



青瓷游戏
QINGCI GAMES

2023

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. Yung Mei Yee

AUTHORIZED REPRESENTATIVES

Mr. Liu Siming
Ms. Yung Mei Yee

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

5th Floor, 4 Wang Hai Road
Xiamen Software Park II
Xiamen, Fujian Province
361008, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
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

Cleary Gottlieb Steen & Hamilton (Hong Kong)

37th Floor, Hysan Place
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Causeway Bay
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17/F
Hopewell Centre
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

18/F, China Merchants Bank Building
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,		
	2023 (RMB'000) (unaudited)	2022 (RMB'000) (unaudited)	Change (%)
Revenue	333,937	268,114	25
Gross Profit	225,413	166,012	36
Net profit/(loss)	41,717	(86,872)	(148)
Profit/(loss) attributable to equity holders of the Company	41,482	(75,671)	(155)

KEY OPERATING INFORMATION

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

Notes:

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



Management Discussion and Analysis

BUSINESS OVERVIEW

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

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

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

OUR GAMES

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

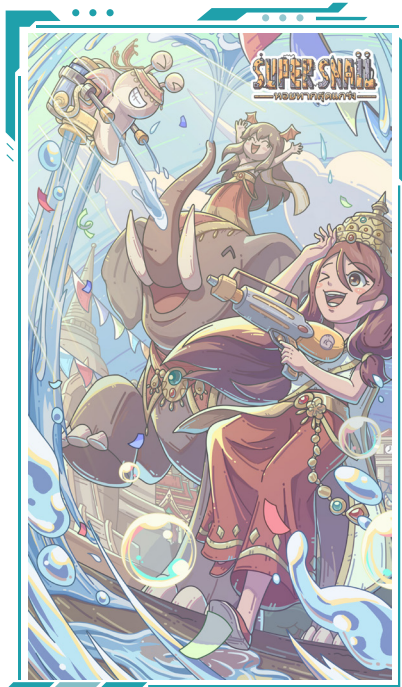
Below is an overview of our primary games:

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



MANAGEMENT DISCUSSION AND ANALYSIS

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

PLAYER COMMUNITY

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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



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 license fees paid by third-party publishers; (iii) information services business where we generate revenues from providing performance-based in-game marketing and promotion services to advertisers or their agents who promote their customers' products in our games to players; and (iv) other services and sales where we generate revenues from sales of peripheral products and provision of technical services.

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Game Operating Revenues

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

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

Game Licensing Revenue

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

Information Service Revenue

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

Other services and sales

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

Cost of Revenues

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Margin

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

Selling and Marketing Expenses

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

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

Research and Development Expenses

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

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

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

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

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

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

Other Income

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

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

Other Gains/(Losses), Net

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

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

Profit/loss for the Reporting Period

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

Liquidity, Capital Resources and Gearing Ratio

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

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

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

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

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

Significant Investments

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



MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals

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

Pledge of Assets

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

Capital Expenditure

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

Contingent Liabilities

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

Foreign Exchange Risk Management

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

Employee and Remuneration Policy

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

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



Other Information

INTERIM DIVIDEND

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

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, 2023, 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 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, 2023, 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, 2023, 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, 2023, 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 an indirect 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

CHANGES IN DIRECTORS' INFORMATION

Professor Lam Sing Kwong Simon resigned as an independent non-executive director of Sinomax Group Limited (stock code: 01418.HK) with effect from 12 June 2023.

Save as disclosed above, there has been no updates on Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

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

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

EVENTS AFTER THE REPORTING PERIOD

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

Use of proceeds	Net proceeds from the Global Offering (after taking into account the partial exercise of the over-allotment option) (HK\$ million)	Amount utilized during the Reporting Period (HK\$ million)	Utilized amount up to June 30, 2023 (HK\$ million)	Unutilized amount up to June 30, 2023 (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	57.3	152.5	171.5	By December 2024
For expanding our business in the overseas markets	231.4	42.9	221.7	9.7	By December 2024



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)	Amount utilized during the Reporting Period (HK\$ million)	Utilized amount up to June 30, 2023 (HK\$ million)	Unutilized amount up to June 30, 2023 (HK\$ million)	Expected timeline for fully utilizing the unutilized amount ⁽¹⁾
For strengthening our game publication and operation capabilities in China's mobile game market and the market recognition of our "QingCi" brand and our IPs	138.9	38.1	99.9	39.0	By December 2024
For pursuing strategic investments in and acquisitions of upstream and downstream companies along the mobile game industry chain	138.9	4.9	98.1	40.8	By December 2024
For working capital and general corporate purposes	92.6	–	92.6	–	N/A
Total	925.8	143.2	664.8	261.0	

Note:

- (1) The expected timeline for utilization of the unutilized proceeds disclosed above is based on the best estimation from the Board in accordance with latest information as at the date of this 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 part 2 of the CG Code for the Reporting Period.

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



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, 2023.

AUDIT COMMITTEE

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's unaudited interim financial information and the related notes thereto for the six months ended June 30, 2023 as set out in this 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 24, 2023



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 26 to 81, 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, 2023 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 to the interim financial 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 24, 2023



Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	Notes	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenues	6	333,937	268,114
Cost of revenues	7	(108,524)	(102,102)
Gross profit		225,413	166,012
Selling and marketing expenses	7	(123,052)	(151,748)
Research and development expenses	7	(44,701)	(55,639)
General and administrative expenses	7	(21,199)	(41,112)
Net impairment losses on financial assets	7	(288)	(103)
Fair value changes on investments measured at fair value through profit or loss	8	6,603	11,225
Other income	9	9,176	4,510
Other (losses)/gains, net	10	(104)	4,317
Operating profit		51,848	(62,538)
Finance income		8,658	2,231
Finance costs		(1,168)	(1,033)
Finance income, net	11	7,490	1,198
Share of results of investments accounted for using equity method	17	(948)	135
Losses on impairment of investments accounted for using the equity method	17	-	(12,294)
Profit/(loss) before income tax		58,390	(73,499)
Income tax expenses	12	(16,673)	(13,373)
Profit/(loss) for the period		41,717	(86,872)
Other comprehensive income/(loss):			
Items that may not be reclassified to profit or loss			
– Currency translation differences		43,084	56,800
Total comprehensive income/(loss) for the period		84,801	(30,072)



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	Notes	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to:			
Equity holders of the Company		41,482	(75,671)
Non-controlling interests		235	(11,201)
		41,717	(86,872)
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		84,784	(18,538)
Non-controlling interests		17	(11,534)
		84,801	(30,072)
Earnings/(loss) per share for profit for the period attributable to the equity holders of the Company			
Basic and diluted earnings/(loss) per share (RMB)	13	0.06	(0.11)

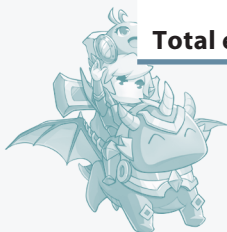
The notes on pages 33 to 81 are an integral part of these condensed consolidated financial statements.



Condensed Consolidated Statement of Financial Position

As at June 30, 2023

	<i>Notes</i>	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	16,928	19,005
Right-of-use assets	15	20,191	26,168
Deferred tax assets	16	25,351	27,861
Investments accounted for using the equity method	17	18,910	19,858
Long-term investments measured at fair value through profit or loss	18	197,211	200,223
Prepayments, deposits and other assets	19	13,637	9,678
		292,228	302,793
Current assets			
Trade receivables	20	64,882	52,341
Inventories		65	78
Prepayments and other assets	19	85,493	60,978
Short-term investments measured at fair value through profit or loss	21	895,650	489,717
Restricted cash	22(b)	–	8,573
Cash and cash equivalents	22(a)	692,416	1,001,922
		1,738,506	1,613,609
		2,030,734	1,916,402
EQUITY			
Share capital	23	44	44
Share premium	23	5,117,821	5,117,821
Other reserves	24	(2,888,819)	(2,932,121)
Accumulated deficit		(380,835)	(422,317)
Equity attributable to equity holders of the Company		1,848,211	1,763,427
Non-controlling interests		(4,510)	(4,527)
Total equity		1,843,701	1,758,900



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	<i>Notes</i>	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	26	13,156	16,596
Borrowings	27	19,981	–
		33,137	16,596
Current liabilities			
Trade payables	28	52,705	10,078
Other payables and accruals	29	35,630	67,640
Contract liabilities	25	47,566	41,283
Current income tax liabilities		8,924	11,278
Lease liabilities	26	9,018	10,207
Short-term liabilities measured at fair value through profit or loss	21	40	420
Borrowings	27	13	–
		153,896	140,906
Total liabilities		187,033	157,502
Total equity and liabilities		2,030,734	1,916,402

The notes on pages 33 to 81 are an integral part of these condensed consolidated financial statements.

The financial statements on pages 26 to 81 were approved by the Board of Directors on August 24, 2023 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, 2023

	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	Sub-total RMB'000	Non- controlling interests RMB'000	
(Unaudited)								
As at January 1, 2023		44	5,117,821	(2,932,121)	(422,317)	1,763,427	(4,527)	1,758,900
Comprehensive income								
Profit for the period		-	-	-	41,482	41,482	235	41,717
Other comprehensive income								
- Currency translation differences		-	-	43,302	-	43,302	(218)	43,084
Total comprehensive income for the period		-	-	43,302	41,482	84,784	17	84,801
As at June 30, 2023		44	5,117,821	(2,888,819)	(380,835)	1,848,211	(4,510)	1,843,701



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

		Attributable to equity holders of the Company					Non-	
		Share	Share	Other	Accumulated	Sub-total	controlling	Total
<i>Notes</i>		capital	premium	reserves	deficit	RMB'000	interests	RMB'000
		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		30	(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

The notes on pages 33 to 81 are an integral part of these condensed consolidated financial statements.



Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Notes	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from/(used in) operations		23,816	(59,187)
Income tax paid		(8,829)	(8,481)
Net cash generated from/(used in) operating activities		14,987	(67,668)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(1,124)	(7,682)
Purchase of short-term financial assets at fair value through profit and loss	21	(713,531)	(652,678)
Redemption of short-term financial assets at fair value through profit and loss	21	347,964	300,286
Payment for acquisition of long-term investments measured at fair value through profit or loss	18, 19	(4,000)	(5,000)
Payment for acquisition of investments accounted for using the equity method	17	-	(3,000)
Payment of performance guarantee for foreign exchange forward contracts	22(b)	-	(6,983)
Receipt of performance guarantee for foreign exchange forward contracts	22(b)	8,573	-
Net cash used in investing activities		(362,118)	(375,057)
Cash flows from financing activities			
Issuance of ordinary shares upon IPO over allotment	23	-	55,888
Proceeds from borrowings	27	20,000	-
Repayments of borrowings	27	(6)	-
Payment for lease liabilities (including interests)	15	(4,258)	(5,946)
Listing expense payment		-	(1,635)
Net cash generated from financing activities		15,736	48,307
Net decrease in cash and cash equivalents		(331,395)	(394,418)
Cash and cash equivalents at the beginning of the period		1,001,922	1,168,076
Effects of exchange rate changes on cash and cash equivalents		21,889	28,926
Cash and cash equivalents at the end of the period	22(a)	692,416	802,584

The notes on pages 33 to 81 are an integral part of these condensed consolidated financial statements.



Notes to the Interim Financial Information

For the six months ended June 30, 2023

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”) and other areas. For the purpose of preparing the consolidated financial statements, Mainland China refers to the PRC, excluding Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”) and Taiwan Province of the PRC.

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

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

2 BASIS OF PREPARATION

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

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

3 ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the 2022 Financial Statements, except for the estimation of income tax (see note 12) and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

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

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

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

(b) New standards and amendments to standards issued but not effective

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

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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 2022 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended June 30, 2023.

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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2023 and December 31, 2022, 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).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments mainly include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of foreign currency forward contracts is determined using present value of future cash flows based on forward exchange rates at the balance sheet date;
- Other techniques, various applicable valuation techniques are used to determine fair value for financial instruments (Note 4.3(c)).



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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, 2023.

	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)					
As at June 30, 2023					
Financial assets					
Short-term investments measured at fair value through profit or loss					
	21				
		-	-	892,545	892,545
		3,105	-	-	3,105
Investments in unlisted companies and private equity funds					
	18				
		-	-	52,565	52,565
		-	-	144,646	144,646
		3,105	-	1,089,756	1,092,861
Financial liabilities					
Derivative financial instruments – Foreign currency forward contracts (iii)					
	21	-	40	-	40



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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 December 31, 2022.

	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)					
Financial assets					
As at December 31, 2022					
Short-term investments measured at fair value through profit or loss					
	21				
– Investment funds (i)		–	–	482,577	482,577
– Investment in listed companies (ii)		7,140	–	–	7,140
Investments in unlisted companies and private equity funds					
	18				
– Investments in private equity funds		–	–	52,565	52,565
– Investments in unlisted companies		–	–	147,658	147,658
		7,140	–	682,800	689,940
Financial liabilities					
Derivative financial instruments – Foreign currency forward contracts (iii)					
	21	–	420	–	420



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

- (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, 2023 and December 31, 2022 was USD1 million and USD6.5 million, respectively, 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.*

(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, 2023 and 2022.

Investment funds

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	482,577	354,241
Additions	710,577	635,799
Changes in fair value	11,648	13,983
Redemption	(343,261)	(299,254)
Currency translation impact	31,004	27,887
At the end of the period	892,545	732,656
Net unrealized gains	5,006	13,862



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

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

Investments in unlisted companies and private equity funds

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	200,223	136,252
Additions	-	5,000
Changes in fair value	(3,012)	1,563
At the end of the period	197,211	142,815
Net unrealized gains/(losses)	(3,012)	1,563

- (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:

- For investments in investment funds, the Group determines fair values as at the reporting date based on the periodic fair value reports of the respective funds provided by fund administrators and fund managers. The Group also discusses with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund administrators and fund managers, obtains and reviews latest available financial information (if applicable), in order to assess whether the fair values as stated in the periodic fair value reports at the end of each reporting period are appropriate.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(c) Valuation process and techniques (continued)

- For investments in unlisted companies, their fair values have been determined using applicable valuation techniques including comparable companies approach and comparable transactions approach etc. These valuation approaches require significant judgments, assumptions and inputs, including expected volatility, discount for lack of marketability ("DLOM"), relevant underlying financial projections and recent transactions, etc. Independent external valuer has been involved in determining the fair value, when appropriate;
- For investments in private equity funds, the Group determines fair values as at the reporting date based on the fair value of underlying investments in unlisted companies invested by those private funds. For those underlying investments with recent transactions, management determines their fair value at the end of each reporting period by taking reference to those recent transaction prices; For those underlying investments with no recent transactions, their fair values have been determined using applicable valuation techniques including comparable companies approach and comparable transactions approach etc. Management established fair values of these underlying investments by using significant judgments, assumptions and inputs including expected volatility and DLOM, etc. Independent external valuer has been involved in determining the fair value, when appropriate;

There were no change to valuation techniques during the reporting period.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)		As at June 30, 2023	As at December 31, 2022	
Investments in unlisted companies	144,646	147,658	Expected volatility	50.95% - 61.35%	49.74% - 54.61%	The higher the expected volatility, the higher the fair value
			DLOM	30.00% - 40.00%	30.00%	The higher the DLOM, the lower the fair value
Investments in private equity funds	52,565	52,565	Expected volatility	40.31% - 44.79%	40.31% - 44.79%	The higher the expected volatility, the higher the fair value
			DLOM	14.00% - 30.00%	14.00% - 30.00%	The higher the DLOM, the lower the fair value
Investment funds	892,545	482,577	Periodic fair value report	N/A	N/A	N/A



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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 judgments 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 2022 Financial Statements.

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

6 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

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

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

6 SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

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

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

- (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

For the six months ended June 30, 2023

7 EXPENSES BY NATURE

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Marketing and promotion expenses	103,531	118,313
Employee benefits expenses	70,421	113,966
Commissions charged by distribution channels	69,598	67,396
Commissions charged by game developers and IP holder	11,892	8,141
Bandwidth and server custody fee	10,287	10,590
Outsourced technical services	7,798	7,454
Depreciation of right-of-use assets <i>(Note 15)</i>	4,998	5,370
Professional services fee	4,947	6,215
Office expenses	4,708	4,305
Depreciation of property, plant and equipment <i>(Note 14)</i>	2,932	2,290
Auditor remuneration		
– Audit service	2,035	1,800
– Non-audit service	60	120
Tax surcharges	1,123	1,263
Rental expenses and utilities	1,023	1,260
Commissions charged by payment channel	991	599
Net impairment losses on financial assets	288	103
Others	1,132	1,519
Total	297,764	350,704



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fair value changes on long-term investments measured at fair value through profit or loss (Note 18)	(3,012)	1,563
Fair value changes on short-term investments measured at fair value through profit or loss (Note 21)	12,317	13,006
Fair value changes on derivative instruments (Note 21)	(2,702)	(3,344)
Total	6,603	11,225

9 OTHER INCOME

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

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

10 OTHER (LOSSES)/GAINS, NET

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

11 FINANCE INCOME, NET

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income		
Interest income from bank deposits	8,658	2,231
Finance costs		
Interest expenses on lease liabilities	(576)	(768)
Bank charges	(413)	(265)
Interest expenses on bank borrowings	(179)	-
Finance income, net	7,490	1,198

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.

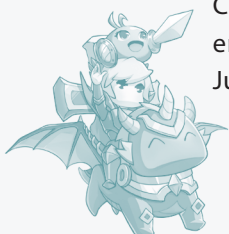
Hong Kong

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, 2023 and 2022.

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

12 INCOME TAX (CONTINUED)**PRC corporate income tax (“CIT”) (continued)**

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

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

PRC Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 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 RMB304 million as at June 30, 2023.

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

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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

12 INCOME TAX (CONTINUED)

PRC Withholding Tax (“WHT”) (continued)

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit/(loss) before income tax	58,390	(73,499)
Tax calculated at statutory income tax rate of 25% in Mainland China	14,598	(18,375)
Tax effects of:		
Effect of different tax rates available to different jurisdictions	(2,220)	6,446
Preferential income tax rates applicable to subsidiaries	(8,354)	(10,197)
Expenses not deductible for income tax purposes	1,755	231
Non-taxable income	(2,171)	-
Super Deduction for research and development expenses	(5,527)	(2,763)
Tax losses for which no deferred income tax assets were recognized	11,230	33,766
Temporary differences for which no deferred income tax assets were recognized, net	7,362	4,265
Total income tax expenses	16,673	13,373



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

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

(b) Diluted earnings/(loss) per share

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

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

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

14 PROPERTY, PLANT AND EQUIPMENT

	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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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, 2023					
Cost	1,170	8,962	6,729	9,480	26,341
Accumulated depreciation	(1,170)	(2,830)	(1,880)	(1,456)	(7,336)
Net book amount	-	6,132	4,849	8,024	19,005
Six months ended June 30, 2023					
Opening net book amount	-	6,132	4,849	8,024	19,005
Additions	-	472	352	300	1,124
Depreciation	-	(792)	(625)	(1,515)	(2,932)
Disposal	-	(1)	-	(252)	(253)
Currency translation impact	-	(16)	-	-	(16)
Closing net book amount	-	5,795	4,576	6,557	16,928
At June 30, 2023					
Cost	1,170	9,285	7,081	9,003	26,539
Accumulated depreciation	(1,170)	(3,490)	(2,505)	(2,446)	(9,611)
Net book amount	-	5,795	4,576	6,557	16,928

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of revenues	541	338
Selling and marketing expenses	681	445
Research and development expenses	1,190	1,166
General and administrative expenses	520	341
	2,932	2,290

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

15 RIGHT-OF-USE ASSETS

	Properties RMB'000
(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
(Unaudited)	
At January 1, 2023	
Cost	46,224
Accumulated depreciation	(20,056)
Net book amount	26,168
Six months ended June 30, 2023	
Opening net book amount	26,168
Additions	-
Depreciation (Note 7)	(4,998)
Disposal	(914)
Currency translation impact	(65)
Closing net book amount	20,191
At June 30, 2023	
Cost	45,164
Accumulated depreciation	(24,973)
Net book amount	20,191



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets	4,998	5,370
Interest expenses	576	768
Expenses relating to short-term leases	627	1,260
The cash outflow for leases payment related to short-term lease as operating activities	1,275	552
The cash outflow for leases as financing activities	4,258	5,946

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 June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
– Tax losses	4,927	6,201
– Marketing and promotion expenses	15,277	16,076
– Contract liabilities	4,128	4,745
– Temporary difference related to payroll payables	948	1,085
– Short-term investments measured at fair value through profit or loss	6	63
– Right-of-use assets and lease liabilities	58	56
– Loss allowance for financial assets	7	8
Total gross deferred tax assets	25,351	28,234
Set-off of deferred tax liabilities pursuant to set-off provisions	–	(373)
Net deferred tax assets	25,351	27,861

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

16 DEFERRED INCOME TAXES (CONTINUED)

Deferred tax assets (continued)

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Deferred tax assets:		
– to be recovered within 12 months	14,720	15,979
– to be recovered after 12 months	10,631	11,882
	25,351	27,861

Deferred tax liabilities

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
– Long-term investments measured at fair value through profit or loss	–	373
– Short-term investments measured at fair value through profit or loss	–	–
Total gross deferred tax liabilities	–	373
Set-off of deferred tax assets pursuant to set-off provisions	–	(373)
Net deferred tax liabilities	–	–



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

16 DEFERRED INCOME TAXES (CONTINUED)

Deferred tax assets

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

	Tax losses	Loss allowance for 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
(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
(Unaudited)								
At January 1, 2023	6,201	8	63	16,076	56	4,745	1,085	28,234
Credited/(charged) to consolidated income statement	(1,433)	(1)	(57)	(799)	2	(617)	(137)	(3,042)
Currency translation impact	159	-	-	-	-	-	-	159
At June 30, 2023	4,927	7	6	15,277	58	4,128	948	25,351



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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	Short-term investments measured at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
(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
(Unaudited)			
At January 1, 2023	373	–	373
Charged to consolidated income statement	(373)	–	(373)
At June 30, 2023	–	–	–

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, 2023 and December 31, 2022, the Group did not recognize deferred income tax assets of RMB44.27 million and RMB32.79 million, in respect of cumulative tax losses amounting to RMB181.08 million and RMB135.66 million. These tax losses in Mainland China will expire from 2026 to 2027.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	19,858	29,169
Additions (a)	–	6,000
Share of results of associates	(948)	135
Impairment (b)	–	(12,294)
At the end of the period	18,910	23,010

- (a) 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, 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. No impairment provision was made during the six months ended June 30, 2023.
- (c) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Aggregate carrying amount of individually immaterial associates	18,910	19,858
Aggregate amounts of the Group's share of: – Profit from operations	(948)	(309)



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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, 2023 and 2022, are as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	200,223	136,252
Additions (a)	–	5,000
Change in fair value (Note 8)	(3,012)	1,563
At the end of the period	197,211	142,815

As at June 30, 2023 and December 31, 2022, 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	As at
	June 30,	December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investments in unlisted companies	144,646	147,658
Investments in private equity funds	52,565	52,565
	197,211	200,223

- (a) 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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

19 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Non-current		
Prepayments for game licenses (a)	7,642	7,642
Prepayments for equity investment in an unlisted company	4,000	–
Rental and other deposits	1,995	2,036
	13,637	9,678
Current		
Prepayments for sharing of proceeds (a)	43,221	32,564
Deposits in stock accounts	17,134	9,838
Prepayments for marketing and promotion services	12,771	9,262
Prepayments to service providers	7,501	5,469
Rental and other deposits	2,034	1,591
Loans due from employees	1,668	1,470
Others	1,324	839
Less: allowance for impairment	(160)	(55)
	85,493	60,978

- (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

For the six months ended June 30, 2023

20 TRADE RECEIVABLES

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Third parties	55,286	37,882
Related parties	9,802	14,482
	65,088	52,364
Less: allowance for impairment	(206)	(23)
	64,882	52,341



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

20 TRADE RECEIVABLES (CONTINUED)

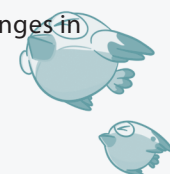
- (a) Distribution Channels and game publishers and information service customers usually settle the amounts within 30–60 days. Aging analysis of trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

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

- (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, 2023 and 2022, 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, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Within 3 months	0.00%	0.00%
3 months to 6 months	0.19%	0.19%
6 months to 1 year	2.10%	2.12%
1 to 2 years	6.31%	6.37%
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, 2023 and December 31, 2022, 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

For the six months ended June 30, 2023

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,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	23	77
Provision	183	170
Reversal	-	-
Receivables written off during the period as uncollectable	-	(77)
At the end of the period	206	170

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, 2023 and December 31, 2022.
- (d) The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As at	As at
	June 30,	December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
RMB	40,448	15,631
USD	14,987	26,298
JPY	5,619	6,397
HKD	3,735	4,005
SGD	299	33
	65,088	52,364

- (e) The maximum exposure to credit risk as at June 30, 2023 and December 31, 2022 was the carrying value of the trade receivables. The Group did not hold any collateral as security.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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

The financial assets/(liabilities) measured at fair value through profit or loss (current) are foreign exchange forward contracts and investment funds of which principal and returns are not guaranteed. Fair value measurements are as disclosed in Note 4.3.

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Financial assets – investment funds		
At the beginning of the period	489,717	355,313
Additions	713,531	652,678
Change in fair value (Note 8)	12,317	13,006
Redemption	(351,046)	(300,286)
Currency translation impact	31,131	27,887
At the end of the period	895,650	748,598

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Financial liabilities – derivative instruments		
At the beginning of the period	(420)	–
Change in fair value (Note 8)	(2,702)	(3,344)
Redemption	3,082	–
At the end of the period	(40)	(3,344)



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

22 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS**(a) Cash and cash equivalents**

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Cash on hand and cash in bank	588,001	351,718
Term deposit with initial terms within three months	92,418	648,294
Cash held by other financial institutions (i)	11,997	1,910
	692,416	1,001,922

- (i) *As at June 30, 2023 and December 31, 2022, 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, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
USD	402,396	889,706
RMB	221,230	58,129
JPY	56,332	47,087
HKD	9,575	6,848
SGD	2,215	152
AUD	668	-
	692,416	1,001,922



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
USD	-	8,573

As at December 31, 2022, USD1.2 million (equivalent to approximately RMB8.6 million) were cash deposits held by bank as deposits for foreign exchange forward contracts signed with the same bank. No foreign exchange contract was outstanding as at June 30, 2023.

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, 2023 and December 31, 2022	5,000,000	50	-	-
Issued (Unaudited)				
As at January 1, 2022	685,000	7	44	5,151,253
Issuance of ordinary shares upon IPO over allotment (a)	6,331	-	-	55,888
Dividend distribution to the shareholders (Note 30)	-	-	-	(89,320)
As at June 30, 2022	691,331	7	44	5,117,821
Issued (Unaudited)				
As at January 1, 2023 and June 30, 2023	691,331	7	44	5,117,821



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

23 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

- (a) 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	Total RMB'000
(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)
(Unaudited)					
As at January 1, 2023	(3,139,354)	11,422	70,536	125,275	(2,932,121)
Currency translation differences	-	-	-	43,302	43,302
As at June 30, 2023	(3,139,354)	11,422	70,536	168,577	(2,888,819)



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

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, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Game operating	47,566	41,283

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,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue recognized that was included in the contract liabilities balance at the beginning of the period		
Game operating	41,283	74,012
Game licensing	-	906
	41,283	74,918



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

26 LEASE LIABILITIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	9,407	10,588
– Between 1 and 2 years	6,337	6,963
– Between 2 and 5 years	8,020	11,439
	23,764	28,990
Less: future finance charges	(1,590)	(2,187)
Present value of lease liabilities	22,174	26,803

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Lease liabilities		
– Within 1 year	9,018	10,207
– Between 1 and 2 years	5,747	6,601
– Between 2 and 5 years	7,409	9,995
	22,174	26,803



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

27 BORROWINGS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Included in non-current liabilities		
RMB bank borrowings – unsecured	19,981	–
Included in current liabilities		
RMB bank borrowings – unsecured	13	–
	19,994	–

In January 2023, the Group entered into unsecured three-year loan agreements with Agricultural Bank of China and Xiamen International Trust and borrowed RMB20,000,000, bearing an fixed interest rate of 3.50% per annum, of which 1.50% is borne by Xiamen International Trust as interest subsidy. Pursuant to the loan agreements, these loans can only be used to research and development.

During the six months ended June 30, 2023, the Group repaid short-term bank borrowings amounting to RMB6,500. As at June 30, 2023, the borrowing balance of RMB13,000 was reclassified to current liabilities as the borrowings will be repayable within 12 months.

The maturity of borrowings is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 1 year	13	–
Between 1 and 2 years	13	–
Between 2 and 3 years	19,968	–
	19,994	–



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

28 TRADE PAYABLES

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

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

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
RMB	42,928	3,386
USD	9,701	6,547
JPY	76	145
	52,705	10,078

As at June 30, 2023 and December 31, 2022, the fair value of trade payables approximated to their carrying amount.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

28 TRADE PAYABLES (CONTINUED)

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

29 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Salaries and benefits payables	26,999	57,029
Other tax payables	4,629	2,516
Payables for Professional fee	3,455	5,996
Others	547	2,099
	35,630	67,640



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

29 OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
RMB	35,121	66,683
USD	14	17
JPY	274	925
HKD	221	15
	35,630	67,640

30 DIVIDEND DISTRIBUTION

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Dividend Distribution	-	89,320

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.

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

31 COMMITMENTS

(a) Capital commitments

The Group made capital expenditure in respect of long-term equity investments as at June 30, 2023 and December 31, 2022. The Group has commitments to make the following future installments under non-cancelable agreements are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Capital investment in investees	16,500	10,500

32 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

For the six months ended June 30, 2023

32 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, 2023 and 2022.

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
Chengdu Niuwanqihao Cultural Creativity Co., Ltd.	Associate
Shanghai Meogulu Technology Co., Ltd.	Associate
Chengdu Xingqiwán Technology 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,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
G-bits Group	11,317	13,938



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties (continued)

(ii) Other revenue

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Chengdu Niuwanqihao Cultural Creativity Co., Ltd.	250	–

(iii) Commission to game developers

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shenzhen Jishiwu Technology Co., Ltd.	1,702	5,968
Shenzhen Hot Zone Network Technology Co., Ltd.	1,098	1,984
	2,800	7,952

(iv) Marketing and promotion expenses

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
G-bits Group	6,001	577
Guangzhou Jodo Information and Technology Co., Ltd.	5,348	1,101
	11,349	1,678



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Significant transactions with related parties (continued)****(v) Rental expenses**

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
G-bits Group	1,204	1,593

(vi) Outsourcing expense

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Chengdu Weimei Interactive Technology Co., Ltd	-	368

(c) Year end balances with related parties**(i) Trade receivables from related parties**

	As at	As at
	June 30,	December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Game publishing		
G-bits Group	5,910	10,845
Merchandise channel		
Chengdu Niuwanqihao Cultural Creativity Co., Ltd.	3,892	3,637

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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ii) Trade payables to related parties

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Commissions charged by game developers		
Shenzhen Jishiwu Technology Co., Ltd.	910	671
Shenzhen Hot Zone Network Technology Co., Ltd.	301	606
G-bits Group	-	62
Marketing and promotion		
G-bits Group	6,001	2
Guangzhou Jodo Information and Technology Co., Ltd.	5,348	3,371
Total	12,560	4,712

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

For the six months ended June 30, 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Prepayments to related parties

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Prepayments for sharing of proceeds		
Shenzhen Jishiwu Technology Co., Ltd.	10,000	10,000
Xiamen Black Veins Game Technology Co., Ltd.	5,000	3,000
Fuzhou Kakapo Entertainment Co., Ltd.	3,000	3,000
Shanghai Meogulu Technology Co., Ltd.	755	755
G-bits Group	566	566
Prepayments for game licenses		
Shenzhen Jishiwu Technology Co., Ltd.	4,057	4,057
Shanghai Meogulu Technology Co., Ltd.	1,887	1,887
G-bits Group	1,698	1,698
	26,963	24,963

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Prepayments for other service		
Chengdu Niuwanqihao Cultural Creativity Co., Ltd.	2,000	-

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

For the six months ended June 30, 2023

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
<i>Non-trade</i> Rental and other deposits (1) G-bits Group	223	289

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

33 CONTINGENCIES

The Group did not have any material contingent liabilities as at June 30, 2023 and December 31, 2022.

34 SUBSEQUENT EVENTS

There were no material subsequent events during the period from June 30, 2023 to the approval date of the Interim Financial Information by the Board on August 24, 2023.



Definitions

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

“ACT”	the action games
“Alibaba”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ordinary shares of which are listed on the Main Board of the Stock Exchange with the Stock Code: 9988 and its American Depositary Shares (each representing eight ordinary shares) are listed for trading on the New York Stock Exchange under the symbol “BABA”
“Alibaba Qookka”	Qookka Entertainment Limited (formerly known as Ejoy.com Limited), a company incorporated in Hong Kong with limited liability on February 28, 2012
“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
“AUD”	Australian dollars, the lawful currency of Australia
“Audit Committee”	the audit committee of the Company
“average MAUs”	calculated by dividing (i) the total MAUs of a game, or (ii) the aggregate of the total MAUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MAUs did not consider each game’s data before its official launch
“average MPUs”	calculated by dividing (i) the MPUs of a game, or (ii) the aggregate of the total MPUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MPUs did not consider each game’s data before its official launch
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CMGE”	CMGE Technology Group Limited, an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 0302)



DEFINITIONS

“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
“G-bits”	G-bits Network Technology (Xiamen) Co., Ltd. (廈門吉比特網絡技術股份有限公司), a company incorporated in the PRC with limited liability on March 26, 2004 and is listed on the Shanghai Stock Exchange under the stock code: 603444, a substantial shareholder of the Company
“Global Offering”	has the meaning ascribed to it under the Prospectus
“Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries from time to time
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Kunpan”	Hongkong Kunpan Co., Limited (香港坤磐有限公司), a company incorporated in Hong Kong with limited liability on December 16, 2016, and an indirect wholly-owned subsidiary of G-bits
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing”	the listing of Shares on the Main Board of the Stock Exchange on December 16, 2021
“Listing 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



DEFINITIONS

“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, 2023 to June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Rogue-like RPG”	a type of RPG, which allows players to explore and unlock new content by levels in various adventures that embed randomness and surprises through treasure hunt, map discovery and other unpredictable events. Players acquire a sense of excitement during such adventures and a sense of self-achievement as their game avatars grow through their efforts
“RPG”	the role-playing games
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGD”	Singapore dollars, the lawful currency of the Republic of Singapore
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary share(s) in the capital of the Company with nominal value of US\$0.00001 each
“SLG”	the simulation games
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	United States Dollars, the lawful currency of the United States of America



