) The maximum exposure to credit risk as at June 30, 2022 and December 31, 2021 was the carrying value of the trade receivables. The Group did not hold any collateral as security.



NOTES TO THE INTERIM FINANCIAL INFORMATION

21 FINANCIAL ASSETS/(LIABILITIES) MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (CURRENT)

The short-term investments measured at fair value through profit or loss are foreign exchange forward contracts, investment funds and wealth management products issued by commercial bank of which principal and returns are not guaranteed. The fair values of the foreign exchange forward contracts and investment funds were recognized based on the periodic valuation reports from commercial banks and investment funds and were within level 2 of the fair value hierarchy. The fair values of wealth management products and investment funds are based on discounted cash flow using the expected return based on management judgment and are within level 3 of the fair value hierarchy (Note 4.3).

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
At the beginning of the period	355,313	1,299
Additions	652,678	30,000
Change in fair value (Note 8)	9,662	1,046
Redemption	(300,286)	(1,295)
Currency translation impact	27,887	-
At the end of the period	745,254	31,050



NOTES TO THE INTERIM FINANCIAL INFORMATION

22 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS

(a) Cash and cash equivalents

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Cash on hand and cash in bank	795,071	1,166,993
Cash in stock account	1,121	–
Cash held by other financial institutions (i)	6,392	1,083
	802,584	1,168,076

- (i) As at June 30, 2022 and December 31, 2021, the Group had certain amounts of cash held in accounts managed by other financial institutions, such as Alipay and WeChat Pay in connection with the provision of online and mobile payment services which have been classified as cash and cash equivalents on the consolidated statements of financial position.

Cash and cash equivalents are denominated in the following currencies:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
USD	504,396	243,475
HKD	218,516	754,499
RMB	79,357	169,403
JPY	315	699
	802,584	1,168,076



NOTES TO THE INTERIM FINANCIAL INFORMATION

22 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS (CONTINUED)

(b) Restricted Cash

Restricted Cash are denominated in the following currency:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
USD	6,983	–

As at June 30, 2022, USD1.1 million (equivalent to approximately RMB7 million) were cash deposits held by bank as performance guarantee for foreign exchange forward contracts signed with the same bank. No foreign exchange fund contract was outstanding as at December 31, 2021.

23 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 June 30, 2022 and December 31, 2021	5,000,000	50	–	–
Issued (Audited)				
As at January 1, 2021	–	–	–	–
Issuance of ordinary shares in relation to the reorganisation of the Group (a)	9,530	–	1	2,313,575
As at June 30, 2021	9,530	–	1	2,313,575
Issued (Unaudited)				
As at January 1, 2022	685,000	7	44	5,151,253
Issuance of ordinary shares upon IPO over allotment (b)	6,331	–	–	55,888
Dividend distribution to the shareholders (Note 31)	–	–	–	(89,320)
As at June 30, 2022	691,331	7	44	5,117,821

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

- (a) On May 14, 2021, as part of the reorganization, the Company allotted and issued an aggregate of 9,530,575 ordinary shares at par value of US\$0.00001 each share to offshore holding vehicles which are beneficially owned by the ordinary shareholders of QC Digital as at that date. Upon completion of the reorganization, the fair value of ordinary shares of QC Digital amounting to RMB2,313 million was transferred from capital reserve to share premium accordingly.
- (b) On January 12, 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.

24 OTHER RESERVES

	Capital reserve RMB'000	Statutory reserves RMB'000	Share-based compensation expense RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
(Audited)						
As at January 1, 2021	59,088	11,422	70,017	(955)	-	139,572
Recognition of redemption liability for the financial instruments issued to investors (Note 27(a))	(251,564)	-	-	-	-	(251,564)
Effect of Share Exchange (Note 28)	(633,303)	-	-	-	-	(633,303)
Effect of reorganization of the Group (Note 23)	(2,313,575)	-	-	-	-	(2,313,575)
Fair value changes on convertible redeemable preferred shares due to own credit risk	-	-	-	-	(986)	(986)
Currency translation differences	-	-	-	1,604	-	1,604
As at June 30, 2021	(3,139,354)	11,422	70,017	649	(986)	(3,058,252)
(Unaudited)						
As at January 1, 2022	(3,139,354)	11,422	70,017	25,360	-	(3,032,555)
Currency translation differences	-	-	-	57,133	-	57,133
As at June 30, 2022	(3,139,354)	11,422	70,017	82,493	-	(2,975,422)



NOTES TO THE INTERIM FINANCIAL INFORMATION

25 CONTRACT LIABILITIES

Contract liabilities primarily consists of i) the unamortised revenue from sales of virtual items for mobile games, where there is still obligation to be provided by the Group to game players, and ii) the unamortised balance of the initial license fee paid by licensees.

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Game operating	88,470	74,012
Game licensing	-	906
	88,470	74,918

The following table shows the amount of revenue recognized in the consolidated statements of comprehensive income for the respective years relating to contract liabilities brought forward:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Revenue recognized that was included in the contract liabilities balance at the beginning of the period		
Game operating	74,012	227,033
Game licensing	906	-
	74,918	227,033



NOTES TO THE INTERIM FINANCIAL INFORMATION

26 LEASE LIABILITIES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	10,954	9,886
– Between 1 and 2 years	9,623	9,904
– Between 2 and 5 years	13,899	15,885
	34,476	35,675
Less: future finance charges	(2,860)	(3,113)
Present value of lease liabilities	31,616	32,562

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Lease liabilities		
– Within 1 year	10,704	9,827
– Between 1 and 2 years	8,996	9,218
– Between 2 and 5 years	11,916	13,517
	31,616	32,562



NOTES TO THE INTERIM FINANCIAL INFORMATION

27 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The movements of the Financial Instruments Issued to Investors are set out below:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
At the beginning of the period	-	89,067
Changes in the carrying amount due to the interest of 8% per annum	-	2,940
Changes in the carrying amount due to share transfer (a)		
- Losses from financial instruments issued to investors	-	50,988
- Other reserves (Note 24)	-	251,564
De-recognition upon Share Exchange (Note 28)	-	(394,559)
At the end of the period	-	-

In July 2019, QC Digital entered into an investment agreement with G-bits, pursuant to which G-bits made a total investment of RMB80 million in QC Digital as consideration for subscription of QC Digital's paid-in capital of RMB1.7 million, representing 13.33% of equity interest in QC Digital. According to the agreement, these ordinary shares will become redeemable by G-bits under certain events which are out of the Group's control. QC Digital does not have the unconditional right to avoid delivering cash or other financial assets to settle contractual obligation upon occurrence of certain events which are out of the control of the Group. The Group recognized the aforementioned investment made by G-bits (the "Financial Instruments Issued to Investors") as financial liabilities which recognized initially at the present value of the redemption amount, which is computed based on the investment amount of RMB80 million plus an interest of 8% per annum. Any changes in the carrying amount of the financial liabilities were recorded in "Losses from financial instruments issued to investors" of consolidated statements of comprehensive income.



NOTES TO THE INTERIM FINANCIAL INFORMATION

27 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

- (a) *Before April 21, 2021, G-bits' equity interest in QC Digital includes i) the equity investment in the form of ordinary shares of 21.21%; ii) equity investment in the form of ordinary shares with preferential rights of 12%. On April 21, 2021, Guangxi Tencent Venture Capital Co., Ltd. (廣西騰訊創業投資有限公司) ("Tencent"), Shanghai Hode Information Technology Co., Ltd. (上海幻電信息科技有限公司) ("Shanghai Hode"), and Guangzhou Lingxi Interactive Entertainment Limited (廣州靈犀互動娛樂有限公司) ("Guangzhou Lingxi"), entered into a share transfer agreement with G-bits, pursuant to which G-bits transferred each 3.37% equity interests in QC Digital to Tencent, Shanghai Hode and Guangzhou Lingxi, respectively (10.11% in aggregate), at an consideration of RMB101.15 million each (RMB303.45 million in aggregate). After this share transfer, the equity investments held by G-bits, Tencent, Shanghai Hode and Guangzhou Lingxi (collectively "Series A Investors"), amounting to 23.10%, 3.37%, 3.37%, 3.37%, respectively, are entitled to preferential rights although the Series A Investors did not contribute consideration in QC Digital during this share transfer. According to the agreement, these ordinary shares held by Series A Investors will become redeemable by Series A Investors under certain events which are out of the Group's control. Since QC Digital does not have the unconditional right to avoid delivering cash or another financial assets to settle the contractual obligation, the Group recognized the investments held by Series A Investors as a financial liability of RMB394 million upon the share transfer, which initially recognized at the present value of the redemption amount. The redemption amount is calculated based on the agreed fixed amount plus an interest at eight percent per annum, QC Digital agreed with the Series A Investors a fixed amount (using as the basis to calculate the redemption amount) of RMB90 million for G-bits, and RMB101.15 million each for Tencent, Shanghai Hode and Guangzhou Lingxi respectively. After this share transfer, given the preferential rights granted by the Group To the Series A Investors, the G-bits previously held equity interests of 21.21% in the form of ordinary shares with carrying value of RMB50 million became a financial liability of RMB252 million (Note 24). The financial liability should be initially recognized at the present value of the redemption amount and reclassified from equity, therefore the financial liability amounting to RMB252 million was reclassified from "other reserves" of consolidated statements of financial position. While the liability recognized for G-bits previously held equity interests with preferential rights of 12.00% became a financial liability of RMB142 million, the change from its previous carrying value of RMB91 million, amounting to RMB51 million, was recorded in "Losses from financial instruments issued to investors" of consolidated statements of comprehensive income.*



NOTES TO THE INTERIM FINANCIAL INFORMATION

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On May 14, 2021, to reflect the onshore shareholding structure of QC Digital, 4,739,938 Series A Preferred Shares of the Company were issued to Series A Investors' offshore affiliates ("Series A Preferred Shareholders"). The Group recognized Series A Preferred Shares as financial liabilities measured at fair value through profit or loss of RMB1,028 million at their fair value. Upon entering into the Contractual Arrangements on May 26, 2021, shareholders of QC Digital became nominee shareholders and the preferential rights held by Series A Investors in QC Digital were cancelled accordingly (together with the issuance of Series A Preferred Shares, as the "Share Exchange"). The carrying amount of "financial instruments issued to investors" of RMB395 million was then derecognized accordingly. Upon the Share Exchange, Series A Investors gave up their investments of ordinary shares with preferential rights (which mainly represents a put option under certain condition) that they held in QC Digital, and in return, Series A Investors' offshore affiliates received Series A Preferred Shares of the Company. The management assessed that the Share Exchange involves the de-recognition of ordinary shares with preferential rights (i.e. one equity and one liability) of QC Digital, with carrying amounts of RMB395 million, by issuing Series A Preferred Shares with fair value of RMB1,028 million. The total difference between the fair value of the Series A Preferred Shares and the carrying value of the ordinary shares with preferential rights of QC Digital held by Series A Investors, amounting to RMB633 million, was recorded into i) the consolidated statements of comprehensive income (RMB nil), given the fair value allocated to the liability de-recognised is the same as its carrying value; and ii) the "other reserve" of consolidated statements of financial position (RMB633 million), which representing the difference between the remaining fair value allocated and the carrying value of the equity de-recognised.

On May 26, 2021, Wildlife Willow Limited, Bilibili Inc., Qookka Entertainment Limited and Tencent Mobility Limited (collectively "Series B Preferred Shareholders") entered into share purchase agreement with the Company, pursuant to which an aggregate of 1,152,488 convertible redeemable preferred shares of the Company were allotted to the Series B Preferred Shareholders with a consideration of USD62.61 million, equivalent to approximately RMB401 million. The Group recognized Series B Preferred Shares as financial liabilities measured at fair value through profit or loss.

The key terms of all series of Series A Preferred Shares and Series B Preferred Shares effective and applicable upon their issuance are as follows:



NOTES TO THE INTERIM FINANCIAL INFORMATION

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Liquidation Preferences of Series A Preferred Shares and Series B Preferred Shares

In the event of any i) liquidation; ii) dissolution; iii) winding up or termination of business of the Company; iv) any consolidation, reorganization, amalgamation, merger or other transaction of the Company, with or into any person, or any other corporate reorganization or scheme of arrangement, in which the current shareholders of the Company immediately before such transaction own less than 50% of the voting power of the surviving company immediately after such transaction, whether voluntary or involuntary; v) a sale, lease, transfer, or other disposition, in a single transaction or series of transactions, of all or substantially all of the assets of the Group Companies (including sale or exclusive licensing to any third party other than the Group Companies, in a single transaction or series of transactions, of all or substantially all of the intellectual property of the Group Companies, taken as a whole), the effect of which is the disposition of all or substantially all of the Group Companies' assets taken as a whole; whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the Shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable law) shall be distributed to the Shareholders in the sequence of Series B Preferred Shares, Series A Preferred Shares, ordinary shares.

The preferential liquidation amount shall be equal to any dividends declared and unpaid with respect to the Preferred Shares plus the higher of: (i) (A) one hundred percent (100%) of the Preferred Shares Issue Price plus (B) eight percent (8%) simple interest per annum of the Preferred Shares Issue Price accrued annually (which shall be accrued from the Preferred Shares Closing Date to the date when the Preferred Shares Preference Amount is paid) plus (C) all declared but unpaid dividends on such Preferred Shares and (ii) the amount which would have been payable had such Preferred Shares been converted into an Ordinary Share immediately prior to the Liquidation Event or Deemed Liquidation Event.

Conversion Rights of Series A Preferred Shares and Series B Preferred Shares

Each Preferred Share may, at the option of the Preferred Shareholders thereof, be converted at any time after the date of issuance of such Preferred Shares into fully-paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to i) adjustment for share splits and combinations; ii) adjustment for ordinary share dividends and distributions; iii) adjustments for other dividends; iv) adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions; v) adjustments to conversion price for dilutive issuance.

In addition, each Preferred Share shall automatically be converted, based on the then-effective conversion price, without any action being required by the holder of such Preferred Share and whether or not the certificates representing such Preferred Share surrendered to the Company or its transfer agent, into fully-paid and non-assessable ordinary shares upon the earlier of (a) the closing of a qualified IPO duly approved in accordance with the shareholders agreement and the memorandum and articles and (b) the date specified by written consent of all the Preferred Holders.



NOTES TO THE INTERIM FINANCIAL INFORMATION

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)**Redemption Rights of Series B Preferred Shares**

Series B Preferred Shares shall be redeemable at the election of Series B Preferred Shareholders upon specific conditions as follows: i) the Company does not consummate a qualified IPO within three years from the closing of issuance of Series B Preferred Shares; ii) the Group is materially in violation of applicable Law and unable to carry out its Principal Business legally; iii) any material breach or violation of or inaccuracy or misrepresentation in any representation or warranty made by the Company or any member of key management team in the transaction documents, or any material breach or violation of any undertaking, covenant or obligation by the Company or any member of key management team contained in the transaction documents; iv) any Series B Preferred Shareholder has exercised its redemption rights.

Dividends and voting rights of Series A Preferred Shares and Series B Preferred Shares

Each preferred shares shall have voting rights and dividend rights equivalent to ordinary shares into which such preferred shares could be convertible.

Conversion of Preferred Shares to ordinary shares

Upon the listing on December 16, 2021, all outstanding preferred shares of the Company have been converted into ordinary shares. The convertible redeemable preferred shares was derecognized accordingly.

The movements of the convertible redeemable preferred shares are set out as below:

	RMB'000
As at January 1, 2021	–
Issuance of Series A Preferred Shares	1,027,862
Issuance of Series B Preferred Shares	401,000
Change in fair value	338,380
De-recognition upon conversion to ordinary shares upon listing (<i>Note 24</i>)	986
Currency translation differences	1,792
As at June 30, 2021	1,770,020



NOTES TO THE INTERIM FINANCIAL INFORMATION

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)**Conversion of Preferred Shares to ordinary shares (continued)**

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	As at June 30, 2021
Discount rate	15%
Risk-free interest rate	3%
DLOM	7%
Volatility	43%

29 TRADE PAYABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Trade payables	61,233	5,745

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

The carrying amount of the Group's trade payables is denominated in the following currencies:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
USD	55,064	802
RMB	6,131	4,839
JPY	38	104
	61,233	5,745



NOTES TO THE INTERIM FINANCIAL INFORMATION

29 TRADE PAYABLES (CONTINUED)

As at June 30, 2022 and December 31, 2021, the fair value of trade payables approximated to their carrying amount.

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, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Within 3 months	60,249	5,602
Over 3 months	984	143
	61,233	5,745

30 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Dividend payables (Note 31)	89,320	–
Salaries and benefits payables	29,801	79,904
Other tax payables	16,774	3,609
Long-term investments payable	4,000	1,000
Payables for Professional fee	2,203	3,400
Listing expenses	642	15,223
Others	277	210
	143,017	103,346



NOTES TO THE INTERIM FINANCIAL INFORMATION

30 OTHER PAYABLES AND ACCRUALS (CONTINUED)

The carrying amount of the Group's other payables is denominated in the following currencies:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
RMB	142,225	91,435
USD	712	11,549
JPY	66	280
HKD	14	82
	143,017	103,346

31 DIVIDEND DISTRIBUTION

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Dividend Distribution	89,320	180,000

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

Pursuant to the resolutions of the shareholders' meetings of QC Digital in May 2021, dividends of RMB180,000,000 were approved and paid to the then shareholders in cash.



NOTES TO THE INTERIM FINANCIAL INFORMATION

32 COMMITMENTS

(a) Capital commitments

The Group made capital expenditure in respect of long-term equity investments as at June 30, 2022 and December 31, 2021. The Group has commitments to make the following future installments under non-cancelable agreements are as follows:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Capital investment in investees	11,000	11,000

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.



NOTES TO THE INTERIM FINANCIAL INFORMATION

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Names and relationships with related parties**

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the six months ended June 30, 2022 and 2021.

Name of related parties	Relationship
Shenzhen Hot Zone Network Technology Co., Ltd.	Associate
Chengdu Weimei Interactive Technology Co., Ltd	Associate
Shenzhen Jishiwu Technology Co., Ltd.	Associate
Guangzhou Jodo Information and Technology Co., Ltd.	Associate
Xiamen Black Veins Game Technology Co., Ltd.	Associate
Fuzhou Kakapo Entertainment Co., Ltd.	Associate
G-bits Group (1)	Shareholder

(1) *G-bits Network Technology (Xiamen) Co., Ltd. ("G-bits Xiamen") is a shareholder of the Company. G-bits Group represents G-bits Xiamen and its subsidiaries, including Shenzhen Leiting Information Technology Co., Ltd., Xiamen Leiting Network Technology Co., Ltd. and Hongkong Leiting Information Technology Co., Ltd.*

(b) Significant transactions with related parties**(i) Game licensing revenue**

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
G-bits Group	13,938	18,762

(ii) Commission to game developers

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Shenzhen Jishiwu Technology Co., Ltd.	5,968	32,493
Shenzhen Hot Zone Network Technology Co., Ltd.	1,984	677
	7,952	33,170



NOTES TO THE INTERIM FINANCIAL INFORMATION

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties (continued)

(iii) Marketing and promotion expenses

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Guangzhou Jodo Information and Technology Co., Ltd.	1,101	10,025
G-bits Group	577	7,512
	1,678	17,537

(iv) Rental expenses

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
G-bits Group	1,593	1,969

(v) Outsourcing expense

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Chengdu Weimei Interactive Technology Co., Ltd	368	-



NOTES TO THE INTERIM FINANCIAL INFORMATION

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Year end balances with related parties****(i) Trade receivables from related parties**

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
G-bits Group	9,597	8,989

The above balances with related parties were mainly denominated in RMB and USD. They were unsecured, trade in nature, non-interest bearing and repayable to the Group on demand.

(ii) Trade payables to related parties

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Commissions charged by game developers		
Shenzhen Jishiwu Technology Co., Ltd.	1,010	–
Shenzhen Hot Zone Network Technology Co., Ltd.	323	192
Chengdu Weimei Interactive Technology Co., Ltd	33	33
G-bits Group	62	62
Marketing and promotion		
G-bits Group	21	1,604
Guangzhou Jodo Information and Technology Co., Ltd.	8	625
Total	1,457	2,516

The above balances with related parties were mainly denominated in RMB. They were unsecured, trade in nature, non-interest bearing and repayable on demand.



NOTES TO THE INTERIM FINANCIAL INFORMATION

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year end balances with related parties (continued)

(iii) Prepayments to related parties

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Prepayments for sharing of proceeds		
Shenzhen Jishiwu Technology Co., Ltd.	10,000	10,988
Xiamen Black Veins Game Technology Co., Ltd.	3,000	–
Fuzhou Kakapo Entertainment Co., Ltd.	3,000	–
G-bits Group	566	566
Prepayments for game licenses		
Shenzhen Jishiwu Technology Co., Ltd.	4,057	4,057
G-bits Group	1,698	1,698
	22,321	17,309

The above balances with related parties were mainly denominated in RMB. They were unsecured, trade in nature and non-interest bearing.



NOTES TO THE INTERIM FINANCIAL INFORMATION

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Year end balances with related parties (continued)****(iv) Other receivables from related parties**

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
<i>Non-trade</i>		
Rental and other deposits (1)		
G-bits Group	289	289

(1) According to the leasing agreement, the rental deposits will be repaid by G-bits upon expiry of the leasing agreement.

34 CONTINGENCIES

The Group did not have any material contingent liabilities as at June 30, 2022 and December 31, 2021.

35 SUBSEQUENT EVENTS

There were no material subsequent events during the period from June 30, 2022 to the approval date of the Interim Financial Information by the Board on August 23, 2022.



Definitions

In this interim report, 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 Board
“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



DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 report, 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, 2022 to June 30, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“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





青瓷游戏
QINGCI GAMES

