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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors of Zengame Technology Holding Limited is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change* %
	31 December 2020 (RMB'000)	2019 (RMB'000)	
Revenue	742,506	662,100	12.1
Gross profit	364,559	324,953	12.2
Gross profit margin (%)	49.1	49.1	
Profit for the period	220,968	160,519	37.7
Net profit margin (%)	29.8	24.2	
Non-HKFRS adjusted net profit**	223,217	181,267	23.1
Earnings per Share			
(expressed in RMB per Share)	0.22	0.17	29.4
Final dividend per Share			
(expressed in HKD per Share)	0.06	0.03	100%

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

** Non-HKFRS adjusted net profit was derived from the profit for the year excluding the Share-based compensation and the Listing expenses (where applicable).

OPERATIONAL HIGHLIGHTS

	For the year ended	
	31 December	
	2020	2019
	('000)	('000)
All Games		
Cumulative registered players	1,090,674	728,067
MAU	60,466	48,538
DAU	7,906	7,486
MPU (Virtual items)	649	809
ARPPU of virtual items (RMB)	35	37
Card and Board Games		
Cumulative registered players	845,754	548,099
MAU	51,964	38,696
DAU	7,248	6,768
MPU (Virtual items)	629	775
ARPPU of virtual items (RMB)	31	36
Other Games		
Cumulative registered players	244,920	179,969
MAU	8,502	9,842
DAU	658	717
MPU (Virtual items)	19	33
ARPPU of virtual items (RMB)	183	61

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 games and other casual 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 virtual items and in-game information service. In the year of 2020, the global outbreak of the COVID-19 pandemic has severely affected the health and lives of the people, and also caused a huge impact on the global economy. As a result, people's work, living and entertainment habits have significantly changed as well. Games served as an important channel in keeping players entertained and connected with each other. Leveraging on such social circumstances, the Group seized the opportunity and continued to improve our internal procedures and supporting systems such as big data analysis system and promotion system, and explore more distribution platforms, and released more new features and ran compelling in-game events and activities. In 2020, we launched 18 new games, among which, 16 are casual games and two are board games. As at 31 December 2020, we had 58 self-developed games and 13 third-party games, among which 18 are card games, 17 are board games and 36 are other casual games, respectively.

In terms of financial performance, we experienced a rapid growth in the year of 2020. Revenue increased from approximately RMB662.1 million for the year ended 31 December 2019 to approximately RMB742.5 million for the year ended 31 December 2020, representing an increase of approximately 12.1%. Our net profit increased from approximately RMB160.5 million for the year ended 31 December 2019 to approximately RMB221.0 million for the year ended 31 December 2020, representing an increase of approximately 37.7%. Our adjusted net profit, excluding the Share-based compensation, increased from approximately RMB181.3 million for the year ended 31 December 2019 to approximately RMB223.2 million for the year ended 31 December 2020, representing an increase of approximately 23.1%.

Our revenue generated from in-game information service achieved a significant growth in the year of 2020. Such growth was attributable to our strengthened cooperation on advertising monetization with well-known advertising platforms such as ByteDance and Tencent, and our cooperation with some new advertising monetization platforms such as Kuaishou and Youshi Technology. In addition, a majority of our newly-launched games in 2020 are hyper-casual games without in-game virtual items purchase systems. In order to continue playing the games, users can choose to watch advertisement videos and obtain relevant in-game virtual items as rewards. At the same time, we have also optimized and enriched our method of advertising monetization which has further improved the monetization ability of our in-game information service. As a result, for the year ended 31 December 2020, the Group's revenue from in-game information service amounted to

approximately RMB486.2 million, representing an increase of approximately 58.4% from RMB307.0 million as compared with the year ended 31 December 2019.

In terms of business development, in the year of 2020, the Group optimized and enhanced the product experience of existing games and further increased the player's activity and stickiness. For instance, our signature game "Tiantian Fight the Landlord (Live-action version) (《天天鬥地主 — 真人版》)" introduced new gameplays such as character creation, allowing players to experience the entertainment of creating and levelling up characters in addition to playing cards. Meanwhile, our number of new players has also increased through our strengthened promotion efforts in expanding promotion channels such as Toutiao, Pinduoduo, Kuaishou and Douyin. As a result, the Group recorded a significant increase in the cumulative registered players and active users in the year of 2020. We had approximately 1.1 billion cumulative registered players as at 31 December 2020. Our average MAU increased from approximately 48.5 million for the year ended 31 December 2019 to approximately 60.5 million for the year ended 31 December 2020. Our average DAU increased from approximately 7.5 million for the year ended 31 December 2019 to approximately 7.9 million for the year ended 31 December 2020. With our further optimization and improvement of our in-game information service strategy, notwithstanding that our ARPPU of virtual items decreased slightly from approximately RMB37 for the year ended 31 December 2019 to approximately RMB35 for the year ended 31 December 2020 and our average MPU dropped slightly from approximately 0.8 million for the year ended 31 December 2019 to approximately 0.6 million for the year ended 31 December 2020, respectively, our revenue from in-game information service increased noticeably and led to a significant growth in our overall revenue for the year ended 31 December 2020.

In terms of research and development, we have continued to invest in operational support platforms and products development and have achieved good results. We have established a complete set of distribution tool system, data analysis system and self-owned advertising platform system, etc. These supporting systems can significantly improve the effectiveness and efficiency of distribution to such an extent that we are now able to use such systems to automatically distribute promotional materials and content on Toutiao and Kuaishou, and continuously upgrade the artificial intelligence levels in data analysis, making data utilization effortless. In 2020, we have obtained 11 new casual game publication numbers and as at 31 December 2020, we accumulated 72 game publication numbers in total. We currently have three medium-core casual games targeting overseas markets under development, which are expected to be launched in the second quarter of 2021.

In terms of investment, after Listing and as at 31 December 2020, we made equity investments in a total of five companies, with an aggregated principal amount of approximately RMB12.0 million. These companies in which we have invested are mainly game developers or companies with internet traffic operation or promotion resources. Through these investments, we further strengthened our external learning and cooperation and expanded our capability boundaries.

FUTURE PROSPECTS

In 2021, the Group will continue to move forward following its positive development trend during the year ended 31 December 2020. We will mainly focus on the following strategies in the year of 2021:

- continuously strengthening our brand building and enhance the effect of word-of-mouth, in addition to expanding promotion channels;
- increasing our effort in building platforms for player communities and redefining the card and board game products with an innovative “Fight the Landlord Plus (鬥地主+)” mode by adding multi-element entertainment experiences such as functions which allow players to communicate and interact with each other on the Fight the Landlord platform;
- continuously exploring opportunities in overseas casual game markets and developing competitive products;
- pursuing opportunities to acquire or invest in other game development team which are compatible with our development strategies and continuously expanding our business boundaries; and
- building a talented team with efficient learning capability and embracing a future of both uncertainties and opportunities with an open and focused attitude.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, 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 information service.

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 information service 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 information service 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 years indicated:

	For the year ended 31 December				Year-on-Year Change %
	2020		2019		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Sales of virtual items	256,345	34.5	355,100	53.6	-27.8
— Self-developed games	244,797	33.0	342,748	51.8	-28.6
— Third-party games	11,548	1.5	12,352	1.8	-6.5
In-game information service	486,161	65.5	307,000	46.4	58.4
Total	742,506	100.0	662,100	100.0	12.1

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

	For the year ended 31 December				Year-on-Year Change %
	2020		2019		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Card games	490,863	66.1	478,895	72.3	2.5
Board games	64,397	8.7	32,832	5.0	96.1
Other games	187,246	25.2	150,373	22.7	24.5
Total	742,506	100.0	662,100	100.0	12.1

For the year ended 31 December 2020, the Group's total revenue was approximately 742.5 million, representing an increase of approximately 12.1% from approximately RMB662.1 million for the year ended 31 December 2019. This increase was primarily due to the significant increase in the revenue generated from in-game information service.

The Group's revenue derived from the sales of virtue items decreased by 27.8% from approximately RMB355.1 million for the year ended 31 December 2019 to approximately RMB256.3 million for the year ended 31 December 2020. On the other hand, the Group's revenue derived from in-game information service increased by 58.4% from approximately RMB307.0 million for the year ended 31 December 2019 to RMB486.2 million for the year ended 31 December 2020. This was mainly due to the improved advertising monetization as a result of the expanded player base and increased number of active users.

Cost of Sales

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

	For the year ended 31		Year-on-Year Change %
	December 2020 (RMB'000)	2019 (RMB'000)	
Payment channel costs	70,496	81,165	-13.1
Distribution platform costs	54,790	121,175	-54.8
Information service costs	240,813	123,193	95.5
Others	11,848	11,614	2.0
Total	377,947	337,147	12.1

For the year ended 31 December 2020, the cost of sales was approximately RMB377.9 million, representing an increase of approximately 12.1% from approximately RMB337.1 million for the year ended 31 December 2019. This was mainly attributable to the significant increase in information service costs caused by the Group's increased advertising effort to generate higher revenue from advertising monetization, and was partially offset by the decrease in payment channel costs and distribution platform costs in line with the decrease in the sales of virtual items.

Gross Profit and Gross Profit Margin

Gross profit increased by 12.2% from approximately RMB325.0 million for the year ended 31 December 2019 to approximately RMB364.6 million for the year ended 31 December 2020, which was in line with the growth of the Group's business. The gross profit margin for the year ended 31 December 2020 remained stable at 49.1% as compared to that for the year ended 31 December 2019.

The following table sets forth our gross profit and gross profit margin by business model for the years indicated:

	For the year ended 31 December			
	2020		2019	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Sales of virtual items				
— Self-developed games	107,663	44.0	128,794	37.6
— Third-party games	11,548	100.0	12,352	100.0
In-game information service	<u>245,348</u>	50.5	<u>183,807</u>	59.9
Total	<u><u>364,559</u></u>	49.1	<u><u>324,953</u></u>	49.1

Other Income

Other income increased by 55.1% from approximately RMB17.6 million for the year ended 31 December 2019 to approximately RMB27.3 million for the year ended 31 December 2020. The increase was primarily due to the increase in bank interest income and fair value gains on financial assets at fair value through profit and loss.

Selling and Distribution Expenses

Selling and distribution expenses decreased from approximately RMB80.9 million for the year ended 31 December 2019 to approximately RMB68.3 million for the year ended 31 December 2020. Such decrease was primarily due to the decrease in the promotion expenses of virtual items which was in line with the decrease in revenue generated from the sales of virtual items for the year ended 31 December 2020.

Administrative Expenses

Administrative expenses decreased from approximately RMB43.2 million for the year ended 31 December 2019 to approximately RMB30.9 million for the year ended 31 December 2020, primarily due to the absence of listing expenses which was incurred only for the year ended 31 December 2019 for an amount of RMB14.3 million.

Research and Development Expenses

Research and development expenses increased from approximately RMB38.3 million for the year ended 31 December 2019 to approximately RMB53.8 for the year ended 31 December 2020. The increase was primarily due to our increased investment in research and development. Our research and development personnel increased by 40 or 32.5% as compared to the year ended 31 December 2019.

Other Expenses

Other expenses decreased by 42.9% from approximately RMB2.1 million for the year ended 31 December 2019 to approximately RMB1.2 million for the year ended 31 December 2020. The decrease was mainly due to the reversal of the impairment of trade receivables.

Finance Costs

Finance costs remained relatively stable at RMB0.5 million for the year ended 31 December 2020. Such finance costs were primarily relating to interest on lease liabilities and interest on bank loans.

Income Tax Expense

The income tax expenses decreased from approximately RMB17.2 million for the year ended 31 December 2019 to approximately RMB16.2 million for the year ended 31 December 2020, representing a decrease of approximately 5.8%. Such decrease was mainly attributable to the tax exemptions applicable to Tiantianlaiwan as a software enterprise which partially offset the increase in taxable income of the Group.

Profit for the year ended 31 December 2020

As a result of the above factors, the net profit of the Group was approximately RMB221.0 million for the year ended 31 December 2020, representing an increase of approximately 37.7% as compared with RMB160.5 million for the year ended 31 December 2019.

Non-HKFRS Measures — Adjusted Net Profit

The adjusted net profit for the year ended 31 December 2020, adjusted by Share-based compensation, was approximately RMB223.2 million, increased by 23.1% as compared to approximately RMB181.3 million for the year ended 31 December 2019.

The following table sets out the adjusted net profit as well as the calculation process based on non-HKFRS for the years ended 31 December 2020 and 2019:

	For the year ended	
	31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the period	220,968	160,519
Add:		
Listing-related expenses	—	14,312
Share-based compensation	2,249	6,436
	<hr/>	<hr/>
Adjusted net profit	<u>223,217</u>	<u>181,267</u>

Liquidity and Capital Resources

The Group's total bank balances and cash increased from approximately RMB293.5 million as at 31 December 2019 to approximately RMB608.8 million as at 31 December 2020. Such significant increase in total bank balances and cash during the year ended 31 December 2020 was primarily resulted from (i) the increase in cash balance from operating profit; and (ii) the consideration of approximately RMB37.7 million from the disposal of the shares in Genimous Technology Co., LTD., a third party company listed on the Shenzhen Stock Exchange.

As at 31 December 2020, current assets of the Group amounted to approximately RMB825.6 million, primarily consisting bank balances and cash of approximately RMB608.8 million and financial assets at fair value through profit or loss of approximately RMB110.7 million. Current liabilities of the Group amounted to approximately RMB57.6 million, primarily consisting other payables and accruals of approximately RMB33.6 million and trade payables and contract liabilities of approximately RMB17.3 million. As at 31 December 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 14.3, as compared with 5.07 as at 31 December 2019.

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 31 December 2020 and the resulting gearing ratio is nil (31 December 2019: nil). The Group intends to finance the expansion, investments and business operations with internal resources.

Capital Expenditures

For the year ended 31 December 2020, the capital expenditures of the Group amounted to approximately RMB5.1 million, which were primarily used to purchase vehicles and office equipment.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020.

Pledge of Assets

As at 31 December 2020, 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 year ended 31 December 2020.

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	RMB'000	RMB'000
REVENUE	4	742,506	662,100
Cost of sales		<u>(377,947)</u>	<u>(337,147)</u>
Gross profit		364,559	324,953
Other income and gains	4	27,349	17,638
Selling and distribution expenses		(68,305)	(80,893)
Administrative expenses		(30,890)	(43,210)
Research and development costs		(53,816)	(38,279)
Other expenses		(1,150)	(2,147)
Finance costs		<u>(499)</u>	<u>(350)</u>
Share of profits and losses of: joint ventures		<u>(60)</u>	<u>—</u>
PROFIT BEFORE TAX	5	237,188	177,712
Income tax expense	6	<u>(16,220)</u>	<u>(17,193)</u>
PROFIT FOR THE YEAR		220,968	160,519
Attributable to:			
Owners of the parent		<u>220,968</u>	<u>160,519</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE			
PARENT			
Basic	8	<u>RMB21.71 cents</u>	<u>RMB16.69 cents</u>
Diluted	8	<u>RMB21.71 cents</u>	<u>RMB16.69 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
PROFIT FOR THE YEAR		<u>220,968</u>	<u>160,519</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(6,237)</u>	<u>8,408</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		<u>(6,237)</u>	<u>8,408</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Change in fair value	9	<u>12,810</u>	<u>11,602</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>6,573</u>	<u>20,010</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>227,541</u>	<u>180,529</u>
Attributable to:			
Owners of the parent		<u>227,541</u>	<u>180,529</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property and equipment		5,398	3,652
Investment in joint ventures		8,940	—
Intangible assets		892	334
Right-of-use assets		4,480	6,355
Equity instruments designated at fair value through other comprehensive income (“FVOCI”)	9	3,600	40,606
Long-term prepayments, deposits and other receivables		6,750	7,400
Deferred tax assets		515	546
Total non-current assets		30,575	58,893
CURRENT ASSETS			
Trade receivables	10	71,259	193,204
Contract costs		3,308	8,743
Financial assets at fair value through profit or loss	11	110,680	166,998
Prepayments, deposits and other receivables		31,476	18,648
Time deposits with original maturity of over three months		323,915	131,662
Cash and cash equivalents	12	284,921	161,843
Total current assets		825,559	681,098
CURRENT LIABILITIES			
Trade payables	13	10,484	71,731
Contract liabilities		6,784	15,558
Other payables and accruals	14	33,559	33,256
Lease liabilities		2,924	2,461
Tax payable		3,831	11,380
Total current liabilities		57,582	134,386
NET CURRENT ASSETS		767,977	546,712
TOTAL ASSETS LESS CURRENT LIABILITIES		798,552	605,605

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		1,803	4,080
Deferred tax liabilities		142	6,210
		<hr/>	<hr/>
Total non-current liabilities		1,945	10,290
		<hr/>	<hr/>
Net assets		796,607	595,315
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	8,946	8,946
Reserves		787,661	586,369
		<hr/>	<hr/>
Total equity		796,607	595,315
		<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

1. CORPORATE AND GROUP 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 year ended 31 December 2020.

In the opinion of the directors, the Company is ultimately controlled by Ye Sheng and Yang Min.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products and equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{3, 6}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{3, 5}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ²
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ²
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

3. 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 year, 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 customers which amounted to more than 10% of the Group's revenue for the year ended 31 December 2020 is set out below:

	<i>RMB'000</i>
Customer A	192,251
Customer B	172,271

Revenue from a customer which amounted to more than 10% of the Group's revenue for the year ended 31 December 2019 is set out below:

	<i>RMB'000</i>
Customer A	114,113
Customer B	101,235

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2020 RMB'000	2019 RMB'000
Revenue:		
Types of goods or services		
Self-developed games	244,797	342,748
Third-party games	11,548	12,352
In-game information service	486,161	307,000
	<u>742,506</u>	<u>662,100</u>
Total revenue from contracts with customers	<u>742,506</u>	<u>662,100</u>
Timing of revenue recognition		
Services transferred over time	<u>742,506</u>	<u>662,100</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	<u>15,558</u>	<u>30,305</u>

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Virtual items in self-developed games

The performance obligation of the operation of self-developed games is satisfied over the estimated player relation period as the customer simultaneously receives and consumes in-game virtual items provided by the entity's performance as the entity performs.

The distribution platforms collect the payment from the paying players and remit the cash to the Company net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and distribution platforms or third-party payment vendors. The payment is generally due within 30 to 90 days from the date of collecting the payment from the paying players.

Publishing service for third party games

The performance obligation is satisfied over time as the third-party game's developer simultaneously receives publishing services provided by the entity's performance as the entity performs. The payment is generally due within 30 to 90 days from the date of billing.

In-game information service

The performance obligation is satisfied over time as the advertiser simultaneously receives in-game information service provided by the entity's performance as the entity performs. The payment is generally due within 30 to 90 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year	<u><u>6,784</u></u>	<u><u>15,558</u></u>

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividend income from equity instruments designated at FVOCI	—	174
Bank interest income	7,325	3,751
Fair value gains or losses on financial assets at fair value through profit or loss	9,284	6,757
Government grants related to income*	4,676	4,872
Super deduction for input VAT	3,214	1,542
Donation income	2,800	—
Others	<u>50</u>	<u>542</u>
	<u><u>27,349</u></u>	<u><u>17,638</u></u>

- * 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.

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Services fee charged by distribution platforms and payment vendors		125,286	202,340
Information service cost		240,813	123,193
Promotion expenses		68,305	80,893
Employee benefit expense (excluding directors' and chief executives' remuneration):			
Wages and salaries		63,980	46,849
Pension scheme contributions (defined contribution schemes)		322	2,063
Equity-settled share-based payment expenses		2,249	6,436
Depreciation of property and equipment		2,587	1,703
Depreciation of right-of-use assets		2,717	2,384
Amortisation of intangible assets		182	266
Research and development costs		53,816	38,279
Impairment of trade receivables*	10	(102)	1,002
Auditors' remuneration		2,000	2,350
Listing expense		—	14,312

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

6. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Shenzhen Zen Game Technology Company Limited (深圳市禪遊科技股份有限公司) ("**Zen-game Shenzhen**") was qualified as a "Key Software Enterprise" in November 2016 and the applicable tax rate was 10% for the years ended 31 December 2017. Zen-game Shenzhen applied the most preferential tax rate of 10% for the year ended 31 December 2018 and 2019. Being qualified continually, Zen-game Shenzhen also applied the most preferential tax rate of 10% for the year ended 31 December 2020.

Shenzhen Laiwan Technology Company Limited (深圳市來玩科技有限公司) ("**Shenzhen Laiwan**") was accredited as a "Software Enterprise" in 2019 under the relevant PRC laws and regulation and was entitled with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Therefore, Shenzhen Laiwan was exempted from income tax for its first two profitable years (i.e. 2019 and 2020) and was entitled to a preferential income tax rate of 12.5% from 2021 to 2023.

Shenzhen Leduo Interactive Technology Company Limited (深圳市樂多互動科技有限公司) and Zhuhai Zhangyou Technology Company Limited (珠海市掌遊科技有限公司) are qualified as small low-profit enterprises (“**SLPEs**”). According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that have become effective from 2019 onwards, the applicable tax rate was 20% for the SLPEs. For the SLPEs of annual taxable income less than or equal to RMB1,000,000, the effective taxable income is calculated based on 25% of the annual taxable income. For the SLPEs of annual taxable income over RMB1,000,000 and less than or equal to RMB3,000,000, the effective taxable income is calculated based on 50% of the annual taxable income.

Shenzhen Tiantianlaiwan Technology Co., Ltd. (深圳市天天來玩科技有限公司) (“**Tiantianlaiwan**”) was qualified as a “Software Enterprise” under the relevant PRC Laws and regulations with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Tiantianlaiwan expected it will be exempt from income tax for the year 2020.

Pursuant to the PRC Enterprise Income Tax Law (“**EIT Law**”) and the respective regulations, the other PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year.

Hong Kong profits tax has been provided at the rate of 16.5% on the Group’s assembled profits derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

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

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Current tax		
Charge for the year	14,818	16,148
Deferred tax	1,402	1,045
	<u>16,220</u>	<u>17,193</u>
Total tax charge for the year	<u>16,220</u>	<u>17,193</u>

7. DIVIDENDS

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Interim — HK\$0.00 (2019: HK\$0.05) per ordinary share	—	51,082
Proposed final — HK\$0.06 (2019: HK\$0.03) per ordinary share	61,047	30,548
	<u>61,047</u>	<u>81,630</u>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

8. 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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year ended 31 December 2020.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the year ended 31 December 2020 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 15.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic earnings per share is based on:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	220,968	160,519
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,017,623,479	961,812,849

9. EQUITY INSTRUMENTS DESIGNATED AT FVOCI

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Listed equity investment:		
Genimous Technology Co., LTD. (“ Zhidu Technology ”)*	—	37,268
Non-listed equity investments:		
Shenzhen Flying Fish Interactive Technology Company Limited (“ Flying Fish ”)	600	488
Shenzhen Yiyou Technology Company Limited (“ Yiyou ”)	—	1,350
Shenzhen Yanque Technology Company Limited (“ Yanque ”)	1,500	1,500
Guangzhou Xiguahentian Information Technology Company Limited (“ Xiguahentian ”)	1,500	—
	<u>3,600</u>	<u>40,606</u>

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

In the years ended 31 December 2020 and 2019, 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 follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The gross fair value change in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income	5,371	15,096
Income tax effect	7,439	(3,494)
Changes in fair value on equity instruments designated at FVOCI	<u>12,810</u>	<u>11,602</u>

Equity instruments designated at FVOCI include investments in equity shares of listed and non-listed companies. The Group holds non-controlling interests (less than 10%) 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. During the year ended 31 December 2020, the Group disposed of its remaining 4,122,561 shares in Zhidu Technology and the accumulated gain recognised in other comprehensive income of RMB19,130,000 was transferred to retained earnings.

10. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	72,465	194,512
Provision for expected credit losses	(1,206)	(1,308)
	<u>71,259</u>	<u>193,204</u>

The Group's trade receivables primarily consist of those due from third-party distribution platforms and payment vendors who collect payment from the Paying Players on behalf of the Group. The Group seeks to maintain strict control over its outstanding receivables to minimise 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 ageing analysis of the trade receivables as at the end of each of the years, based on the recognition date of gross trade receivables and net of provision, is as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Within 90 days	62,530	183,909
91 to 180 days	5,889	7,309
181 to 1 year	2,449	1,468
1 year to 2 years	391	518
	<u>71,259</u>	<u>193,204</u>

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. During the year, the expected losses rates are determined as follows:

31 December 2020	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 1 year	71,373	0.71%	505
1 to 2 years	647	39.51%	256
2 to 3 years	445	100.00%	445
	<u>72,465</u>		<u>1,206</u>

31 December 2019	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 1 year	193,304	0.32%	618
1 to 2 years	721	28.15%	203
2 to 3 years	487	100.00%	487
	<u>194,512</u>		<u>1,308</u>

The movements in the allowance for expected credit losses of trade receivables are as follows:

	<i>Note</i>	2020 RMB'000	2019 RMB'000
At beginning of year		1,308	306
Provision/(reversal) for expected credit losses	6	(102)	1,002
At the end of year		1,206	1,308

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Wealth management products issued by licensed banks, at fair value	110,680	166,998
	110,680	166,998

Wealth management products issued by several licensed banks were denominated in RMB, with expected rates of return ranging from 2.72% to 4.05% and 3.65% to 4.50% per annum for the years ended 31 December 2020 and 2019, respectively. The return on all 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 categorised within Level 2 of the fair value hierarchy.

12. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	284,921	161,843
Denominated in:		
RMB	245,272	81,093
HK\$	37,692	80,277
US\$	1,957	473

The cash and bank balances of the Group denominated in RMB amounted to RMB245,272,000 (2019: RMB81,093,000) at the end of the reporting period. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations (《中國外匯管理條例》) and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations (《結匯、售匯及付匯管理規定》), the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the year, based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	7,116	63,812
3 to 6 months	630	4,447
6 months to 1 year	1,801	2,316
1 year to 2 years	937	1,156
	<u>10,484</u>	<u>71,731</u>

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

14. OTHER PAYABLES AND ACCRUALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salary and welfare payables	24,853	21,677
Other tax payables	6,979	9,228
Other payables	1,727	2,351
	<u>33,559</u>	<u>33,256</u>

Other payables are non-interest-bearing and repayable on demand.

15. SHARE CAPITAL

Shares

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2020 (2019: 50,000,000,000 ordinary shares of HK\$0.01 each)	440,000	440,000
Issued and fully paid:		
1,017,444,000 ordinary shares as at 31 December 2020 (2019: 1,018,274,000 ordinary shares)	8,946	8,946

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

	<i>Notes</i>	Number of shares in issue	Share capital <i>RMB'000</i>
At 31 December 2019 and 1 January 2020		1,018,274,000	8,946
Cancellation of shares	(a)	<u>(830,000)</u>	<u>—</u>
At 31 December 2020		<u>1,017,444,000</u>	<u>8,946</u>

- (a) The Company repurchased 830,000 shares on the Hong Kong Stock Exchange at a total consideration of RMB548,000 which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The repurchased shares were cancelled during the year ended 31 December 2020 and the total amount paid for the repurchase of the shares in the sum of RMB548,000 has been charged to retained profits of the Company.

SIGNIFICANT EVENTS AFTER THE YEAR END

The Group did not have any significant events after 31 December 2020 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Company from the Listing (after deduction of the underwriting commissions in respect of the offering and other estimated expenses) were approximately HK\$206.5 million. As at 31 December 2020, a total amount of approximately HK\$125.8 million out of the net proceeds had been utilized by the Group. 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 31 December 2020, the Group had approximately 235 employees (213 as at 31 December 2019). 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. For the year ended 31 December 2020, the total remuneration expenses, including Share-based compensation expense, were approximately RMB79.0 million, representing an increase of 20.8% from RMB65.4 million for the year ended 31 December 2019, which was primarily due to a 28.6% increase in the average number of employees in 2020.

The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the year ended 31 December 2020.

PAYMENT OF FINAL DIVIDEND

Having taken into account the performance of the Group for the financial year ended 31 December 2020, the Board has resolved to recommend the payment of a final dividend of HK\$0.06 per Share for the year ended 31 December 2020 (2019: HK\$0.03 per Share) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 26 May 2021. The total amount is HK\$61.0 million. The proposed final dividend, subject to the approval of the Shareholders at the AGM, is expected to be paid on or before Thursday, 17 June 2021.

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions, operational needs, capital requirements and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 14 May 2021. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

In order to ascertain the Shareholders' entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 11 May 2021 to Friday, 14 May 2021, both days inclusive, during which period no transfer of Shares will be registered. 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, Hong Kong not later than 4:30 p.m. on Monday, 10 May 2021.

In order to ascertain the Shareholders' entitlements to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Monday, 24 May 2021 to Wednesday, 26 May 2021, both days inclusive, during which period no transfer of Shares will be registered. 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, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 May 2021.

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 year ended 31 December 2020, 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 chairman of the Board and the chief executive officer of the Group. The Board believes that vesting the roles of both chairman of the Board and chief executive officer 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 five other experienced and high-calibre individuals including another executive Director, one non-executive Director 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 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 the year ended 31 December 2020.

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 consolidated annual results for the year ended 31 December 2020 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 annual results for the year ended 31 December 2020 have been prepared in accordance with HKFRS.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this annual results announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. Ernst & Young made no comments as to the reasonableness or appropriateness of those assumptions of the "Non-HKFRS Measures" as presented in this annual results announcement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

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

During the year ended 31 December 2020, the Company has repurchased and cancelled a total of 830,000 Shares on the Stock Exchange and the details are set out below:

Date of Repurchase	Number of Shares Repurchased	Price Per Share		Aggregate consideration
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
19 March 2020	430,000	0.75	0.72	315,600
23 March 2020	400,000	0.75	0.73	297,000

The Directors believe that repurchases of Shares are in the best interests of the Company and the Shareholders as a whole and that such repurchases of Shares would lead to an enhancement of the earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.zen-game.com>). The annual report for the year ended 31 December 2020 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:

“AGM”	the annual general meeting of the Company proposed to be held on Friday, 14 May 2021
“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

“HKFRS”	Hong Kong Financial Reporting Standards
“Listing”	the listing of the Company’s Shares on the Main Board of 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
“Tiantianlaiwan”	Shenzhen Tiantianlaiwan Technology Co., Ltd.* (深圳市天天來玩科技有限公司), a limited liability company established under the laws of PRC on 29 September 2018 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

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

Hong Kong, 23 March 2021

As at the date of this announcement, the executive Directors are Mr. Ye Sheng and Mr. Yang Min, the non-executive Director is Ms. Fu Hao, and the independent non-executive Directors are Mr. Jin Shuhui, Mr. Mao Zhonghua and Mr. Yang Yi.