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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The Board of Directors of Qingci Games Inc. is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2023, together with the comparative figures for the year ended December 31, 2022 as follows:

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2023	2022	Change
	(RMB'000)	(RMB'000)	(%)
Revenue	905,737	630,367	43.7
Gross profit	557,876	422,087	32.2
Net (loss)/profit	(37,600)	45,656	(182.4)
(Loss)/profit attributable to equity holders of the Company	(37,371)	50,283	(174.3)
Non-IFRS measure:			
Adjusted net (loss)/profit ⁽¹⁾	(37,600)	46,175	(181.4)
Adjusted (loss)/profit attributable to equity holders of the Company	(37,371)	50,698	(173.7)

Note:

- (1) We define adjusted net (loss)/profit and adjusted (loss)/profit attributable to equity holders of the Company as net (loss)/profit and (loss)/profit attributable to equity holders of the Company for the period, respectively, adjusted by adding back share-based compensation. We eliminate the impacts of these items that our management do not consider to be indicative of our operating performance, as they are either non-cash items or non-recurring expenses.

KEY OPERATING INFORMATION

	For the year ended December 31,		
	2023	2022	Change (%)
Average MAUs (in thousands) ⁽¹⁾	2,480	1,596	55
Average MPUs (in thousands) ⁽²⁾	401	214	88
ARPPU (RMB)	302	262	15
Cumulative registered players (in thousands)	88,343	79,013	12

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

During the Reporting Period, the Group consistently executed its established strategies, striving for advancement while preserving stability, and enhancing the high quality of our business development with a commitment to excellence. The details are as follows:

- (1) The Group has comprehensively deepened its global business deployment, achieving a continuous growth in the scale of and contribution from overseas revenue:**

The Group has rolled out a series of games across various regions worldwide, such as *The Marvelous Snail/SuperSnail* (最強蝸牛) which was launched in Thailand in January 2023 and launched in the United States, Canada, Australia and New Zealand in August of the same year. *The Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) was launched in the HMT regions in October 2023. Meanwhile, the Group has been committed to the sustained development and operation of its game portfolio abroad, an example of this commitment being *The Marvelous Snail/SuperSnail* (最強蝸牛), which celebrated the anniversary of its launch in Japan, and ranked among top 30 on the iOS bestseller games chart in Japan in June 2023. The aforementioned layout has driven a year-on-year increase of RMB98.1 million in overseas revenue of the Group for 2023, representing an increase in the revenue from 25.3% in the corresponding period last year to 28.5%;

(2) The Group has completed the launching of a number of new games with continuous optimization in revenue structure:

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 *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; in September 2023, the Group published *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙), which topped the iOS free games chart in Mainland China and the HMT regions; in December 2023, the Group launched its self-developed game *Time Voyager* (時光旅行社). The Group has further enhanced its game portfolio and continued to optimize its revenue structure. Furthermore, the Group is planning to launch an array of mini program games dedicated to the multifaceted business development;

(3) The Group has enriched and improved its pipeline games:

In 2023, a number of reserve games including the *Loot Rush* (騎士沖呀), *Ares Virus 2* (阿瑞斯病毒2) and *Lost Light* (迷途之光) (formerly known as *Project D* (項目D)) have been granted licenses. The Group also continues to introduce in-licensed games for distribution in various markets globally, such as the preparation of the launch of *Fat Goose Gym* (肥鵝健身房) in Japan, in order to bring high-quality gaming experiences to players worldwide.

During the Reporting Period, the Group recorded revenue of RMB906 million, representing an increase of 43.7% over the same period last year. However, due to the launch of *The Marvelous Snail/SuperSnail* (最強蝸牛) in the United States, Canada, Australia and New Zealand in the second half of 2023 and the launch of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) in Mainland China and the HMT regions which generated centralised marketing and promotion expenses, and the Group experienced impairments on investments in some game industry chain companies and on prepayments to some investment companies, the Group recorded a full-year loss attributable to equity holders of the Company, totaling RMB37.37 million. As of December 31, 2023, the Group had over 88.34 million cumulative registered players, representing a year-on-year increase of 11.81%. The average number of monthly active users was approximately 2.48 million, representing a year-on-year increase of 55.36%. The average number of monthly paying users was approximately 401,400, representing a year-on-year increase of 87.78%. The ARPPU also reached RMB302.

OUR GAMES

The Group develops, publishes and operates top-rated online mobile games. As of December 31, 2023, we had ten existing mobile games, covering idle games, Rogue-like RPG and other RPG.

Below is an overview of our major games:

The Marvelous Snail/SuperSnail (最強蝸牛) (known as *SuperSnail* in certain regions including Southeast Asia, Europe and the United States), launched in June 2020, is our self-developed idle game. As of December 31, 2023, the game recorded gross billings of approximately RMB3,259 million domestically and overseas, with 26.72 million cumulative registered players. During the Reporting Period, *The Marvelous Snail/SuperSnail (最強蝸牛)* 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/SuperSnail (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/SuperSnail (最強蝸牛)* was also launched in the United States, Canada, Australia and New Zealand on August 3, 2023 and ranked top on the iOS free games chart in multiple regions. Domestically, *The Marvelous Snail/SuperSnail (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 both domestically and overseas amounted to approximately RMB486 million.

Lantern and Dungeon (提燈與地下城), officially launched in March 2021, is a Rogue-like RPG that we introduced through in-licensing. During the Reporting Period, the game generated total revenue of approximately RMB9.52 million. In February 2024, the game cooperated with the renowned IP “Ne Zha” (哪吒) to release a remake version of the game with brand-new content and gameplay, earning widespread praise from newcomers and long-standing fans alike.

Sword and Fairy: Wen Qing (新仙劍奇俠傳之揮劍問情), 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. As of December 31, 2023, the game generated approximately RMB288 million in revenue.

Cardcaptor Sakura: Memory Key (魔卡少女櫻：回憶鑰匙), a mobile game created based on the teenage girl themed animation of *CardCaptor Sakura: Clear Card* (庫洛魔法使：透明牌篇) with genuine licensing released by the Group. The game features a Chibi role known as Sakura playing with online blind box, focusing on the gameplay of collection and growing, etc. In September 2023, the game ranked first on the iOS free games chart and obtained the highest ranking of No. 30 on the iOS bestseller games chart after its launch in Mainland China; in October 2023, the game was launched in the HMT regions and ranked top on the iOS free games chart in those three regions, highest ranking second on the iOS bestseller games chart in Hong Kong, top on the iOS bestseller games chart in Macao and fourth on the iOS bestseller games chart in Taiwan. As of December 31, 2023, the game generated approximately RMB63.28 million in revenue domestically and overseas.

Time Voyager (時光旅行社), was officially launched in Mainland China on December 22, 2023. It is an infinite-stream casual idle game, featuring a combination of Rogue-like RPG, card and chess gameplay, in which players can take on the role of a “Time Voyager” and travel to the intertwined past, present, future, virtuality and reality to explore. Going forward, a mini program game version of the game will be released, and will be launched in the HMT regions.

Other primary games such as *Servitor Project* (使魔計劃) (launched in January 2023, our self-developed strategy card game), *Gumballs & Dungeons* (不思議迷宮) (launched in August 2016, our self-developed Rogue-like RPG), *Ares Virus* (阿瑞斯病毒) (launched in August 2018, our survival RPG introduced through licensing) and *Eternal Adventure* (無盡大冒險) (launched in June 2015, our self-developed classic game that combines the features of idle gameplay experience and Diablo-like adventure) also continued to contribute steady revenue to the Group, which amounted to approximately RMB31.45 million, RMB11.47 million, RMB5.92 million and RMB0.91 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 that we organize, opportunities to participate in testing our new games and free in-game virtual items.

As of December 31, 2023, our games had accumulated 13.3587 million QingCi Enthusiasts who contacted us through our official accounts and groups on social media platforms, such as Tencent QQ, WeChat, TapTap and Bilibili, representing an increase of 25.71% as compared with the same period last year. Our frequent and close interactions with QingCi Enthusiasts creates a virtuous circle as the feedback from the player community can help us to develop and improve our games, thereby attracting more active players.

OUTLOOK

From the beginning of 2024 to present, the Group has newly launched a number of games, including mobile application games and mini program games. **In terms of mobile application games**, the Group launched *Bladeheart Ninja 2 (刃心2)* in January 2024, which is a sequel of the popular game *Bladeheart Ninja (刃心)*, and is a Chinese-style action hack and slash game that combines action, easy placement, leisure parkour and strategy growing. The game made reference to some of the Taoist techniques and the concept of cultivation, incorporating the style of Chinese ink and wash, players can experience the thrill of cultivation through fights and growth in the game. In addition, significant version updates of *Bladeheart Ninja (刃心)* will also be launched in 2024. In February 2024, the Group released the casual game *Fat Goose Gym (肥鵝健身房)* in Japan, in which players can build a gym through synthesizing gameplay, expand more areas and install additional equipments and furnitures to attract more fat goose customers to visit. The game immediately ranked top on both the iOS free games chart and the Google Play free games chart in Japan. In March 2024, the Group released *Master Cat (超喵星計劃)*, which is a warm and healing three dimensional (“3D”) cat pinching + cloud cat petting casual game, where players can DIY their ideal cats through the 3D cat pinching function and cultivate the cats to grow up. **In terms of mini program games**, the Group will launch a number of self-developed and in-licensed mini program games to reach more players.

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

Title	Mobile Game Genre	Source	Development Stage as of December 31, 2023	Expected Launch Time
Ares Virus 2 (阿瑞斯病毒2)	RPG	In-licensed	Game production, testing and optimization	2024
Loot Rush (騎士沖呀)	ACT RPG	In-licensed	Game production, testing and optimization	2024
Lost Light (迷途之光) (formerly known as Project D (項目D))	STG	In-licensed	Game production, testing and optimization	2024
Royal Recruits (皇室護衛隊)	Synthetic tower defense (mini program game)	In-licensed	Game production, testing and optimization	2024
Bullet Legion (子彈軍團)	Idle game (mini program game)	Developed in-house	Game production, testing and optimization	2024
The Romance of the Three Kingdoms: Enemy at the Gates (三國演義：兵臨城下)	Strategy card	Developed in-house	Game production, testing and optimization	2024
Lord Legend (領主傳奇)	Card game (mini program game)	Developed in-house	Game production, testing and optimization	2024

Title	Mobile Game Genre	Source	Development Stage as of December 31, 2023	Expected Launch Time
Battle of Three Kingdoms (大戰三國誌)	Rogue-like card (mini program game)	Developed in-house	Game production, testing and optimization	2024
Qin Dynasty Anecdotes (大秦異聞錄)	Interactive game (mini program game)	Developed in-house	Game production, testing and optimization	2024
Project V (項目V)	Idle game	In-licensed	Game production, testing and optimization	2024
Project: Totem (項目：圖騰)	Tower defense game	In-licensed	Game production, testing and optimization	2024
Project L (項目L)	RPG	In-licensed	Game production, testing and optimization	2024
Project E (項目E)	SLG	Developed in-house	Game production, testing and optimization	2025
Project P95 (項目P95)	Idle game (mini program game)	Developed in-house	Demo production	2026
Project T (項目T)	SLG	In-licensed	Demo production	2026
Project F (項目F)	Survival socialization	In-licensed	Demo production	2026

Note: During the Reporting Period, the Group optimized the allocation of resources according to the progress of the pipeline game projects, and the progress of Project MN (項目MN) and Project 36Z (項目36Z) was put on hold.

Looking ahead, the Group will continue to deepen its integrated research and development and operation model, including active promotion of the testing and launching of pipeline games, continuous development of overseas markets and further enrichment of product matrix, as detailed below:

- 1. Actively promote the testing and launching of pipeline games.** In terms of in-house developed games, the post-apocalypse world SLG game *Project E* (項目E) was exhibited at PAX AUS in October 2023 and was well received by overseas players, and the scale of the testing will be further expanded in 2024; in terms of in-licensed games, a number of the Group's games were licensed during the Reporting Period, the data optimization of such games will be completed as soon as possible for launching: *Ares Virus 2* (阿瑞斯病毒2) is an adventure survival RPG with a top-down perspective and a unique and fresh ballpoint pen style. Players need to resist against the crime syndicate and rebuild their own home. The game features colorful scenes and characters, as well as brain-teasing and fun decryption gameplay, awaiting players to explore the adventure. *Loot Rush* (騎士冲呀) combined Rogue-like elements with action gameplay and is a vertical-screen action game that allows players to easily navigate through the game, as a group of knights with their respective characteristics and unique fighting styles. Together with exhilarating sense of hitting, randomly generated events and diversified levels, it provides players with an exhilarating gameplay experience. *Lost Light* (迷途之光) is a pixel style roguelike pop-up game, the game is based on action-adventure, combining map exploration and card raising gameplay, providing a huge number of skills to choose from, and allowing players to advance and explore through free skill matching.
- 2. Continuous development of overseas markets to reach more players.** Other than to continue the long term operation in existing regions, our flagship game *The Marvelous Snail/SuperSnail* (最強蝸牛) will finalize the launch plan in South Korea, and versions in Vietnamese, Indonesian, German, French, Spanish, Portuguese and Italian will be launched in 2024, to provide a more comprehensive coverage of Southeast Asia and Europe regions; existing popular games such as *Time Voyager* (時光旅行社) and *Servitor Project* (使魔計劃) will also be launched in the HMT regions, as well as in Europe and the United States.
- 3. Enrichment of product matrix, further strengthen ability on the research and development system and continuously enhance distribution capability.** The Group has been actively expanding its game reserves, including (i) expanding the layout of mini program games, such as the mini program game version of its existing games, including *The Marvelous Snail/SuperSnail* (最強蝸牛), *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) and *Time Voyager* (時光旅行社) etc., and (ii) self-developing and introducing a number of mini program games, including self-developed idle mini program games *Bullet Legion* (子彈軍團), *Lord Legend* (領主傳奇), *Battle of Three Kingdoms* (大戰三國誌) and *Project P95* (項目P95), a self-developed interactive mini program game *Qin Dynasty Anecdotes* (大秦異聞錄), and introduced a licensed mini program game *Royal Recruits* (皇室護衛隊). The Group will also continue to introduce licensed games for distribution at home and abroad, such as preparing the testing and launching of the tower defense game *Project: Totem* (項目：圖騰) and idle game *Project V* (項目V) in Europe and the United States, the testing and launching of the RPG game *Project L* (項目L) in South Korea, as well as the introduction of the new in-licensed SLG game *Project T* (項目T) and the survival social game *Project F* (項目F).

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 to bring a high-quality gaming experience to our players all over the world.

FINANCIAL REVIEW

Revenue

Our revenue increased by 43.7% from approximately RMB630.4 million for the year ended December 31, 2022 to RMB905.7 million for the year ended December 31, 2023 on a year-on-year basis. In 2023, our revenue from Mainland China was RMB647.9 million, accounting for 71.5% of total revenue, compared to 74.7% in 2022; our revenue from other areas was RMB257.8 million, accounting for 28.5% of total revenue, compared to 25.3% in 2022. 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, provision of technical services and marketing and promotion cooperation.

The following table sets forth a breakdown of our revenues by line of business for the years ended December 31, 2022 and 2023.

	For the year ended December 31,				2023 vs. 2022 % Change
	2023		2022		
	RMB'000	%	RMB'000	%	
Game operating revenues					
Self-developed	507,746	56.0	557,559	88.4	(8.9)
Licensed	365,690	40.4	34,380	5.5	963.7
<i>Subtotal</i>	<u>873,436</u>	<u>96.4</u>	<u>591,939</u>	<u>93.9</u>	<u>47.6</u>
Game licensing revenue	18,948	2.1	27,361	4.4	(30.7)
Information service revenue	9,748	1.1	9,625	1.5	1.3
Other services and sales	3,605	0.4	1,442	0.2	150.0
Total revenues	<u>905,737</u>	<u>100.0</u>	<u>630,367</u>	<u>100.0</u>	<u>43.7</u>

Game Operating Revenues

Our game operating revenues increased by 47.6% to approximately RMB873.4 million for the year ended December 31, 2023 on a year-on-year basis. In particular,

- our revenue from self-developed games decreased by 8.9% to approximately RMB507.7 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to the decline in revenue from *The Marvelous Snail/SuperSnail* (最強蝸牛) in Mainland China and Japan, partially offset by increase in revenue resulted from the new launch of our self-developed game *Servitor Project* (使魔計劃) and the launch of *The Marvelous Snail/SuperSnail* (最強蝸牛) in the United States, Canada, Australia and New Zealand; and
- our revenue from licensed games increased by 963.7% to approximately RMB365.7 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to the increase in revenue from the launch of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) and *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) during the Reporting Period.

Game Licensing Revenue

Our game licensing revenue decreased by 30.7% to approximately RMB18.9 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to the decrease in game licensing revenues from *Gumballs & Dungeons* (不思議迷宮) in Mainland China and *The Marvelous Snail/SuperSnail* (最強蝸牛) in the HMT regions, respectively.

Information Service Revenue

Our information service revenue increased by 1.3% to approximately RMB9.7 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to the increase in in-game advertisement views or clicks.

Other Services and Sales

Our other services and sales revenues increased by 150.0% to approximately RMB3.6 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to the increase in revenue from technical support services and marketing and promotion cooperation.

Cost of Revenues

Our cost of revenues increased by 67.0% from approximately RMB208.3 million for the year ended December 31, 2022 to RMB347.9 million for the year ended December 31, 2023 on a year-on-year basis. Our cost of revenues primarily consisted of (i) commissions charged by distribution and payment channels, representing revenue share payments to third-party distribution platforms and payment service providers for our self-published games; (ii) commissions charged by third-party game developers; (iii) bandwidth and servers custody fee; (iv) employee benefits expenses related to our system maintenance and customer service personnel, including wages, salaries, bonuses, social insurance contributions and other employee benefits; and (v) others, including outsourced technical service fees for short messaging services, professional service fees, the impairments of prepayments to some investment companies which were included in the cost of revenues, and miscellaneous expenses.

The following table sets forth our cost of revenues by nature in absolute amounts and as percentages of our total cost of revenues for the years ended December 31, 2023 and 2022.

	For the year ended December 31,				2023 vs. 2022 % Change
	2023		2022		
	RMB'000	%	RMB'000	%	
Commissions charged by distribution and payment channels	177,344	51.0	146,296	70.2	21.2
Commissions charged by third-party game developers and IP holders	82,362	23.7	11,109	5.3	641.4
Bandwidth and servers custody fee	21,527	6.2	20,734	10.0	3.8
Employee benefits expenses	15,408	4.4	18,133	8.7	(15.0)
Others	51,220	14.7	12,008	5.8	326.5
Total	347,861	100	208,280	100.0	67.0

Our cost of revenue for commissions charged by distribution and payment channels increased by 21.2% to approximately RMB177.3 million for the year ended December 31, 2023 on a year-on-year basis, 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 holders increased by 641.4% to approximately RMB82.4 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to incremental commissions paid to third-party developers and IP holders as a result of the increase in revenue from licensed games from the newly launched games *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) and *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙).

Our cost of revenue for employee benefits expenses decreased by 15.0% to approximately RMB15.4 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to the decrease in our employee expenses on a year-on-year basis.

Our cost of revenue for others increased by 326.5% to approximately RMB51.2 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to (i) the impairments of prepayments to some investment companies, which were included in the cost of revenues, and (ii) the increase in outsourced technical service fees and professional service fees.

Gross Profit and Gross Margin

Our gross profit increased by 32.2% from approximately RMB422.1 million for the year ended December 31, 2022 to approximately RMB557.9 million for the year ended December 31, 2023. Our gross margin decreased to 61.6% for the year ended December 31, 2023 from 67% for the year ended December 31, 2022, primarily due to (i) an increase in game operating revenues of 47.6% over the Reporting Period on a year-on-year basis, and an increase in commissions charged by third-party game developers and IP holders of 641.4% in the cost of revenues on a year-on-year basis, resulting in the decrease of gross margin. Further, the percentage of revenue from licensed games out of the game operating revenues of the Company has increased to 41.9% in the Reporting Period from 5.8% in the same period last year; and operating revenues generated from licensed game resulted in commissions charged by third-party game developers and IP holders, which were included in the cost of revenues and in turn lowered the gross margin for the Reporting Period; and (ii) an increase of 326.5% in other costs during the Reporting Period on a year-on-year basis, which in turn lowered the 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, which represented 70.4% and 88.3% of our total selling and marketing expenses for the years ended December 31, 2022 and 2023, respectively; (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 increased by 105.1% from approximately RMB209.3 million for the year ended December 31, 2022 to approximately RMB429.2 million for the year ended December 31, 2023. This was primarily due to the increase in marketing and promotion expenses resulted from (i) the launch of *The Marvelous Snail/SuperSnail* (最強蝸牛) in regions including the United States, Canada, Australia and New Zealand; and (ii) the launch of *Servitor Project* (使魔計劃), *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) and *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙).

Research and Development Expenses

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

Our R&D expenses decreased by 6.9% from approximately RMB113.3 million for the year ended December 31, 2022 to approximately RMB105.5 million for the year ended December 31, 2023. This was primarily due to (i) the decrease in bonus in the expenses related to our employees engaged in R&D activities on a year-on-year basis; and (ii) the decrease in testing expenses and localization of the outsourced technical service fees.

General and Administrative Expenses

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

Our general and administrative expenses decreased by 31.8% from approximately RMB71.8 million for the year ended December 31, 2022 to approximately RMB49.0 million for the year ended December 31, 2023. This was primarily due to the decrease in bonus in the expenses related to our supporting staff on a year-on-year basis.

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

Our fair value changes on investments measured at fair value through profit or loss reflected changes in the fair value of (i) certain of our long-term equity investments, which were equity investments in private equity funds as limited partners without significant influence, and investments in investee companies; and (ii) our short-term investments, primarily consisting of investments in derivative instruments with a major PRC commercial bank and investments in funds that invest primarily in publicly-traded securities.

Our fair value changes on investments measured at fair value through profit or loss decreased by 124.4% from gains of approximately RMB36.8 million for the year ended December 31, 2022 to losses of approximately RMB9.0 million for the year ended December 31, 2023, mainly due to the decrease in our fair value gains from investment funds and unsatisfactory operation performance of certain 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 120.7% from approximately RMB6.0 million for the year ended December 31, 2022 to approximately RMB13.3 million for the year ended December 31, 2023, mainly due to the increase in government subsidies.

Net Other (Losses)/Gains

Our net other losses primarily consisted of (i) net foreign exchange gains or losses; (ii) donations to charity organizations.

Our net other (losses)/gains decreased by 128.4% from net gains of approximately RMB16.1 million for the year ended December 31, 2022 to net losses of approximately RMB4.6 million for the year ended December 31, 2023, this change was primarily a result of (i) the impact of appreciation of USD against JPY in 2023 on our payables denominated in USD; and (ii) partially offset by the appreciation of the Group's USD holdings due to the appreciation of USD against RMB.

Income Tax Expenses

Our income tax expenses decreased by 61.6% from income tax expenses of approximately RMB32.9 million for the year ended December 31, 2022 to income tax expenses of approximately RMB12.6 million for the year ended December 31, 2023, mainly due to (i) the decline in profit from a profitable subsidiary; and (ii) the year-on-year decrease in reversal of the previously recognized deferred tax assets of the Group in the Reporting Period.

(Loss)/Profit for the Year

Our (loss)/profit for the year decreased by 182.4% from a net profit of approximately RMB45.7 million for the year ended December 31, 2022 to a net loss of approximately RMB37.6 million for the year ended December 31, 2023, mainly due to (i) the launch of the Group's flagship game *The Marvelous Snail/SuperSnail* (最強蝸牛) on August 3, 2023 in regions including the United States, Canada, Australia and New Zealand; the launch of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) on September 21, 2023 in Mainland China, and on October 27, 2023 in the HMT regions, which generated centralised marketing and promotion expenses during the launch phase, but the revenue generated by these games during the Reporting Period has not yet fully offset the aforementioned marketing and promotion expenses, leading to a decrease in the net profit for the Reporting Period; and (ii) the Group has made provisions for impairment on investments in some game industry chain companies and on prepayments to some investment companies.

(Loss)/Profit for the Year Attributable to Equity Holders of the Company

Our (loss)/profit for the year attributable to equity holders of the Company decreased by 174.3% from a net profit of approximately RMB50.3 million for the year ended December 31, 2022 to a net loss of approximately RMB37.4 million for the year ended December 31, 2023, mainly due to (i) the launch of the Group’s flagship game *The Marvelous Snail/SuperSnail* (最強蝸牛) on August 3, 2023 in regions including the United States, Canada, Australia and New Zealand; the launch of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) on September 21, 2023 in Mainland China, and on October 27, 2023 in the HMT regions, which generated centralised marketing and promotion expenses during the launch phase, but the revenue generated by these games during the Reporting Period has not yet fully offset the aforementioned marketing and promotion expenses, leading to a decrease in the net profit for the Reporting Period; and (ii) the Group has made provisions for impairment on investments in some game industry chain companies and on prepayments to some investment companies.

Non-IFRS Measures – Adjusted Net (Loss)/Profit

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

Adjusted net (loss)/profit eliminates the effect of certain non-cash or non-recurring items, namely share-based compensation. The term “adjusted net (loss)/profit” is not defined under IFRS. The use of adjusted net (loss)/profit has material limitations as an analytical tool, as adjusted net (loss)/profit does not include all items that impact our net (loss)/profit for the year. The following table reconciles our adjusted net (loss)/profit for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the year ended December 31,	
	2023	2022
	(RMB’000)	(RMB’000)
(Loss)/profit for the year	(37,600)	45,656
Add:		
Share-based compensation	<u> –</u>	<u> 519</u>
Adjusted net (loss)/profit	<u> (37,600)</u>	<u> 46,175</u>

The adjusted net (loss)/profit for the year ended December 31, 2023 decreased by 181.4% from an adjusted net profit of approximately RMB46.2 million for the year ended December 31, 2022 to an adjusted net loss of RMB37.6 million. Such decrease was primarily attributable to (i) the launch of the Group's flagship game *The Marvelous Snail/SuperSnail* (最強蝸牛) on August 3, 2023 in regions including the United States, Canada, Australia and New Zealand; the launch of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) on September 21, 2023 in Mainland China, and on October 27, 2023 in the HMT regions, which generated centralised marketing and promotion expenses during the launch phase, but the revenue generated by these games during the Reporting Period has not yet fully offset the aforementioned marketing and promotion expenses, leading to a decrease in the net profit for the Reporting Period; and (ii) the Group has made provisions for impairment on investments in some game industry chain companies and on prepayments to some investment companies.

Adjusted (Loss)/Profit Attributable to Equity Holders of the Company

Adjusted (loss)/profit attributable to equity holders of the Company for the year ended December 31, 2023 decreased by 173.7% from an adjusted profit of approximately RMB50.7 million for the year ended December 31, 2022 to an adjusted loss of RMB37.4 million. Such decrease was primarily attributable to (i) the launch of the Group's flagship game *The Marvelous Snail/SuperSnail* (最強蝸牛) on August 3, 2023 in regions including the United States, Canada, Australia and New Zealand; the launch of *Cardcaptor Sakura: Memory Key* (魔卡少女櫻：回憶鑰匙) on September 21, 2023 in Mainland China, and on October 27, 2023 in the HMT regions, which generated centralised marketing and promotion expenses during the launch phase, but the revenue generated by these games during the Reporting Period has not yet fully offset the aforementioned marketing and promotion expenses, leading to a decrease in the net profit for the Reporting Period; and (ii) the Group has made provisions for impairment on investments in some game industry chain companies and on prepayments to some investment companies.

Liquidity, Capital Resources and Gearing Ratio

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

As of December 31, 2023, the Group's total cash and cash equivalents decreased by 46.3% from approximately RMB1,001.9 million for the year ended December 31, 2022 to approximately RMB538.0 million for the year ended December 31, 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 December 31, 2023, we had borrowings of RMB20.0 million. As of the same date, we had a banking facility of RMB109.0 million, and we did not draw down this facility as deposit to secure our obligations under our foreign currency forward contract.

As of December 31, 2023, the current assets of the Group amounted to approximately RMB1,680.4 million, and the current liabilities of the Group amounted to approximately RMB220.8 million. As of December 31, 2022, the Group's current assets amounted to approximately RMB1,613.6 million and the Group's current liabilities amounted to approximately RMB140.9 million. Current ratio is calculated as total current assets divided by total current liabilities. As of December 31, 2023 and 2022, the current ratio of the Group was 761% and 1,145%, respectively.

Gearing ratio is calculated as total liabilities divided by total assets. As of December 31, 2023 and 2022, the gearing ratio of the Group was 13% and 8%, respectively.

Material Acquisitions and Disposals and Significant Investments

As at December 31, 2023, the Group's short-term investments measured at fair value through profit or loss increased by 101.9% from approximately RMB489.7 million as at December 31, 2022 to approximately RMB988.9 million as at December 31, 2023. The short-term investments mainly included investment funds and wealth management products. The increase was mainly attributable to the improvement of utilization of its own fund by the Group during the Reporting Period in order to further enhance the yields of its cash assets. For the year ended December 31, 2023, no single investment of the Group accounted for more than 5% of the total assets of the Group.

Except for the above, the Group did not have any material acquisitions and disposals and significant investments during the year ended December 31, 2023.

Pledge of Assets

As of December 31, 2023, we did not pledge any of our assets.

Capital Expenditure

For the year ended December 31, 2023, our total capital expenditure was approximately RMB4.0 million, compared to approximately RMB14.4 million for the year ended December 31, 2022. Our capital expenditure primarily included our purchase of property, plant and equipment, mainly related to the purchase of office equipment and vehicles. We funded these expenditures with cash generated from our operations. We plan to fund our future capital expenditures with our cash from operating activities.

Contingent Liabilities

As of December 31, 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 arises 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 year ended December 31, 2023.

Employee and Remuneration Policy

As of December 31, 2023, we had 643 full-time employees, substantially all of whom were based in China and 13 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-hows. 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2023	2022
	Notes	RMB'000	RMB'000
Revenues	4	905,737	630,367
Cost of revenues	5	<u>(347,861)</u>	<u>(208,280)</u>
Gross profit		557,876	422,087
Selling and marketing expenses	5	(429,210)	(209,302)
Research and development expenses	5	(105,524)	(113,345)
General and administrative expenses	5	(48,991)	(71,783)
Net impairment losses on financial assets	5	(821)	10
Fair value changes on investments measured at fair value through profit or loss		(8,984)	36,802
Other income	6	13,262	6,009
Other (losses)/gains, net	7	<u>(4,574)</u>	<u>16,110</u>
Operating profit		(26,966)	86,588
Finance income		15,793	8,792
Finance costs		<u>(2,670)</u>	<u>(2,034)</u>
Finance income, net		13,123	6,758
Share of results of investments accounted for using equity method		(1,814)	(309)
Losses on impairment of investments accounted for using the equity method		<u>(9,308)</u>	<u>(14,502)</u>
(Loss)/profit before income tax		(24,965)	78,535
Income tax expenses	8	<u>(12,635)</u>	<u>(32,879)</u>
(Loss)/profit for the year		<u>(37,600)</u>	<u>45,656</u>
Other comprehensive income:			
Items that may not be reclassified to profit or loss			
– Currency translation differences		<u>21,323</u>	<u>99,822</u>
Total comprehensive (loss)/income for the year		<u>(16,277)</u>	<u>145,478</u>

	Year ended December 31,	
	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year attributable to:		
Equity holders of the Company	(37,371)	50,283
Non-controlling interests	<u>(229)</u>	<u>(4,627)</u>
	<u>(37,600)</u>	<u>45,656</u>
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the Company	(16,098)	150,198
Non-controlling interests	<u>(179)</u>	<u>(4,720)</u>
	<u>(16,277)</u>	<u>145,478</u>
(Loss)/earnings per share for profit for the year attributable to the equity holders of the Company		
Basic and diluted (loss)/earnings per share (<i>RMB</i>)	<i>9</i> <u>(0.05)</u>	<u>0.07</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2023	2022
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		17,141	19,005
Right-of-use assets		22,522	26,168
Deferred tax assets		23,684	27,861
Investments accounted for using the equity method		38,236	19,858
Long-term investments measured at fair value through profit or loss		168,546	200,223
Prepayments, deposits and other assets		<u>48,293</u>	<u>9,678</u>
		<u>318,422</u>	<u>302,793</u>
Current assets			
Trade receivables	10	68,096	52,341
Inventories		1,327	78
Prepayments, deposits and other assets		84,128	60,978
Short-term investments measured at fair value through profit or loss		988,852	489,717
Restricted cash		–	8,573
Cash and cash equivalents		<u>538,003</u>	<u>1,001,922</u>
		<u>1,680,406</u>	<u>1,613,609</u>
		<u>1,998,828</u>	<u>1,916,402</u>
EQUITY			
Share capital	11	44	44
Share premium	11	5,117,821	5,117,821
Other reserves		(2,910,848)	(2,932,121)
Accumulated deficit		<u>(459,688)</u>	<u>(422,317)</u>
Equity attributable to equity holders of the Company		1,747,329	1,763,427
Non-controlling interests		<u>(4,469)</u>	<u>(4,527)</u>
Total equity		<u>1,742,860</u>	<u>1,758,900</u>

		As at December 31,	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		15,193	16,596
Borrowings		19,974	—
		<u>35,167</u>	<u>16,596</u>
Current liabilities			
Trade payables	<i>12</i>	78,581	10,078
Other payables and accruals		82,935	67,640
Contract liabilities		42,090	41,283
Current income tax liabilities		318	11,278
Lease liabilities		9,193	10,207
Short-term liabilities measured at fair value through profit or loss		7,671	420
Borrowings		13	—
		<u>220,801</u>	<u>140,906</u>
Total liabilities		<u>255,968</u>	<u>157,502</u>
Total equity and liabilities		<u>1,998,828</u>	<u>1,916,402</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

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 development and operation of mobile games and provision of information services in the People’s Republic of China (the “**PRC**”) and other areas. For the purpose of preparing the consolidated financial statements, mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan Province of the PRC.

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

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS Accounting Standards**”) as issued by International Accounting Standards Board (“**IASB**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

3 MATERIAL ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2023:

Amendments to IAS 8 IFRS 17	Definition of Accounting Estimates Insurance Contracts
Amendments to IFRS 17	Initial Applications of IFRS 17 and IFRS 9
Amendments to IAS 12 (i)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

- (i) The Group applied Amendments to IAS 12 from the effective date on January 1, 2023. In accordance with the amendments, the Group recognised deferred tax related to assets and liabilities arising from a single transaction of leases that gave rise to equal taxable and deductible temporary differences on the initial recognition of leases that occurred on or after the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest comparative period presented being January 1, 2022, an adjustment of RMB6.6 million was recognised to the gross amounts of deferred tax liabilities and deferred tax assets simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set-off provisions and was presented on a net basis on the consolidated statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on the opening balance of accumulated deficit upon the adoption of the amendments.

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

(b) New standards and amendments not yet adopted by the management of the Group

The following new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2023 and have not been early adopted by the Group in preparing these consolidated financial statements. None of these new standards and amendments to standards is expected to have a significant effect 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 IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	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

4 SEGMENT INFORMATION AND REVENUE

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the directors of the Company consider that the Group's operation is operated and managed as a single segment and no segment information is presented, accordingly.

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

	Year ended December 31,	
	2023	2022
	RMB'000	<i>RMB'000</i>
Game operating revenues		
– Self-developed	507,746	557,559
– Licensed	365,690	34,380
Subtotal	873,436	591,939
Game licensing revenue	18,948	27,361
Information service revenue	9,748	9,625
Other revenue	3,605	1,442
Total revenues	905,737	630,367
Cost of revenues	(347,861)	(208,280)
Gross profit	557,876	422,087
Gross margin	62%	67%

Revenues of approximately RMB33 million and RMB27 million for the years ended December 31, 2022 and 2023, respectively, were from five largest single customers.

During the years ended December 31, 2022 and 2023, none of single customers individually exceeded 10% of the Group's revenue.

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the years ended December 31, 2022 and 2023, respectively:

	Year ended December 31,	
	2023	2022
	RMB'000	<i>RMB'000</i>
Over the time	418,077	318,125
At a point in time	487,660	312,242
	905,737	630,367

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the years ended December 31, 2022 and 2023, respectively:

	Year ended December 31,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Mainland China	647,890	470,584
Other areas (a)	<u>257,847</u>	<u>159,783</u>
Total	<u>905,737</u>	<u>630,367</u>

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

5 EXPENSES BY NATURE

	Year ended December 31,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Marketing and promotion expenses	378,891	147,272
Employee benefits expenses	175,414	216,266
Commissions charged by distribution channels	174,535	145,183
Commissions charged by game developers and IP holders	82,362	11,109
Impairment of non-financial assets	29,664	–
Bandwidth and server custody fee	21,527	20,734
Outsourced technical services	19,037	13,034
Professional services fee	11,209	12,221
Office expenses	10,357	9,930
Depreciation of right-of-use assets	9,961	10,792
Depreciation of property, plant and equipment	4,868	3,771
Auditor remuneration		
– Audit service	4,340	4,290
– Non-audit service	347	320
Commissions charged by payment channel	2,809	1,113
Tax surcharges	1,903	2,274
Rental expenses and utilities	1,866	2,034
Others	<u>3,317</u>	<u>2,357</u>
Total	<u>932,407</u>	<u>602,700</u>

6 OTHER INCOME

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	13,230	5,930
Dividend distribution from long-term investments measured at fair value through profit or loss	<u>32</u>	<u>79</u>
Total	<u>13,262</u>	<u>6,009</u>

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

7 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange (losses)/gains, net	(2,712)	20,583
Donations to charity organizations	(1,015)	(3,411)
Others	<u>(847)</u>	<u>(1,062)</u>
Total	<u>(4,574)</u>	<u>16,110</u>

8 INCOME TAX

The income tax of the Group for the years ended December 31, 2022 and 2023 is analyzed as follows:

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	8,396	20,437
Deferred income tax	<u>4,239</u>	<u>12,442</u>
Total income tax expenses	<u>12,635</u>	<u>32,879</u>

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary shareholders of the Company by the weighted average number of outstanding shares during the years ended December 31, 2022 and 2023.

	Year ended December 31,	
	2023	2022
(Loss)/profit attributable to ordinary shareholders of the Company (RMB'000)	(37,371)	50,283
Weighted average number of outstanding ordinary shares	<u>691,330,500</u>	<u>691,139,718</u>
Basic (loss)/earnings per share (RMB)	<u>(0.05)</u>	<u>0.07</u>

(b) Diluted (loss)/earnings per share

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

For the year ended December 31, 2022, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from IPO over-allotment option (the "OAO").

	Year ended December 31, 2022
Profit attributable to equity holders of the Company (RMB'000)	50,283
Weighted average number of shares in issue	691,139,718
Adjustments for OAO	4,815
Weighted average number of shares for the calculation of diluted earnings per share	<u>691,144,533</u>
Diluted earnings per share (RMB)	<u>0.07</u>

For the year ended December 31, 2023, diluted earnings per share presented is the same as the basic earnings per share as there was no dilutive potential ordinary share.

10 TRADE RECEIVABLES

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Distribution channels	60,216	36,830
Game publishers	5,872	11,800
Information service customers	1,682	791
Others	362	2,943
	<u>68,132</u>	<u>52,364</u>
Less: allowance for impairment	<u>(36)</u>	<u>(23)</u>
	<u>68,096</u>	<u>52,341</u>

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

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	65,638	42,930
3 months to 6 months	2,342	6,502
6 months to 1 year	152	2,932
	<u>68,132</u>	<u>52,364</u>

11 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Authorised				
As at December 31, 2022 and 2023	<u>5,000,000</u>	<u>50</u>	<u>–</u>	<u>–</u>
Issued				
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 13)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(89,320)</u>
As at December 31, 2022 and 2023	<u>691,331</u>	<u>7</u>	<u>44</u>	<u>5,117,821</u>

- (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.

12 TRADE PAYABLES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade payables	<u>78,581</u>	<u>10,078</u>

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

Aging analysis of trade payables based on the recognition date of the trade payables at the respective reporting dates are as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Within 3 months	71,284	9,891
Over 3 months	<u>7,297</u>	<u>187</u>
	<u>78,581</u>	<u>10,078</u>

13 DIVIDEND DISTRIBUTION

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend distribution	<u>—</u>	<u>89,320</u>

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) in 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 year ended December 31, 2023.

OTHER INFORMATION

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

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

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after December 31, 2023 and up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Stock Exchange on December 16, 2021. The net proceeds received from the Global Offering (taking into account the partial exercise of the over-allotment option and after deducting the underwriting fees and commission and other estimated expenses payable by the Company in connection with the Global Offering) was approximately HK\$925.8 million.

The table below sets out the planned usage of the net proceeds from the Global Offering and actual usage up to December 31, 2023:

Use of proceeds	Net proceeds from the Global Offering (after taking into account the partial exercise of the over- allotment option (HK\$ million)	Utilized	Amount	Utilized	Unutilized	Expected timeline for fully utilizing the unutilized amount ⁽¹⁾
		amount up to December 31, 2022 (HK\$ million)	utilized during the Reporting Period (HK\$ million)	amount up to December 31, 2023 (HK\$ million)	amount as of December 31, 2023 (HK\$ million)	
For expanding our game portfolio and invest in our game R&D capabilities and related technologies	324.0	95.2	158.4	253.6	70.4	By December 2024
For expanding our business in the overseas markets	231.4	178.8	52.6	231.4	–	NA
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	61.9	45.4	107.3	31.6	By December 2024
For pursuing strategic investments in and acquisitions of upstream and downstream companies along the mobile game industry chain	138.9	93.2	22.1	115.3	23.6	By December 2024
For working capital and general corporate purpose	92.6	92.6	–	92.6	–	NA
Total	925.8	521.7	278.5	800.2	125.6	

Note:

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all code provisions as set out in part 2 of the CG Code for the Reporting Period.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code for the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee, comprising all the independent non-executive Directors, has reviewed the results of the Group for the year ended December 31, 2023 together with the Group's auditor, and has 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 consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the auditor on this announcement.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "2023 AGM") will be held on June 6, 2024. The notice of the 2023 AGM will be published on the websites of the Company (www.qcplay.com) and the Stock Exchange (www.hkexnews.hk) in April 2024.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2023 (for the year ended December 31, 2022: nil).

CLOSURE OF REGISTER OF MEMBERS

In relation to the 2023 AGM

For ascertaining Shareholders' right to attend and vote at the 2023 AGM, the register of members of the Company will be closed from June 3, 2024 to June 6, 2024, both days inclusive, during which period no transfer of Shares will be effected.

In order to be eligible to attend and vote at the forthcoming 2023 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 31, 2024 for registration.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.qcplay.com). The annual report for the year ended December 31, 2023 will be published on the websites of the Stock Exchange and the Company in April 2024.

DEFINITIONS

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

“2023 AGM”	the forthcoming annual general meeting of the Company to be held on June 6, 2024 or any adjournment thereof
“ARPPU”	average revenue per month per paying user, which is calculated by (i) dividing our revenue from a game for a specified period by the total MPUs of such game for that period; or (ii) dividing our total game revenue for a specified period by the aggregate of the total MPUs of all of our games for that period, as applicable
“Audit Committee”	the audit committee of the Board
“average MAUs”	calculated by dividing (i) the total MAUs of a game, or (ii) the aggregate of the total MAUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MAUs did not consider each game’s data before its official launch
“average MPUs”	calculated by dividing (i) the MPUs of a game, or (ii) the aggregate of the total MPUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MPUs did not consider each game’s data before its official launch
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules

“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
“DIY”	abbreviation of the term do-it-yourself, the activity of designing, decorating or making things by yourself
“Global Offering”	has the meaning ascribed to it under the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries from time to time
“HK dollar” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HMT”	Hong Kong, Macao and Taiwan
“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
“Macao”	the Macao Special Administrative Region of the PRC
“MAU(s)”	monthly active users, which represents the number of active users during a specified calendar month
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules

“MPU(s)”	monthly paying users, which represents the number of paying players during a specified calendar month
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, Macao and Taiwan
“Prospectus”	the prospectus issued by the Company on December 6, 2021 in connection with the Hong Kong public offering of the Shares
“R&D”	Research and Development
“Reporting Period”	twelve months from January 1, 2023 to December 31, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary share(s) in the capital of the Company with nominal value of US\$0.0001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan”	Taiwan Province of the PRC
“USD” or “US\$”	United States Dollars, the lawful currency of the United States of America

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our Shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

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

Hong Kong, March 26, 2024

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