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Qingci Games Inc.

青瓷游戏有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6633)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH G-BITS

(1) THE 2023 PROPERTY LEASING AND ADMINISTRATIVE SERVICES FRAMEWORK AGREEMENT; AND (2) THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus of the Company dated December 6, 2021 in respect of the 2021 CCT Agreements. As the term of each of the 2021 CCT Agreements is due to expire on December 31, 2023, the Company had on October 17, 2023 (after trading hours), entered into the 2023 Property Leasing and Administrative Services Framework Agreement and the 2023 Game Cooperation Framework Agreement to continue the transactions contemplated thereunder, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, G-bits, through its indirectly wholly-owned subsidiary, HK Kunpan, holds 18.55% of the total issued shares in the Company. Accordingly, G-bits is a substantial shareholder of the Company, and therefore G-bits and its subsidiaries are connected persons of the Company under Rules 14A.07(1) and 14A.13(1) of the Listing Rules. Therefore, the transactions contemplated under the 2023 CCT Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

2023 Property Leasing and Administrative Services Framework Agreement

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps under the 2023 Property Leasing and Administrative Services Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the 2023 Property Leasing and Administrative Services Framework Agreement are subject to the reporting, annual review and announcement requirements and exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Game Cooperation Framework Agreement

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps payable by the Group to G-bits Group under the 2023 Game Cooperation Framework Agreement are more than 5%, the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement are more than 0.1% but less than 5%, the transactions payable by G-bits Group to the Group contemplated under the 2023 Game Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements and exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Board Committee and Independent Financial Adviser

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Professor Lam Sing Kwong Simon, Mr. Yuan Yuan and Ms. Fang Weijin to advise the Independent Shareholders on the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement. None of the members of the Independent Board Committee has any interest in the 2023 CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement. The Independent Board Committee will form its view in respect of the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement after obtaining and considering the advice from the Independent Financial Adviser.

GENERAL

An EGM will be convened and held for, among others, the Independent Shareholders to consider and, if thought fit, to approve the continuing connected transactions under the 2023 Game Cooperation Framework Agreement. All Shareholders who have a material interest in the 2023 Game Cooperation Framework Agreement will be required to abstain from voting at the EGM. Accordingly, G-bits Group and its associates are required to abstain from voting at the EGM on the resolutions in relation to the 2023 Game Cooperation Framework Agreement. The resolutions will be passed as ordinary resolutions and voted by poll in accordance with the requirements of the Listing Rules.

A circular containing, among other things, further information on the transactions contemplated under the 2023 Game Cooperation Framework Agreement, a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders, a letter from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement, and a notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before November 30, 2023, taking into account the additional time required for the Company to prepare and finalize the information for inclusion in the circular.

1. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus of the Company dated December 6, 2021 in respect of the 2021 CCT Agreements. As the term of each of the 2021 CCT Agreements is due to expire on December 31, 2023, the Company had on October 17, 2023 (after trading hours), entered into the 2023 Property Leasing and Administrative Services Framework Agreement and the 2023 Game Cooperation Framework Agreement to continue the transactions contemplated thereunder, respectively.

1.1. The 2023 Property Leasing and Administrative Services Framework Agreement

Background of the transactions

On October 17, 2023 (after trading hours), the Company and G-bits entered into the 2023 Property Leasing and Administrative Services Framework Agreement for the Group to continue to use certain properties owned by G-bits as office premises and certain ancillary office administrative services (including but not limited to environmental sanitation, security management services, site hardware and equipment for offices and the maintenance and repair of its site hardware and equipment) provided by G-bits with regards to these office premises for a term of three financial years commencing from January 1, 2024 to December 31, 2026.

Principal terms

Pursuant to the 2023 Property Leasing and Administrative Services Framework Agreement, G-bits and/or its subsidiaries shall lease to the Group office premises in an office building located in Xiamen, the PRC with an aggregate gross area of approximately 2,187.49 square meters as office premises and provide to the Group ancillary office administrative services for these office premises. The Group may increase or decrease rental property space from G-bits or its subsidiaries in accordance with the actual demand of the Group. The Company and its subsidiaries as tenants on the one part and G-bits and its subsidiaries as landlords on the other part shall enter into separate lease and administrative services agreements and comply with the principles and conditions provided in the 2023 Property Leasing and Administrative Services Framework Agreement.

Historical figures

The total lease and administrative services expenses incurred by the Group payable to G-bits Group under the 2021 Property Leasing and Administrative Services Framework Agreement for each of the two years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, were approximately RMB3.8 million, RMB3.1 million and RMB1.2 million, respectively.

Proposed annual caps and their basis

The Directors estimated the proposed annual caps of the aggregate lease and administrative services expenses to be payable by the Company under the 2023 Property Leasing and Administrative Services Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are as follows:

	For the years ending December 31,		
	2024	2025	2026
	<i>(in thousand RMB)</i>		
Lease and administrative services expenses payable by the Group to G-bits Group	3,000	3,600	4,320

In arriving at the above proposed annual caps in respect of the lease expenses under the 2023 Property Leasing and Administrative Services Framework Agreement, the Directors have considered (i) the historical transaction amounts and the average year-on-year growth rate for the three years ending December 31, 2026; (ii) the conditions of the office premises including but not limited to, the actual floor space usage ratio, neighboring area and facilities available; (iii) the current rental prices and administrative services charges of comparable properties in the vicinity and the prevailing market rates; and (iv) the expected increase in rental prices and administrative services charges based on prediction on the future development of the property market in the PRC.

Pricing Policy

The rental price and administrative services fees under the 2023 Property Leasing and Administrative Services Framework Agreement is determined between the parties following arm's length negotiations with reference to:

- a) the gross area of the relevant property and the rental period;
- b) the conditions of the relevant property;
- c) the market prices of comparable properties of similar conditions and administrative services of similar nature in the vicinity; and
- d) the rental price and administrative services fees payable by independent third parties to G-bits and/or its subsidiaries in respect of comparable properties.

The rental price and administrative services fees may be reviewed and adjusted every rental period during the term of the 2023 Property Leasing and Administrative Services Framework Agreement with reference to the prevailing market rental prices and services fees, the consumer price index, and the terms and conditions of the leases and administrative services offered by G-bits and/or its subsidiaries to other tenants. Through such process, the Group will be able to ensure that the rental price and administrative services fees represent the prevailing market price and on normal commercial terms that are comparable to those with independent third parties and are no less favorable to the Group.

Reasons for and benefits of the transactions

The Group has been leasing the abovementioned office premises for its business operations for over five years. Due to the expansion of the Group's business and the limited office premises at the time, some of the Group's staff has been relocated to other office premises newly leased and thus the Group has reduced the aggregate gross area to be rented from the G-bits Group under the 2023 Property Leasing and Administrative Services Framework Agreement. Nonetheless, the Company considers that the continuous leasing of the abovementioned office premises accommodates the business needs of the Group and that any relocation may cause unnecessary disruption to its business operation and incur unnecessary costs.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2023 Property Leasing and Administrative Services Framework Agreement are fair and reasonable, entered into on normal commercial terms or terms not less favorable than those offered by independent third parties in the ordinary and usual course of business of the Company, and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

1.2. The 2023 Game Cooperation Framework Agreement

1.2.1. Game Cooperation with G-bits

Background of the transactions

On October 17, 2023 (after trading hours), the Company and G-bits entered into the 2023 Game Cooperation Framework Agreement, pursuant to which, the Group agreed to continue to (i) license games of G-bits Group to the Group for publishing and operating on the Company's platforms in designated regions on an exclusive basis (expense-based); and (ii) license the games of the Group to G-bits Group for publishing and operating such games on G-bits' platforms in designated regions on an exclusive basis (revenue-based), for a term of three financial years commencing from January 1, 2024 to December 31, 2026. The Group and G-bits Group also agreed to (i) continue to participate in marketing games licensed to the exclusive publication and operation of the other party in designated regions and (ii) jointly promote and develop games for a term of three financial years ending December 31, 2026. The Group and G-bits Group shall pay fees to each other (as the case may be). The precise scope of cooperation, the calculation of fees and other details of the cooperation shall be agreed between the relevant parties separately.

Fee Arrangement

The fees payable by the Group or G-bits Group (as the case may be) for publishing and operating of the Group's or G-bits Group's games on the other's platform shall be calculated on any of the following basis:

- Fixed distribution fees and/or license fees;
- Revenue/profit sharing between the parties;
- Prepaid revenue/profit sharing between the parties;
- Game performance bonus; and/or
- Use of certain intellectual property rights by the Group or G-bits Group for game cooperation promotion.

Historical Amounts

The aggregate amounts of fees paid by the Group to G-bits Group and the fees paid by G-bits Group to the Group under the 2021 Game Cooperation Framework Agreement for the two years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 are as set out in the table below:

	For the years ended		For the six
	December 31,		months ended
	2021	2022	June 30,
	(in thousand RMB)		
Fees incurred by the Group payable to G-bits Group (<i>Expense-based</i>)	— ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾
Fees incurred by G-bits Group payable to the Group (<i>Revenue-based</i>)	35,374	25,367	11,317

Note:

- ⁽¹⁾ The Group did not incur any fees payable by the Group to G-bits Group under the 2021 Game Cooperation Framework Agreement for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 as the Group has been preparing for the launching of the games the Group has licensed from G-bits Group during the relevant years.

Proposed annual caps and their basis

The proposed annual caps for the fees payable by the Group to G-bits Group and the fees payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out in the table below:

	For the years ending December 31,		
	2024	2025	2026
	<i>(in thousand RMB)</i>		
Fees payable by the Group to G-bits Group (<i>Expense-based</i>)	6,000	22,000	15,000
Fees payable by G-bits Group to the Group (<i>Revenue-based</i>)	26,820	24,138	21,724

In determining the relevant proposed annual caps, the Directors took into account the historic amounts and the future business development between the Group and G-bits Group after arm's length discussions. In particular, 1) in determining the proposed annual caps in respect of the fees payable by the Group to G-bits Group, the Directors have considered the game Master Cat (*超喵星計劃*) is expected to have an increase in revenue upon its expected launch in 2024 having taken into account the current market conditions and the projected performance of such game project; and 2) in determining the proposed annual caps in respect of the fees payable by G-bits Group to the Group, the Directors have considered the extended launch time of two collaborative games, namely *The Marvelous Snail* (*最強蝸牛*) and *Gumballs & Dungeons* (*不思議迷宮*) and that both games have reached their maturity stage. Thus, it is forecasted that the revenue they will contribute will gradually decrease throughout 2024 to 2026.

Pricing Policy

The license fees and revenue sharing payable by the Group to G-bits Group and those payable by G-bits Group to the Group shall be determined after arm's length negotiations between the parties with reference to the prevailing market price and/or fee range of similar cooperation in the industry and consideration of various commercial factors, including, but not limited to, the nature of the cooperation, popularity, quality and commercial potential of the relevant games and duration of the engagement. To ensure that the fees to be paid by the Group represent the prevailing market price and on normal commercial terms that are comparable to those with independent third-party and no less favorable to the Group, the Group will assess the potential user traffic and gross billings that are expected to arise from the platforms operated by G-bits Group and compare the fee arrangements the Group has with other independent third parties on licensing of games for exclusive publication and operation as well as the prevailing fee structure and pricing terms of comparable intellectual properties in the market, where available.

Reasons for and benefits of the transactions

G-bits develops, publishes and operates a large number of online games in the PRC. While the Group typically publishes and operates games which were self-developed, the Group also has commercial liberty to (i) engage third-party publishers to publish and operate games that the Group has self-developed; and (ii) obtain licenses from third-party game developers to publish and operate games owned by them to maximize its earnings. It is expected that the Group and G-bits Group could leverage each other's competitive advantages in products and platforms and players' pool to improve popularity of games owned by each other, increase the number of platform users and leverage each other's game publishing and operating capabilities.

Please refer to the section headed "1.2.2. Marketing and Promotion Cooperation with G-bits – Reasons for and benefits of the transactions" below for the Directors' views on the 2023 Game Cooperation Framework Agreement.

1.2.2. Marketing and Promotion Cooperation with G-bits

Background for the transactions

Pursuant to the 2023 Game Cooperation Framework Agreement, the Group and G-bits Group also agreed to cooperate on marketing and promoting games owned by the other party on its own platforms.

The material terms of the 2023 Game Cooperation Framework Agreement in relation to marketing and promotion services are set forth as follows:

- Nature and Term: G-bits Group shall provide marketing and promotion services, including but not limited to marketing, promotion and advertising to the Group for the Group's games on platforms operated by G-bits Group; meanwhile, the Group shall provide marketing and promotion services, including but not limited to marketing, promotion and advertising to G-bits Group for G-bits Group's games on platforms operated by the Group, for a term of three financial years ending December 31, 2026.

- Fee arrangement and settlement: See below for details of the agreed fee arrangement. Settlement method will be agreed in separate underlying orders.

Fee Arrangement

In return for the marketing and promotion services provided, the Group and G-bits Group will pay the other party marketing and promotion fees using one or more of the following methods, depending on the means of cooperation:

- Cost per action: charged based on the number of newly activated users;
- Cost per click: charged based on the price of each click and number of clicks of online users;
- Cost per sale: charged based on the users' actual top-up amount;
- Fixed amount of marketing and promotion fee with reference to the prevailing market rates; or
- Other fee arrangements agreed by the parties with reference to the prevailing market rates.

The channel expense will be agreed by the parties separately.

Historical Amounts

The aggregate amounts of marketing and promotion services fees paid by the Group to G-bits Group and the marketing and promotion services fees paid by G-bits Group to the Group under the 2021 Game Cooperation Framework Agreement for the two years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 are as set out in the table below:

	For the years ended		For the six
	December 31,		months ended
	2021	2022	June 30,
	2023		
	<i>(in thousand RMB)</i>		
Marketing and promotion services fees incurred by the Group payable to G-bits Group (<i>Expense-based</i>)	14,440	567	6,001
Marketing and promotion services fees incurred by G-bits Group payable to the Group (<i>Revenue-based</i>)	218	— ⁽²⁾	— ⁽²⁾

Note:

- ⁽²⁾ The Group did not record any marketing and promotion services fees payable by G-bits Group to the Group for the year ended December 31, 2022 and the six months ended June 30, 2023 because the Group did not provide any marketing and promotion services which render fees payable by G-bits Group to the Group under the 2021 Game Cooperation Framework Agreement.

Proposed annual caps and their basis

The proposed annual caps for the marketing and promotion services fees payable by the Group to G-bits Group and the marketing and promotion services fees payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out in the table below:

	For the years ending December 31,		
	2024	2025	2026
	<i>(in thousand RMB)</i>		
Marketing and promotion services fees payable by the Group to G-bits Group <i>(Expense-based)</i>	75,000	90,000	108,000
Marketing and promotion services fees payable by G-bits Group to the Group <i>(Revenue-based)</i>	4,500	6,000	7,000

In determining the relevant proposed annual caps, the Directors took into account the historic amounts and the future business development between the Group and G-bits Group after arm's length discussions. In particular, 1) in determining the proposed annual caps in respect of the fees payable by the Group to G-bits Group, the Directors have considered the estimated significant increase in the transaction amounts generated from the marketing and promotion cooperation between the Group and G-bits Group in 2024 and subsequent years; and 2) in determining the proposed annual caps in respect of the fees payable by G-bits Group to the Group, the Directors have considered the necessary adjustments on the transaction amounts and expected launch time of games taking into account the current market conditions and the corresponding projects' development progress.

Pricing Policy

The marketing and promotion services fees payable by the Group to G-bits Group and by G-bits Group to the Group will be determined after arm's length negotiations between the parties with reference to the prevailing market rates announced by the parties and/or fee range of similar cooperation in the industry taking into account of relevant commercial factors, including, but not limited to, the types of games involved, the form and nature of the marketing and promotion services and the promotion period.

To ensure that the fees to be incurred by the Group represents the prevailing market rates and on normal commercial terms that are comparable to those with independent third parties and no less favorable to the Group, the Group will compare the service fee rates charged by the Group for other game developers, and where available, the Group will obtain fee quotes from independent third parties service providers.

Reasons for and benefits of the transactions

The Group has been engaging G-bits Group for their marketing and promotion services and the Group expects to continue on engaging G-bits Group for their marketing and promotion services. G-bits Group has a strong marketing platform in the PRC and offers comprehensive marketing and promotion services to mobile game companies. The Group believes that G-bits Group will be able to continuously enhance popularity and commercial potential of the Group's games extensively and the Group will tap into the diverse pool of potential game players on G-bits Group's platforms. In addition, the Group also expects to continue the cooperation with G-bits Group on the provision of the Group's marketing and promotion services to G-bits Group. As the Group continues to develop more games and operate more gaming platforms, the Group believes through providing marketing and promotion services to third party game developers (including G-bits Group), it will create a new revenue stream for the Group and diversify the Group's revenue base and improve its market position.

Each of the Directors (including the independent non-executive Directors) is of the view that the transactions payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement have been entered into on an arm's length basis, on normal commercial terms, and in the usual and ordinary course of business of the Group and that the said transactions payable by G-bits Group to the Group contemplated under the 2023 Game Cooperation Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Each of the Directors (excluding the independent non-executive Directors whose opinion will be included in the letter of advice from the Independent Board Committee which forms part of the circular in respect of the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement after taking into account the advice from the Independent Financial Adviser) is of the view that the transactions payable by the Group to G-bits Group under the 2023 Game Cooperation Framework Agreement have been entered into on an arm's length basis, on normal commercial terms, and in the usual and ordinary course of business of the Group and that the said transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

2. INTERNAL CONTROL MEASURES

In order to ensure that the pricing under the transactions contemplated under the 2023 CCT Agreements is fair and reasonable, the Company has the following internal review procedures:

- (1) The Company has a management system on connected transactions and the Board and the various internal departments of the Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) The Board and various internal departments of the Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- (3) The Company will, to the extent commercially practicable, seek to obtain quotations from independent third parties for similar premises/services and will compare the commercial terms offered by the independent third parties with those offered by G-bits Group;
- (4) The Board and various internal departments of the Company will regularly monitor the fulfillment status and the transaction updates under the relevant framework agreements. In addition, the management of the Company will also regularly review the pricing policies of the relevant framework agreements; and
- (5) The independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements on normal commercial terms and in accordance with the pricing policy.

3. INFORMATION ON THE PARTIES

The Group

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

G-bits Group

G-bits is a software company listed on the Shanghai Stock Exchange under the stock code: 603444 and well known within the industry, which specializes in development and operation of online games.

4. LISTING RULES IMPLICATIONS

As at the date of this announcement, G-bits, through its indirectly wholly-owned subsidiary, HK Kunpan, holds 18.55% of the total issued shares in the Company. Accordingly, G-bits is a substantial shareholder of the Company, and therefore G-bits and its subsidiaries are connected persons of the Company under Rules 14A.07(1) and 14A.13(1) of the Listing Rules. Therefore, the transactions contemplated under the 2023 CCT Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

2023 Property Leasing and Administrative Services Framework Agreement

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps under the 2023 Property Leasing and Administrative Services Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the 2023 Property Leasing and Administrative Services Framework Agreement are subject to the reporting, annual review and announcement requirements and exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Game Cooperation Framework Agreement

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps payable by the Group to G-bits Group under the 2023 Game Cooperation Framework Agreement are more than 5%, the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement are more than 0.1% but less than 5%, the transactions payable by G-bits Group to the Group contemplated under the 2023 Game Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements and exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the 2023 CCT Agreements, and therefore, no Director is required to abstain from voting on approval of the relevant resolutions.

5. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Professor Lam Sing Kwong Simon, Mr. Yuan Yuan and Ms. Fang Weijin to advise the Independent Shareholders on the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement. None of the members of the Independent Board Committee has any interest in the 2023 CCT Agreements and the transactions (including the proposed annual caps) contemplated thereunder.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement. The Independent Board Committee will form its view in respect of the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement after obtaining and considering the advice from the Independent Financial Adviser.

6. GENERAL

An EGM will be convened and held for, among others, the Independent Shareholders to consider and, if thought fit, to approve the continuing connected transactions under the 2023 Game Cooperation Framework Agreement. All Shareholders who have a material interest in the 2023 Game Cooperation Framework Agreement will be required to abstain from voting at the EGM. Accordingly, G-bits Group and its associates are required to abstain from voting at the EGM on the resolutions in relation to the 2023 Game Cooperation Framework Agreement. The resolutions will be passed as ordinary resolutions and voted by poll in accordance with the requirements of the Listing Rules.

A circular containing, among other things, further information on the transactions contemplated under the 2023 Game Cooperation Framework Agreement, a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders, a letter from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement, and a notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before November 30, 2023, taking into account the additional time required for the Company to prepare and finalize the information for inclusion in the circular.

7. DEFINITION

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“2021 CCT Agreements”	collectively, the 2021 Property Leasing and Administrative Services Framework Agreement and the 2021 Game Cooperation Framework Agreement
“2021 Game Cooperation Framework Agreement”	a game cooperation framework agreement entered into between the Company and G-bits on November 18, 2021
“2021 Property Leasing and Administrative Services Framework Agreement”	a property leasing and administrative services framework agreement entered into between the Company and G-bits on November 18, 2021
“2023 CCT Agreements”	collectively, the 2023 Game Cooperation Framework Agreement and the 2023 Property Leasing and Administrative Services Framework Agreement
“2023 Game Cooperation Framework Agreement”	a game cooperation framework agreement entered into between the Company and G-bits on October 17, 2023
“2023 Property Leasing and Administrative Services Framework Agreement”	a property leasing and administrative services framework agreement entered into between the Company and G-bits on October 17, 2023
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, inter alia, the entering into of the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder and the adoption of the relevant proposed annual caps thereunder
“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
“G-bits Group”	G-bits and its subsidiaries
“Group”	the Company and its subsidiaries
“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
“Independent Board Committee”	the independent board committee comprising all of the independent non-executive Directors
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement
“Independent Shareholders”	the Shareholders, other than G-bits Group and all other Shareholders interested in the 2023 Game Cooperation Framework Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing games, a genre of games in which a player who assumes the role of a character interacts with each other in an evolving fantasy or fictional world and takes control over character’s actions
“Shareholder(s)”	the shareholder(s) of the Company
“Shares”	ordinary share(s) in the capital of the Company with nominal value of US\$0.00001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“US\$”	United State Dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, October 17, 2023

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