Zengame Technology Holding Limited
禪遊科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2660)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors of Zengame Technology Holding Limited is pleased to announce the interim results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year
	2019	2018	Change*
	(RMB'000)	*(RMB'000)*	%
	(Unaudited)	(Unaudited)	
Revenue	**308,042**	267,826	15.0
Gross profit	**154,348**	101,339	52.3
Gross profit margin	**50.1**	37.8	
Profit for the period	**70,264**	50,761	38.4
Profit (%)	**22.8**	19.0	
Non-IFRS adjusted net profit**	**87,970**	53,972	63.0
Earnings per Share (expressed in RMB per Share)	**0.078**	0.062	25.8
Dividend per Share (expressed in HKD per Share)	**0.05**	N/A	N/A

* Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period of last year.

** Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding Share-based payments and the Listing expenses.

OPERATIONAL HIGHLIGHTS

	For the six months ended 30 June		For the year ended 31 December
	2019	2018	2018
	('000)	*('000)*	*('000)*
All Games			
Cumulative registered players	**605,758**	289,945	442,262
MAU	**53,990**	27,879	35,875
DAU	**8,091**	5,954	6,426
MPU (Virtual items)	**896**	1,287	1,120
ARPPU of virtual items (RMB)	**39**	34	36
Card and Board Games			
Cumulative registered players	**458,001**	245,665	340,368
MAU	**42,119**	20,291	25,309
DAU	**7,301**	5,266	5,594
MPU (Virtual items)	**868**	1,244	1,083
ARPPU of virtual items (RMB)	**38**	33	34
Other Games			
Cumulative registered players	**147,757**	44,280	101,895
MAU	**11,871**	7,588	10,566
DAU	**790**	688	832
MPU (Virtual items)	**28**	43	37
ARPPU of virtual items (RMB)	**58**	82	70

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established mobile game developer and operator in the PRC with special focus on card and board and other casual mobile games. Many of our games are based on well-established classic card and board games and they have been widely welcomed by the users. The Group generated income through the sales of in-game virtual items and in-game advertising. In terms of revenue and active users, Fight the Landlord (鬥地主) and Sichuan Mahjong (四川麻將) are the two most popular card and board mobile games we offer. They are based on real-world card and board games that have enjoyed wide popularity in the PRC for many years. In addition, we also offer casual games, such as Kuaishou Fishing (快手捕魚), a casual fishing game and Happy Mengmengxiao (開心萌萌消), a matching puzzle game. In the first half of 2019, we launched seven new casual mobile games. We launched those games on the platform of Google and Facebook, targeting at the overseas market. As at 30 June 2019, we had 46 self-developed games and 15 third-party games, among which 19 are card games, 14 are board games and 28 are other casual games.

In terms of financial performance, we experienced rapid growth in the first half of 2019. Revenue increased from approximately RMB267.8 million for the six months ended 30 June 2018 to approximately RMB308.0 million for the six months ended 30 June 2019, representing an increase of approximately 15.0%. Our profit increased from approximately RMB50.8 million for the six months ended 30 June 2018 to approximately RMB70.3 million for the six months ended 30 June 2019, representing an increase of approximately 38.4%. Our adjusted net profit, excluding Share-based payments and the Listing expenses, increased from approximately RMB54.0 million for the six months ended 30 June 2018 to approximately RMB88.0 million for the six months ended 30 June 2019, representing an increase of approximately 63.0%.

In terms of business development, the Group continued to optimize and enhance the product experience of existing games, improve the player's activity and stickiness, and cross-sell the new games via in-game portals with the platform-based business model, thereby increasing the number of new players and active users in the first half of 2019. We had approximately 163.5 million new registered players for the six months ended 30 June 2019. Our cumulative registered players increased from approximately 442.3 million as at 31 December 2018 to approximately 605.8 million as at 30 June 2019. Our average MAU increased from approximately 27.9 million for the six months ended 30 June 2018 to approximately 54.0 million for the six months ended 30 June 2019. Our average DAU increased from approximately 6.0 million for the six months ended 30 June 2018 to approximately 8.1 million for the six months ended 30 June 2019. In-game advertising is a new revenue segment of the Group, which has contributed revenue since May 2018. The Group has been launching games via the advertising platforms of Tencent, Vivo, Oppo and Today's Headlines in order to expand the user base. By integrating the advertisements into the games, the Group successfully broadened the revenue source. In the first half of 2019, the Group further strengthened the in-game advertising monetization strategy by starting cooperation with five new platforms, encouraging players, especially non-paying players, to obtain in-game virtual items by watching the advertising videos. As a result, for the six months ended 30 June 2019, the Group's revenue from in-game advertising business amounted to approximately RMB101.5 million, representing an increase of approximately 48 times from RMB2.1 million as compared with the corresponding period of 2018.

In terms of the mobile game industry in the PRC, the PRC government has, after the suspension in March 2018, resumed the approval process of game publication numbers in December 2018. In the first half of 2019, the Group has obtained two new game publication numbers, both of which were for casual games. As at 30 June 2019, we possessed 58 game publication numbers, 48 of which covering our card and board games and 10 of which covering our casual games. Due to the current development strategy and resources allocation, 19 games with publication numbers have not yet been in operation. The Group will start promoting their operations at any time as and when appropriate in the future. We have an adequate reserve in terms of game publication numbers, and are confident that we will continue to obtain new game publication numbers in the future.

The shares of the Company has been successfully listed on the Main Board of the Stock Exchange since 16 April 2019. It was an important milestone for the Group's history, highlighting its competitive edge and capital strength. It also represents investors' recognition of our strategic development, financial performance and corporate governance, which will be the drivers of the Group's growth.

FUTURE PROSPECTS

In the second half of 2019, the Group will continue to move forward following its positive development trend in the six months ended 30 June 2019. We will mainly focus on the following strategies in the second half of 2019:

- Continuously optimizing the current game portfolio, adding new features and gameplay rules, and enhancing players' experience;
- Strengthening cross-selling efforts and increasing the players' scale with the use of big data analysis and using the existing massive player base;
- Continuing to develop the dual monetization model of in-game virtual items consumption and in-game advertisement, and increase our business cooperation with distribution channels and advertising platforms, thereby increasing the Group's income; and
- Strengthening the research and development and promotion of casual games in the overseas markets, and exploring opportunities in the overseas casual games market.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group operated self-developed games and third-party games. All of the games used a Free-to-Play model and the Group generated revenue through the sales of virtual items and in-game advertising.

Sales proceeds of virtual items were initially recorded as contract liabilities on our consolidated statement of financial position and were then recognized as revenue in accordance with our revenue recognition policies. Revenue collected from the paying players of third-party games and the in-game advertising are shared between the Group and the third-party game developers and the advertising platforms based on a pre-determined rate in accordance with the relevant agreements. The revenue generated from the sale of virtual items from third-party games and the in-game advertising are both recognized on a net basis when the relevant services are provided.

The following table sets forth a breakdown of our revenue by business model for the periods indicated:

	For the six months ended 30 June				Year-on-Year Change
	2019		2018		
	RMB'000	*%*	*RMB'000*	*%*	*%*
	(Unaudited)		(Unaudited)		
Sales of virtual items	**206,517**	**67.0**	265,762	99.2	-22.3
— Self-developed games	**200,976**	**65.2**	264,821	98.8	-24.1
— Third-party games	**5,541**	**1.8**	941	0.4	488.8
In-game advertising	**101,525**	**33.0**	2,064	0.8	4,818.8
Total	**308,042**	**100.0**	267,826	100.0	15.0

The following table sets forth a breakdown of our revenue by payment channels for the periods indicated:

	For the six months ended 30 June				Year-on-Year Change
	2019		2018		
	RMB'000	*%*	*RMB'000*	*%*	*%*
	(Unaudited)		(Unaudited)		
Sales of virtual items	**206,517**	**67.0**	265,762	99.2	-22.3
— SMS services	**103,815**	**33.7**	128,975	48.2	-19.5
— Online payment channels	**102,702**	**33.3**	136,787	51.0	-24.9
In-game advertising	**101,525**	**33.0**	2,064	0.8	4,818.8
Total	**308,042**	**100.0**	267,826	100.0	15.0

The following table sets forth a breakdown of our revenue by game category for the periods indicated:

	For the six months ended 30 June				Year-on-
	2019		2018		Year Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
	(Unaudited)		(Unaudited)		
Card games	**259,142**	**84.1**	236,436	88.3	9.6
Board games	**17,412**	**5.7**	6,826	2.5	155.1
Other games	**31,488**	**10.2**	24,564	9.2	28.2
Total	**308,042**	**100.0**	267,826	100.0	15.0

For the six months ended 30 June 2019, the Group's total revenue was approximately RMB308.0 million, representing an increase of approximately 15.0% from approximately RMB267.8 million as compared with the corresponding period of 2018. This increase was primarily due to the significant increase in the revenue generated from the in-game advertising business which the Group began in May 2018.

For the six months ended 30 June 2019, the Group's revenue from the sale of virtue items amounted to approximately RMB206.5 million, representing a decrease of approximately 22.3% from RMB265.8 million as compared with the corresponding period of 2018. On the other hand, for the six months ended 30 June 2019, the Group's revenue from in-game advertising business amounted to approximately RMB101.5 million, representing an increase of approximately 48 times from RMB2.1 million as compared with the corresponding period of 2018. This was mainly due the change of strategy of the Group to encourage more players to get game beans through in-game advertising, such as watching videos or clicking the links of the advertisements, etc.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the six months ended 30 June		Year-on-Year
	2019	2018	Change
	RMB'000	*RMB'000*	%
	(Unaudited)	(Unaudited)	
Payment channel costs	**47,822**	56,538	-15.4
Distribution platform costs	**71,844**	106,713	-32.7
Advertising costs	**28,204**	—	—
Others	**5,824**	3,236	80.0
Total	**153,694**	166,487	-7.7

For the six months ended 30 June 2019, the cost of sales was approximately RMB153.7 million, representing a decrease of approximately 7.7% from approximately RMB166.5 million as compared with the corresponding period of 2018. This was mainly attributable to the mix of (i) the decrease in payment channel costs of RMB8.7 million and distribution platform costs of RMB34.9 million caused by the decrease in the revenue from the sales of virtual items; and (ii) the increase in the advertising costs of RMB28.2 million.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business model:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	**%**	*RMB'000*	%
	(Unaudited)		(Unaudited)	
Sales of virtual items	**83,844**	**40.6**	99,275	37.4
— Self-developed games	**78,303**	**39.0**	98,334	37.1
— Third-party games	**5,541**	**100.0**	941	100.0
In-game advertising	**70,504**	**69.4**	2,064	100.0
Total	**154,348**	**50.1**	101,339	37.8

Gross profit increased by 52.3% from approximately RMB101.3 million for the six months ended 30 June 2018 to approximately RMB154.3 million for the six months ended 30 June 2019, which was in line with the growth of the Group's business. The gross profit margin increased to 50.1% for the six months ended 30 June 2019 from 37.8% for the six months ended 30 June 2018. The increase in the gross profit margin was primarily due to the significant increase in the revenue from in-game advertising, where the margin is much higher than the revenue from the sale of virtue items.

Other Income and Gains

Other income and gains increased by 89.9% from approximately RMB4.6 million for the six months ended 30 June 2018 to approximately RMB8.7 million for the six months ended 30 June 2019. The significant increase was primarily due to the increase in government subsidy of approximately RMB4.1 million.

Selling and Distribution Expenses

Selling and distribution expenses increased from approximately RMB25.6 million for the six months ended 30 June 2018 to approximately RMB35.1 million for the six months ended 30 June 2019. This increase was primarily attributable to the increase in promotion and advertising expenses which were in turn caused by the larger players' scale, thereby increasing the amount of advertisements to maintain and increase the player base.

Administrative Expenses

Administrative expenses increased from approximately RMB10.5 million for the six months ended 30 June 2018 to approximately RMB31.1 million for the six months ended 30 June 2019, primarily due to (i) the incurrence of Listing expenses which amounted to approximately RMB13.3 million; (ii) the increase in staff welfare expenses which amounted to approximately RMB3.8 million; (iii) the increase in professional parties consultation expenses after listed which amounted to approximately RMB0.92 million; and (iv) the increase in Share-based payment which amounted to approximately RMB1.6 million.

Research and Development Expenses

Research and development expenses increased from approximately RMB13.2 million for the six months ended 30 June 2018 to approximately RMB15.6 million for the six months ended 30 June 2019. The increase was primarily due to the increase in welfare expenses caused by the increase in performance bonus and the increase in the number of research and development staff from 92 to 111.

Other Expenses

Other expenses increased from approximately RMB0.4 million for the six months ended 30 June 2018 to approximately RMB1.6 million for the six months ended 30 June 2019, primarily due to the provision of impairment for trade receivables and other Listing expense.

Finance Costs

Finance costs decreased from approximately RMB0.1 million for the six months ended 30 June 2018 to RMB46,000 for the six months ended 30 June 2019, as the relevant loan agreement expired in December 2018.

Income Tax Expense

The income tax expenses for the six months ended 30 June 2019 was approximately RMB9.4 million, increased by 74.2% from approximately RMB5.4 million as compared with the corresponding period of 2018. Such increase was mainly attributable to the increase in the taxable income.

The effective income tax rate for the six months ended 30 June 2018 and 2019 were 9.6% and 11.8%, respectively. Such increase was mainly attributable to the increase in the non-deductable expenses such as the Listing expenses which were incurred in 2019.

Profit for the six months ended 30 June 2019

As a result of the above factors, the net profit of the Group was approximately RMB70.3 million for the six months ended 30 June 2019, an increase of approximately 38.4% as compared with RMB50.8 million for the six months ended 30 June 2018.

Non-IFRS Measures — Adjusted Net Profit

The adjusted net profit for the six months ended 30 June 2019, adjusted by excluding the impact from one-off expenses in relation to the Listing and share-based compensation to key employees, was approximately RMB88.0 million, significantly increased by 63.0% as compared to approximately RMB54.0 million for the first half of 2018.

The following table sets out the adjusted net profit as well as the calculation process based on non-IFRS for the periods indicated:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit for the period	**70,264**	50,761
Add:		
Listing-related expenses	**13,258**	—
Share-based compensation	**4,448**	3,211
Adjusted net profit	**87,970**	53,972

Liquidity and Capital Resources

The Group's total bank balances and cash increased from approximately RMB11.1 million as at 31 December 2018 to approximately RMB243.8 million as at 30 June 2019. Such increase in total bank balances and cash during the six months ended 30 June 2019 was primarily resulted from the increase in the net cash flow from operating activities and the net proceeds from the Listing.

As at 30 June 2019, current assets of the Group amounted to approximately RMB544.0 million, including bank balances and cash of approximately RMB243.8 million and other current assets of approximately RMB300.2 million. Current liabilities of the Group amounted to approximately RMB62.4 million, including trade payables and contract liabilities of approximately RMB36.8 million and other current liabilities of approximately RMB25.6 million. As at 30 June 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 8.7, as compared with 3.7 as at 31 December 2018.

Gearing ratio is calculated by dividing total debt (being interest-bearing bank borrowings) by total equity. The Group does not have any bank borrowings and other debt financing obligations as at 30 June 2019 and the resulting gearing ratio is nil (31 December 2018: nil). The Group intends to finance the expansion, investments and business operations with internal resources.

Capital Expenditures

For the six months ended 30 June 2019, the capital expenditures of the Group amounted to approximately RMB1.8 million, which were primarily used to purchase vehicles and office software.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2019.

Pledge of Assets

As at 30 June 2019, the Group did not pledge any assets.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

Significant Investments, Acquisitions and Disposals

Save as disclosed in this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the six months ended 30 June 2019.

Foreign Exchange Risk Management

The functional currency of the Group is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**308,042**	267,826
Cost of sales		**(153,694)**	(166,487)
Gross profit		**154,348**	101,339
Other income and gains	*5*	**8,714**	4,588
Selling and distribution expenses		**(35,117)**	(25,576)
Administrative expenses		**(31,075)**	(10,470)
Research and development costs		**(15,623)**	(13,208)
Other expenses		**(1,555)**	(398)
Finance costs	*7*	**(46)**	(128)
PROFIT BEFORE TAX	*6*	**79,646**	56,147
Income tax expense	*8*	**(9,382)**	(5,386)
PROFIT FOR THE PERIOD		**70,264**	50,761

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		**70,264**	50,761
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**5,270**	4
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**5,270**	4
Change in fair value of equity instruments designated at fair value through other comprehensive income ("**FVOCI**")	*11*	**2,171**	5,318
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**7,441**	5,322
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**77,705**	56,083
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*10*	**RMB7.8 cents**	RMB6.2 cents
Diluted	*10*	**RMB7.8 cents**	RMB6.2 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	**As at 30 June 2019** *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property and equipment		**3,116**	2,589
Right-of-use asset		**5,092**	—
Other intangible assets		**494**	—
Equity instruments designated at FVOCI	*11*	**54,692**	51,796
Long-term prepayments, deposits and other receivables		**5,000**	5,000
Deferred tax asset		**453**	459
Total non-current assets		**68,847**	59,844
CURRENT ASSETS			
Trade receivables	*12*	**84,163**	98,373
Contract costs	*13*	**10,076**	19,683
Financial assets at fair value through profit or loss	*14*	**192,291**	131,915
Prepayments, deposits and other receivables		**13,676**	13,515
Time deposits with original maturity of over three months		**80,373**	—
Cash and cash equivalents		**163,385**	11,052
Total current assets		**543,964**	274,538
CURRENT LIABILITIES			
Trade payables	*15*	**20,554**	17,080
Contract liabilities	*16*	**16,209**	30,305
Other payables and accruals		**21,433**	23,321
Tax payable		**4,157**	3,460
Total current liabilities		**62,353**	74,166
NET CURRENT ASSETS		**481,611**	200,372
TOTAL ASSETS LESS CURRENT LIABILITIES		**550,458**	260,216

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**3,034**	—
Deferred tax liabilities		**9,567**	7,746
Total non-current liabilities		**12,601**	7,746
Net assets		**537,857**	252,470
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**2,064**	334
Reserves		**535,793**	252,136
Total equity		**537,857**	252,470

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. General information

The Company was incorporated in the Cayman Islands on 28 August 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered address of the office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in developing and operating mobile games in the People's Republic of China (hereafter, the "**PRC**") and investment business in the PRC. There has been no significant change in the Group's principal activities during the reporting periods.

The Company's shares have been listed on the Main Board of Stock Exchange since 16 April 2019.

The Interim Condensed Consolidated Financial Information is presented in thousands of RMB, unless otherwise stated, and is approved for issue by the Board on 13 August 2019. The interim condensed consolidated financial information has not been audited.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards have no significant impact on the Group's interim condensed consolidated financial information.

3.1 Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	2,118
Increase in total assets	2,118
Liabilities	
Increase in lease liabilities	2,118
Increase in total liabilities	2,118
Decrease in retained earnings	—

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Assets	
Operating lease commitments as at 31 December 2018	2,174
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	—
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	56
Commitments relating to leases of low-value assets	—
Lease liabilities as at 1 January 2019	2,118

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease property for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of property due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follow:

	Right-of-use assets	**Lease liabilities**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
As at 1 January 2019	2,118	2,118
Additions	4,140	4,140
Depreciation charge	(1,166)	—
Interest expense	—	46
Payments	—	(1,197)
As at 30 June 2019	5,092	5,107

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in developing and operating mobile games.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the reporting periods, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

Revenue from a customer which amounted to more than 10% of the Group's revenue during the six months ended 30 June 2019 is set out below:

	Six months ended 30 June 2019 *RMB'000* **(Unaudited)**
Customer A	**53,413**

No revenue from services provided to a single customer amounted to 10% or more of the total revenue of the Group during the six months ended 30 June 2018.

5. REVENUE, OTHER INCOME AND GAINS

Revenue mainly represents the value of developing and operating mobile games during the reporting periods.

All revenue is recognized over time as the customer simultaneously receives and consumes in-game virtual items, in-game advertising services and distribution services provided by the entity's performance as the entity performs.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Self-developed games	**200,976**	264,821
Third-party games	**5,541**	941
In-game advertising	**101,525**	2,064
	308,042	267,826
Other income and gains		
Bank interest income	**548**	45
Fair value gains or losses on financial assets at fair value through profit and loss	**2,959**	3,746
Government grants related to income*	**4,845**	795
Others	**362**	2
	8,714	4,588

* Various government grants have been received from local government authorities in the PRC. There are no unfulfilled conditions and other contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Services fee charged by distribution platforms and payment vendors		**119,666**	163,251
Cost of in-game advertising		**28,204**	—
Promotion expenses		**35,117**	25,576
Employee benefit expense (including directors' and chief executives' remuneration):			
— Wages and salaries		**25,745**	20,793
— Pension scheme contributions (defined contribution scheme)		**824**	701
— Equity-settled share-based payment expenses	*18*	**4,448**	3,211
Depreciation of property and equipment		**692**	383
Depreciation of right-of-use assets		**1,166**	—
Amortisation of other intangible assets		**106**	—
Research and development costs		**15,623**	13,208
Minimum lease payments under operating leases		**—**	1,032
Impairment of trade receivables*	*12*	**666**	16
Auditors' remuneration		**611**	306
Listing expense		**13,258**	—

* The provision of impairment for trade receivables is included in other expenses in the consolidated statement of profit or loss.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses	**46**	128

8. INCOME TAX EXPENSE

The major components of the income tax expense for the period are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	**8,279**	5,373
Deferred tax	**1,103**	13
Total tax charge for the period	**9,382**	5,386

Taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries/regions in which the Group operates.

9. DIVIDENDS

The Board has resolved to recommend the payment of an interim dividend of HK$0.05 per share out of the share premium account of the Company for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue, during the six months ended 30 June 2019 and 2018.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2019 and 2018 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 17.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 and 2018.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**70,264**	50,761
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**901,207,646**	820,000,000

11. EQUITY INSTRUMENTS DESIGNATED AT FVOCI

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Listed equity investment:		
Genimous Technology Co., LTD. ("**Zhidu Technology**")*	**52,353**	49,571
Non-listed equity investments:		
Shenzhen Flying Fish Interactive Technology Company Limited ("**Flying Fish**")	**839**	725
Shenzhen Yiyou Technology Company Limited ("**Yiyou**")	**1,500**	1,500
	54,692	51,796

The above investments consist of investments in equity securities which were designated as equity instruments designated at FVOCI in financial assets.

For the six months ended 30 June 2019 and 2018, the changes in the fair value and income tax effect in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income are as below:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The gross fair value change in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income	**2,894**	7,091
Income tax effect	**(723)**	(1,773)
Changes in fair value on equity instruments designated at FVOCI	**2,171**	5,318

Equity instruments designated at FVOCI include investments in equity shares of listed and non-listed companies. The Group holds non-controlling interests (less than 7%) in these companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

* The Listed equity investment represents the Group's shareholding in Zhidu Technology, a third party company listed on the Shenzhen Stock Exchange. On 18 May 2016, the Group disposed its 3.2889% equity investment in Shanghai Falcon Network Limited in exchange for 5,803,941 shares of Zhidu Technology. The accumulated fair value reserve recognized for Shanghai Falcon in other comprehensive income of RMB22,693,000 was transferred to the retained earnings in the consolidated financial statement. The Group accounted for the equity investment in Zhidu Technology as an equity instrument designated at FVOCI. The fair value of the shares of Zhidu Technology as at 31 December 2018 and 30 June 2019 was RMB49,571,000 and RMB52,353,000, respectively.

12. TRADE RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**85,135**	98,679
Provision for expected credit losses	**(972)**	(306)
	84,163	98,373

The Group's trade receivables primarily consist of those due from third-party distribution platforms and payment vendors who collected payment from Paying Players on behalf of the Group. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and are generally on terms within 90 days.

An aging analysis of the trade receivables as at the end of each of the reporting periods, based on the recognition date of gross trade receivables and net of provision, is as follows:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**68,759**	85,056
91 to 180 days	**12,553**	9,688
181 days to 1 year	**2,219**	2,742
1 year to 2 years	**632**	887
	84,163	98,373

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk and days past due of the trade receivables to measure the expected credit losses.

13. CONTRACT COSTS

Contract costs are mainly related to contract acquisition costs. Management expects that incremental relevant distribution service fees paid as a result of obtaining customer contracts are recoverable, which meet the contract acquisition cost criteria when the Group considers the Paying Player as its customers. The Group has therefore capitalised them as contract costs in the amount of RMB10,076,000 and RMB19,683,000 as at 30 June 2019 and 31 December 2018.

Capitalised relevant service fees are amortised when the related revenue is recognised, which is consistent with the pattern of recognition of the associated revenue. The amount of amortisation was RMB119,665,000 and RMB297,506,000 for each of the reporting periods and there was no impairment loss in relation to the costs capitalised.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Wealth management products issued by licensed banks, at fair value	**192,291**	131,915
	192,291	131,915

Wealth management products were denominated in RMB, with an expected rate of return ranging from 3.00% to 4.50% and 3.00% to 5.22% per annum for the six months ended 30 June 2019 and year ended 31 December 2018, respectively. The return on all of these wealth management products is not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flows discounted using the expected return based on management judgement and are within categorized level 2 of the fair value hierarchy.

15. TRADE PAYABLES

An aging analysis of the trade payables as at the end of each of the reporting periods, based on the invoice date, is as follows:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**13,482**	8,406
3 to 6 months	**3,460**	4,311
6 months to 1 year	**1,796**	4,085
1 year to 2 years	**1,782**	278
2 years to 3 years	**34**	—
	20,554	17,080

The trade payable are non-interest-bearing and are normally settled on 180-day terms.

16. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2019 and 31 December 2018 and will be expected to be recognised within one year:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Online game revenue	**16,209**	30,305

Deferred online game revenue primarily consists of the unamortized revenue from sales of game beans and other virtual items for online games, where there is still an implied obligation to be provided by the Group.

(1) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the reporting periods relates to carried-forward contract liabilities.

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Online game revenue	**30,305**	42,278

(2) Unsatisfied contracts

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expected to be recognized within one year		
Online game revenue	**16,209**	30,305

17. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 August 2018 with authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which all the shares were issued and allotted and fully paid.

The Company had received an undertaking from certain then shareholders of Zen-Game Shenzhen, pursuant to which, the shareholders undertake to enter into the structured contracts with the Company and/or any of its subsidiaries such Zen-Game Shenzhen shall become controlled by the Company as a variable interest entity in consideration for the Company's agreement to crediting the shares credited as fully paid at par.

Shares

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Authorized:		
50,000,000,000 ordinary shares of HK$0.01 each as at 30 June 2019 (2018: 50,000,000,000 ordinary shares)	**440,000**	440,000
Issued and fully paid:		
1,021,672,000 ordinary shares as at 30 June 2019 (2018: 38,000,000 ordinary shares)	**2,064**	334

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** *RMB'000*
At 31 December 2018 (Audited) and 1 January 2019		38,000,000	334
Capitalisation Issue	*(a)*	782,000,000	—
Global offering (excluding shares issued under the over-allotment option)	*(b)*	180,000,000	1,540
Over-allotment	*(c)*	21,672,000	190
At 30 June 2019 (Unaudited)		1,021,672,000	2,064

(a) 782,000,000 shares were allotted and issued to the shareholders of the Company immediately prior to the listing of the Company's shares on 16 April 2019 by way of capitalisation.

(b) On 16 April 2019, the Company was listed on the Main Board of Stock Exchange with the stock code 2660 and made an offering of 180,000,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at HK$1.23 per share.

(c) The over-allotment option was partially exercised and the Company allotted and issued 21,672,000 additional shares, representing approximately 12.04% of the total number of the offer shares initially available under the global offering, at HK$1.23 per share on 15 May 2019.

18. SHARE-BASED PAYMENT

Hezhong Century Technology Company Limited ("**Hezhong**") is a limited liability company controlled by Mr. Ye Sheng and Mr. Yang Min incorporated in the PRC since May 2012 and has become a shareholder of Zen-Game Shenzhen since June 2012. Except for holding an equity interest in Zen-Game Shenzhen, Hezhong did not conduct any other business. On 1 June 2016 and 1 June 2018, Hezhong granted 3,502,850 and 617,000 restricted shares units ("**RSUs**"), representing 2,980,300 underlying shares of and 5.52% equity interest in Zen-Game Shenzhen to the senior management and key employees ("**Grantees**") of the Group to retain them for the continuing operation and development of the Group. The RSUs enabled the Grantees to indirectly entitle to the ownership of Zen-Game Shenzhen through their respective equity interests in Hezhong.

The vesting period of the RSUs is determined to be two years with 50% each which will be vested at the end of each anniversary, or four years with 25% each which will be vested at the end of each anniversary, or six years with 10% each which will be vested at rear of the initial two anniversaries and each of 20% of at the end of the following four anniversaries.

Movements during the year

Movements in the number of shares held for the Scheme and awarded shares for the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019 are as follows:

	Number of shares held for the Share Award Scheme	**Number of awarded shares**	**Total**
At 1 January 2016	—	—	—
Granted	3,502,850	—	3,502,850
Awarded	—	—	—
At 31 December 2016	3,502,850	—	3,502,850
Awarded	(630,463)	630,463	—
At 31 December 2017	2,872,387	630,463	3,502,850
Granted	617,000	—	617,000
Awarded	(630,462)	630,462	—
At 31 December 2018	2,858,925	1,260,925	4,119,850
Awarded	(1,056,213)	1,056,213	—
At 30 June 2019	1,802,712	2,317,138	4,119,850

As part of the Restructuring, the Company issued shares to Hezhong Power Limited which is the nominee of trust and beneficially owned by the Grantees in exchange for controlling Hezhong's equity interest in Zen-Game Shenzhen. The percentage of the equity interest held by Hezhong Power Limited in the Company is identical to the percentage of the equity interest in Zen-Game Shenzhen indirectly held by the Grantees through Hezhong. There was no change in any other vesting conditions. There was no significant incremental value noted before and after the modification given the Zen-Game Shenzhen has carried out substantially all of the businesses owned by the Group.

The expense recognised for employee services received during the reporting periods is shown in the following table:

	Six months ended 30 June 2019	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Share-based payment expenses	**4,448**	3,211

The directors of the Company appointed an independent valuer, Value Link Group, to estimate the fair values of the above RSUs as at the respective grant dates.

The following table lists the key inputs to the model used for the valuation of restricted shares granted on each grant date:

	Granted on 1 June 2016	**Granted on 1 June 2018**
Weighted average cost of capital *(%)*	24	22
Discount for lack of marketability *(%)*	27	15
Weighted average share price *(RMB per share)*	5.06	14.97
Model used	Discounted cash flow method	Discounted cash flow method

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2019 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Company from the Listing are approximately HK$206.5 million (after deduction of the underwriting commissions in respect of the offering and other estimated expenses). We have, and will continue to utilize the net proceeds from the Global Offering in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 3 April 2019.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2019, the Group had approximately 181 employees (177 as at 31 December 2018). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the six months ended 30 June 2019.

PAYMENT OF INTERIM DIVIDEND

Having taken into account the performance of the Group for the financial year ended 31 December 2018 and the six months ended 30 June 2019, the Board declared an interim dividend of HK$0.05 per Share for the six months ended 30 June 2019 to the Shareholders whose names appear on the register of members of the Company on Friday, 30 August 2019. The total amount is HK$51.1 million. The payment date of the interim dividend is expected to be on or before Wednesday, 18 September 2019.

The Company does not have a fixed dividend policy and any dividend payout in the future will depend on our earnings and financial condition, operational needs, capital requirements and any other conditions that the Directors may consider relevant.

CLOSURE OF THE REGISTER OF MEMBERS

In order to be qualified for the interim dividend, the register of members of the Company will be closed from Wednesday, 28 August 2019 to Friday, 30 August 2019, both days inclusive, during which period no transfer of Shares of the Company will be effected. All Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 27 August 2019.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules on the Stock Exchange as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code throughout the period commencing from the Listing Date to 30 June 2019, save for deviation from code provision A.2.1 of the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

Mr. Ye Sheng is both the chief executive officer of the Group and the chairman of the Board. The Board believes that vesting the roles of both chief executive officer and chairman of the Board in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises six other experienced and high-calibre individuals including another executive Director, two non-executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from Code A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors in March 2019.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding Directors' securities transactions throughout out the period from the Listing Date to 30 June 2019.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three members, namely, Mr. Jin Shuhui, Mr. Mao Zhonghua and Mr. Yang Yi, all of whom are independent non-executive Directors. Mr. Jin Shuhui is the chairman of the Audit Committee.

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for during the six months ended 30 June 2019 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The interim results for the six months ended 30 June 2019 is unaudited, but has been reviewed by Ernst & Young, the auditor of the Company, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity".

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the period from the Listing Date to 30 June 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.zen-game.com). The interim report for the six months ended 30 June 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

DEFINITIONS

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

"ARPPU"	monthly average revenue per paying user, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
"Company"	Zengame Technology Holding Limited (禪遊科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 August 2018
"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"DAU"	daily active users
"Director(s)"	the director(s) of the Company
"Free-to-Play"	a business model which players can play games for free, but may need to pay for virtual items sold in games to enhance their game experience
"Group"	collectively, the Company and its subsidiaries
"HK$", "HKD" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange

"Listing Date"	16 April 2019, the date of which the Company's shares were listed on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
"MAU"	monthly active users
"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
"MPU"	monthly playing users
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Zen-Game Shenzhen"	Shenzhen Zen-Game Technology Co. Ltd.* (深圳市禪遊科技股份有限公司), a company established as a limited liability company under the laws of the PRC on 20 July 2010 and converted into a joint stock company with limited liability in September 2015 and an indirect wholly-owned subsidiary of the Company
"%"	per cent

By Order of the Board
Zengame Technology Holding Limited
Ye Sheng
Chairman

Hong Kong, 13 August 2019

As at the date of this announcement, the executive Directors are Mr. Ye Sheng and Mr. Yang Min, the non-executive Directors are Mr. Lin Cong and Ms. Li Wen, and the independent non-executive Directors are Mr. Jin Shuhui, Mr. Mao Zhonghua and Mr. Yang Yi.