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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH G-BITS ON THE 2023 PROPERTY LEASING AND ADMINISTRATIVE SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated October 17, 2023 in relation to, amongst others, the 2023 Property Leasing and Administrative Services Framework Agreement (the “**Announcement**”). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Announcement.

As disclosed in the Announcement, according to the terms of the 2023 Property Leasing and Administrative Services Framework Agreement, the amount of lease and administrative services payments payable by the Group to G-bits Group for the years ending December 31, 2024, 2025 and 2026 shall not exceed RMB3 million, RMB3.6 million and RMB4.32 million, respectively.

Pursuant to the accounting standard International Financial Reporting Standards 16 “Leases”, the Group as lessee shall recognize a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use assets should be initially measured at cost and should be amortized on a straight line basis using the shorter of the useful life of the right-of-use asset and the lease term. Lease liability should be initially measured at the present value of the lease payables that are not paid as at commencement day of the lease term, discounted using the lessees’ incremental borrowing rate. As a result, the Group is required to set annual caps on the total value of right-of-use assets related to the Leases entered into in each year under the 2023 Property Leasing and Administrative Services Framework Agreement.

As such, the proposed annual caps for the value of right-of-use assets under the 2023 Property Leasing and Administrative Services Framework Agreement should be as follows:

	For the years ending December 31,		
	2024	2025	2026
	<i>(in thousand RMB)</i>		
Value of right-of-use assets	6,387	3,194	0

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 weighted average lessees' incremental borrowing rate applied to the lease liabilities; (ii) the historical transaction amounts and the average year-on-year growth rate for the three years ending December 31, 2026; (iii) the conditions of the office premises including but not limited to, the actual floor space usage ratio, neighboring area and facilities available; (iv) the current rental prices and administrative services charges of comparable properties in the vicinity and the prevailing market rates; and (v) the expected increase in rental prices and administrative services charges based on prediction on the future development of the property market in the PRC.

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.

Save as supplemented and disclosed above, the contents in the Announcement remain accurate and unchanged.

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

Hong Kong, October 24, 2023

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