



# 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



# 2021

## INTERIM REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ye Sheng (叶升)  
(Chairman and Chief Executive Officer)  
Mr. Yang Min (楊民)  
(Vice Chairman and Chief Technology Officer)

### Non-executive Director

Ms. Fu Hao (付郝)

### Independent Non-executive Directors

Mr. Jin Shuhui (金書匯)  
Mr. Mao Zhonghua (毛中華)  
Mr. Yang Yi (陽翼)

## AUDIT COMMITTEE

Mr. Jin Shuhui (金書匯) (Chairman)  
Mr. Mao Zhonghua (毛中華)  
Mr. Yang Yi (陽翼)

## REMUNERATION COMMITTEE

Mr. Yang Yi (陽翼) (Chairman)  
Mr. Ye Sheng (叶升)  
Mr. Mao Zhonghua (毛中華)

## NOMINATION COMMITTEE

Mr. Ye Sheng (叶升) (Chairman)  
Mr. Mao Zhonghua (毛中華)  
Mr. Yang Yi (陽翼)

## COMPANY SECRETARY *(Note)*

Ms. Li Yan Wing Rita (李昕穎)

## AUTHORIZED REPRESENTATIVES

Mr. Yang Min (楊民)  
Ms. Li Yan Ming Rita (李昕穎)

## HONG KONG LEGAL ADVISERS

**Morgan, Lewis & Bockius**  
Suites 1902–09, 19th Floor  
Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Hong Kong

## AUDITORS

**Ernst & Young**  
27/F, One Taikoo Place,  
979 King's Road,  
Quarry Bay, Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1–1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Rooms 1304–06  
Changhong Science and Technology Mansion  
Keji South 12 Road  
Science and Technology Park  
Nanshan District, Shenzhen  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 2012, Level 20  
Millennium City 2  
378 Kwun Tong Road, Kwun Tong  
Kowloon, Hong Kong

*Note:* Mr. Zhang Yong has been one of the joint company secretaries during the reporting period until he has resigned with effect from 25 June 2021.

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

### **Conyers Trust Company (Cayman) Limited**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **HONG KONG SHARE REGISTRAR**

### **Tricor Investor Services Limited**

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **PRINCIPAL BANKERS**

**China Merchants Bank**  
**Ping An Bank Co., Ltd**

## **COMPANY WEBSITE**

<http://www.zen-game.com>

## **STOCK CODE**

2660

# FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year Change* %
	2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)	
Revenue	<b>444,223</b>	468,478	-5.2
Gross profit	<b>286,633</b>	225,934	26.9
Gross profit margin (%)	<b>64.5</b>	48.2	
Profit for the period	<b>145,745</b>	131,848	10.5
Profit (%)	<b>32.8</b>	28.1	
Non-HKFRS adjusted net profit**	<b>146,442</b>	133,590	9.6
Earnings per Share (expressed in RMB per Share)	<b>0.14</b>	0.13	7.7

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

\*\* Non-HKFRS adjusted net profit was derived from the unaudited profit for the period excluding Share-based payments.

# OPERATIONAL HIGHLIGHTS

	For the six months ended 30 June		For the year ended 31 December
	2021 (‘000)	2020 (‘000)	2020 (‘000)
<b>All Games</b>			
Cumulative registered players	1,203,373	997,464	1,090,674
MAU	44,443	82,951	60,466
DAU	6,643	10,414	7,906
MPU (Virtual items)	661	899	649
ARPPU of virtual items (RMB)	65	35	37
<b>Card and Board Games</b>			
Cumulative registered players	940,250	768,895	845,754
MAU	39,968	70,203	51,964
DAU	6,390	9,384	7,248
MPU (Virtual items)	646	872	629
ARPPU of virtual items (RMB)	61	33	31
<b>Other Games</b>			
Cumulative registered players	263,124	228,569	244,920
MAU	4,475	12,748	8,502
DAU	253	1,030	658
MPU (Virtual items)	15	27	19
ARPPU of virtual items (RMB)	217	87	183



# 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 virtual items and in-game information service. In the first half of 2021, the economy of the PRC recovered gradually from the impact of the COVID-19 pandemic, movement restrictions were largely removed, and people placed less reliance on games and entertainment to connect with each other as compared with the corresponding period last year. From the perspective of the mobile game industry, notwithstanding that the impressive and substantial growth during the first half of last year cannot be sustained, the long-term development prospects of the industry are still positive overall. In the first half of 2021, the Group has made some adjustments in its business focus. On one hand, we made substantial investment in product innovation of board and card games, such as launching competition mode and live telecast mode, adding innovative gameplay and special effects with traditional Chinese culture elements when players playing some special composition of cards or boards in our games. On the other hand, we reduced our investment in hyper-casual games and removed six hyper-casual games in order to put more focus on the production of boutique games. In the first half of 2021, in addition to maintaining the leading position of our Fight the Landlord series in the market, we have made great breakthroughs in our Mahjong series. The revenue generated from our board games has increased from RMB34.3 million for the six months ended 30 June 2020 to RMB157.9 million for the six months ended 30 June 2021, representing an increase of 3.6 times and became one of the Group's flagship products. Our Fight the Landlord (禪遊鬥地主) recently ranked 7th in card and board games on the IOS bestseller list in China. The Fingertip Sichuan Mahjong (指尖四川麻將) was also highly popular and loved by players, and it has recently ranked 2nd in card and board games on the IOS bestseller list in China. In the first half of 2021, we launched seven new games, among which two are overseas online games. As at 30 June 2021, we had 56 self-developed games and 13 third-party games, among which 19 are card games, 17 are board games and 33 are other casual games, respectively.

In terms of business development, the Group optimized and enhanced the product experience of existing games, and at the same time increased the number of new players by strengthening promotion efforts in expanding promotion channels such as Tencent, Toutiao, Baidu, Kuaishou and Douyin. As a result, the Group recorded an increase in the cumulative registered players in the first half of 2021. We had approximately 1,203.4 million cumulative registered players for the six months ended 30 June 2021 as compared with 997.5 million cumulative registered players for the six months ended 30 June 2020. In addition, the Group enriched the features of in-game virtual items. As a result, for the six months ended 30 June 2021, the Group's revenue from sales of virtual items amounted to approximately RMB226.5 million, representing an increase of approximately 28.4% from RMB176.5 million as compared with the six months ended 30 June 2020, and our ARPPU of virtual items increased from approximately RMB35 for the six months ended 30 June 2020 to approximately RMB65 for the six months ended 30 June 2021.

In terms of financial performance, due to our adjustment of business focus in the first half of 2021 in reducing the investment in hyper-casual games, the in-game information service revenue generated from hyper-casual games reduced and thus our overall revenue decreased from approximately RMB468.5 million for the six months ended 30 June 2020 to approximately RMB444.2 million for the six months ended 30 June 2021, representing a decrease of approximately 5.2%. At the same time, we have also reduced the expenditure on the information service costs, so the cost of sales decreased from approximately RMB242.5 million for the six months ended 30 June 2020 to approximately RMB157.6 million for the six months ended 30 June 2021, representing a decrease of approximately 35.0%. Attributable to the improvement in gross profit margin, our net profit has nonetheless increased from approximately RMB131.8 million for the six months ended 30 June 2020 to approximately RMB145.7 million for the six months ended 30 June 2021, representing an increase of approximately 10.5%. Our adjusted net profit, excluding the Share-based payments, increased from approximately RMB133.6 million for the six months ended 30 June 2020 to approximately RMB146.4 million for the six months ended 30 June 2021, representing an increase of approximately 9.6%.

In terms of the mobile game industry in the PRC, the overall development trend and atmosphere remained positive throughout the first half of 2021, with a continuous growth in the number of players and the market scale. The Group has obtained four new game publication numbers in the first half of 2021. As at 30 June 2021, we possessed 78 game publication numbers, 50 of which covering our card and board games and 28 of which covering our casual games. Due to the current development strategy and resources allocation, 30 games with publication numbers have not yet been in operation. The Group will start promoting our operations at any time as and when appropriate in the future. In addition, we have always strictly complied with the relevant laws and regulations. To protect the physical and mental health of game players, especially minors, we have long established an anti-addiction system for minors in accordance with the relevant laws and regulations and have incorporated this system into our games. Our system can also automatically screen sensitive words and block inappropriate language and content, so as to resist vulgar content such as erotic and violence. Meanwhile, we also strictly abide by the relevant rules and regulations for the security protection of internet personal information and also those relating to anti-gambling. We have compiled internal policies for personal information protection, established prevention and control measures for personal information leakage, and strictly followed the relevant laws and regulations to protect the privacy of users. We will closely monitor and follow up with any relevant new laws and regulations in the PRC, and update our legal compliance database and business processes in a timely manner to ensure that our business complies with the requirements of the latest laws and regulations.



### FUTURE PROSPECTS

In the second half of 2021, the Group will mainly focus on the following strategies to expand our business and growth:

- continuously strengthening our brand building and enhancing 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 mode by adding multi-element entertainment experiences;
- continuously exploring opportunities in overseas casual game markets and developing competitive products;
- pursuing opportunities to acquire or invest in other game development teams or teams of new markets for consumption which are compatible with our development strategies and continuously expanding our business boundaries; and
- continuously 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 six months ended 30 June 2021, 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 periods indicated:

	For the six months ended 30 June				Year-on-Year Change %
	2021 RMB'000 (Unaudited)	%	2020 RMB'000 (Unaudited)	%	
<b>Sales of virtual items</b>	<b>226,515</b>	<b>51.0</b>	176,464	37.7	28.4
– Self-developed games	<b>221,068</b>	<b>49.8</b>	169,304	36.1	30.6
– Third-party games	<b>5,447</b>	<b>1.2</b>	7,160	1.5	–23.9
<b>In-game information service</b>	<b>217,708</b>	<b>49.0</b>	292,014	62.3	–25.4
<b>Total</b>	<b>444,223</b>	<b>100.0</b>	468,478	100.0	–5.2

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-Year Change %
	2021 RMB'000 (Unaudited)	%	2020 RMB'000 (Unaudited)	%	
Card games	<b>262,269</b>	<b>59.1</b>	290,159	61.9	–9.6
Board games	<b>157,853</b>	<b>35.5</b>	34,332	7.3	359.8
Other games	<b>24,101</b>	<b>5.4</b>	143,987	30.8	–83.3
<b>Total</b>	<b>444,223</b>	<b>100.0</b>	468,478	100.0	–5.2

For the six months ended 30 June 2021, the Group's total revenue was approximately RMB444.2 million, representing a decrease of approximately 5.2% from approximately RMB468.5 million as compared with the corresponding period of 2020. The Group's revenue from sale of virtual items amounted to approximately RMB226.5 million, representing an increase of approximately 28.4% from RMB176.5 million as compared with the corresponding period of 2020. On the other hand, for the six months ended 30 June 2021, the Group's revenue from in-game information service amounted to approximately RMB217.7 million, representing a decrease of approximately 25.4% from RMB292.0 million as compared with the corresponding period of 2020. These were mainly due to (i) the decrease in in-game information service revenue as a result of the reduced investment in hyper-casual games; and (ii) the increase in the revenue from the sale of virtual items caused by the increase in card and board game ARPPU.

## Management Discussion and Analysis

### 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 Change %
	2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)	
Payment channel costs	36,353	47,875	-24.1
Distribution platform costs	49,313	39,816	23.9
Information service costs	66,504	148,029	-55.1
Others	5,420	6,824	-20.6
<b>Total</b>	<b>157,590</b>	<b>242,544</b>	<b>-35.0</b>

For the six months ended 30 June 2021, the cost of sales was approximately RMB157.6 million, representing a decrease of approximately 35.0% from approximately RMB242.5 million as compared with the corresponding period of 2020. This was mainly attributable to the reduction of the promotion of hyper-casual games.

### Gross Profit and Gross Profit Margin

Gross profit increased by 26.9% from approximately RMB225.9 million for the six months ended 30 June 2020 to approximately RMB286.6 million for the six months ended 30 June 2021. The gross profit margin increased to 64.5% for the six months ended 30 June 2021 from 48.2% for the six months ended 30 June 2020. The increase in the gross profit margin was primarily due to the increase in both the ARPPU of virtual items and the gross profit margin of in-game information service.

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

	For the six months ended 30 June			
	2021 Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %	2020 Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %
<b>Sales of virtual items</b>	<b>128,743</b>	<b>56.8</b>	85,888	48.7
— Self-developed games	123,296	55.8	78,728	46.5
— Third-party games	5,447	100.0	7,160	100.0
<b>In-game information service</b>	<b>157,890</b>	<b>72.5</b>	140,046	48.0
<b>Total</b>	<b>286,633</b>	<b>64.5</b>	<b>225,934</b>	<b>48.2</b>

### Other Income

Other income decreased by 10.3% from approximately RMB16.0 million for the six months ended 30 June 2020 to approximately RMB14.3 million for the six months ended 30 June 2021. The decrease was primarily due to the reduction of government subsidies.

### Selling and Distribution Expenses

Selling and distribution expenses increased by 19.9% from approximately RMB40.4 million for the six months ended 30 June 2020 to approximately RMB48.4 million for the six months ended 30 June 2021. This increase was primarily attributable to the increase in the Company's brand and product promotion.

### Administrative Expenses

Administrative expenses increased by 4.6% from approximately RMB31.4 million for the six months ended 30 June 2020 to approximately RMB32.9 million for the six months ended 30 June 2021, primarily due to the increase in the number of back office staff and the rental expenses.

### Research and Development Expenses

Research and development expenses increased by 41.5% from approximately RMB26.6 million for the six months ended 30 June 2020 to approximately RMB37.7 million for the six months ended 30 June 2021. The increase was primarily due to the increase in the number of R&D personnel and their salaries.

### Other Expenses

Other expenses decreased by 56.9% from approximately RMB1.3 million for the six months ended 30 June 2020 to approximately RMB0.6 million for the six months ended 30 June 2021. There were donation expenses in relation to the COVID-19 pandemic incurred during the corresponding period last year. No more donation expenses were incurred for the six months ended 30 June 2021 which resulted in the decrease in other expenses.

### Finance Costs

Finance costs decreased by 44.3% from approximately RMB0.4 million for the six months ended 30 June 2020 to approximately RMB0.2 million for the six months ended 30 June 2021. The decrease was primarily due to the decrease in loan amount.

### Income Tax Expense

The income tax expenses for the six months ended 30 June 2021 was approximately RMB35.4 million, increased by 262.5% from approximately RMB9.8 million as compared with the corresponding period of 2020. Such significant increase was mainly attributable to the increase in taxable income and the impact of the increase in the applicable preferential tax rate.

### Profit for the six months ended 30 June 2021

As a result of the above factors, the net profit of the Group was approximately RMB145.7 million for the six months ended 30 June 2021, an increase of approximately 10.5% as compared with RMB131.8 million for the six months ended 30 June 2020.

## Management Discussion and Analysis

### Non-HKFRS Measures — Adjusted Net Profit

The adjusted net profit for the six months ended 30 June 2021, adjusted by excluding the share-based compensation to key employees was approximately RMB146.4 million, increasing by 9.6% as compared to approximately RMB133.6 million for the first half of 2020.

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

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit for the period	145,745	131,848
Add:		
Share-based compensation	697	1,742
Adjusted net profit	146,442	133,590

### Liquidity and Capital Resources

The Group's total bank balances and cash slightly increased from approximately RMB608.8 million as at 31 December 2020 to approximately RMB609.5 million as at 30 June 2021.

As at 30 June 2021, current assets of the Group amounted to approximately RMB1.0 billion, including bank balances and cash of approximately RMB609.5 million and other current assets of approximately RMB393.6 million. Current liabilities of the Group amounted to approximately RMB164.4 million, including trade payables and contract liabilities of approximately RMB62.7 million and other current liabilities of approximately RMB90.4 million, and short-term loans of RMB11.3 million. As at 30 June 2021, the current ratio (the current assets to current liabilities ratio) of the Group was 6.10, as compared with 14.34 as at 31 December 2020.

As at 30 June 2021, the Group had borrowings amounting to approximately RMB11.3 million (31 December 2020: nil). In April 2021, the Group obtained a bank loan of RMB12.0 million at an interest rate of 0.65% above the one-year loan prime rate. The said loan will be due in April 2022.

As a result of the abovementioned borrowings, the gearing ratio (calculated by dividing total debt (being interest-bearing bank borrowings) by total equity) as at 30 June 2021 was 1.3% while the gearing ratio as at 31 December 2020 was nil. The increase was mainly resulted from the new short-term bank borrowings obtained by the Group.

### Capital Expenditures

For the six months ended 30 June 2021, the capital expenditures of the Group amounted to approximately RMB23.5 million, which were primarily used for equity investment in other companies in the sum of RMB21.6 million and for the purchase of office equipment in a sum of RMB1.9 million.

### Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2021.

### Pledge of Assets

As at 30 June 2021, the Group did not pledge any assets.

### Future Plan for Material Investments and Capital Assets

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

### Significant Investments, Acquisitions and Disposals

During the six months ended 30 June 2021, the Company has held certain equity investments in some PRC companies engaging in the technology industry and has invested in various wealth management products issued by a number of licensed banks in the PRC. For each of these investments, none of them had a value of 5% or more of the total assets of the Company as at 30 June 2021.

Save as disclosed in this interim report, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021, 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 2021.

### 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.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2021 and up to the date of this interim report.

## INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

## 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 during the six months ended 30 June 2021, 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 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.

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 throughout the six months ended 30 June 2021.

## AUDIT COMMITTEE

The Company established the Audit Committee 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 the six months ended 30 June 2021 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

The interim results for the six months ended 30 June 2021 is unaudited, but has been reviewed by Ernst & Young, the auditor of the Company, in accordance with Hong Kong 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 for the six months ended 30 June 2021.

## CHANGE OF INFORMATION OF DIRECTORS

In accordance with Rule 13.51(B)(1) of the Listing Rules, the Company is required to disclose changes in information of Directors subsequent to the date of the 2020 annual report. The change in information of Directors since the date of the 2020 annual report of the Company is set out below:

Name of Director	Details of Change
Ye Sheng	(1) Appointed as a supervisor of Hainan Tiantianlaiwan Technology Co., Ltd.* (海南天天來玩科技有限公司) with effect from 3 February 2021.
Yang Min	(1) Appointed as a director and general manager of Hainan Tiantianlaiwan Technology Co., Ltd.* (海南天天來玩科技有限公司) with effect from 3 February 2021.
	(2) Appointed as a director of Zen Interactive Limited with effect from 17 June 2021.
	(3) Appointed as a director of Zengame Interactive Limited with effect from 17 June 2021.

### STRUCTURED CONTRACTS

Please refer to the section headed “Structured Contracts” in the Prospectus for details. For the six months ended 30 June 2021, the Board has reviewed the overall performance of the Structured Contracts and believed that the Group has complied with the Structured Contracts in all material respects.

A foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating value-added telecommunications businesses in the PRC must demonstrate a good track record and experience in operating value-added telecommunications businesses (the “**Qualification Requirement**”). Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunications businesses in the PRC. Please also refer to the section headed “Structured Contracts” in the Prospectus for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

The Foreign Investment Law, approved by the second session of the 13th National People’s Congress, and the Regulation on the Implementation of the Foreign Investment Law (外商投資法實施條例), promulgated by the State Council, have come into effect on 1 January 2020. The Foreign Investment Law defines foreign investment as an investment activity conducted directly or indirectly by a foreign investor, and enumerates the situations that should be deemed as foreign investment. There are no provisions in the Foreign Investment Law that explicitly mention the “actual control” or the “contractual arrangements”. Nevertheless, further laws and regulations on the above-mentioned are not ruled out. Therefore, there are still uncertainties on whether the structure under the contractual arrangements will be included in the scope of foreign investment supervision in the future, and on the supervision framework if it is included in the scope of supervision. As at the date of this report, the Company’s operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.

### 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). As at 30 June 2021, a total amount of approximately HK\$154.4 million out of the net proceeds had been utilized by the Group. We have, and will continue to utilize the net proceeds from the Listing 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 2021, the Group had approximately 327 employees (235 as at 31 December 2020). 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 2021.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

### (i) Long position in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company <sup>(5)</sup>
Mr. Ye Sheng	Founder of a discretionary trust <sup>(1)</sup>	231,712,000	22.77%
	Beneficial owner <sup>(2)</sup>	2,000,000	0.20%
Mr. Yang Min	Founder of a discretionary trust <sup>(3)</sup>	197,604,100	19.42%
	Beneficial owner <sup>(4)</sup>	2,000,000	0.20%

*Notes:*

- (1) Sky-zen Capital Limited is owned as to (i) 80% by YS Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Ye Sheng as the settlor and beneficiary; and (ii) 20% by Mr. Ye Sheng. Accordingly, Mr. Ye Sheng is deemed to be interested in all the Shares held by Sky-zen Capital Limited.
- (2) On 3 June 2021, 2,000,000 share options were granted to Mr. Ye Sheng under the Share Option Scheme. Upon full exercise of such options, Mr. Ye Sheng will be beneficially interested in 2,000,000 Shares.
- (3) J&L Y Limited is owned as to (i) 80% by Y&J Family Trust, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Yang Min as the settlor and beneficiary; and (ii) 20% by Mr. Yang Min. Accordingly, Mr. Yang Min is deemed to be interested in all the Shares held by J&L Y Limited.
- (4) On 3 June 2021, 2,000,000 share options were granted to Mr. Yang Min under the Share Option Scheme. Upon full exercise of such options, Mr. Yang Min will be beneficially interested in 2,000,000 Shares.
- (5) The percentage is calculated based on the total number of 1,017,444,000 Shares in issue as at 30 June 2021.

### (ii) Long position in associated corporation

#### Zen-Game Shenzhen

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the associated corporation
Mr. Ye Sheng	Interest of spouse <sup>(1)</sup>	13,326,923	24.68%
Mr. Yang Min	Interest of spouse <sup>(2)</sup>	11,695,054	21.65%

Notes:

- (1) Ms. Xie Yingying, the spouse of Mr. Ye Sheng, holds 99% equity interest of Shenzhen Tianchan Technology Co., Ltd. (深圳市天禪科技有限公司) ("**Tianchan**") and Mr. Ye Sheng is thus deemed to be interested in the shares directly held by Tianchan and indirectly held by Ms. Xie Yingying through Tianchan in Zen-Game Shenzhen.
- (2) Ms. Jiang Qian, the spouse of Mr. Yang Min, holds 90% equity interest of Shenzhen Dingyi Technology Co., Ltd. (深圳市鼎翌科技有限公司) ("**Dingyi**") and Mr. Yang Min is thus deemed to be interested in the shares directly held by Dingyi and indirectly held by Ms. Jiang Qian through Dingyi in Zen-Game Shenzhen.

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

### Long position in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company <sup>(10)</sup>
Sky-zen Capital Limited <sup>(1)</sup>	Beneficial owner	231,712,000	22.77%
Ms. Xie Yingying <sup>(2)</sup>	Interest of spouse	233,712,000	22.97%
YS Limited <sup>(1)</sup>	Nominee for another person (other than a bare trustee)	231,712,000	22.77%
J&L Y Limited <sup>(3)</sup>	Beneficial owner	197,604,100	19.42%
Ms. Jiang Qian <sup>(4)</sup>	Interest of spouse	199,604,100	19.62%
Y&J Family Limited <sup>(3)</sup>	Nominee for another person (other than a bare trustee)	197,604,100	19.42%
D Fun Limited <sup>(5)</sup>	Beneficial owner	165,201,300	16.24%
Ms. Zhang Wei <sup>(5)</sup>	Founder of a discretionary trust	165,201,300	16.24%
Mr. Zeng Liqing <sup>(6)</sup>	Interest of spouse	165,201,300	16.24%
Bonaza Limited <sup>(5)</sup>	Nominee for another person (other than a bare trustee)	165,201,300	16.24%
Playa Technology Limited <sup>(7)</sup>	Beneficial owner	90,860,920	8.93%
Mr. Bao Zhoujia <sup>(7)</sup>	Founder of a discretionary trust	90,860,920	8.93%
BAO TRUST <sup>(7)</sup>	Nominee for another person (other than a bare trustee)	90,860,920	8.93%
Hezhong Power Limited <sup>(8)</sup>	Nominee for another person (other than a bare trustee)	56,422,568	5.55%



## Corporate Governance and Other Information

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company <sup>(10)</sup>
TCT (BVI) Limited	Other <sup>(9)</sup>	231,712,000	22.77%
	Other <sup>(9)</sup>	197,604,100	19.42%
	Other <sup>(9)</sup>	165,201,300	16.24%
	Other <sup>(9)</sup>	56,422,568	5.55%
The Core Trust Company Limited	Trustee <sup>(1)</sup>	231,712,000	22.77%
	Trustee <sup>(3)</sup>	197,604,100	19.42%
	Trustee <sup>(5)</sup>	165,201,300	16.24%
	Trustee <sup>(8)</sup>	56,422,568	5.55%

### Notes:

- (1) Sky-zen Capital Limited is owned as to (i) 80% by YS Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Ye Sheng as the settlor and beneficiary; and (ii) 20% by Mr. Ye Sheng. Accordingly, YS Limited is deemed to be interested in all the Shares held by Sky-zen Capital Limited.
- (2) Ms. Xie Yingying is the spouse of Mr. Ye Sheng and she is thus deemed to be interested in all the Shares held by Mr. Ye Sheng, comprising (i) interest in 231,712,000 Shares in the capacity of the founder of a discretionary trust and (ii) interest in 2,000,000 Shares in the capacity of the beneficial owner, under the SFO.
- (3) J&L Y Limited is owned as to (i) 80% by Y&J Family Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Yang Min as the settlor and beneficiary; and (ii) 20% by Mr. Yang Min. Accordingly, Y&J Family Limited is deemed to be interested in all the Shares held by J&L Y Limited.
- (4) Ms. Jiang Qian is the spouse of Mr. Yang Min and she is thus deemed to be interested in all the Shares held by Mr. Yang Min, comprising (i) interest in 197,604,100 Shares in the capacity of the founder of a discretionary trust and (ii) interest in 2,000,000 Shares in the capacity of the beneficial owner, under the SFO.
- (5) D Fun Limited is owned as to (i) 80% by Bonaza Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Ms. Zhang Wei as the settlor and beneficiary; and (ii) 20% by D Zen Limited, a company wholly owned by Mr. Zeng Liqing. Accordingly, each of Bonaza Limited and Ms. Zhang Wei is deemed to be interested in all the Shares held by D Fun Limited.
- (6) Mr. Zeng Liqing is the spouse of Ms. Zhang Wei and he is thus deemed to be interested in all the Shares held by Ms. Zhang Wei under the SFO.
- (7) Playa Technology Limited is owned as to (i) 80% by BAO TRUST, a trust established by Mr. Bao Zhoujia as the settlor and trustee; and (ii) 20% by Mr. Bao Zhoujia. Accordingly, each of BAO TRUST and Mr. Bao Zhoujia is deemed to be interested in all the Shares held by Playa Technology Limited.
- (8) Hezhong Power Limited is wholly-owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee under the RSU Scheme.

- (9) Certain Shares were held by Sky-zen Capital Limited (22.77%), J&L Y Limited (19.42%), D Fun Limited (16.24%) and Hezhong Power Limited (5.55%), pursuant to certain discretionary trusts established and the RSU Scheme. Sky-zen Capital Limited, J&L Y Limited and D Fun Limited are held by YS Limited, Y&J Family Limited and Bonaza Limited (each a **"Nominee"**), respectively, as to 80%. Each Nominee and Hezhong Power Limited is wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of the aforementioned discretionary trusts and the RSU Scheme.
- (10) The percentage is calculated based on the total number of 1,017,444,000 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

### RSU SCHEME

We have adopted the RSU Scheme with a view to incentivize the Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group. The RSU Scheme was approved and adopted by the Board on 9 October 2018, the principal terms of which are set out in "Statutory and General Information – F. RSU Scheme and Share Option Scheme – 1. RSU Scheme" in Appendix IV of the Prospectus.

We have appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of the RSUs granted pursuant to the RSU Scheme. A total of 62,561,080 Shares were issued to the RSU Nominee, who hold the shares for the benefit of eligible participants pursuant to the RSU Scheme. No further Shares will be allotted and issued to the RSU Nominee or the trustee for the purpose of the RSU Scheme (other than pursuant to sub-division, reduction or consolidation of the share capital of the Company in accordance with the RSU Scheme). As the RSU Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions under Chapter 17 of the Listing Rules.

### SHARE OPTION SCHEME

The Company adopted a share option scheme on 28 March 2019, providing the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The principal terms of the Share Option Scheme are prepared in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations. Further details of the Scheme are set forth in the section headed "Statutory and General Information – F. RSU Scheme and Share Option Scheme – 2. Share Option Scheme" in Appendix IV to the Prospectus.

## Corporate Governance and Other Information

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Scheme during the six months ended 30 June 2021 by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Closing price immediately before the date of grant	Outstanding at 1 January 2021	Granted during the six months ended 30 June 2021	Exercised during the six months ended 30 June 2021	Lapsed/ cancelled during the six months ended 30 June 2021	Outstanding at 30 June 2021
<b>Directors</b>								
Mr. Ye Sheng	3 June 2021	HK\$1.29	HK\$1.24	–	2,000,000	–	–	2,000,000
Mr. Yang Min	3 June 2021	HK\$1.29	HK\$1.24	–	2,000,000	–	–	2,000,000
<b>Employees</b>	3 June 2021	HK\$1.29	HK\$1.24	–	12,000,000	–	(50,000)	11,950,000
<b>Total</b>				–	16,000,000	–	(50,000)	15,950,000

For share options granted on 3 June 2021, all of them are with the same exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Vesting date	Percentage of share options to vest
3 June 2022	25% of the total number of share options granted
3 June 2023	25% of the total number of share options granted
3 June 2024	25% of the total number of share options granted
3 June 2025	25% of the total number of share options granted

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the six months ended 30 June 2021.

## SHARE AWARD SCHEME

The Company adopted a share award scheme on 24 June 2021 (the “**Adoption Date**”) to recognize the contributions by certain selected participants, encourage and retain such individuals to work with the Company, provide additional incentive for them to achieve their performance goals, attract suitable personnel for further development of the Group and motivate them to maximize the value of the Company for the benefit of both the selected participants and the Company.

The administration committee of the Share Award Scheme may, from time to time, determine the number of restricted shares to be granted and at its absolute discretion select any participant to be a selected participant under the Share Award Scheme. The restricted shares shall be either (i) allotted and issued by the Company, by using the general mandate granted to the Board by the shareholders of the Company in the annual general meeting of the Company from time to time, unless separate shareholders’ approval is obtained in a general meeting of the Company; or (ii) acquired by The Core Trust Company Limited, as the trustee (“**Trustee**”) from the open market by utilising the Company’s resources provided to the Trustee, subject to the absolute discretion of the administration committee or the Trustee.

It is intended that the restricted shares under the Share Award Scheme will be offered to the selected participants for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the administration committee at the time of grant of the restricted shares under the Share Award Scheme.

The maximum total number of restricted shares which may be granted under the Share Award Scheme shall not exceed five (5)%, and the maximum total number granted to an individual selected participant shall not exceed one (1)%, of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination of the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

The principal terms of the Share Award Scheme are set forth in the announcement made by the Company dated 24 June 2021.

During the six months ended 30 June 2021, the Trustee did not purchase any Share for the purpose of the Share Award Scheme and no restricted shares were granted, vested or lapsed under the Share Award Scheme.

# INDEPENDENT REVIEW REPORT



27/F, One Taikoo Place,  
979 King's Road,  
Quarry Bay,  
Hong Kong

## To the board of directors of Zengame Technology Holding Limited

*(Incorporated in Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 25 to 47, which comprises the condensed consolidated statement of financial position of Zengame Technology Holding Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Yours faithfully,

### Ernst & Young

*Certified Public Accountants*

Hong Kong

18 August 2021

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>444,223</b>	468,478
Cost of sales		<b>(157,590)</b>	(242,544)
Gross profit		<b>286,633</b>	225,934
Other income and gains		<b>14,307</b>	15,950
Selling and distribution expenses		<b>(48,449)</b>	(40,416)
Administrative expenses		<b>(32,885)</b>	(31,444)
Research and development costs		<b>(37,675)</b>	(26,627)
Other expenses		<b>(572)</b>	(1,326)
Finance costs		<b>(211)</b>	(379)
Share of profits and losses of:			
Joint ventures		—	(79)
<b>PROFIT BEFORE TAX</b>	5	<b>181,148</b>	141,613
Income tax expense	6	<b>(35,403)</b>	(9,765)
<b>PROFIT FOR THE PERIOD</b>		<b>145,745</b>	131,848
Attributable to:			
Owners of the parent		<b>145,745</b>	131,848
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	8	<b>RMB0.14</b>	RMB0.13
Diluted		<b>RMB0.14</b>	RMB0.13



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>145,745</b>	131,848
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(1,526)</b>	3,105
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<b>(1,526)</b>	3,105
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVOCI")	<b>75</b>	14,052
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(1,451)</b>	17,157
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>144,294</b>	149,005
Attributable to:		
Owners of the parent	<b>144,294</b>	149,005

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	9	6,018	5,398
Right-of-use asset		4,989	4,480
Intangible assets		700	892
Investments in associates		4,000	—
Investments in Joint ventures		8,940	8,940
Equity instruments designated at FVOCI		20,206	3,600
Long-term prepayments, deposits and other receivables		8,190	6,750
Deferred tax assets		1,267	515
Total non-current assets		<b>54,310</b>	30,575
<b>CURRENT ASSETS</b>			
Trade receivables	10	146,941	71,259
Contract costs		16,800	3,308
Financial assets at fair value through profit or loss	11	189,431	110,680
Prepayments, deposits and other receivables		40,437	31,476
Time deposits with original maturity of over three months		335,000	323,915
Cash and cash equivalents		274,507	284,921
Total current assets		<b>1,003,116</b>	825,559
<b>CURRENT LIABILITIES</b>			
Trade payables	12	19,249	10,484
Contract liabilities		43,475	6,784
Other payables and accruals		63,418	33,559
Interest-bearing bank borrowings		11,280	—
Lease liabilities		3,641	2,924
Tax payable		23,302	3,831
Total current liabilities		<b>164,365</b>	57,582
<b>NET CURRENT ASSETS</b>		<b>838,751</b>	767,977
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>893,061</b>	798,552
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		1,623	1,803
Deferred tax liabilities		286	142
Total non-current liabilities		<b>1,909</b>	1,945
Net assets		<b>891,152</b>	796,607
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	13	8,946	8,946
Reserves		882,206	787,661
Total equity		<b>891,152</b>	796,607

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Capital reserve	Statutory surplus reserve	Share-based payment reserve	Fair value of financial assets at FVOCI	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020 (audited)	8,946	293,464*	27,000*	26,091*	(1,648)*	2,165*	440,589*	796,607
Profit for the period (unaudited)	—	—	—	—	—	—	145,745	145,745
Other comprehensive loss for the period:								
Transfer of fair value reserve of equity instruments designated at FVOCI	—	—	—	—	—	—	—	—
Change in fair value of equity instruments designated at FVOCI (unaudited)	—	—	—	—	75	—	—	75
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	—	(1,526)	—	(1,526)
Total comprehensive income for the period (unaudited)	—	—	—	—	75	(1,526)	145,745	144,294
Annual 2020 dividend (unaudited)	—	—	—	—	—	—	(50,446)	(50,446)
Shares repurchased (unaudited)	—	—	—	—	—	—	—	—
Equity-settled share-based payment (unaudited)	—	—	—	697	—	—	—	697
At 30 June 2021 (unaudited)	8,946	293,464	27,000	26,788	(1,573)	639	535,888	891,152

## Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent							Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share- based payment reserve RMB'000	Fair value reserve of financial assets at FVOCI RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 31 December 2019 (audited)	8,946	293,464	27,000	23,842	4,672	8,402	228,989	595,315
Profit for the period (unaudited)							131,848	131,848
Other comprehensive loss for the period:								
Transfer of fair value reserve of equity instruments designated at FVOCI	—	—	—	—	(19,130)	—	19,130	—
Change in fair value of equity instruments designated at FVOCI (unaudited)	—	—	—	—	14,052	—	—	14,052
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	—	3,105	—	3,105
Total comprehensive income for the period (unaudited)	—	—	—	—	(5,078)	3,105	150,978	149,005
Annual 2019 dividend (unaudited)	—	—	—	—	—	—	(27,950)	(27,950)
Shares repurchased (unaudited)	—	—	—	—	—	—	(554)	(554)
Equity-settled share-based payment (unaudited)	—	—	—	1,742	—	—	—	1,742
At 30 June 2020 (unaudited)	8,946	293,464*	27,000*	25,584*	(406)*	11,507*	351,463*	717,558

\* These reserve accounts comprise the consolidated reserves of RMB882,206,000 and RMB708,612,000 in the consolidated statement of financial position as at 30 June 2021 and 30 June 2020, respectively.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:		<b>181,148</b>	141,613
Adjustments for:			
Finance costs		<b>211</b>	379
Interest income		<b>(5,263)</b>	(3,571)
Fair value gains on financial assets at fair value through profit or loss		<b>(5,017)</b>	(3,870)
Depreciation of property and equipment	9	<b>1,274</b>	1,101
Share of losses of joint ventures		<b>—</b>	79
Gain on disposal of items of property, plant and equipment		<b>2</b>	—
Depreciation of right-of-use assets		<b>1,584</b>	1,092
Amortisation of other intangible assets		<b>192</b>	104
Equity-settled share-based payment expenses		<b>697</b>	1,742
Impairment of trade receivables		<b>557</b>	646
		<b>175,385</b>	139,315
(Increase)/decrease in trade receivables		<b>(76,239)</b>	84,344
(Increase)/decrease in contract costs		<b>(13,492)</b>	3,732
(Increase)/decrease in prepayments, deposits and other receivables		<b>(8,961)</b>	(10,303)
(Increase)/decrease in long term prepayments, deposits and other receivables		<b>(1,440)</b>	400
Increase/(decrease) in trade payables		<b>8,765</b>	(55,154)
Increase/(decrease) in a contract liability		<b>36,691</b>	(5,947)
Increase in other payables and accruals		<b>29,859</b>	6,428
Cash generated from operations		<b>150,568</b>	162,815
Income tax paid		<b>(16,466)</b>	(12,564)
Net cash flows generated from operating activities		<b>134,102</b>	150,251

## Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Interest received		5,263	1,835
Fair value gains on financial assets at fair value through profit or loss ("FVPL")		5,017	3,870
Purchases of items of property, plant and equipment	9	(1,895)	(4,185)
Purchases of investments in associates		(3,000)	—
Purchases of investments in Joint ventures		(1,000)	(5,000)
Purchases of FVOCI		(16,606)	—
Increase in time deposits with original maturity of over three months		(11,085)	(80,595)
Proceeds from disposal of equity investments designated at FVOCI		—	37,757
Purchases of financial assets at FVPL		(105,984)	(85,854)
Receipt from maturity of financial assets at FVPL		27,233	123,535
Net cash flows used in investing activities		<b>(102,057)</b>	(8,637)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Principal portion of lease payments		(1,556)	(1,058)
Dividends paid		(50,446)	(27,950)
New bank loans		12,000	20,000
Repayment of bank loans		(720)	(1,800)
Shares repurchased		—	(554)
Interest paid		(211)	(379)
Net cash flows (used in)/from financing activities		<b>(40,933)</b>	(11,741)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,888)</b>	129,873
Cash and cash equivalents at beginning of year		284,921	161,843
Effect of foreign exchange rate changes, net		(1,526)	3,104
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>274,507</b>	294,820
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Unrestricted bank balances and cash		274,507	294,820
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>274,507</b>	294,820



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

## 2. 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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9,  
HKAS 39, HKFRS 7,  
HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform-Phase 2*

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are not expected to have a significant impact on the financial position and performance of the Group.

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**2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** (Continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment is not expected to have a significant impact on the financial position and performance of the Group.

**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 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 customers which amounted to more than 10% of the Group's revenue during the six months ended 30 June 2021 and 2020 are set out below:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Customer A	<b>79,220</b>	133,019
Customer B	<b>71,210</b>	88,481

\* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective period.

## Notes to Interim Condensed Consolidated Financial Information

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### 4. REVENUE

#### Revenue from contracts with customers

##### (a) Disaggregated revenue information

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue:</b>		
<b>Types of goods or services</b>		
Self-developed games	221,068	169,304
Third-party games	5,447	7,160
In-game information service	217,708	292,014
Total revenue from contracts with customers	444,223	468,478
<b>Timing of revenue recognition</b>		
Services transferred over time	444,223	468,478

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:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	6,784	15,558

30 June 2021

**4. REVENUE** (Continued)**Revenue from contracts with customers** (Continued)**(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 average playing period of Paying Players 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 players who purchased the Group's in-game virtual items ("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 distribution 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 2020 and 30 June 2021 are as follows:

	<b>Six months ended 30 June 2021 RMB'000 (Unaudited)</b>	Year ended 31 December 2020 RMB'000 (Audited)
Within one year	<b>43,475</b>	6,784

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.

## Notes to Interim Condensed Consolidated Financial Information

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### 5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
	Notes	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Services fee charged by distribution platforms and payment vendors		85,666	87,691
Cost of in-game information service		66,504	148,029
Promotion expenses		48,449	40,416
Depreciation of property and equipment	9	1,274	1,101
Depreciation of right-of-use assets		1,584	1,092
Amortisation of intangible assets		192	104
Research and development costs		37,675	26,627
Impairment of trade receivables*		557	646
Auditors' remuneration		350	350

\* 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.

Zen-Game Shenzhen was qualified as "High and New Technology Enterprises" under the EIT Law since year 2019. Accordingly it was entitled to a preferential income tax rate of 15% for a 3-year period since 31 December 2019. Zen-Game Shenzhen expected the applicable tax rate to be 15% for the six months ended 30 June 2021.

Shenzhen Laiwan was accredited as a "software enterprise" in July 2019 under 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. Shenzhen Laiwan expected the applicable tax rate to be 12.5% for the six months ended 30 June 2021.

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 the applicable tax rate to be 12.5% for the six months ended 30 June 2021.

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

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**6. INCOME TAX** (Continued)

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 countries in which the Group operates.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax		
Charge for the period	<b>35,936</b>	9,962
Deferred tax	<b>(533)</b>	(197)
Total tax charge for the period	<b>35,403</b>	9,765

**7. DIVIDENDS**

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021 (for six months ended 30 June 2020: nil).

**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 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 2021 and 2020.

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 2021 and 2020 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 13.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

## Notes to Interim Condensed Consolidated Financial Information

30 June 2021

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<b>145,745</b>	131,848
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>1,017,444,000</b>	1,017,808,505

### 9. PROPERTY AND EQUIPMENT

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>30 June 2021 (Unaudited)</b>				
At 1 January 2021:				
Cost	3,234	7,466	1,243	11,943
Accumulated depreciation	(2,119)	(3,212)	(1,214)	(6,545)
Net carrying amount	<b>1,115</b>	<b>4,254</b>	<b>29</b>	<b>5,398</b>
At 1 January 2021, net of accumulated depreciation	1,115	4,254	29	5,398
Additions	908	987	—	1,895
Disposal	(2)	—	—	(2)
Depreciation provided during the year (note 5)	(339)	(906)	(29)	(1,274)
At 30 June 2021, net of accumulated depreciation	<b>1,682</b>	<b>4,336</b>	<b>—</b>	<b>6,018</b>
At 30 June 2021:				
Cost	3,777	7,591	1,243	12,611
Accumulated depreciation	(2,095)	(3,255)	(1,243)	(6,593)
Net carrying amount	<b>1,682</b>	<b>4,336</b>	<b>—</b>	<b>6,018</b>



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**9. PROPERTY AND EQUIPMENT** (Continued)

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>30 June 2020 (Unaudited)</b>				
At 1 January 2020:				
Cost	2,275	4,391	944	7,610
Accumulated depreciation	(1,539)	(1,696)	(723)	(3,958)
Net carrying amount	736	2,695	221	3,652
At 1 January 2020, net of accumulated depreciation	736	2,695	221	3,652
Additions	816	3,075	294	4,185
Depreciation provided during the year (note 5)	(255)	(723)	(123)	(1,101)
At 30 June 2020, net of accumulated depreciation	1,297	5,047	392	6,736
At 30 June 2020:				
Cost	3,091	7,466	1,238	11,795
Accumulated depreciation	(1,794)	(2,419)	(846)	(5,059)
Net carrying amount	1,297	5,047	392	6,736

## Notes to Interim Condensed Consolidated Financial Information

30 June 2021

### 10. TRADE RECEIVABLES

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 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:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Within 90 days	<b>132,521</b>	62,530
91 to 180 days	<b>9,562</b>	5,889
181 days to 1 year	<b>4,044</b>	2,449
1 year to 2 years	<b>814</b>	391
	<b>146,941</b>	71,259

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Wealth management products issued by licensed banks, at fair value	<b>189,431</b>	110,680
	<b>189,431</b>	110,680

Wealth management products were denominated in RMB, with an expected rate of return ranging from 2.26% to 5.00% and 2.72% to 4.05% per annum for the six months ended 30 June 2021 and year ended 31 December 2020, 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 categorized within Level 2 of the fair value hierarchy.

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**12. 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:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	15,669	7,116
3 to 6 months	593	630
6 months to 1 year	1,088	1,801
1 year to 2 years	1,660	937
2 years to 3 years	239	—
	<b>19,249</b>	10,484

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

**13. SHARE CAPITAL****Shares**

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Authorized:		
50,000,000,000 ordinary shares of HK\$0.01 each as at 30 June 2021 (2020: 50,000,000,000 ordinary shares)	440,000	440,000
Issued and fully paid:		
1,017,444,000 ordinary shares as at 30 June 2021 (2020: 1,017,444,000 ordinary shares)	8,946	8,946

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

	<i>Notes</i>	<b>Number of shares in issue</b>	<b>Share capital RMB'000</b>
At 31 December 2020 (Audited) and 1 January 2021	8	1,017,444,000	8,946
At 30 June 2021 (Unaudited)	8	1,017,444,000	8,946

## Notes to Interim Condensed Consolidated Financial Information

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### 14. COMMITMENTS

The Group did not have any capital commitments at the end of the reporting period.

### 15. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

#### i. Transactions with related parties

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Joint ventures:		
Promotion service fee (a)	<b>1</b>	47,137

(a) The expenditures of promotion service fee were mainly used for the purpose of expanding Player base and promoting new games.

#### ii. Outstanding balances with related party

The Group had an outstanding balance due from its joint ventures and associates of RMB878,000 (31 December 2020: RMB458,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

#### iii. Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries, allowances and benefits in kind	<b>2,685</b>	2,283
Equity-settled share-based payment expense	<b>350</b>	1,225
Pension scheme contributions	<b>168</b>	32
	<b>3,203</b>	3,540

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## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the reporting periods are as follows:

### 30 June 2021 (Unaudited)

<b>Financial assets</b>	<b>Financial assets at amortised cost RMB'000</b>	<b>Financial assets at FVPL RMB'000</b>	<b>Financial assets at FVOCI RMB'000</b>	<b>Total RMB'000</b>
Equity instruments designated at FVOCI	—	—	20,206	20,206
Trade receivables	146,941	—	—	146,941
Financial assets included in deposits and other receivables	15,078	—	—	15,078
Financial assets included in long-term deposits and other receivables	8,190	—	—	8,190
Financial assets at FVPL	—	189,431	—	189,431
Time deposits with original maturity of over three months	335,000	—	—	335,000
Cash and cash equivalents	274,507	—	—	274,507
	<b>779,716</b>	<b>189,431</b>	<b>20,206</b>	<b>989,353</b>

<b>Financial liabilities</b>	<b>Financial liabilities at amortised cost RMB'000</b>
Trade payables	19,249
Financial liabilities included in other payables and accruals	45,958
Interest-bearing bank borrowings	11,280
Financial liabilities included in lease liabilities	5,264
	<b>81,751</b>

## Notes to Interim Condensed Consolidated Financial Information

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### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

31 December 2020 (Audited)

<b>Financial assets</b>	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Equity instruments designated at FVOCI	—	—	3,600	3,600
Trade receivables	71,259	—	—	71,259
Financial assets included in deposits and other receivables	11,187	—	—	11,187
Financial assets included in long-term deposits and other receivables	6,750	—	—	6,750
Financial assets at FVPL	—	110,680	—	110,680
Time deposits with original maturity of over three months	323,915	—	—	323,915
Cash and cash equivalents	284,921	—	—	284,921
	<u>698,032</u>	<u>110,680</u>	<u>3,600</u>	<u>812,312</u>

<b>Financial liabilities</b>	Financial liabilities at amortised cost RMB'000
Trade payables	10,484
Financial liabilities included in other payables and accruals	26,580
Lease liabilities	4,727
	<u>41,791</u>

As at 30 June 2021 and 31 December 2020, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

### (a) Financial instruments in Level 1

The fair value of the listed securities is determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on the quoted market prices (Level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.

### (b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in Level 2.

The fair values of wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including the expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in the consolidated statements of profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the reporting periods.

### (c) Financial instruments in Level 3

Level 3 instruments of the Group's assets are equity investments in unlisted companies and a listed company.

The fair values of the equity investments in unlisted companies have been estimated using the market approach. Major assumptions used in the valuation include discount of lack of marketability, P/E ratio, etc.



## Notes to Interim Condensed Consolidated Financial Information

30 June 2021

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

#### As at 30 June 2021 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity instruments designated at FVOCI:				
Non-listed equity investment	—	—	20,206	20,206
Financial assets at FVPL	—	189,431	—	189,431
	—	189,431	20,206	209,637

#### As at 31 December 2020 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity instruments designated at FVOCI:				
Listed equity investment	—	—	—	—
Non-listed equity investment	—	—	3,600	3,600
Financial assets at FVPL	—	110,680	—	110,680
	—	110,680	3,600	114,280

30 June 2021

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

During the reporting periods, there were no transfers of fair value measurements between Level 1 and Level 2. The movements in fair value measurements within Level 3 during the reporting periods are as follows:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Equity instruments designated at FVOCI:		
At 1 January	<b>3,600</b>	3,338
Total gains recognised in other comprehensive income	<b>—</b>	(1,238)
Transfer out of Level 3	<b>(1,500)</b>	—
Purchases	<b>18,106</b>	1,500
At 30 June & 31 December	<b>20,206</b>	3,600

Below is a summary of significant unobservable inputs in recurring Level 3 to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each of the reporting periods:

	Valuation technique	Significant unobservable input	<b>Range of inputs</b>	
			<b>As at 30 June 2021</b>	As at 31 December 2020
Equity instruments designated at FVOCI:				
Non-listed equity investment	Market approach	Discount for lack of marketability %	<b>30</b>	30

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

## 17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 August 2021.

## DEFINITIONS

“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” or “Board of Directors”	the board of Directors of our Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	Zengame Technology Holding Limited (禪遊科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands 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 our Company
“Foreign Investment Law”	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) which has become effective on 1 January 2020
“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 Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“MAU”	monthly active users

“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPU”	monthly playing users
“Prospectus”	the prospectus issued by the Company dated 3 April 2019
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	the restricted share unit(s) to be granted under the RSU Scheme
“RSU Nominee”	Hezhong Power Limited, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of Core Trust which will hold the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme
“RSU Scheme”	the restricted share unit scheme approved and adopted by a resolution of the Board dated 9 October 2018, the principal terms of which are summarized under the section headed “Statutory and General Information – F. RSU Scheme and Share Option Scheme – 1. RSU Scheme” in Appendix IV to the Prospectus
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 June 2021, the principal terms of which are summarized in the announcement made by the Company dated 24 June 2021

## Definitions

“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 28 March 2019, the principal terms of which are summarized under the section headed “Statutory and General Information — F. RSU Scheme and Share Option Scheme — 2. Share Option Scheme” in Appendix IV to the Prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Exclusive Consultancy and Technical Service Agreement, the IP License Agreement, the Exclusive Call Option Agreement, the Share Pledge Agreement, the Shareholders’ Rights Entrustment Agreement, the Shareholders’ Powers of Attorney, the Spouse Undertakings and the Loan Agreement, details of which are set out in the section headed “Structured Contracts” in the Prospectus
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	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

\* If there is any inconsistency between the Chinese names of companies established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company marked with “\*” is for identification purpose only.