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## **Zengame Technology Holding Limited**

### **禪遊科技控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2660)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The Board of Zengame Technology Holding Limited is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

### **FINANCIAL HIGHLIGHTS**

	<b>For the year ended</b>		<b>Year-on-Year Change*</b>
	<b>2022</b>	<b>2021</b>	
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>%</b>
Revenue	<b>1,767,456</b>	1,473,958	19.9
Gross profit	<b>1,137,984</b>	905,375	25.7
Gross profit margin (%)	<b>64.4</b>	61.4	
Profit for the year	<b>680,256</b>	500,343	36.0
Net profit margin (%)	<b>38.5</b>	33.9	
Non-HKFRS adjusted net profit**	<b>694,975</b>	503,003	38.2
Earnings per Share			
(expressed in RMB per Share)	<b>0.68</b>	0.49	38.8
Final dividend per Share			
(expressed in HKD per Share)	<b>0.21</b>	0.15	40.0

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

\*\* Non-HKFRS adjusted net profit was derived from the profit for the year excluding Share-based compensation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As a leading mobile game developer and operator in the PRC, the Group has closely followed the changing trend of market and user demand, increased investment in innovative models for new media channels such as short clips and livestreaming, and focused on the innovation, research and development and operation of high-quality card and board and casual games, aiming to establish a top leisure entertainment platform and community. The Group generated income through the sales of virtual items and in-game information service.

In 2022, both revenue and user scale of China's mobile game market suffered decrease, and the game industry has entered the era of stock competition. As game players' expectations for game quality and product experience have increased significantly, companies that are always attentive to the needs of players, have a forward-looking strategic vision, and have the advantages of high-quality research and development, distribution and operation will benefit more.

Against such background, in 2022, the Group actively promoted the innovative development of its main business with remarkable results. We further upgraded its product portfolio, game innovation and promotion to increase user retention and in-game payment rate. As for product portfolio, the Group continued its development strategy in 2021 by reducing the investment in hyper-casual games. We removed 15 games, which are mainly casual games and third-party games, put more resources in innovation and optimization of major card and board games and worked on the development of more premium casual games. With respect to innovation, our research and development operation team constantly adds new elements to existing products and enriches the contents of new media promotion channels. On one hand, we invested more resources on innovation in the gameplay and visual design of the Group's card and board game products. A variety of card designs and innovative modes have been added to the traditional gameplay, making the game more accessible and fun for players, such as the launch of "additional flower tiles without shuffling", "crazy additional flower tiles" and "Chinese Zodiac" for "The Fingertip Sichuan Mahjong (指尖四川麻將)", "additional flower cards and combination for winners", "winning by exchanging cards" and "joyous multiple winning" for "Fight the Landlord (禪遊鬥地主)" and other innovative rules and gameplay. In terms of visual design, we added fun and beautiful costumes to the game and incorporated more large-scale special effects with Chinese literary allusion, such as "peacocks flying southeast", "Wu Wen Xi Dong" and other quality game special effects to meet the user's demand for premium game experience.

The following table sets forth the key operational highlights of the Group for the years indicated:

	<b>For the year ended 31</b>	
	<b>December</b>	
	<b>2022</b>	2021
	<b>(’000)</b>	(’000)
MAU	<b>35,967</b>	43,237
DAU	<b>5,810</b>	6,890
MPU (Virtual items)	<b>1,015</b>	951
ARPPU of virtual items ( <i>RMB</i> )	<b>133</b>	88

In 2022, due to the Group’s product iterative innovation and steady development of product channel, the revenue generated from the Group’s board games increased from RMB918.0 million for the year ended 31 December 2021 to RMB1,474.9 million for the year ended 31 December 2022, representing an increase of approximately 60.7%. The Fingertip Sichuan Mahjong (指尖四川麻將), one of the Group’s flagship products, was highly popular and loved by players and it had ranked the first in card and board games on the iOS bestseller list in the PRC. In 2022, the Group launched two overseas games and relaunched one casual game. As at 31 December 2022, the Group had 44 self-developed games and 7 third-party games, among which 18 are card games, 18 are board games and 15 are other casual games, respectively.

In terms of business development, the Group optimized and enhanced the product experience of existing games, increased the investment in the operation of the Group’s living broadcasting business, and at the same time engaged more hosts with high quality and unique features. As a result, the Group recorded an increase in the cumulative registered players in 2022. The Group had approximately 1.4 billion cumulative registered players for the year ended 31 December 2022 as compared with 1.3 billion cumulative registered players for the year ended 31 December 2021. In addition, the Group enriched the gameplay to increase users’ willingness to pay. As a result, for the year ended 31 December 2022, the Group’s revenue from sales of virtual items amounted to approximately RMB1.5 billion, representing an increase of approximately 47.8% from approximately RMB1.0 billion as compared with the year ended 31 December 2021, and the Group’s ARPPU of virtual items increased from approximately RMB88 for the year ended 31 December 2021 to approximately RMB133 for the year ended 31 December 2022.

In terms of financial performance, due to comprehensive effect of (i) the increase in the number of the paying users of board games and board games ARPPU of the Group; (ii) the decrease in the number of the paying users of card games and card games ARPPU of the Group; and (iii) the decrease in revenue derived from the in-game information service, the overall revenue of the Group increased from approximately RMB1.5 billion for the year ended 31 December 2021 to approximately RMB1.8 billion for the year ended 31 December 2022, representing an increase of approximately 19.9%. At the same time, due to the increase in overall revenue of the Group, the cost of sales increased from approximately RMB568.6 million for the year ended 31 December 2021 to approximately RMB629.5 million for the year ended 31 December 2022, representing an increase of approximately 10.7%. With the growth of overall performance of the Group, the Group's net profit has nonetheless increased from approximately RMB500.3 million for the year ended 31 December 2021 to approximately RMB680.3 million for the year ended 31 December 2022, representing an increase of approximately 36.0%. The Group's adjusted net profit, excluding the Share-based payments, increased from approximately RMB503.0 million for the year ended 31 December 2021 to approximately RMB695.0 million for the year ended 31 December 2022, representing an increase of approximately 38.2%.

In terms of the mobile game industry in the PRC, the industry moved toward to a healthier development model in 2022 under more stringent regulatory requirements. The Group has always strictly complied with the relevant laws and regulations. In response to the introduction of several laws and regulations on the protection of minors in China, the Group has introduced a real-name authentication system and anti-addiction tips into its game products promptly, and strictly enforced the restrictions on the duration, time slot and consumption of games for minors in accordance with the latest requirements. The Group's system can also automatically screen sensitive words and block inappropriate language and content. In addition, the Group has strictly ensured that users' personal information is adequately protected by upgrading a complete prevention and control system for personal information leakage and optimizing the management system of the personal privacy protection for users, thereby enabling every user to use the Group's game products in a healthy, positive and compliant environment. The Group will closely monitor and follow up with any relevant new laws and regulations in the PRC and update its legal compliance database and business processes in a timely manner to ensure that the Group's business complies with the requirements of the latest laws and regulations.

## **FUTURE PROSPECTS**

In 2023, the Group will mainly focus on the following strategies to expand its business and growth:

- continuously increasing the investment in research and development to enhance product research and development strength and innovation capability;
- deepening the development of new media and other traditional channels by keeping abreast of changes in the market and channels to better meet the needs of channels and users;
- leveraging on the Group's core competitive advantages to actively explore and develop overseas game markets;
- actively paying attention to the cutting edge of technology and learning new technologies and models to integrate into our core business; and
- actively seeking suitable investment opportunities and assisting the investee companies in achieving high quality growth.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2022, 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 the Group's consolidated statement of financial position and were then recognized as revenue in accordance with the Group's 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 the Group's revenue by business model for the years indicated:

	For the year ended 31 December				Year-on-Year Change %
	2022		2021		
	RMB'000	%	RMB'000	%	
<b>Sales of virtual items</b>	<b>1,541,847</b>	<b>87.2</b>	1,043,038	70.8	47.8
— Self-developed games	<b>1,531,283</b>	<b>86.6</b>	1,034,814	70.2	48.0
— Third-party games	<b>10,564</b>	<b>0.6</b>	8,224	0.6	28.5
<b>In-game information service</b>	<b>225,609</b>	<b>12.8</b>	430,920	29.2	(47.6)
<b>Total</b>	<b><u>1,767,456</u></b>	<b><u>100.0</u></b>	<b><u>1,473,958</u></b>	<b><u>100.0</u></b>	<b><u>19.9</u></b>

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

	For the year ended 31 December				Year-on-Year Change %
	2022		2021		
	RMB'000	%	RMB'000	%	
Board games	<b>1,474,900</b>	<b>83.5</b>	918,032	62.3	60.7
Card games	<b>260,684</b>	<b>14.7</b>	517,868	35.1	(49.7)
Other games	<b>31,872</b>	<b>1.8</b>	38,058	2.6	(16.3)
<b>Total</b>	<b><u>1,767,456</u></b>	<b><u>100.0</u></b>	<b><u>1,473,958</u></b>	<b><u>100.0</u></b>	<b><u>19.9</u></b>

For the year ended 31 December 2022, the Group's total revenue was approximately RMB1.8 billion, representing an increase of approximately 19.9% from approximately RMB1.5 billion for the year ended 31 December 2021. This increase was primarily due to comprehensive effect of (i) the increase in the number of paying users of board games and board games ARPPU of the Group; (ii) the decrease in the number of paying users of card games and card games ARPPU of the Group; and (iii) the decrease in revenue derived from in-game information service. The Group's revenue derived from the sales of virtual items increased by 47.8% from approximately RMB1.0 billion for the year ended 31 December 2021 to approximately RMB1.5 billion for the year ended 31 December 2022. On the other hand, the Group's revenue derived from in-game information service decreased by 47.6% from approximately RMB430.9 million for the year ended 31 December 2021 to approximately RMB225.6 million for the year ended 31 December 2022. These were mainly due to the decrease in revenue of card games in terms of the in-game information service.

## Cost of Sales

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

	For the year ended 31 December		Year-on-Year Change %
	2022 (RMB'000)	2021 (RMB'000)	
Payment channel costs	197,206	150,294	31.2
Distribution platform costs	243,042	250,305	(2.9)
Information service costs	24,406	90,683	(73.1)
New media costs	148,275	61,359	141.7
Others	16,543	15,942	3.8
<b>Total</b>	<b>629,472</b>	<b>568,583</b>	<b>10.7</b>

For the year ended 31 December 2022, the cost of sales was approximately RMB629.5 million, representing an increase of approximately 10.7% from approximately RMB568.6 million for the year ended 31 December 2021. This increase in the cost of sales was mainly attributable to comprehensive effect of (i) the increase in payment channel costs caused by the increase in revenue from the sales of virtual items; (ii) the decrease in information service costs; and (iii) the increase in the Group's investment in new media operation.

## Gross Profit and Gross Profit Margin

Gross profit increased by 25.7% from approximately RMB905.4 million for the year ended 31 December 2021 to approximately RMB1.1 billion for the year ended 31 December 2022. The gross profit margin slightly increased from 61.4% for the year ended 31 December 2021 to 64.4% for the year ended 31 December 2022.

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

	For the year ended 31 December			
	2022		2021	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	RMB'000	Margin %	RMB'000	Margin %
<b>Sales of virtual items</b>				
— Self-developed games	926,217	60.5	556,914	53.8
— Third-party games	10,564	100.0	8,224	100.0
<b>In-game information service</b>	<u>201,203</u>	<b>89.2</b>	<u>340,237</u>	79.0
<b>Total</b>	<u><b>1,137,984</b></u>	<b>64.4</b>	<u><b>905,375</b></u>	61.4

### Other Income

Other income increased by 76.8% from approximately RMB32.1 million for the year ended 31 December 2021 to approximately RMB56.7 million for the year ended 31 December 2022. This increase was primarily due to (i) the increase in revenue from the bank's interest-bearing assets and financial assets at fair value through profit or loss; and (ii) the increase in government subsidies.

### Selling and Distribution Expenses

Selling and distribution expenses increased by 17.4% from approximately RMB175.6 million for the year ended 31 December 2021 to approximately RMB206.3 million for the year ended 31 December 2022. This increase was primarily attributable to the increase in (i) the promotion of the Group's virtual items; and (ii) the remuneration of sales staff.

### Administrative Expenses

Administrative expenses increased by 35.8% from approximately RMB64.8 million for the year ended 31 December 2021 to approximately RMB88.0 million for the year ended 31 December 2022. This increase was primarily due to (i) the increase in the number of the Group's offices and rental expenses; and (ii) the increase in the number of administrative personnel and their salaries.



## **Research and Development Expenses**

Research and development expenses increased by 35.8% from approximately RMB92.5 million for the year ended 31 December 2021 to approximately RMB125.7 million for the year ended 31 December 2022. This increase was primarily due to the increase in the number of research and development personnel and their salaries.

## **Other Expenses**

Other expenses increased by 243.4% from approximately RMB3.2 million for the year ended 31 December 2021 to approximately RMB11.1 million for the year ended 31 December 2022. This increase was primarily due to the increase in (i) impairment losses on long-term equity investment; and (ii) exchange loss due to exchange rate changes.

## **Finance Costs**

Finance costs increased from approximately RMB0.6 million for the year ended 31 December 2021 to approximately RMB0.7 million for the year ended 31 December 2022. This increase was primarily due to the increase in office lease liabilities.

## **Income Tax Expense**

The income tax expenses decreased from approximately RMB98.5 million for the year ended 31 December 2021 to approximately RMB80.4 million for the year ended 31 December 2022, representing a decrease of RMB18.1 million or approximately 18.4%. This decrease was mainly attributable to (i) withholding tax at the rate of 5% enjoyed by the Group when dividend payable by the Group's PRC subsidiaries to its Hong Kong subsidiary as the Group's Hong Kong subsidiary has obtained the Hong Kong tax resident certificate; and (ii) the impact of the applicable preferential tax rate.

## **Profit for the year ended 31 December 2022**

As a result of the above factors, the net profit of the Group was approximately RMB680.3 million for the year ended 31 December 2022, representing an increase of approximately 36.0% as compared with RMB500.3 million for the year ended 31 December 2021. This increase was mainly attributable to the increase in revenue from the sales of virtual items.

## **Non-HKFRS Measures — Adjusted Net Profit**

The adjusted net profit for the year ended 31 December 2022, adjusted by excluding the Share-based compensation, was approximately RMB695.0 million, increased by 38.2% as compared to approximately RMB503.0 million for the year ended 31 December 2021.

The following table sets out the adjusted net profit as well as the calculation process based on non-HKFRS for the years ended 31 December 2022 and 2021:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit for the year	<b>680,256</b>	500,343
Add:		
Share-based compensation	<b>14,719</b>	2,660
	<u>680,256</u>	<u>500,343</u>
Adjusted net profit	<b><u>694,975</u></b>	<b><u>503,003</u></b>

### **Liquidity and Capital Resources**

The Group's total bank balances and cash increased from approximately RMB1.0 billion as at 31 December 2021 to approximately RMB1.1 billion as at 31 December 2022. This increase in total bank balances and cash during the year ended 31 December 2022 was primarily resulted from the increase in cash balance from operating profit.

As at 31 December 2022, current assets of the Group amounted to approximately RMB1.5 billion, primarily consisting bank balances and cash of approximately RMB1.1 billion and other current assets of approximately RMB0.4 billion. Current liabilities of the Group amounted to approximately RMB262.7 million, primarily consisting of contract liabilities of approximately RMB83.3 million and other payables and accruals of approximately RMB123.6 million. As at 31 December 2022, the current ratio (the current assets to current liabilities ratio) of the Group was 5.8, as compared with 6.0 as at 31 December 2021.

As at 31 December 2022, the Group had borrowings amounting to approximately RMB13.5 million (31 December 2021: RMB9.1 million). In August 2022, the Group obtained a bank loan of RMB15 million at an interest rate of the one-year loan prime rate plus 34BP. The said loan will be due in August 2023.

As a result of the aforesaid borrowings, the gearing ratio is calculated by dividing total debt (being interest-bearing bank borrowings) by total equity. As at 31 December 2022, the gearing ratio was 0.8% (31 December 2021: 0.7%).

## **Capital Expenditures**

For the year ended 31 December 2022, the capital expenditures of the Group amounted to approximately RMB6.3 million, which were primarily used to purchase office facilities and office software.

## **Contingent Liabilities**

The Group had no material contingent liabilities as at 31 December 2022.

## **Pledge of Assets**

As at 31 December 2022, the Group did not pledge any assets.

## **Future Plan for Material Investments and Capital Assets**

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

## **Significant Investments, Acquisitions and Disposals**

Save as disclosed in this announcement, there were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the year ended 31 December 2022.

## **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 also has certain cash and bank balances denominated in United State dollars and Hong Kong dollars, which would expose the Group to foreign exchange risk. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>1,767,456</b>	1,473,958
Cost of sales		<u>(629,472)</u>	<u>(568,583)</u>
Gross profit		<b>1,137,984</b>	905,375
Other income and gains	4	<b>56,728</b>	32,082
Selling and distribution expenses		<b>(206,275)</b>	(175,628)
Administrative expenses		<b>(87,966)</b>	(64,797)
Research and development costs		<b>(125,669)</b>	(92,531)
Other expenses		<b>(11,129)</b>	(3,241)
Finance costs		<u>(698)</u>	<u>(637)</u>
Share of profits and losses of:			
Associates		<b>(1,350)</b>	(421)
Joint ventures		<u>(996)</u>	<u>(1,366)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>760,629</b>	598,836
Income tax expense	6	<u>(80,373)</u>	<u>(98,493)</u>
<b>PROFIT FOR THE YEAR</b>		<b>680,256</b>	500,343
Attributable to:			
Owners of the parent		<b>680,783</b>	500,343
Non-controlling interests		<u>(527)</u>	<u>—</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	8	<u><b>RMB68.40 cents</b></u>	<u>RMB49.44 cents</u>
Diluted	8	<u><b>RMB68.10 cents</b></u>	<u>RMB49.44 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>		<b><u>680,256</u></b>	<b><u>500,343</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(9,152)</u>	<u>(1,638)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(9,152)</u>	<u>(1,638)</u>
Other comprehensive loss/(income) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Change in fair value	9	<u>(4,154)</u>	<u>258</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b><u>(13,306)</u></b>	<b><u>(1,380)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>666,950</u></b>	<b><u>498,963</u></b>
Attributable to:			
Owners of the parent		<b>667,477</b>	498,963
Non-controlling interests		<b><u>(527)</u></b>	<u>—</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		<b>9,833</b>	8,024
Investments in associates		<b>7,003</b>	4,579
Investments in joint ventures		<b>4,917</b>	7,574
Intangible assets		<b>1,263</b>	1,729
Right-of-use assets		<b>7,854</b>	9,072
Equity instruments designated at fair value through other comprehensive income (“FVOCI”)	9	<b>26,610</b>	21,476
Long-term prepayments, deposits and other receivables		<b>18,511</b>	9,210
Deferred tax asset		<b>332</b>	454
Time deposits with original maturity of over one year		<b>440,000</b>	—
Total non-current assets		<b>516,323</b>	62,118
<b>CURRENT ASSETS</b>			
Trade receivables	10	<b>161,763</b>	192,837
Contract costs	11	<b>26,077</b>	20,100
Financial assets at fair value through profit or loss	12	<b>210,885</b>	101,102
Prepayments, deposits and other receivables		<b>52,619</b>	61,978
Time deposits with original maturity of over three months		<b>105,759</b>	405,000
Cash and cash equivalents	13	<b>977,230</b>	644,709
Total current assets		<b>1,534,333</b>	1,425,726
<b>CURRENT LIABILITIES</b>			
Trade payables	14	<b>17,298</b>	14,982
Contract liabilities	15	<b>83,284</b>	59,183
Other payables and accruals	16	<b>123,600</b>	101,238
Interest-bearing bank borrowings		<b>13,500</b>	9,120
Lease liabilities		<b>6,589</b>	6,408
Tax payable		<b>18,426</b>	46,544
Total current liabilities		<b>262,697</b>	237,475
<b>NET CURRENT ASSETS</b>		<b>1,271,636</b>	1,188,251
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,787,959</b>	1,250,369

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>1,439</b>	2,945
Deferred tax liabilities		<b>20,760</b>	22,202
		<hr/>	<hr/>
Total non-current liabilities		<b>22,199</b>	25,147
		<hr/>	<hr/>
Net assets		<b>1,765,760</b>	1,225,222
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	<i>17</i>	<b>9,044</b>	8,946
Treasury shares		<b>(22,767)</b>	(22,476)
Reserves		<b>1,778,774</b>	1,238,752
		<hr/>	<hr/>
		<b>1,765,051</b>	1,225,222
		<hr/>	<hr/>
Non-controlling interests		<b>709</b>	—
		<hr/>	<hr/>
Total equity		<b>1,765,760</b>	1,225,222
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2022

## 1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in developing and operating mobile games in the People's Republic of China (hereafter, the “**PRC**”) and investment business in the PRC. There has been no significant change in the Group's principal activities during the year ended 31 December 2022.

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

### 2.1 BASIS OF PREPARATION

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

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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



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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAFS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on

or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is expected to be applicable to the Group is as follow:
  - HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1, 5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2, 4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

## 3. OPERATING SEGMENT INFORMATION

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

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

## Geographical information

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

## Information about major customers

Revenue from customers which amounted to more than 10% of the Group's revenue for the year ended 31 December 2022 and the year ended 31 December 2021 are set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	NA*	NA*
Customer B	NA*	167,420

\* 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 year ended 31 December 2022 and the year ended 31 December 2021.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

### (a) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue:</b>		
<b>Type of goods or services</b>		
Self-developed games	1,531,283	1,034,814
Third-party games	10,564	8,224
In-game information service	225,609	430,920
	<u>1,767,456</u>	<u>1,473,958</u>
Total revenue from contracts with customers	<u>1,767,456</u>	<u>1,473,958</u>
<b>Timing of revenue recognition</b>		
Services transferred over time	<u>1,767,456</u>	<u>1,473,958</u>

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	<u><b>59,183</b></u>	<u>6,784</u>

**(b) Performance obligations**

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

*Virtual items in self-developed games*

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

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

*Publishing service for third party games*

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

*In-game information service*

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

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<b><u>83,284</u></b>	<u>59,183</u>

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

### **Other income and gains**

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Bank interest income	<b>20,858</b>	12,005
Gains or losses on financial assets at fair value through profit or loss	<b>16,598</b>	11,877
Government grants related to income*	<b>12,114</b>	3,578
Super deduction for input VAT	<b>6,482</b>	4,518
Others	<b><u>676</u></b>	<u>104</u>
	<b><u>56,728</u></b>	<u>32,082</u>

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

## 5. PROFIT BEFORE TAX

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

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Services fee charged by distribution platforms and payment vendors		<b>440,248</b>	400,599
Information service cost		<b>24,406</b>	90,683
New media costs		<b>148,275</b>	61,359
Promotion expenses		<b>149,859</b>	138,937
Employee benefit expense (excluding directors' and chief executives' remuneration):			
Wages and salaries		<b>167,876</b>	125,755
Pension scheme contributions (defined contribution scheme)		<b>5,676</b>	3,811
Equity-settled share-based payment expenses		<b>14,719</b>	2,660
Depreciation of property and equipment		<b>3,896</b>	2,897
Depreciation of right-of-use assets		<b>7,531</b>	4,440
Amortisation of intangible assets		<b>897</b>	413
Research and development costs		<b>125,669</b>	92,531
Impairment of investments in an associate and joint ventures*		<b>4,887</b>	—
Impairment of trade receivables*	<i>10</i>	<b>525</b>	1,150
Loss on disposal of items of property, plant and equipment		<b>28</b>	6
Gain on early termination of a lease		<b>(5)</b>	—
Auditors' remuneration		<b>2,100</b>	1,850

\* The provision of impairment for trade receivable and investments in an associate and joint ventures are included in other expense 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 and renewed on year 2022. Accordingly it was entitled to a preferential income tax rate of 15% for a 3-year period since 2022. Zen-Game Shenzhen was entitled to a preferential income tax rate of 15% from 2022 to 2024.

Shenzhen Laiwan was accredited as a "Software Enterprise" in 2019 under the relevant PRC laws and regulation and was entitled with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Therefore, Shenzhen Laiwan was exempted from income tax for its first two profitable years (i.e. 2019 and 2020) and was entitled to a preferential income tax rate of 12.5% from 2021 to 2023.

Tiantianlaiwan was qualified as a “Software Enterprise” in 2020 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. Therefore, Tiantianlaiwan was exempted from income tax for its first two profitable years (i.e. 2019 and 2020) and was entitled to a preferential income tax rate of 12.5% from 2021 to 2023.

Hainan Tiantianlaiwan were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Tiantianlaiwan was 15% for the year ending 31 December 2022.

Metaverse 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. Metaverse expected it will be exempted from income tax for the year 2022.

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

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

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

	<b>2022</b> <i>RMB’000</i>	2021 <i>RMB’000</i>
Current tax		
Charge for the year	<b>81,261</b>	76,384
Deferred tax	<b>(888)</b>	22,109
	<hr/>	<hr/>
Total tax charge for the year	<b><u>80,373</u></b>	<b><u>98,493</u></b>

## 7. DIVIDENDS

	<b>2022</b> <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Proposed final — HK\$0.21 (2021 HK\$0.15*) per ordinary share	<b><u>215,922</u></b>	<u>154,230*</u>
	<b><u>215,922</u></b>	<b><u>154,230</u></b>

\* The proposed final dividend of HK\$0.15 per Share for the year ended 31 December 2021 amounted to HK\$152,543,000 was withdrew due to the ordinary resolution on declaration of a final dividend was not passed in the AGM. The Company had declared the Special Dividend of HK\$0.15 per ordinary share amounted to HK\$154,230,000 on 7 November 2022 and distributed on or before 15 December 2022.

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



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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year ended 31 December 2022.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculations	<b>680,783</b>	500,343
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	<b>995,366,941</b>	1,012,061,271
Effect of dilution — weighted average number of ordinary shares:		
Share Options	<b>2,596,920</b>	—**
Restricted Shares	<b>1,777,196</b>	—
	<b><u>999,741,057*</u></b>	<b><u>1,012,061,271</u></b>

\* The diluted earnings per share amounts are based on the profit for the year ended 31 December 2022 of RMB680,783,000 and the weighted average number of ordinary shares of 999,741,057 in issue during the year.

\*\* No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2021 of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 9. EQUITY INSTRUMENTS DESIGNATED AT FVOCI

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-listed equity investments, at fair value:		
Shenzhen Flying Fish Interactive Technology Company Limited ("Flying Fish")	490	620
Guangzhou Xiguahentian Information Technology Company Limited ("Xiguahentian")	1,740	1,750
Shenzhen Candy Interactive Technology Company Limited ("Candy Interactive")	—	4,800
Shenzhen Wild Panda Technology Company Limited ("Wild Panda")	2,890	3,000
Shenzhen Qiuxing Technology Company Limited ("Qiuxing")	720	1,000
Shenzhen Mengqiwenhua Company Limited ("Mengqiwenhua")	13,050	10,306
Zhongxin Digital Entertainment (Chengdu) Technology Company Limited ("Zhongxinshuyu")	6,720	—
Shenzhen Jiangzhi Technology Company Limited ("Jiangzhi")	1,000	—
	<u>26,610</u>	<u>21,476</u>

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

In the years ended 31 December 2022 and 2021, the changes in the fair value and income tax effect in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income are as below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The gross fair value change in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income	(4,586)	270
Income tax effect	432	(12)
Changes in fair value on equity instruments designated at FVOCI	<u>(4,154)</u>	<u>258</u>

Equity instruments designated at FVOCI include investments in equity shares of listed and non-listed companies. The Group holds non-controlling interests (less than 20%) in these companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

## 10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	164,644	195,193
Provision for expected credit losses	<u>(2,881)</u>	<u>(2,356)</u>
	<u><b>161,763</b></u>	<u><b>192,837</b></u>

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	155,924	177,688
91 to 180 days	4,773	11,580
181 to 1 year	835	1,818
1 year to 2 years	<u>231</u>	<u>1,751</u>
	<u><b>161,763</b></u>	<u><b>192,837</b></u>

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

<b>31 December 2022</b>	<b>Amount</b> <i>RMB'000</i>	<b>Expected credit</b> <b>loss rate</b>	<b>Impairment</b> <i>RMB'000</i>
Trade receivables aged:			
Within 1 year	161,571	0.02%	39
1 to 2 years	269	14.11%	38
2 to 3 years	<u>2,804</u>	100.00%	<u>2,804</u>
	<u><b>164,644</b></u>		<u><b>2,881</b></u>

<b>31 December 2021</b>	Amount <i>RMB'000</i>	Expected credit loss rate	Impairment <i>RMB'000</i>
Trade receivables aged:			
Within 1 year	191,520	0.23%	434
1 to 2 years	3,034	42.29%	1,283
2 to 3 years	639	100.00%	639
	<u>195,193</u>		<u>2,356</u>

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

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year		2,356	1,206
Provision for expected credit losses	6	<u>525</u>	<u>1,150</u>
At the end of year		<u>2,881</u>	<u>2,356</u>

## 11. CONTRACT COSTS

Contract costs are mainly related to contract acquisition costs. Management expects that incremental relevant distribution service fees paid as a result of obtaining customer contracts are recoverable, which meet the contract acquisition cost criteria when the Group considers the Paying Player as its customers. The Group has therefore capitalised them as contract costs in the amounts of RMB26,077,000 and RMB20,100,000 as at 31 December 2022 and 2021, respectively.

Capitalised relevant service fees are amortised when the related revenue is recognised, which is consistent with the pattern of recognition of the associated revenue. The total amounts of amortisation were RMB440,248,000 and RMB400,599,000 for the years ended 31 December 2022 and 2021, respectively, and there was no impairment loss in relation to the costs capitalised.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Wealth management products issued by licensed banks, at fair value	<u>210,885</u>	<u>101,102</u>
	<u>210,885</u>	<u>101,102</u>

Wealth management products issued by several licensed banks were denominated in RMB, with expected rates of return ranging from 1.00% to 3.50% and 2.29% to 3.50% per annum for the years ended 31 December 2022 and 2021, respectively. The return on all these wealth management products is not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flows discounted using the expected return based on management judgement and are categorised within level 2 of the fair value hierarchy.

### 13. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash and bank balances	<b>859,839</b>	614,709
Time deposits	<b>663,150</b>	435,000
	<b>1,522,989</b>	1,049,709
Less:		
Current:		
Time deposits with original maturity of over three months	<b>105,759</b>	405,000
Non-current:		
Time deposits with original maturity of over one year	<b>440,000</b>	—
Cash and cash equivalents	<b>977,230</b>	644,709
Cash and bank balances denominated in:		
RMB	<b>852,998</b>	586,641
HK\$	<b>5,796</b>	22,521
US\$	<b>1,045</b>	5,547

The cash and bank balances of the Group denominated in RMB amounted to RMB852,998,000 (2021: RMB586,641,000) at the end of the reporting period. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. Time deposit of over three months amounting to RMB545,759,000 (31 December 2021: RMB405,000,000) were not included in cash and cash equivalents. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

#### 14. TRADE PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	16,490	13,573
3 to 6 months	116	198
6 months to 1 year	17	448
Over 1 year	675	763
	<u>17,298</u>	<u>14,982</u>

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

#### 15. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 2022 and 2021 and will be expected to be recognised as revenue within one year:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Self-developed games	<u>83,284</u>	<u>59,183</u>

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

#### 16. OTHER PAYABLES AND ACCRUALS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salary and welfare payables	94,790	76,338
Other tax payables	25,718	21,462
Other payables	3,092	3,438
	<u>123,600</u>	<u>101,238</u>

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

## 17. SHARE CAPITAL

### Shares

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2022 (2021: 50,000,000,000 ordinary shares of HK\$0.01 each)	<b>440,000</b>	440,000
Issued and fully paid:		
1,027,731,687 ordinary shares as at 31 December 2022 (2021: 1,017,444,000 ordinary shares)	<b>9,044</b>	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 <i>RMB'000</i></b>
At 31 December 2021 and 1 January 2022		1,017,444,000	8,946
Cancellation of shares	<i>(a)</i>	(493,563)	(4)
Shares repurchased	<i>(b)</i>	(470,000)	—
Share options exercised	<i>(c)</i>	1,251,250	11
Rights issue	<i>(d)</i>	10,000,000	91
		<u>1,027,731,687</u>	<u>9,044</u>

- (a) Cancellation of lapsed restricted share units in respect of 493,563 shares under the RSU Scheme. The RSU Scheme was approved and adopted by a resolution of the Board dated 9 October 2018.
- (b) The Company repurchased 470,000 shares on the Stock Exchange at a total consideration of HK\$650,600 (equivalent to RMB552,132), which was paid wholly out of retained profits in accordance with section 257 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).
- (c) The subscription rights attaching to 1,251,250 share options were exercised at the subscription price of HK\$1.29 per share, resulting in the issue of 1,251,250 shares for a total cash consideration, before expenses, of HK\$1,614,113 (equivalent to RMB1,517,325). An amount of RMB558,159 was transferred from the share option reserve to share capital upon the exercise of the share options.
- (d) The Company issued 10,000,000 new shares to Zen Employee Benefit Limited (ZEBL), an indirect wholly-owned subsidiary of The Core Trust Company Limited (the "Trustee"), to hold on trust for the selected participants in accordance with the terms of the Share Award Scheme. The said 10,000,000 new shares were allotted and issued at par value to ZEBL. The Company bore the cost of such issue and no funds was raised. All the 10,000,000 new shares issued ranked pari passu among themselves and with those shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the allotment date.

## **SIGNIFICANT EVENTS AFTER THE YEAR END**

The Group did not have any significant events after 31 December 2022 and up to the date of this announcement.

## **USE OF PROCEEDS FROM THE LISTING**

The net proceeds raised by the Company from the Listing are approximately HK\$206.5 million (after deduction of the underwriting commissions in respect of the offering and other estimated expenses). As at 31 December 2022, all the net proceeds of approximately HK\$206.5 million had been fully utilized by the Group for the purposes set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 3 April 2019 and the supplemental announcement of the Company dated 2 August 2022.

## **EMPLOYEE REMUNERATION AND RELATIONS**

As at 31 December 2022, the Group had approximately 524 employees (490 as at 31 December 2021). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. Remuneration of the Group’s employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. For the year ended 31 December 2022, the total remuneration expenses, including Share-based compensation expense, were approximately RMB242.7 million, representing an increase of 41.1% from RMB172.0 million for the year ended 31 December 2021, which was primarily due to (i) the increase by 28.6% in the average number of Group’s employees during the year of 2022 as compared to the year of 2021; and (ii) the increase in Share-based compensation expenses resulting in the increase in total remuneration expenses.

The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the year ended 31 December 2022.



## **PAYMENT OF FINAL DIVIDEND**

Having taken into account the performance of the Group for the financial year ended 31 December 2022, the Board has resolved to recommend the payment of a final dividend of HK\$0.21 per Share for the year ended 31 December 2022 (2021: HK\$0.15 per Share) to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 July 2023. The total amount is HK\$215.9 million. The proposed final dividend, subject to the approval of the Shareholders at the AGM, is expected to be paid on or before Friday, 28 July 2023.

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

## **ANNUAL GENERAL MEETING**

The AGM will be held on Tuesday, 20 June 2023. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

## **CLOSURE OF THE REGISTER OF MEMBERS**

In order to ascertain the Shareholders' entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no transfer of Shares will be registered. All Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 14 June 2023.

In order to ascertain the Shareholders' entitlements to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 4 July 2023 to Thursday, 6 July 2023, both days inclusive, during which period no transfer of Shares will be registered. All Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 July 2023.

## **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 year ended 31 December 2022, save for deviation from code provision C.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 two executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from code provision C.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 year ended 31 December 2022.

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the Company’s consolidated annual results for the year ended 31 December 2022 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The annual results for the year ended 31 December 2022 have been prepared in accordance with HKFRS.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR**

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this annual results announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. Ernst & Young made no comments as to the reasonableness or appropriateness of those assumptions of the “Non-HKFRS Measures” as presented in this annual results announcement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2022, the Company has repurchased a total of 470,000 Shares on the Stock Exchange and the details are set out below:

<b>Date of Repurchase</b>	<b>Number of Shares Repurchased</b>	<b>Price Per Share</b>		<b>Aggregate consideration <i>HK\$</i></b>
		<b>Highest <i>HK\$</i></b>	<b>Lowest <i>HK\$</i></b>	
30 May 2022	470,000	1.42	1.28	650,600

As at 31 December 2022, 470,000 Shares were repurchased and to be cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 December 2022.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.zen-game.com>). The annual report for the year ended 31 December 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

## **DEFINITIONS**

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

“AGM”	the annual general meeting of the Company proposed to be held on Tuesday, 20 June 2023
“ARPPU”	monthly average revenue per paying user, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Company”	Zengame Technology Holding Limited (禪遊科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 August 2018
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“DAU”	daily active users
“Director(s)”	the director(s) of the Company
“Free-to-Play”	a business model which players can play games for free, but may need to pay for virtual items sold in games to enhance their game experience

“Group”	collectively, the Company and its subsidiaries
“HK\$”, “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards
“Listing”	the listing of 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
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“MPU”	monthly playing users
“RMB”	Renminbi, the lawful currency of the PRC
“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 issued by the Company dated 3 April 2019
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the 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
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Zen-Game Shenzhen”	Shenzhen Zen-Game Technology Co. Ltd.* (深圳市禪遊科技股份有限公司), an indirect wholly-owned subsidiary of the Company
“%”	per cent

\* *The English translation of Chinese entity is for identification purpose only.*

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

Hong Kong, 29 March 2023

*As at the date of this announcement, the executive Directors are Mr. Ye Sheng, Mr. Yang Min and Ms. Xiong Mi, and the independent non-executive Directors are Mr. Jin Shuhui, Mr. Mao Zhonghua and Mr. Yang Yi.*