



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



2023

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)
Ms. Xiong Mi (熊密)

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

Ms. Li Yan Wing Rita (李昕穎)

AUTHORIZED REPRESENTATIVES

Mr. Yang Min (楊民)
Ms. Li Yan Wing 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
(Registered Public Interest Entity Auditor)
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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Rooms 1304–06
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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

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

17/F, Far East Finance Centre
16 Harcourt Road
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* %
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)	
Revenue	1,017,834	619,786	64.2
Gross profit	635,714	399,648	59.1
Gross profit margin (%)	62.5	64.5	
Profit for the period	404,261	236,905	70.6
Profit (%)	39.7	38.2	
Non-HKFRS adjusted net profit**	413,154	238,459	73.3
Earnings per Share (expressed in RMB per Share)	0.41	0.24	70.8

* 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 compensation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a leading mobile game developer 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 board and card and casual games, 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 the first half of 2023, the policies guided the healthy development of the game industry and the industry started to boom degrees upwards, numerous game manufacturers were striving to seek breakthrough opportunities. On the one hand, the game industry constantly insisted on boutique and high-quality development, emphasized the content value and cultural connotation of game products, and paid more attention to user experience; on the other hand, the game manufacturers continuously deepened their export-oriented layout and explored overseas market increment, and the creative ability and distribution capacity of the export-oriented game products were continued to improve. In addition, with the gradual deepening of development of AI technology and the application, the AI empowerment brought out the efficiency improvement of the game industry and further facilitated the continuous innovation of gameplay.

Against such background, in the first half of 2023, the Group made continuous progress to enhance its capacities in game research and development and innovation, with a focus on optimizing user experience and to commit to creating new game content and improving game products' quality. On the one hand, the Group continuously and iteratively updated its existing gameplay, and enriched strategic of its gameplay. At the same time, during the interim period, the Group launched gameplays with innovative rules, including among others, the "Five Elements Magic Weapon (五行神兵禎)" for "Fingertip Sichuan Mahjong (指尖四川麻將)", and "Encounter consecutive bombs (吃個連炸)" for "Fight the Landlord (禪遊鬥地主)"; On the other hand, the Group comprehensively updated and optimized the gameplay in various perspectives, including animated short film for game openings, special effects of game players and game fighting music, among which, the special effects in the Group's gameplays, like "Four Symbols Universe (四象乾坤)", "Refinement into Gold (百煉成金)" and "Multicolor Gilt (五色鑿金)", brought gamers refreshing experience. In addition, the Group launched attractive in-game activities, such as "Lucky Event (開運福利)", "Qizhen Pavilion (奇珍閣)" and "Daily Reward (每日懸賞)" to enhance its games' fun and playability. Meanwhile, in terms of industrial technology innovation and application, the Group concerned about the impact brought by the automated production tools on its business development. Leveraging on the introduction and application of AIGC technology, the Group was devoted to improving its efficiency in research and development of game products, and to further enhance its intelligence and refined operation.

Management Discussion and Analysis

The following table sets forth the key operational highlights of the Group for the periods/year indicated:

	For the six months ended 30 June		For the year ended 31 December
	2023 ('000)	2022 ('000)	2022 ('000)
MAU	25,068	38,707	35,967
DAU	4,404	6,288	5,810
MPU (Virtual items)	575	1,065	1,015
ARPPU of virtual items (RMB)	289	82	133

In the first half of 2023, 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 RMB451.8 million for the six months ended 30 June 2022 to RMB923.2 million for the six months ended 30 June 2023, representing an increase of approximately 104.3%. 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 second in board and card games on the iOS bestseller list in the PRC. In the first half of 2023, the Group relaunched four board and card games and launched one overseas game. As at 30 June 2023, the Group had 48 self-developed games and 7 third-party games, among which 43 are board and card games, and 12 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. The Group enriched the gameplay to increase users' willingness to pay. As a result, for the six months ended 30 June 2023, the Group's revenue from sales of virtual items amounted to approximately RMB963.9 million, representing an increase of approximately 100.7% as compared with RMB480.2 million for the six months ended 30 June 2022, and our ARPPU of virtual items increased from approximately RMB82 for the six months ended 30 June 2022 to approximately RMB289 for the six months ended 30 June 2023.

In terms of financial performance, due to the increase in users' payment capacity, the overall revenue of the Group increased from approximately RMB619.8 million for the six months ended 30 June 2022 to approximately RMB1,017.8 million for the six months ended 30 June 2023, representing an increase of approximately 64.2%. At the same time, due to the increase in overall revenue and channel costs of the Group, the cost of sales increased from approximately RMB220.1 million for the six months ended 30 June 2022 to approximately RMB382.1 million for the six months ended 30 June 2023, representing an increase of approximately 73.6%. With the growth of overall performance of the Group, the Group's net profit has nonetheless increased from approximately RMB236.9 million for the six months ended 30 June 2022 to approximately RMB404.3 million for the six months ended 30 June 2023, representing an increase of approximately 70.6%. The Group's adjusted net profit, excluding the Share-based compensation, increased from approximately RMB238.5 million for the six months ended 30 June 2022 to approximately RMB413.2 million for the six months ended 30 June 2023, representing an increase of approximately 73.3%.

In terms of regulation in game industry, the Group has always strictly complied with relevant laws and regulations. In terms of minors protection, the Group has introduced a real-name authentication system and anti-addiction tips into its game products comprehensively, and strictly enforced the restrictions on the duration, time slot and consumption of games for minors in accordance with the latest requirements. In addition, in terms of personal data protection, the Group upgraded its prevention and control system for personal information leakage and optimized its management system of the personal privacy protection for users, to ensure sufficient protection of users' personal information. In the future, 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, and to establish a green and healthy game eco-environment.

FUTURE PROSPECTS

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

- consolidating advantages in board and card tracks and further enhancing management capability in research and development and business operation;
- closing to channels and users demand and continuously committing to iterative updates of products and user experience;
- taking advantages of the Group's core competitive advantages and actively exploring and developing overseas game markets;
- actively embracing industrial technology change to effectively empower the Group's core business; and
- actively seeking suitable investment opportunities and assisting the investee companies in achieving high quality growth.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, 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 periods indicated:

	For the six months ended 30 June				Year-on-Year Change %
	2023		2022		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
Sales of virtual items	963,923	94.7	480,233	77.5	100.7
– Self-developed games	960,029	94.3	477,900	77.1	100.9
– Third-party games	3,894	0.4	2,333	0.4	66.9
In-game information service	53,911	5.3	139,553	22.5	(61.4)
Total	1,017,834	100.0	619,786	100.0	64.2

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

	For the six months ended 30 June				Year-on-Year Change %
	2023		2022		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
Board games	923,175	90.7	451,800	72.9	104.3
Card games	76,338	7.5	160,967	26.0	(52.6)
Other games	18,321	1.8	7,019	1.1	161.0
Total	1,017,834	100.0	619,786	100.0	64.2

For the six months ended 30 June 2023, the Group's total revenue was approximately RMB1,017.8 million, representing an increase of approximately 64.2% as compared with approximately RMB619.8 million for the six months ended 30 June 2022. This increase was primarily due to the comprehensive effect of (i) the increase in board games ARPPU of the Group; and (ii) the decrease in revenue derived from card games. The Group's revenue derived from the sales of virtual items increased by 100.7% from approximately RMB480.2 million for the six months ended 30 June 2022 to approximately RMB963.9 million for the six months ended 30 June 2023. The Group's revenue derived from in-game information service decreased by 61.4% from approximately RMB139.6 million for the six months ended 30 June 2022 to approximately RMB53.9 million for the six months ended 30 June 2023. The decrease in revenue derived from in-game information service was mainly due to the decrease in the market of in-game information service and the revenue from information service of card games.

Cost of Sales

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

	For the six months ended 30 June		Year-on-Year Change %
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)	
Channel costs	278,109	157,614	76.4
Information service costs	2,912	19,006	-84.7
New media costs	91,721	36,884	148.7
Others	9,378	6,634	41.4
Total	382,120	220,138	73.6

The cost of sales increased by 73.6% from approximately RMB220.1 million for the six months ended 30 June 2022 to approximately RMB382.1 million for the six months ended 30 June 2023. The increase in the cost of sales was mainly attributable to the increase in overall revenue and the new media costs of the Group.

Gross Profit and Gross Profit Margin

Gross profit increased by 59.1% from approximately RMB399.6 million for the six months ended 30 June 2022 to approximately RMB635.7 million for the six months ended 30 June 2023. The gross profit margin slightly decreased from 64.5% for the six months ended 30 June 2022 to 62.5% for the six months ended 30 June 2023.

Management Discussion and Analysis

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

	For the six months ended 30 June			
	2023		2022	
	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %
Sales of virtual items	584,715	60.7	289,254	60.2
— Self-developed games	580,821	60.5	286,921	60.0
— Third-party games	3,894	100	2,333	100.0
In-game information service	50,999	94.6	110,394	79.1
Total	635,714	62.5	399,648	64.5

Other Income

Other income increased by 78.7% from approximately RMB25.9 million for the six months ended 30 June 2022 to approximately RMB46.3 million for the six months ended 30 June 2023. The increase was primarily due to the increase in bank interest income and exchange gains.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 10.8% from approximately RMB82.3 million for the six months ended 30 June 2022 to approximately RMB73.4 million for the six months ended 30 June 2023. This decrease was primarily attributable to the comprehensive effect of (i) the decrease in promotion and advertising expenses; and (ii) the increase in the remuneration of sales staff.

Administrative Expenses

Administrative expenses increased by 63.5% from approximately RMB37.1 million for the six months ended 30 June 2022 to approximately RMB60.7 million for the six months ended 30 June 2023. This increase was primarily due to the increase in the remuneration of administrative personnel.

Research and Development Expenses

Research and development expenses increased by 47.7% from approximately RMB50.0 million for the six months ended 30 June 2022 to approximately RMB73.8 million for the six months ended 30 June 2023. The increase was primarily due to the increase in the number of research and development personnel and their salaries.

Other Expenses

Other expenses increased by 476.0% from approximately RMB1.8 million for the six months ended 30 June 2022 to approximately RMB10.1 million for the six months ended 30 June 2023. The increase was primarily due to the impairment of other receivables.

Finance Costs

Finance costs increased by 28.9% from approximately RMB0.3 million for the six months ended 30 June 2022 to approximately RMB0.4 million for the six months ended 30 June 2023.

Income Tax Expense

The income tax expense increased from approximately RMB17.4 million for the six months ended 30 June 2022 to approximately RMB57.7 million for the six months ended 30 June 2023, representing an increase of approximately RMB40.2 million or approximately 231.0%. This increase was mainly attributable to the (i) decrease in the Group's preferential income tax in 2023; and (ii) enjoy the withholding tax rate of 5% by the Group during the six months ended 30 June 2023 as the Group's Hong Kong subsidiary obtained the Hong Kong tax resident certificate.

Profit for the six months ended 30 June 2023

As a result of the above factors, the net profit of the Group was approximately RMB404.3 million for the six months ended 30 June 2023, representing an increase of approximately 70.6% as compared with RMB236.9 million for the six months ended 30 June 2022. This increase was mainly attributable to the increase in the Group's revenue from sales of virtual items.

Non-HKFRS Measures – Adjusted Net Profit

The adjusted net profit for the six months ended 30 June 2023, adjusted by excluding the Share-based compensation, was approximately RMB413.2 million, increasing by 73.3% as compared with approximately RMB238.5 million for the six months ended 30 June 2022.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	<i>RMB'000</i>
Profit for the period	404,261	236,905
Add:		
Share-based compensation	8,893	1,554
Adjusted net profit	413,154	238,459

Liquidity and Capital Resources

The Group's total bank balances and cash increased from approximately RMB1.1 billion as at 31 December 2022 to approximately RMB1.4 billion as at 30 June 2023. This increase in total bank balances and cash during the six months ended 30 June 2023 was due to the increase in cash balance from operating profit.

Management Discussion and Analysis

As at 30 June 2023, current assets of the Group amounted to approximately RMB1,934.6 million, primarily consisting cash and cash equivalents and time deposits of approximately RMB1,413.0 million, trade receivables of approximately RMB179.3 million and financial assets at FVPL of approximately RMB253.2 million. Current liabilities of the Group amounted to approximately RMB464.5 million, primarily consisting of contract liabilities of approximately RMB108.1 million and other payables and accruals of approximately RMB295.6 million (including the final dividends approved by the Shareholders at the annual general meeting held on 20 June 2023 and paid on 28 July 2023). As at 30 June 2023, the current ratio (the current assets to current liabilities ratio) of the Group was 4.2, as compared with 5.8 as at 31 December 2022.

As at 30 June 2023, the Group had borrowings amounting to approximately RMB12.0 million (31 December 2022: RMB13.5 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 on 31 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 30 June 2023, the gearing ratio was 0.6% (31 December 2022: 0.8%).

Capital Expenditures

For the six months ended 30 June 2023, the capital expenditures of the Group amounted to approximately RMB21.8 million, which were primarily used to invest in other games' research and development and the Group's operation.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2023.

Pledge of Assets

As at 30 June 2023, the Group did not pledge any assets.

Future Plan for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets.

Significant Investments, Acquisitions and Disposals

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, 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 2023.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2023 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 2023 (for the six months ended 30 June 2022: Nil).

At the Board meeting held on 29 March 2023, the Board proposed the payment of a final dividend of HK\$0.21 per Share for the year ended 31 December 2022. The aforesaid final dividend was approved by the Shareholders at the annual general meeting held on 20 June 2023 and paid on 28 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 all the code provisions contained in the Corporate Governance Code during the six months ended 30 June 2023, 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, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the six months ended 30 June 2023 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 2023 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 2023.

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 2022 annual report. The Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

APPOINTMENT OF SENIOR MANAGEMENT

The Board resolved that with effect from 24 February 2023, Mr. Li Chengwei (李成偉) has been appointed as a member of senior management of the Group.

Mr. Li Chengwei, aged 31, is an executive producer of card and board game products of the Group and is responsible for the overall management and business planning of card and board game products department of the Group. In July 2013, Mr. Li Chengwei joined the Group as a software engineer and was promoted to the group leader in May 2015, the producer in February 2016 and the executive producer in January 2019 of card and board game products department of the Group. He has served as the executive producer of card and board game products of the Group since then.

Mr. Li Chengwei received a bachelor's degree of software engineering from Sichuan University of Science & Engineering (四川輕化工大學) (formerly known as Sichuan University of Science & Engineering (四川理工學院)) in June 2013.

STRUCTURED CONTRACTS

Please refer to the section headed “Structured Contracts” in the Prospectus for details. For the six months ended 30 June 2023, 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.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2023, the Group had approximately 520 employees (524 as at 31 December 2022). As required by the PRC laws and regulations, the Group participates in various employee social security plans for its 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 it maintains a good working relationship with its employees, and it has not experienced any material labor disputes during the six months ended 30 June 2023.

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

As at 30 June 2023, 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 corporation (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 the 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 ⁽⁶⁾
Mr. Ye Sheng	Interest in a controlled corporation ⁽¹⁾ Beneficial owner ⁽²⁾	231,712,000	22.49%
		6,500,000	0.63%
Mr. Yang Min	Interest in a controlled corporation ⁽³⁾ Beneficial owner ⁽⁴⁾	197,604,100	19.18%
		6,500,000	0.63%
Ms. Xiong Mi	Beneficial owner ⁽⁵⁾	3,101,021	0.30%

Notes:

- (1) Sky-zen Capital Limited is ultimately wholly owned 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, and Mr. Ye Sheng has exercised 1,000,000 share options granted to him. As at 30 June 2023, Mr. Ye Sheng holds share options to subscribe for 1,000,000 Shares under the Share Option Scheme.

On 6 October 2022, 4,500,000 Shares were granted to Mr. Ye Sheng under the Share Award Scheme.
- (3) J&L Y Limited is ultimately wholly owned 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, and Mr. Yang Min has exercised 1,000,000 share options granted to him. As at 30 June 2023, Mr. Yang Min holds share options to subscribe for 1,000,000 Shares under the Share Option Scheme.

On 6 October 2022, 4,500,000 Shares were granted to Mr. Yang Min under the Share Award Scheme.
- (5) On 9 October 2018, 3,037,021 RSUs were granted to Ms. Xiong Mi under the RSU Scheme, and as at 31 December 2022, Ms. Xiong Mi has fully exercised all the RSUs granted to her and is beneficially interested in 3,037,021 Shares.

On 3 June 2021, 200,000 share options were granted to Ms. Xiong Mi under the Share Option Scheme. Upon full exercise of such options, Ms. Xiong Mi will be beneficially interested in 200,000 Shares.

On 6 October 2022, 200,000 Shares were granted to Ms. Xiong Mi under the Share Award Scheme.

On 22 May 2023, Ms. Xiong Mi completed a sale of 100,000 Shares.

On 31 May 2023, Ms. Xiong Mi completed a sale of 450,000 Shares.
- (6) The percentage is calculated based on the total number of 1,030,124,687 Shares in issue as at 30 June 2023.

(ii) Long position in associated corporation**Zen-Game Shenzhen**

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in Zen-Game Shenzhen
Mr. Ye Sheng	Interest in a controlled corporation ⁽¹⁾	13,326,923	24.68%
Mr. Yang Min	Interest in a controlled corporation ⁽²⁾	11,695,054	21.65%

Notes:

- (1) Mr. Ye Sheng holds 51% equity interest of Tianchan and Mr. Ye Sheng is thus deemed to be interested in the shares directly held by Tianchan in Zen-Game Shenzhen.
- (2) Mr. Yang Min holds 51% equity interest of Dingyi and Mr. Yang Min is thus deemed to be interested in the shares directly held by Dingyi in Zen-Game Shenzhen.

Save as disclosed above, as at 30 June 2023, 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 they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept 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 2023, 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 ⁽⁸⁾
Sky-zen Capital Limited ⁽¹⁾	Beneficial owner	231,712,000	22.49%
Ms. Xie Yingying ⁽²⁾	Interest of spouse	238,212,000	23.12%
J&L Y Limited ⁽³⁾	Beneficial owner	197,604,100	19.18%
Ms. Jiang Qian ⁽⁴⁾	Interest of spouse	204,104,100	19.81%
D Fun Limited ⁽⁵⁾	Beneficial owner	160,143,300	15.55%
Ms. Zhang Wei ⁽⁵⁾	Founder of a discretionary trust	160,143,300	15.55%
Mr. Zeng Liqing ⁽⁶⁾	Interest of spouse	160,143,300	15.55%
Bonaza Limited ⁽⁵⁾	Nominee for another person (other than a bare trustee)	160,143,300	15.55%
Playa Technology Limited ⁽⁷⁾	Beneficial owner	90,860,920	8.82%
Mr. Bao Zhoujia ⁽⁷⁾	Founder of a discretionary trust	90,860,920	8.82%
BAO TRUST ⁽⁷⁾	Nominee for another person (other than a bare trustee)	90,860,920	8.82%
Infiniti Trust (Hong Kong) Limited	Trustee ⁽⁵⁾	160,143,300	15.55%

Notes:

- (1) Sky-zen Capital Limited is ultimately wholly owned by Mr. Ye Sheng. Accordingly, Mr. Ye Sheng 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 interest of corporation controlling by Mr. Ye Sheng; and (ii) interest in 6,500,000 Shares in the capacity of the beneficial owner, under the SFO.
- (3) J&L Y Limited is ultimately wholly owned by Mr. Yang Min. Accordingly, Mr. Yang Min 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 interest of corporation controlling by Mr. Yang Min; and (ii) interest in 6,500,000 Shares in the capacity of the beneficial owner, under the SFO.
- (5) D Fun Limited completed a sale of 4,058,000 Shares during the six months ended 30 June 2023 and held 160,143,300 Shares as at 30 June 2023. D Fun Limited is owned as to (i) 80% by Bonaza Limited, a company wholly owned by Infiniti Trust (Hong Kong) Limited, the trustee of a discretionary trust established by Ms. Zhang Wei as the settlor and Mr. Zeng Liqing as the 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) The percentage is calculated based on the total number of 1,030,124,687 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any person (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

The Group has 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, which was before the effective date of the new Chapter 17 of the Listing Rules. The Group will comply with the new Chapter 17 of the Listing Rules in accordance with the transitional arrangements for the existing share scheme. The principal terms of the RSU Scheme are set out in “Statutory and General Information – F. RSU Scheme and Share Option Scheme – 1. RSU Scheme” in Appendix IV of the Prospectus.

The Group has 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).

Corporate Governance and Other Information

In 2016 and 2018, the RSUs in respect of 62,561,080 underlying Shares, representing approximately 6.07% of the total issued Shares as at 30 June 2023, had been granted to 24 selected persons pursuant to the RSU Scheme. There were no RSUs available for grant under the RSU Scheme at the beginning and the end of the six months ended 30 June 2023. There are no Shares available for issue under the RSU Scheme as at the date of this interim report.

As at 30 June 2023, there were no RSUs available for exercise and no RSUs remained to be held by the RSU Nominee.

The table below shows details of particulars and movements of RSUs under the RSU Scheme for the six months ended 30 June 2023.

Name of Grantee	Date of Grant	Vesting Period	Number of Shares under RSUs			Outstanding at 30 June 2023
			Outstanding at 1 January 2023	Granted during the six months ended 30 June 2023 ⁽⁵⁾	Expired/lapsed/cancelled during the six months ended 30 June 2023	
Directors of the PRC Operating Entities						
Mr. Zhu Weijie	1 June 2016	48 months as to 25% each on 1 June	–	N/A	–	–
Ms. Chen Yan	1 June 2016	2017, 1 June 2018, 1 June 2019 and	–	N/A	–	–
Ms. Xiong Mi ⁽¹⁾	1 June 2016	1 June 2020, respectively	–	N/A	–	–
Mr. Kang Yonghong	1 June 2016		–	N/A	–	–
Ms. Huang Haiyan ⁽²⁾	1 June 2018	24 months as to 50% each on 1 June 2019 and 1 June 2020, respectively	–	N/A	–	–
Senior management of the Group						
Mr. Zhang Yong ⁽³⁾	1 June 2018	48 months as to 25% each on 1 June 2019, 1 June 2020, 1 June 2021 and 29 December 2021 ⁽⁴⁾ , respectively	–	N/A	–	–
Employees						
15 employees of the Group	1 June 2016	72 months as to 10% each on 1 June 2017 and 1 June 2018, 20% each of 1 June 2019, 1 June 2020, 1 June 2021 and 29 December 2021 ⁽⁴⁾ , respectively	–	N/A	–	–
3 employees of the Group	1 June 2018	48 months as to 25% each on 1 June 2019, 1 June 2020, 1 June 2021 and 29 December 2021 ⁽⁴⁾ , respectively	–	N/A	–	–
Total			–	N/A	–	–

Notes:

1. Ms. Xiong Mi is the executive Director.
2. Ms. Huang Haiyan has resigned as the chief financial officer of the Company with effect from 29 October 2021.
3. Mr. Zhang Yong has resigned as a joint company secretary with effect from 25 June 2021.
4. On 28 December 2021, the Board resolved that the vesting date of 1 June 2022 for the last trench of RSUs of Mr. Zhang Yong and 18 employees under the RSU Scheme shall be changed to 29 December 2021.
5. No more RSUs will be granted under the RSU Scheme.

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. Pursuant to the amendments to the Listing Rules with effect from 1 January 2023, the eligible person under the Share Option Scheme is subject to Rule 17.03A of the Listing Rules.

There were 84,000,000 options available for grant under the Share Option Scheme at the beginning and the end of the six months ended 30 June 2023. The total number of shares available for issue under the Share Option Scheme is 95,343,250 shares, representing approximately 9.26% of the total issued shares as at the date of this interim report.

The principal terms of the Share Option Scheme are prepared before the effective date of the new Chapter 17 of the Listing Rules. The Company will comply with the new Chapter 17 of the Listing Rules in accordance with the transitional arrangements for the existing share scheme. Further details of the Share Option 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

The table below shows details of particulars and movements of share options under the Share Option Scheme during the six months ended 30 June 2023. For further details on the movement of the options during the six months ended 30 June 2023, please see note 14 to the interim condensed consolidated financial information.

Name of Grantee	Date of Grant	Exercise price per Share	Closing price immediately before the date of grant	Number of Shares under the Share Option Scheme				
				Outstanding at 1 January 2023	Granted during the six months ended 30 June 2023	Exercised during the six months ended 30 June 2023 ⁽²⁾	Expired/lapsed/cancelled during the six months ended 30 June 2023	Outstanding at 30 June 2023
Directors								
Mr. Ye Sheng	3 June 2021	HK\$1.29	HK\$1.24	1,500,000	–	500,000	–	1,000,000
Mr. Yang Min	3 June 2021	HK\$1.29	HK\$1.24	1,500,000	–	500,000	–	1,000,000
Ms. Xiong Mi	3 June 2021	HK\$1.29	HK\$1.24	200,000	–	–	–	200,000
Employees								
Employees of the Group	3 June 2021	HK\$1.29	HK\$1.24	10,633,750	–	1,393,000	266,250	8,974,500
Total⁽¹⁾				13,833,750	–	2,393,000	266,250	11,174,500

Notes:

- No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares over the 12-month period, and (ii) any other participant with options and awards granted excess of the 1% individual limit, as such terms are used in the Listing Rules.
- The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$3.83 per Share.

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 2023.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 24 June 2021 (the “**Adoption Date**”), which was before the effective date of the new Chapter 17 of the Listing Rules. The Company will comply with the new Chapter 17 in accordance with the transitional arrangements for the existing share scheme. The Share Award Scheme was established 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.

There were 23,311,200 shares and 23,311,200 shares available for grant under the Share Award Scheme at the beginning and the end of the six months ended 30 June 2023, respectively. The total number of shares available for issue under the Share Award Scheme is 28,311,200 shares, representing approximately 2.75% of the total issued shares as at the date of this interim report.

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.

Corporate Governance and Other Information

The table below shows details of the outstanding awards granted to all grantees under the Share Award Scheme as of 30 June 2023. As at 30 June 2023, 27,561,000 Shares had been granted to 104 selected participants under the Share Award Scheme.

Name of Grantee	Date of Grant	Purchase price	Performance target	Closing price of Shares immediately before the date of grant		Fair value of awards on the date of grant ⁽¹⁾	Unvested awards at 1 January 2023	Number of Shares under the Share Award Scheme			Unvested at 30 June 2023
				Granted during the six months ended 30 June 2023	Vested during the six months ended 30 June 2023			Weighted average closing price of Shares immediately before the vesting date	Expired/lapsed/cancelled during the six months ended 30 June 2023		
Directors											
Mr. Ye Sheng	6 October 2022	–	N/A	HK\$1.30	HK\$6.0 million	3,375,000	–	–	–	–	3,375,000
Mr. Yang Min	6 October 2022	–	N/A	HK\$1.30	HK\$6.0 million	3,375,000	–	–	–	–	3,375,000
Ms. Xiong Mi	6 October 2022	–	N/A	HK\$1.30	HK\$0.3 million	150,000	–	–	–	–	150,000
Employees of the Group											
101 Employees of the Group	6 October 2022	–	N/A	HK\$1.30	HK\$24.3 million	13,770,750	–	–	N/A	46,500	13,724,250
Total						20,670,750	–	–	N/A	46,500	20,624,250

Note:

- The fair value of awards is determined by the total shares awarded and exercised multiplied by the closing price of the shares on the grant date (being HK\$1.32), in accordance with the accounting standards and policies adopted for preparing the Company's financial statements.

The restricted Shares granted on 6 October 2022 shall vest in the selected participants in accordance with the schedule below:

Vesting date	Percentage of Restricted Shares to vest
8 October 2022	25% of the total number of restricted Shares granted
18 August 2023	25% of the total number of restricted Shares granted
18 August 2024	25% of the total number of restricted Shares granted
18 August 2025	25% of the total number of restricted Shares granted

Save as disclosed above, no restricted Share was granted, exercised, lapsed or cancelled during the six months ended 30 June 2023.

The number of shares that may be issued in respect of options and awards granted under the Share Option Scheme and Share Award Scheme during the six months ended 30 June 2023 divided by weighted average number of shares for such period is 0%.

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 26 to 51, 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 2023 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
23 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	1,017,834	619,786
Cost of sales		(382,120)	(220,138)
Gross profit		635,714	399,648
Other income and gains		46,338	25,934
Selling and distribution expenses		(73,410)	(82,270)
Administrative expenses		(60,690)	(37,124)
Research and development costs		(73,840)	(49,983)
Other expenses		(10,126)	(1,758)
Finance costs		(424)	(329)
Share of profits and losses of:			
Joint ventures		(569)	391
Associates		(1,077)	(186)
PROFIT BEFORE TAX	5	461,916	254,323
Income tax expense	6	(57,655)	(17,418)
PROFIT FOR THE PERIOD		404,261	236,905
Attributable to:			
Owners of the parent		404,845	237,010
Non-controlling interests		(584)	(105)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	RMB40.51 cents	RMB23.80 cents
Diluted		RMB39.56 cents	RMB23.73 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

Notes	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	404,261	236,905
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	15,251	115
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	15,251	115
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value of equity investments designated at fair value through other comprehensive income	(9,788)	2,029
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	5,463	2,144
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	409,724	239,049
Attributable to:		
Owners of the parent	410,308	239,154
Non-controlling interests	(584)	(105)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	9	7,817	9,833
Right-of-use asset		4,718	7,854
Intangible assets		811	1,263
Investments in associates		25,426	7,003
Investments in Joint ventures		4,348	4,917
Equity investments designated at fair value through other comprehensive income ("FVOCI")		15,560	26,610
Long-term prepayments, deposits and other receivables		21,726	18,511
Deferred tax assets		3,207	332
Time deposits with original maturity of over one year		440,000	440,000
Total non-current assets		523,613	516,323
CURRENT ASSETS			
Trade receivables	10	179,332	161,763
Contract costs		42,461	26,077
Financial assets at fair value through profit or loss ("FVPL")	11	253,209	210,885
Prepayments, deposits and other receivables		46,625	52,619
Time deposits with original maturity of over three months		203,667	105,759
Cash and cash equivalents		1,209,311	977,230
Total current assets		1,934,605	1,534,333
CURRENT LIABILITIES			
Trade payables	12	18,844	17,298
Contract liabilities		108,124	83,284
Other payables and accruals	13	295,638	123,600
Interest-bearing bank borrowings		12,000	13,500
Lease liabilities		4,555	6,589
Tax payable		25,338	18,426
Total current liabilities		464,499	262,697
NET CURRENT ASSETS		1,470,106	1,271,636
TOTAL ASSETS LESS CURRENT LIABILITIES		1,993,719	1,787,959
NON-CURRENT LIABILITIES			
Lease liabilities		278	1,439
Deferred tax liabilities		1,931	20,760
Total non-current liabilities		2,209	22,199
Net assets		1,991,510	1,765,760
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	9,066	9,044
Treasury shares		(22,767)	(22,767)
Other reserves		2,005,086	1,778,774
Non-controlling interests		125	709
Total equity		1,991,510	1,765,760

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent										
	Share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Share-based payment reserve	Fair value reserve of financial assets at FVOCI	Exchange fluctuation reserve	Retained profits	Total equity	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 (audited)	9,044	(22,767)	48,445	67,786	7,847	(5,544)	(8,625)	1,668,865	1,765,051	709	1,765,760
Profit for the period	-	-	-	-	-	-	-	404,845	404,845	(584)	404,261
Other comprehensive income for the period:											
Change in fair value of equity investments designated at FVOCI	-	-	-	-	-	(9,788)	-	-	-	-	(9,788)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	15,251	-	15,251	-	15,251
Total comprehensive income for the period	-	-	-	-	-	(9,788)	15,251	404,845	410,308	(584)	409,724
Annual 2022 dividend declared	-	-	-	-	-	-	-	(199,448)	(199,448)	-	(199,448)
Transfer to statutory surplus reserve	-	-	-	189	-	-	-	(189)	-	-	-
Equity-settled share-based payment	-	-	-	-	8,893	-	-	-	8,893	-	8,893
Shares issued upon exercise of share options	22	-	3,832	-	(954)	-	-	-	2,900	-	2,900
Dividend received for shares held for the Share Award Scheme	-	-	3,681	-	-	-	-	-	3,681	-	3,681
At 30 June 2023 (unaudited)	9,066	(22,767)	55,958*	67,975*	15,766*	(15,332)*	6,626*	1,874,073*	1,991,385	125	1,991,510

continued/...

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent										Total equity RMB'000
	Share capital RMB'000	Treasury shares 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	Total RMB'000	Non- controlling interests RMB'000	
At 31 December 2021 (audited)	8,946	(22,476)	118,545	29,888	1,930	(1,390)	527	1,089,252	1,225,222	—	1,225,222
Profit for the period	—	—	—	—	—	—	—	237,010	237,010	(105)	236,905
Other comprehensive income for the period:	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of equity investments designated at FVOCI	—	—	—	—	—	2,029	—	—	2,029	—	2,029
Exchange differences on translation of foreign operations	—	—	—	—	—	—	115	—	115	—	115
Total comprehensive income for the period	—	—	—	—	—	2,029	115	237,010	239,154	(105)	239,049
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	—	1,236	1,236
Annual 2021 dividend	—	—	—	—	—	—	—	—	—	—	—
Transfer to statutory surplus reserve	—	—	—	10,301	—	—	—	(10,301)	—	—	—
Equity-settled share-based payment	—	—	—	—	1,544	—	—	—	1,544	—	1,544
Shares issued upon exercise of share options	—	—	11	—	(3)	—	—	—	8	—	8
Cancellation of shares held for RSU Scheme	(4)	—	4	—	—	—	—	—	—	—	—
Shares repurchased	—	(2,260)	(10)	—	—	—	—	(562)	(2,822)	—	(2,822)
At 30 June 2022 (unaudited)	8,942	(24,736)	118,550*	40,189*	3,471*	639*	642*	1,315,409*	1,463,106	1,131	1,464,237

* These reserve accounts comprise the consolidated reserves of RMB2,005,086,000 and RMB1,478,900,000 in the consolidated statement of financial position as at 30 June 2023 and 30 June 2022, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		461,916	254,323
Adjustments for:			
Finance costs		424	329
Interest income		(25,828)	(8,560)
Fair value gains on financial assets at FVPL		(5,459)	(9,231)
Depreciation of property and equipment	5	2,362	2,042
Share of losses/(profits) of joint ventures		569	(391)
Share of losses of associates		1,077	186
Loss on disposal of items of property and equipment	5	—	38
Depreciation of right-of-use assets	5	4,152	3,581
Amortisation of other intangible assets	5	452	541
Equity-settled share-based payment expenses	5	8,893	1,544
Impairment of prepayments, deposits and other receivables	5	10,000	—
Impairment of trade receivables	5	28	1,173
		458,586	245,575
Increase in trade receivables		(17,597)	(21,586)
Increase in contract costs		(16,384)	(10,083)
(Increase)/decrease in prepayments, deposits and other receivables		2,910	(2,164)
Decrease in long term prepayments, deposits and other receivables		910	1,590
Increase in trade payables		1,546	682
Increase in contract liability		24,840	35,267
Decrease in other payables and accruals		(27,411)	(29,909)
Cash generated from operations		427,400	219,372
Income tax paid		(69,185)	(64,153)
Interest paid classified as operating cash flows		(160)	(202)
Net cash flows generated from operating activities		358,055	155,017

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		15,638	2,006
Purchases of items of property and equipment	9	(321)	(1,844)
Proceeds from disposal of items of property and equipment		—	4
Additions to other intangible assets		—	(284)
Purchases of investments in associates		(19,500)	—
Purchases of investments in joint ventures		—	(2,000)
Purchases of equity investments designated at FVOCI		(2,000)	(8,720)
(Increase)/decrease in time deposits with original maturity of over three months		(97,908)	45,000
Purchases of financial assets at FVPL		(153,354)	(226,193)
Receipt from maturity of financial asset at FVPL		116,489	116,543
Net cash flows used in investing activities		(140,956)	(75,488)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Capital contribution by non-controlling shareholders		—	1,236
Proceeds from issue of shares		2,025	—
Principal portion of lease payments		(4,211)	(3,652)
Repayment of bank loans		(1,500)	(9,120)
Shares repurchased		—	(2,822)
Dividend received for shares held for the Share Award Scheme		3,681	—
Interest paid		(264)	(126)
Net cash flows used in financing activities		(269)	(14,484)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		216,830	65,045
Cash and cash equivalents at beginning of period		977,230	644,709
Effect of foreign exchange rate changes, net		15,251	115
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,209,311	709,869
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Unrestricted bank balances and cash		1,209,311	709,869
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS			
		1,209,311	709,869

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Prior to the initial application of these amendments, the Group did not apply the initial recognition exception and the Group had recognised a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions which are consistent with the requirement of these amendments, therefore, the amendments are not expected to have any significant impact on the Group's financial statements.
- (d) Amendments to HKAS 12 International Tax Reform — Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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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 2023 and 2022 are set out below:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	NA*	71,439

* 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Types of goods or services		
Self-developed games	960,029	477,900
Third-party games	3,894	2,333
In-game information service	53,911	139,553
Total revenue from contracts with customers	1,017,834	619,786
Timing of revenue recognition		
Services transferred over time	1,017,834	619,786

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	83,284	59,183

30 June 2023

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.

Operation service for third party games

The performance obligation is satisfied over time as the third-party game's developer simultaneously receives operation 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 30 June 2023 and 31 December 2022 are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000 (Audited)
Within one year	108,124	83,284

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

30 June 2023

5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Services fee charged by distribution platforms and payment vendors		278,109	157,614
Cost of in-game information service		2,912	19,006
New media costs		91,721	36,884
Promotion expenses		45,378	61,660
Depreciation of property and equipment	9	2,362	2,042
Depreciation of right-of-use assets		4,152	3,581
Amortisation of intangible assets		452	541
Research and development costs		73,840	49,983
Impairment of trade receivables*		28	1,173
Impairment of prepayments, deposits and other receivables*		10,000	—
Auditors' remuneration		600	600
Equity-settled share-based payment expenses		8,893	1,554
Loss on disposal of items of property and equipment		—	38

* The provision of impairment for trade receivables and prepayments, deposits and other receivables are 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.

The Group's subsidiary Shenzhen Zen-Game Technology Co. Ltd. (hereafter, "**Zen-Game Shenzhen**") was qualified as "High and New Technology Enterprises" under the PRC Enterprise Income Tax ("**EIT**") Law since year 2022. Accordingly Zen-Game Shenzhen was entitled to a preferential income tax rate of 15% for a 3-year period since year 2022. The Company expected the applicable tax rate to be 15% for the six months ended 30 June 2023.

The Group's subsidiary Shenzhen Tiantianlaiwan Technology Co., Ltd. (hereafter, "**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.

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6. INCOME TAX (Continued)

The Group's subsidiary HAINAN TIAN TIAN LAI WAN TECHNOLOGY CO., LTD. (hereafter, "**Hainan Tiantianlaiwan**") was 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 six months ended 30 June 2023.

The Group's subsidiary Shenzhen Metaverse Technology Co., Ltd. (hereafter, "**Metaverse**") was qualified as a "software enterprise" in 2021 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, Metaverse was exempted from income tax for its first two profitable years (i.e., 2021 and 2022) and was entitled to a preferential income tax rate of 12.5% from 2023 to 2025.

Pursuant to the 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.

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:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	76,097	26,547
Deferred tax	(18,442)	(9,129)
Total tax charge for the period	57,655	17,418

7. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023 (for six months ended 30 June 2022: nil).

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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 parent, and the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 period, 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:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<hr/>		
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	404,845	237,010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	999,284,570	995,672,255
Effect of dilution — weighted average number of ordinary shares:		
Share Option Scheme	7,909,374	3,254,090
Share Award Scheme	16,159,121	—
	1,023,353,065*	998,926,345

* The diluted earnings per share amounts are based on the profit for the period of RMB404,845,000 and the weighted average number of ordinary shares of 1,023,353,065 in issue during the period.

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9. PROPERTY AND EQUIPMENT

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
30 June 2023 (Unaudited)				
At 1 January 2023:				
Cost	8,370	11,734	1,822	21,926
Accumulated depreciation	(4,516)	(6,045)	(1,532)	(12,093)
Net carrying amount	<u>3,854</u>	<u>5,689</u>	<u>290</u>	<u>9,833</u>
At 1 January 2023, net of accumulated depreciation	3,854	5,689	290	9,833
Additions	321	—	—	321
Disposal	(1)	—	—	(1)
Depreciation provided during the period (note 5)	(1,088)	(1,176)	(97)	(2,361)
Exchange realignment	3	22	—	25
At 30 June 2023, net of accumulated depreciation	<u>3,089</u>	<u>4,535</u>	<u>193</u>	<u>7,817</u>
At 30 June 2023:				
Cost	8,692	11,763	1,822	22,277
Accumulated depreciation	(5,603)	(7,228)	(1,629)	(14,460)
Net carrying amount	<u>3,089</u>	<u>4,535</u>	<u>193</u>	<u>7,817</u>

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

9. PROPERTY AND EQUIPMENT (Continued)

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022 (audited)				
At 1 January 2022:				
Cost	6,821	7,590	1,823	16,234
Accumulated depreciation	(2,721)	(4,149)	(1,340)	(8,210)
Net carrying amount	4,100	3,441	483	8,024
At 1 January 2022, net of accumulated depreciation				
Additions	1,732	4,144	—	5,876
Disposal	(169)	—	—	(169)
Depreciation provided during the year (note 5)	(1,815)	(1,888)	(193)	(3,896)
Exchange realignment	6	(8)	—	(2)
At 31 December 2022, net of accumulated depreciation	3,854	5,689	290	9,833
At 31 December 2022:				
Cost	8,370	11,734	1,822	21,926
Accumulated depreciation	(4,516)	(6,045)	(1,532)	(12,093)
Net carrying amount	3,854	5,689	290	9,833

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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:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 90 days	175,096	155,924
91 to 180 days	3,138	4,773
181 days to 1 year	545	835
1 year to 2 years	553	231
	179,332	161,763

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Wealth management products issued by licensed banks, at fair value	253,209	210,885

Wealth management products were denominated in RMB, with an expected rate of return ranging from 1.00% to 5.60% and 1.00% to 3.50% per annum for the six months ended 30 June 2023 and year ended 31 December 2022, 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 categorised within Level 2 of the fair value hierarchy.

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 3 months	17,866	16,490
3 to 6 months	383	116
6 months to 1 year	117	17
1 year to 2 years	478	675
	18,844	17,298

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

13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Analysed into:		
Salary and welfare payables	81,697	94,790
Other tax payables	13,317	25,718
Dividend payable	199,448	—
Other payables	1,176	3,092
	295,638	123,600

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

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14. SHARE CAPITAL**Shares**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each as at 30 June 2023 (2022: 50,000,000,000 ordinary shares)	440,000	440,000
Issued and fully paid:		
1,030,124,687 ordinary shares as at 30 June 2023 (2022: 1,027,731,687 ordinary shares)	9,066	9,044

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

	<i>Notes</i>	Number of shares in issue	Share capital RMB'000
At 31 December 2022 (Audited) and 1 January 2023		1,027,731,687	9,044
Share options exercised	(a)	2,393,000	22
At 30 June 2023 (Unaudited)		1,030,124,687	9,066

- (a) The subscription rights attaching to 2,393,000 share options were exercised at the subscription price of HK\$1.29 per share, resulting in the issue of 2,393,000 shares for a total cash consideration, before expenses, of HK\$3,087,000 (equivalent to RMB2,846,000). An amount of RMB954,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

15. COMMITMENTS

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

16. RELATED PARTY TRANSACTIONS

Name of related party	Relationship with the Group
Guangzhou Guaidian Internet Technology Company Limited ("Guaidian")	Joint venture
Changsha Huiwan Interactive Entertainment Technology Co., Ltd ("Huiwan")	Associate

The Group had the following transactions with related parties during the period:

i. Transactions with related parties

	2023 RMB'000	2022 RMB'000
A joint venture:		
Promotion service fee	—	59
An associate:		
Other income	55	—

ii. Outstanding balances with related party

The Group had an outstanding balance due from its joint ventures and associates of RMB51,000 (31 December 2022: RMB82,000) and due to its joint ventures and associates of RMB98,000 (31 December 2022: RMB98,000) as at the end of the reporting period. The balances are unsecured, interest-free and has no fixed terms of repayment.

iii. Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,314	3,668
Equity-settled share-based payment expense	5,041	616
Pension scheme contributions	136	108
	11,491	4,392

30 June 2023

17. 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 follow:

30 June 2023 (Unaudited)

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Equity investments designated at FVOCI	—	—	15,560	15,560
Trade receivables	179,332	—	—	179,332
Financial assets included in prepayments, deposits and other receivables	28,008	—	—	28,008
Financial assets included in long-term prepayments, deposits and other receivables	21,726	—	—	21,726
Financial assets at FVPL	—	253,209	—	253,209
Time deposits with original maturity of over three months	203,667	—	—	203,667
Time deposits with original maturity of over one year	440,000	—	—	440,000
Cash and cash equivalents	1,209,311	—	—	1,209,311
	2,082,044	253,209	15,560	2,350,813

Financial liabilities	Financial liabilities at amortised cost RMB'000
Trade payables	18,844
Financial liabilities included in other payables and accruals	1,176
Interest-bearing bank borrowings	12,000
Financial liabilities included in lease liabilities	4,833
	36,853

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

31 December 2022 (Audited)

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Equity investments designated at FVOCI	—	—	26,610	26,610
Trade receivables	161,763	—	—	161,763
Financial assets included in prepayments, deposits and other receivables	27,621	—	—	27,621
Financial assets included in long-term prepayments, deposits and other receivables	18,511	—	—	18,511
Financial assets at FVPL	—	210,885	—	210,885
Time deposits with original maturity of over three months	105,759	—	—	105,759
Time deposits with original maturity of over one year	440,000	—	—	440,000
Cash and cash equivalents	977,230	—	—	977,230
	1,730,884	210,885	26,610	1,968,379

Financial liabilities	Financial liabilities at amortised cost RMB'000
Trade payables	17,298
Financial liabilities included in other payables and accruals	3,092
Interest-bearing bank borrowings	13,500
Financial liabilities included in lease liabilities	8,028
	41,918

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

As at 30 June 2023 and 31 December 2022, 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.

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 statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the reporting periods.

30 June 2023

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

(c) Financial instruments in Level 3

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

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.

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 2023 (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 investments designated at FVOCI:				
Non-listed equity investment	—	—	15,560	15,560
Financial assets at FVPL	—	253,209	—	253,209
	—	253,209	15,560	268,769

As at 31 December 2022 (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 investments designated at FVOCI:				
Non-listed equity investment	—	—	26,610	26,610
Financial assets at FVPL	—	210,885	—	210,885
	—	210,885	26,610	237,495

30 June 2023

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

(c) Financial instruments in Level 3 (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:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Equity investments designated at FVOCI:		
At 1 January	26,610	21,476
Total losses recognised in other comprehensive income	(13,050)	(4,586)
Purchases	2,000	9,720
	15,560	26,610
At 30 June & 31 December	15,560	26,610

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

			Range of inputs	
	Valuation technique	Significant unobservable input	As at 30 June 2023	As at 31 December 2022
Equity investments designated at FVOCI:				
Non-listed equity investment	Market approach	Discount for lack of marketability %	30	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.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 August 2023.

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 the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this interim report, 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”	the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“DAU”	daily active users
“Dingyi”	Shenzhen Dingyi Technology Co., Ltd.* (深圳市鼎翌科技有限公司), a limited liability company established under the laws of the PRC on 29 May 2012 and a direct shareholder of Zen-Game Shenzhen
“Director(s)”	the director(s) of the 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 the Company’s Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange

“MAU”	monthly active users
“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/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 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
“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)”	the shareholder(s) of the Company

Definitions

“State Council”	the State Council of the PRC (中華人民共和國國務院)
“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
“Tianchan”	Shenzhen Tianchan Technology Co., Ltd.* (深圳市天禪科技有限公司), a limited liability company established under the laws of the PRC on 25 May 2012 and a direct shareholder of Zen-Game Shenzhen
“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

* 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.