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Zengame Technology Holding Limited

禪遊科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2660)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Zengame Technology Holding Limited is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change* %
	31 December 2023 (RMB'000)	2022 (RMB'000)	
Revenue	2,059,383	1,767,456	16.5
Gross profit	1,231,358	1,137,984	8.2
Gross profit margin (%)	59.8	64.4	
Profit for the year	725,919	680,256	6.7
Net profit margin (%)	35.2	38.5	
Non-HKFRS adjusted net profit**	742,184	694,975	6.8
Earnings per Share			
(expressed in RMB per Share)	0.72	0.68	5.9
Final dividend per Share			
(expressed in HKD per Share)	0.23	0.21	9.5

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a leading mobile game developer in the PRC, the Group has closely followed the changing trend of market and user demand, increased investment in innovative models for new media channels such as short clips and livestreaming, and focused on the innovation, research and development and operation of high-quality card and board and casual games, 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 2023, the gaming industry proactively aligned with policy directives and adhered to regulatory requirements, persistently steering towards a trajectory of high-quality, premium development. According to the data from the Game Working Committee of the China Audio-video and Digital Publishing Association, the domestic gaming market's actual sales revenue amounted to RMB303.0 billion, marking a year-on-year increase of 13.95%. The user base of gamers expanded to 668 million persons, registering a modest year-on-year growth of 0.61%. This data underscores a noticeable warming trend within the gaming sector. Furthermore, the Chinese gaming industry has been actively engaged in fostering high-quality industrial development, making significant strides in areas such as the protection of minors, user information security, enhancement of game quality, and expansion into international markets. Concurrently, the competitive landscape of the industry has become more intense, with the demands of gamers evolving rapidly.

Against such background, in 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 year of 2023, the Group launched innovative rule-based gameplay such as “Three Kingdoms Mahjong (三國麻將)” and “Five Elements Magic Weapon (五行神兵杠)” for “Fingertip Sichuan Mahjong (指尖四川麻將)”; “Blood Eight Treasures (血流八寶牌)” and “Crazy Big Bang (瘋狂大爆炸)” for “Fight the Landlord (禪遊鬥地主)”. On the other hand, we conducted comprehensive packaging and optimization of the game from aspects such as opening animations, tile pattern effects, and match music. Special effects in the gameplay, such as “Four Symbols Universe (四象乾坤),” “Refined into Gold (百煉成金),” and “Five-Color Gilding (五色鑲金),” bring a refreshing experience to players. In addition, the Group launched a variety of operational and competitive events within the game to increase its 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.

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

	For the year ended	
	31 December	
	2023	2022
	(‘000)	(‘000)
MAU	25,065	35,967
DAU	4,347	5,810
MPU (Virtual items)	553	1,015
ARPPU of virtual items (<i>RMB</i>)	304	133

In 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 RMB1,474.9 million for the year ended 31 December 2022 to RMB1,864.4 million for the year ended 31 December 2023, representing an increase of approximately 26.4%. 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 has consistently ranked in the top five in the Chinese iOS best-selling list for board and card games. In 2023, the Group relaunched six board and card games and launched six overseas games. As at 31 December 2023, the Group had 53 self-developed games and seven third-party games, among which 45 are board and card games, and 15 are 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 user’s willingness to pay. As a result, for the year ended 31 December 2023, the Group’s revenue from sales of virtual items amounted to approximately RMB1.96 billion, representing an increase of approximately 27.3% from approximately RMB1.54 billion as compared with the year ended 31 December 2022, and the Group’s ARPPU of virtual items increased from approximately RMB133 for the year ended 31 December 2022 to approximately RMB304 for the year ended 31 December 2023.

In terms of financial performance, due to the combined effects of (i) an increase in the ARPPU of the Group's board games; (ii) a decrease in the number of paying users of the Group's games; and (iii) a decrease in revenue generated from in-game information services, the overall revenue of the Group increased from approximately RMB1.8 billion for the year ended 31 December 2022 to approximately RMB2.1 billion for the year ended 31 December 2023, representing an increase of approximately 16.5%. At the same time, due to the increase in the Group's overall revenue, the cost of sales increased from approximately RMB629.5 million for the year ended 31 December 2022 to approximately RMB828.0 million for the year ended 31 December 2023, representing an increase of approximately 31.5%. With the growth of overall performance of the Group, the Group's net profit has nonetheless increased from approximately RMB680.3 million for the year ended 31 December 2022 to approximately RMB725.9 million for the year ended 31 December 2023, representing an increase of approximately 6.7%. The Group's adjusted net profit, excluding the Share-based payments, increased from approximately RMB695.0 million for the year ended 31 December 2022 to approximately RMB742.2 million for the year ended 31 December 2023, representing an increase of approximately 6.8%.

In terms of game industry regulation, the Company has always kept up with the latest changes in industry policies to ensure that all game products comply with relevant management requirements. In terms of anti-addiction, the Group has timely integrated a real-name authentication system and anti-addiction prompts into the Group's game products. In accordance with the latest requirements, the Group strictly implements restrictions on the duration, time period, and consumption of minors' gaming, while also making reasonable demands on adults in terms of anti-addiction and consumption limits. In terms of user information security, the Group strictly ensures that users' personal information is fully protected, upgrades and improves the prevention and control system for personal information leakage, and optimizes the management system for the protection of users' personal privacy, allowing each user to use the Group's game products in a healthy, positive, and compliant environment.

FUTURE PROSPECTS

In 2024, the Group will mainly focus on the following strategies to expand its business and growth:

- Continuously consolidate research and development barriers, focusing on product quality improvement and content innovation;
- Constantly upgrade and perfect the talent training system and incentive mechanism, continuously improving operation and management level;
- Leverage the Group's core competitive advantages, increasing investment in overseas business;
- Actively follow up on industry technological innovations, organically combining external exploration with internal breakthroughs; and
- Actively seek suitable investment opportunities, further enhancing synergy with invested enterprises;

FINANCIAL REVIEW

Revenue

For the year ended 31 December 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 our revenue by business model for the years indicated:

	For the year ended 31 December				Year-
	2023		2022		on-Year
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	Change
Sales of virtual items	1,962,501	95.3	1,541,847	87.2	27.3
— Self-developed games	1,950,257	94.7	1,531,283	86.6	27.4
— Third-party games	12,244	0.6	10,564	0.6	15.9
In-game information service	96,882	4.7	225,609	12.8	(57.1)
Total	<u>2,059,383</u>	<u>100.0</u>	<u>1,767,456</u>	<u>100.0</u>	<u>16.5</u>

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

	For the years ended 31 December				Year-
	2023		2022		on-Year
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	Change
Board games	1,864,384	90.6	1,474,900	83.5	26.4
Card games	140,930	6.8	260,684	14.7	(45.9)
Other games	54,069	2.6	31,872	1.8	69.6
Total	<u>2,059,383</u>	<u>100.0</u>	<u>1,767,456</u>	<u>100.0</u>	<u>16.5</u>

For the year ended 31 December 2023, the Group's total revenue was approximately RMB2.1 billion, representing an increase of approximately 16.5% from approximately RMB1.8 billion for the year ended 31 December 2022. This increase was primarily due to comprehensive effect of (i) an increase in the ARPPU of the Group's board games; (ii) a decrease in the number of paying users of the Group's games; and (iii) a decrease in revenue generated from in-game information services. The Group's revenue derived from the sales of virtue items increased by 27.3% from approximately RMB1.54 billion for the year ended 31 December 2022 to approximately RMB1,96 billion for the year ended 31 December 2023. On the other hand, the Group's revenue derived from in-game information service decreased by 57.1% from approximately RMB225.6 million for the year ended 31 December 2022 to approximately RMB96.9 million for the year ended 31 December 2023. These were mainly due to a decrease in revenue generated from in-game information services in board and card games.

Cost of Sales

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

	For the year ended		Year-on-Year Change %
	31 December 2023 (RMB'000)	2022 (RMB'000)	
Channel costs	594,517	440,248	35.0
Information service costs	34,405	24,406	41.0
New media costs	179,616	148,275	21.1
Others	19,487	16,543	17.8
Total	828,025	629,472	31.5

For the year ended 31 December 2023, the cost of sales was approximately RMB828.0 million, representing an increase of approximately 31.5% from approximately RMB629.5 million for the year ended 31 December 2022. This increase in the cost of sales was mainly attributable to (i) an increase in channel costs due to increased revenue from the sales of virtual items; and (ii) an increase in new media costs.

Gross Profit and Gross Profit Margin

Gross profit increased by 8.2% from approximately RMB1.1 billion for the year ended 31 December 2022 to approximately RMB1.2 billion for the year ended 31 December 2023. The gross profit margin decreased from 64.4% for the year ended 31 December 2022 to 59.8% for the year ended 31 December 2023. This decrease in the gross profit margin was principally due to a decrease in revenue from in-game information service, whose gross profit margin was relatively high, and the decline in such business resulted in a decrease in the overall gross profit margin. On the other hand, the channel costs also increased.

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

	For the year ended 31 December			
	2023		2022	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	Margin	Margin	Margin	Margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of virtual items				
— Self-developed games	1,130,202	58.0	926,217	60.5
— Third-party games	12,244	100	10,564	100.0
In-game information service	<u>88,912</u>	<u>91.8</u>	<u>201,203</u>	<u>89.2</u>
Total	<u><u>1,231,358</u></u>	<u><u>59.8</u></u>	<u><u>1,137,984</u></u>	<u><u>64.4</u></u>

Other Income

Other income increased by 54.2% from approximately RMB56.7 million for the year ended 31 December 2022 to approximately RMB87.5 million for the year ended 31 December 2023. This increase was primarily due to an increase in bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 19.2% from approximately RMB206.3 million for the year ended 31 December 2022 to approximately RMB166.7 million for the year ended 31 December 2023. This decrease was primarily attributable to a decrease in marketing on brand advertising.

Administrative Expenses

Administrative expenses increased by 17.8% from approximately RMB88.0 million for the year ended 31 December 2022 to approximately RMB103.6 million for the year ended 31 December 2023. This increase was primarily due to an increase in office rental expenses and administrative staff salaries.

Research and Development Expenses

Research and development expenses increased by 11.8% from approximately RMB125.7 million for the year ended 31 December 2022 to approximately RMB140.5 million for the year ended 31 December 2023. This increase was primarily due to an increase in the number of research and development personnel and their salaries.

Other Expenses

Other expenses increased by 79.4% from approximately RMB11.1 million for the year ended 31 December 2022 to approximately RMB20.0 million for the year ended 31 December 2023. This increase was primarily due to impairment of other receivables and exchange loss resulting from changes in exchange rate.

Finance Costs

Finance costs decreased by 8.7% from approximately RMB0.7 million for the year ended 31 December 2022 to approximately RMB0.6 million for the year ended 31 December 2023. This decrease was primarily due to an decrease in office rental liabilities.

Income Tax Expense

The income tax expenses increased from approximately RMB80.4 million for the year ended 31 December 2022 to approximately RMB157.1 million for the year ended 31 December 2023, representing an increase of RMB76.7 million or approximately 95.5%. This increase was mainly attributable to (i) an increase in income tax derived from the increased dividends paid or to be paid to such Hong Kong subsidiary by the Group's PRC subsidiaries; and (ii) a reduction in applicable tax incentives.

Profit for the year ended 31 December 2023

As a result of the above factors, the net profit of the Group was approximately RMB725.9 million for the year ended 31 December 2023, representing an increase of approximately 6.7% as compared with RMB680.3 million for the year ended 31 December 2022. This increase was mainly attributable to an increase in revenue from the sales of virtual goods.

Non-HKFRS Measures — Adjusted Net Profit

The adjusted net profit for the year ended 31 December 2023, adjusted by excluding the Share-based compensation, was approximately RMB742.2 million, increased by 6.8% as compared to approximately RMB695.0 million for the year ended 31 December 2022.

The following table sets out the adjusted net profit as well as the calculation process based on non-HKFRS for the years ended 31 December 2023 and 2022:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	725,919	680,256
Add:		
Share-based compensation	16,265	14,719
	<u>742,184</u>	<u>694,975</u>
Adjusted net profit	<u>742,184</u>	<u>694,975</u>

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 RMB1.9 billion as at 31 December 2023. This increase in total bank balances and cash during the year ended 31 December 2023 was primarily resulted from an increase in the cash balance of operating profit.

As at 31 December 2023, current assets of the Group amounted to approximately RMB2.2 billion, primarily consisting bank balances and cash of approximately RMB1.9 billion and trade receivables and other receivables of RMB205.0 million. Current liabilities of the Group amounted to approximately RMB290.1 million, primarily consisting of contract liabilities of approximately RMB112.5 million and other payables and accruals of approximately RMB130.2 million. As at 31 December 2023, the current ratio (the current assets to current liabilities ratio) of the Group was 7.5, as compared with 5.8 as at 31 December 2022.

As at 31 December 2023, the Group had no borrowings (2022: RMB13.5 million). The Group's bank loan of RMB15 million obtained in August 2022 was expired in August 2023 and all of the said loan has been fully settled.

The gearing ratio is calculated by dividing total debt (being interest-bearing bank borrowings) by total equity. As at 31 December 2023, it was nil while the gearing ratio as at 31 December 2022 was 0.8%.

Capital Expenditures

For the year ended 31 December 2023, the capital expenditures of the Group amounted to approximately RMB2.5 million, which were primarily used to purchase office facilities and transportation facilities.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2023.

Pledge of Assets

As at 31 December 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 during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the year ended 31 December 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	2,059,383	1,767,456
Cost of sales		<u>(828,025)</u>	<u>(629,472)</u>
Gross profit		1,231,358	1,137,984
Other income and gains	4	87,485	56,728
Selling and distribution expenses		(166,738)	(206,275)
Administrative expenses		(103,645)	(87,966)
Research and development costs		(140,501)	(125,669)
Other expenses		(19,970)	(11,129)
Finance costs		(637)	(698)
Share of profits and losses of:			
Joint ventures		(780)	(996)
Associates		(3,532)	(1,350)
PROFIT BEFORE TAX	5	883,040	760,629
Income tax expense	6	<u>(157,121)</u>	<u>(80,373)</u>
PROFIT FOR THE YEAR		725,919	680,256
Attributable to:			
Owners of the parent		725,882	680,783
Non-controlling interests		37	(527)
		<u>725,919</u>	<u>680,256</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE			
PARENT			
Basic	8	<u>RMB72.38 cents</u>	<u>RMB68.40 cents</u>
Diluted	8	<u>RMB71.18 cents</u>	<u>RMB68.10 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR		<u>725,919</u>	<u>680,256</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>5,836</u>	<u>(9,152)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>5,836</u>	<u>(9,152)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	9	<u>(6,101)</u>	<u>(4,154)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(265)</u>	<u>(13,306)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>725,654</u>	<u>666,950</u>
Attributable to:			
Owners of the parent		<u>725,617</u>	<u>667,477</u>
Non-controlling interests		<u>37</u>	<u>(527)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment		7,653	9,833
Investments in associates		28,471	7,003
Investments in joint ventures		4,136	4,917
Intangible assets		541	1,263
Right-of-use assets		5,086	7,854
Equity investments designated at fair value through other comprehensive income (“FVOCI”)	9	29,772	26,610
Long-term prepayments, deposits and other receivables		20,059	18,511
Deferred tax assets		4,551	332
Time deposits		374,079	440,000
Total non-current assets		474,348	516,323
CURRENT ASSETS			
Trade receivables	10	168,691	161,763
Contract costs	11	38,717	26,077
Financial assets at fair value through profit or loss (“FVPL”)	12	15,521	210,885
Prepayments, deposits and other receivables		36,283	52,619
Time deposits with original maturity of over three months		575,278	105,759
Cash and cash equivalents	13	1,331,652	977,230
Total current assets		2,166,142	1,534,333
CURRENT LIABILITIES			
Trade payables	14	17,174	17,298
Contract liabilities	15	112,468	83,284
Other payables and accruals	16	130,247	123,600
Interest-bearing bank borrowings		—	13,500
Lease liabilities		3,465	6,589
Tax payable		26,770	18,426
Total current liabilities		290,124	262,697
NET CURRENT ASSETS		1,876,018	1,271,636
TOTAL ASSETS LESS CURRENT LIABILITIES		2,350,366	1,787,959

	<i>Note</i>	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		1,632	1,439
Deferred tax liabilities		19,516	20,760
Deferred Income		9,244	—
		<hr/>	<hr/>
Total non-current liabilities		30,392	22,199
		<hr/>	<hr/>
Net assets		2,319,974	1,765,760
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>17</i>	9,070	9,044
Treasury shares		(18,817)	(22,767)
Reserves		2,329,721	1,778,774
		<hr/>	<hr/>
		2,319,974	1,765,051
		<hr/>	<hr/>
Non-controlling interests		—	709
		<hr/>	<hr/>
Total equity		2,319,974	1,765,760
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in developing and operating mobile games and investment business in the People's Republic of China (hereafter, the "PRC"). There has been no significant change in the Group's principal activities during the year ended 31 December 2023.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</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 the impact of the new and revised HKFRSs that are applicable to the Group 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 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

- (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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (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. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. 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. The Group has applied the amendments retrospectively. 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ^{2, 4}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2, 5, 6} (the “ 2020 Amendments ”) ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> ^{2, 5, 6} (the “ 2022 Amendments ”) ^{1, 4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ²
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

There is no individual customer with revenue individually account for 10% or more of the Group's revenue for the year ended 31 December 2023 (No for 31 December 2022).

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue:		
Types of goods or services		
Self-developed games	1,950,257	1,531,283
Third-party games	12,244	10,564
In-game information service	96,882	225,609
	<hr/>	<hr/>
Total	2,059,383	1,767,456
	<hr/>	<hr/>
Timing of revenue recognition		
Services transferred at a point in time	109,126	236,173
Services transferred over time	1,950,257	1,531,283
	<hr/>	<hr/>
Total	2,059,383	1,767,456
	<hr/> <hr/>	<hr/> <hr/>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	83,284	59,183
	<hr/> <hr/>	<hr/> <hr/>

(b) Performance obligations

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

Virtual items in self-developed games

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

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

Publishing service for third party games

The performance obligation is recognised at a point in time when the third-party game' developer receives publishing services provided by the entity. The payment is generally due within 30 to 90 days from the date of billing.

In-game information service

The performance obligation is recognised at a point in time when the advertisements placed by third-party platforms are displayed in the game interface. The payment is generally due within 30 to 90 days from the date of billing.

Other income and gains

	2023	2022
	RMB'000	RMB'000
Bank interest income	61,973	20,858
Gains or losses on financial assets at fair value through profit or loss	8,103	16,598
Government grant*	16,840	18,596
Others	569	676
	87,485	56,728

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

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Services fee charged by distribution platforms and payment vendors		594,517	440,248
Information service costs		34,405	24,406
New media costs		179,616	148,275
Promotion expenses		116,347	158,262
Depreciation of property and equipment		4,569	3,896
Depreciation of right-of-use assets		8,127	7,531
Amortisation of intangible assets		884	897
Research and development costs:		14,859	12,496
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		185,997	167,876
Equity-settled share-based payment expense	<i>17</i>	16,265	14,719
Pension scheme contributions (defined contribution scheme)		5,987	5,676
Foreign exchange differences, net*		8,063	4,551
(Reversal of impairment)/impairment of trade receivables*	<i>10</i>	(185)	525
Impairment of financial assets included in prepayments, other receivables and other assets*		10,031	—
Impairment of investments in an associate and joint ventures*		—	4,887
Loss on disposal of items of property, plant and equipment		31	28
Gain on disposal of items of right-of-use assets		(14)	(5)
Auditor's remuneration		2,100	2,100

* The provision of impairment for trade receivables, impairment of financial assets included in prepayments, other receivables and other assets, foreign exchange differences and impairment of investments in an associate and joint ventures 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.

Zen-Game Shenzhen was qualified as "High and New Technology Enterprises" under the EIT Law since year 2019 and renewed on year 2022. Accordingly, it was entitled to a preferential income tax rate of 15% for a 3-year period since 31 December 2022. Zen-Game Shenzhen was entitled to a preferential income tax rate of 15% from 2022 to 2024.

Tiantianlaiwan was qualified as a “Software Enterprise” in 2020 under the relevant PRC Laws and regulations and granted with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Therefore, Tiantianlaiwan was exempted from income tax for its first two profitable years (i.e., 2019 and 2020) and was entitled to a preferential income tax rate of 12.5% from 2021 to 2023.

Hainan Tiantianlaiwan were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Tiantianlaiwan was 15% for the year ended 31 December 2023.

Metaverse was qualified as a “Software Enterprise” under the relevant PRC Laws and regulations with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. 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 PRC Enterprise Income Tax Law (“**EIT Law**”) and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year.

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

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

	2023	2022
	RMB’000	RMB’000
Current		
Charge for the year	164,847	81,261
Deferred tax	(7,726)	(888)
	<u>157,121</u>	<u>80,373</u>

7. DIVIDENDS

	2023	2022
	HK\$’000	HK\$’000
Proposed final — HK\$0.23 (2022: HK\$0.21) per ordinary share	237,039	215,922
	<u>237,039</u>	<u>215,922</u>

The proposed final dividend for the year ended 31 December 2023 is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year ended 31 December 2023.

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

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	725,882	680,783
	Number of shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	<u>1,002,930,489</u>	<u>995,366,941</u>
Effect of dilution — weighted average number of ordinary shares:		
Share options	6,060,411	2,596,920
Restricted Shares	<u>10,787,186</u>	<u>1,777,196</u>
	<u>1,019,778,086</u>	<u>999,741,057</u>

* The diluted earnings per share amount is based on the profit for the year ended 31 December 2023 of RMB725,882,000 and the weighted average number of ordinary shares of 1,019,778,086 in issue during the year.

9. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-listed equity investments, at fair value:	<u>29,772</u>	<u>26,610</u>

In the years ended 31 December 2023 and 2022, the changes in the fair value and income tax effect in respect of the Group's equity investments designated at FVOCI recognised in other comprehensive income are as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
The gross fair value change in respect of the Group's equity investments designated at FVOCI recognised in other comprehensive income	(3,838)	(4,586)
Income tax effect	<u>(2,263)</u>	<u>432</u>
Changes in fair value on equity investments designated at FVOCI	<u>(6,101)</u>	<u>(4,154)</u>

Equity investments designated at FVOCI include investments in equity shares of non-listed companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

10. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	171,387	164,644
Provision for expected credit losses	<u>(2,696)</u>	<u>(2,881)</u>
	<u>168,691</u>	<u>161,763</u>

The Group's trade receivables primarily consist of those due from third-party distribution platforms and payment vendors who collect payment from the Paying Players on behalf of the Group. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and are generally on terms within 90 days.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 90 days	165,900	155,924
91 to 180 days	1,629	4,773
181 days to 1 year	528	835
1 year to 2 years	<u>634</u>	<u>231</u>
	<u>168,691</u>	<u>161,763</u>

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

31 December 2023	Amount <i>RMB'000</i>	Expected credit loss rate	Impairment <i>RMB'000</i>
Trade receivables aged:			
Within 1 year	168,216	0.09%	159
1 year to 2 years	746	15.01%	112
2 to 3 years	<u>2,425</u>	100.00%	<u>2,425</u>
	<u>171,387</u>		<u>2,696</u>

31 December 2022	Amount <i>RMB'000</i>	Expected credit loss rate	Impairment <i>RMB'000</i>
Trade receivables aged:			
Within 1 year	161,585	0.03%	53
1 year to 2 years	269	14.11%	38
2 to 3 years	2,790	100.00%	2,790
	<u>164,644</u>		<u>2,881</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	2,881	2,356
Provision of expected credit losses	<u>(185)</u>	<u>525</u>
At end of year	<u>2,696</u>	<u>2,881</u>

11. CONTRACT COSTS

Contract costs are mainly related to contract acquisition costs. Management expects that incremental relevant distribution service fees paid as a result of obtaining customer contracts are recoverable, which meet the contract acquisition cost criteria when the Group considers the Paying Player as its customers. The Group has therefore capitalised them as contract costs in the amounts of RMB38,717,000 as at 31 December 2023 (2022: RMB26,077,000).

Capitalised relevant service fees are amortised when the related revenue is recognised, which is consistent with the pattern of recognition of the associated revenue. The total amounts of amortisation were RMB594,517,000 for the year ended 31 December 2023 (2022: RMB440,248,000), and there was no impairment loss in relation to the costs capitalised.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Wealth management products issued by licensed banks, at fair value	<u>15,521</u>	<u>210,885</u>
	<u>15,521</u>	<u>210,885</u>

Wealth management products issued by several licensed banks were denominated in RMB, with expected rates of return ranging from 1.00% to 3.00% (2022: 1.00% to 3.50%) per annum for the year ended 31 December 2023. The return on all these wealth management products is not guaranteed, and 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.

13. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	687,097	859,839
Time deposits	1,593,912	663,150
Less:		
Current:		
Time deposits with original maturity of over three months	575,278	105,759
Non-current:		
Time deposits	374,079	440,000
Cash and cash equivalents	<u>1,331,652</u>	<u>977,230</u>
Cash and bank balances denominated in:		
RMB	676,592	852,998
HK\$	2,588	5,796
US\$	7,917	1,045

The cash and bank balances of the Group denominated in RMB amounted to RMB676,592,000 (2022: RMB852,998,000) at the end of the reporting period. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. Time deposit of over three months amounting to RMB949,357,000 (2022: RMB545,759,000) were not included in cash and cash equivalents. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	16,543	16,490
3 to 6 months	330	116
6 months to 1 year	186	17
Over 1 year	115	675
	<u>17,174</u>	<u>17,298</u>

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

15. CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Self-developed games	<u>112,468</u>	<u>83,284</u>

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

16. OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Analysed into:		
Salary and welfare payables	98,365	94,790
Other tax payables	30,157	25,718
Other payables	1,725	3,092
	<u>130,247</u>	<u>123,600</u>

Other payables are non-interest-bearing.

17. SHARE CAPITAL

Shares

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Authorised: 50,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2023 (2022: 50,000,000,000 ordinary shares of HK\$0.01 each)	440,000	440,000
Issued and fully paid: 1,030,604,937 ordinary shares as at 31 December 2023 (2022: 1,027,731,687 ordinary shares)	<u>9,070</u>	<u>9,044</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>
At 31 December 2022 and 1 January 2023	1,027,731,687	9,044
Share options exercised (<i>Note (a)</i>)	<u>2,873,250</u>	<u>26</u>
At 31 December 2023	<u>1,030,604,937</u>	<u>9,070</u>

- (a) The subscription rights attaching to 2,873,250 share options were exercised at the subscription price of HK\$1.29 per share, resulting in the issue of 2,873,250 shares for a total cash consideration, before expenses, of HK\$3,699,133 (equivalent to RMB3,458,000). An amount of HK\$1,356,765 (equivalent to RMB1,121,000) was transferred from the share option reserve to share capital upon the exercise of the share options.

SIGNIFICANT EVENTS AFTER THE YEAR END

The Group did not have any significant events after 31 December 2023 and up to the date of this announcement.

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2023, the Group had approximately 537 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 our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. For the year ended 31 December 2023, the total remuneration expenses, including Share-based compensation expense, were approximately RMB255.8 million, representing an increase of 5.4% from RMB242.7 million for the year ended 31 December 2022, which was primarily due to a 4.8% increase in the average number of employees in the Group compared to 2022.

The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the year ended 31 December 2023.

PAYMENT OF FINAL DIVIDEND

Having taken into account the performance of the Group for the financial year ended 31 December 2023, the Board has resolved to recommend the payment of a final dividend of HK\$0.23 per Share for the year ended 31 December 2023 (2022: HK\$0.21 per Share) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 12 June 2024. The total amount is approximately HK\$237.0 million. The proposed final dividend, subject to the approval of the Shareholders at the AGM, is expected to be paid on or before Thursday, 4 July 2024.

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

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 31 May 2024. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

In order to ascertain the Shareholders' entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both days inclusive, during which period no transfer of Shares will be registered. All Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 27 May 2024.

In order to ascertain the Shareholders' entitlements to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Friday, 7 June 2024 to Wednesday, 12 June 2024, both days inclusive, during which period no transfer of Shares will be registered. All Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 June 2024.

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 C1 to the Listing Rules on the Stock Exchange as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code during the year ended 31 December 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 C3 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 year ended 31 December 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 consolidated annual results for the year ended 31 December 2023 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The annual results for the year ended 31 December 2023 have been prepared in accordance with HKFRS.

SCOPE OF WORK OF THE COMPANY’S AUDITOR

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. Ernst & Young made no comments as to the reasonableness or appropriateness of those assumptions of the “Non-HKFRS Measures” as presented in this annual results announcement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 December 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.zen-game.com>). The annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 to the Listing Rules will be despatched to the Shareholders and available on the same websites in due course.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company proposed to be held on Friday, 31 May 2024
“ARPPU”	monthly average revenue per paying user, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Company”	Zengame Technology Holding Limited (禪遊科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 August 2018
“Corporate Governance Code”	code on corporate governance practices contained in Appendix C1 to the Listing Rules
“DAU”	daily active users
“Director(s)”	the director(s) of the Company
“Free-to-Play”	a business model which players can play games for free, but may need to pay for virtual items sold in games to enhance their game experience
“Group”	collectively, the Company and its subsidiaries
“HK\$”, “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“MAU”	monthly active users
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules

“MPU”	monthly playing users
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

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

Hong Kong, 21 March 2024

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