ZX Inc.
中旭未来

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9890)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The Board (the "**Board**") of Directors (the "**Directors**") of ZX Inc. (the "**Company**", together with its subsidiaries and the PRC Operating Entities*, the "**Group**") is pleased to announce the consolidated results of the Company for the year ended 31 December 2023 (the "**Reporting Period**"), together with comparative figures for the same period of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

I. Company Overview

As a publisher of online game products in China, in 2023, we continued to devote to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients and marketed and operated by us are delivered to players under the "Tan Wan" brand (貪玩遊戲). In 2023, we successfully launched 69 new games. As of December 31, 2023, we had operated over 350 game products, and the game products we marketed and operated had accumulated 489.3 million registered users. In 2023, we achieved an average monthly active user (MAU) of 8.7 million for the game products we marketed and operated and the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB469.2.

* The PRC Operating Entities refer to the entities controlled by the Group through the Contractual Arrangements, the details of which are set out in the Company's prospectus dated September 18, 2023 ("**Prospectus**").

In 2023, we continued to enhance our core capabilities in marketing and operating game products. Gross profit margin for game products operated under the self-run model remained relatively stable at 95.4% and 92.3% in 2022 and 2023, respectively. Gross profit margin for the game products operated under the joint-run model increased from 16.3% in 2022 to 24.5% in 2023.

In addition to game products, we also provide marketing services in relation to online literature products and video clips. In 2023, revenue generated from other marketing business was RMB91.6 million, representing a significant increase of 141.0% from RMB38.0 million in 2022.

Furthermore, the end-user insights we accumulate allow us to spot other needs of end-users. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand "Zha Zha Hui"(渣渣灰) and the pop toy brand "Bro Kooli." In 2023, revenue generated from consumer product business was RMB213.7 million, remaining stable as RMB215.8 million in 2022.

II. Game Product Portfolio

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. We measure the performance of the game products we marketed and operated as a whole by the following key operating metrics: (i) average MAUs, (ii) average monthly paying users (MPUs), (iii) average monthly ARPPU, and (iv) total number of cumulative registered end-users. The following table sets forth these operating metrics for the years/as of the dates indicated.

	For the year ended December 31,	
	2023	2022
Average MAUs (in thousands)	**8,753.6**	10,003.2
Average MPUs (in thousands)	**1,102.8**	1,770.4
Average monthly ARPPU (RMB)	**469.2**	403.4

	As of December 31,	
	2023	2022
Number of cumulative registered end-users[(1)] (in millions)	**489.3**	356.1

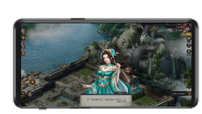
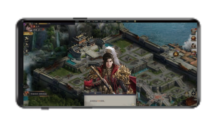
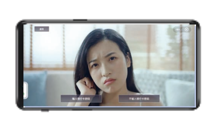
Notes:

(1) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each year.

In 2023, revenue generated from our top five game products was RMB3,142.7 million, representing a decrease of 44.6% from RMB5,751.2 million in 2022. Revenue generated from our top five game products accounted for 48.2% of our total revenue in 2023, as compared to 65.2% in 2022. The decrease in revenue generated from our top five game products was primarily because (i) our game products faced fierce market competition and experienced a decrease in gross billings; and (ii) we strategically enhanced our operations of other game products from various genres, resulting in a lesser reliance on revenue contribution from our top five game products.

We have been actively expanding the genres coverage of our game product portfolio and pipeline. The genres of game products we operated in 2023 and expect to launch in 2024 primarily consist of massively multiplayer online role-playing games (MMORPG), simulation games (SLG), casual games, tower defense games and collectible card games.

The table below sets forth a description of our major game products.

Game Product	Genre	Descriptions	Illustrations	
Soul Land: Shrek Academy	MMORPG	A team battle mobile game adapted from novels and animations with dual authorization		
Legend of Origin	MMORPG	Featuring highly attractive real-life scenes and magical arrays		
Qi Xiong Zheng Ba	SLG	Remaking classic war strategy gameplay		
Anti-Fraud Hero	Public welfare mini program game	A public welfare game with interactive real-life storylines		

III. Business Overview

3.1 Online Game

3.1.1 Business Overview

As of December 31, 2023, we had enabled marketing and operation of over 350 game products, which had accumulated 489.3 million registered users. In 2023, we achieved an average MAU of 8.7 million for the game products we marketed and operated. In 2023, the ARPPU of all the game products we marketed and operated was RMB469.2.

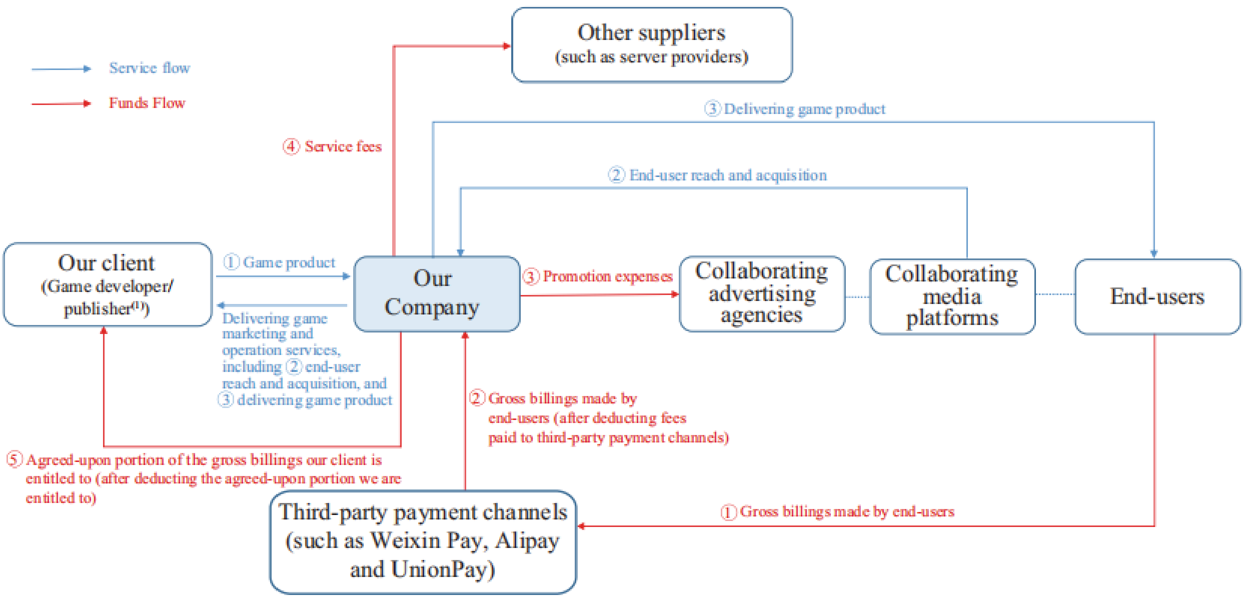
3.1.2 Operation models

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms.

Under the self-run model, we enable precision marketing, in-depth operation and brand development of the game products utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions. Under this model, we integrate all the components of our service flow for the particular game products we market and operate, and utilize our internal resources to execute all the steps along this service process, depending on the particular needs of the product.

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the self-run model:

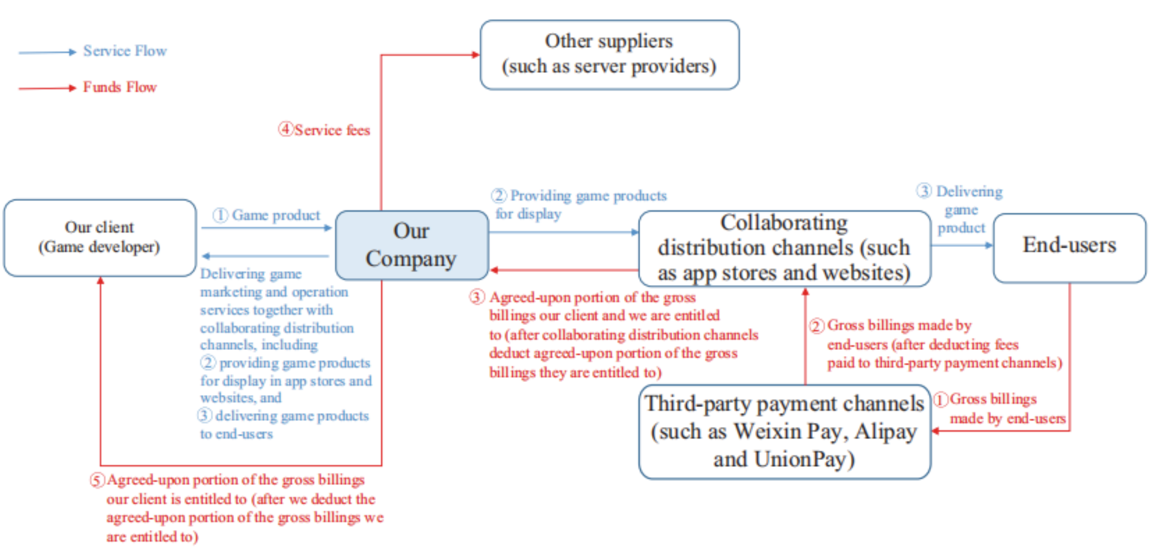
Transaction/Funds Flow Under the Self-run Model



Under the joint-run model, we leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect game products with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game products. These collaborating distribution channels are mainly mobile application stores, through which we can further increase the coverage of end-users. In other words, we draw upon a portion of product distribution and end user acquisition capabilities from external sources and channels, which also allow the end-users to experience the game product through such external channels on the mobile end.

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the joint-run model:

Transaction/Funds Flow Under the Joint-run Model



3.1.3 Differences Between the Two Models in Profitability

The key differences between the two models in profitability are due to the following:

(1) Under the self-run model, we conduct marketing and payment channel operation and/or brand development on our own, and we are responsible for identifying, contracting with the payment channels and the collaborating media platforms/advertising agencies or payment processing on behalf of game developer clients if needed. Therefore, commissions paid to the payment channels and the marketing fees calculated based on pay-to-sale are included in cost of sales.

(2) Under the joint-run model, we involve collaborating distribution channels to serve as both an end-user acquisition channel and our strategic partner to joint-run the authorized game products. A portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution channels (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution channels. We record the amount withheld by the collaborating distribution channels under the joint-run model as part of the cost of sales.

3.1.4 Technology Platform

We have developed our own proprietary technology platforms, as highlighted by our intelligent end-user engagement platform — the Luoshu (洛書) system, and our proprietary business intelligence analytics system — the Hetu (河圖) system.

(1) Intelligent End-User Engagement Platform — Luoshu (洛書) System

We have achieved centralized management of various media platforms through our intelligent end-user engagement platform, the Luoshu (洛書) system, which, in turn, enhanced the efficiency for placement. It allows us to address various marketing demands of the game products we market and operate, which in turn enhance end-user coverage with minimized human operations. The Luoshu (洛書) system features AI-driven engagement recommendations based on the automated match of the game products we market and operate and the traffic channels' bidding systems. The Luoshu (洛書) system achieves intelligent effective end-user engagement while building stable technical support for our future business expansion.

(2) Proprietary business intelligence analytics system — the Hetu (河圖) system

Our proprietary business intelligence analytics system, our Hetu (河圖) system, is capable of monitoring and analyzing the marketing campaign results through various tags generated, including time slots, channels and characteristics of the target user group. Our Hetu (河圖) system intellectually adjust the end-user engagement strategies and spending for the game products we market and operate on a real-time basis and optimize the campaign results to achieve the best marketing results. Our Hetu (河圖) system is able to conduct sub-second data inquiry and analytics and generate key features of users in real time.

3.2 Consumer Product

The end-user insights we accumulate allow us to spot other needs of end-users. Our consumer product business currently focuses on sales of instant food and pop culture-related merchandise empowered by the content we create or market, as highlighted by "Zha Zha Hui (渣渣灰)" and "Bro Kooli."

In 2022 and 2023, our revenue generated from consumer product business amounted to RMB215.8 million and RMB213.7 million, respectively , accounting for 2.4% and 3.3% of our total revenue for the same years, respectively.

IV. Outlook

Looking forward, we will continue to enhance and expand our online game publishing business, alongside fortifying our technology and innovation in areas such as in-house brand and content development. We aim to develop, market and operate products with high monetization potential and diversify our end-user base. We are committed to continuously enhancing our intelligent technologies and investing in digital marketing and AI-powered intelligent engagement. In maintaining our leading position in the publication and operation of legendary IPs, we will strategically launch new game series based on major IPs such as MU (奇跡), Scions of Fate (熱血江湖), Soul Land: Shrek Academy (斗羅大陸：史萊克學院), and The Smiling Proud Wanderer (笑傲江湖), etc, thus boosting our market competitiveness and influence. In 2024, we will persist in broadening our footprint in the European and American markets and expand into other international markets such as Southeast Asia, Japan, and Korea, thereby refining our global strategic positioning.

FINANCIAL REVIEW

Revenue

Our revenue is generated primarily from (i) marketing and operating online games developed by game developers and marketing online literature products and video clips developed by content creators; and (ii) our consumer product business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand "Zha Zha Hui."

The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the years indicated:

	For the Year Ended December 31,			
	2023		2022	
	(RMB'000)	%	*(RMB'000)*	%
Online Game Publishing Business and Other Marketing Business				
Game products operated under the self-run model	**4,264,462**	**65.4%**	6,179,622	70.1%
— Collaboration with game developers	**3,747,693**	**57.5%**	5,563,221	63.1%
— Collaboration with game publishers	**58,818**	**0.9%**	86,168	1.0%
— Self-owned game	**457,951**	**7.0%**	530,233	6.0%
Game products operated under the joint-run model	**1,944,848**	**29.9%**	2,383,819	27.1%
— Collaboration with game developers	**1,548,414**	**23.8%**	1,768,457	20.1%
— Self-owned game	**396,434**	**6.1%**	615,362	7.0%
Others	**91,618**	**1.5%**	38,022	0.4%
Subtotal	**6,300,928**	**96.7%**	8,601,463	97.6%
Consumer Product Business	**213,657**	**3.3%**	215,758	2.4%
Total	**6,514,585**	**100.0%**	8,817,221	100.0%

We recorded revenue of RMB6,514.6 million in 2023, representing a decrease of 26.1% from RMB8,817.2 million in 2022. The decrease was primarily due to a decrease in revenue generated from the online game publishing business.

Online Game Publishing Business and Other Marketing Business

Revenue generated from the game products we market and operate under the self-run model decreased by 31.0% from RMB6,179.6 million in 2022 to RMB4,264.5 million in 2023. Revenue generated from the game products we market and operate under the joint-run model decreased by 18.4% from RMB2,383.8 million in 2022 to RMB1,944.8 million in 2023. The decreases were primarily because (i) our game products faced fierce competition from new and existing game products in the market in 2023; and (ii) we strategically reduced our reliance on revenue contribution from our top five game products by devoting more efforts to our operations of other game products and developing new IPs, whose revenue was still in the ramp-up period.

Revenue generated from other marketing business, primarily revenue from marketing online literature products and video clips, increased significantly by 141.0% from RMB38.0 million in 2022 to RMB91.6 million in 2023, which was generally in line with the Group's efforts to export its core capabilities to sectors beyond game products.

Consumer Product Business

Revenue generated from consumer products business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand "Zha Zha Hui," remained relatively stable at RMB215.8 million and RMB213.7 million in 2022 and 2023, respectively.

Cost of Sales

The Group's cost of sales decreased by 19.4% from RMB2,407.5 million in 2022 to RMB1,941.3 million in 2023, primarily in relation to commissions to third-party distribution channels and payment, which was in line with the decrease in gross billings generated from game products.

Gross Profit and Gross Profit Margin

Aa a result of the foregoing, the Group's total gross profit decreased by 28.7% from RMB6,409.7 million in 2022 to RMB4,573.3 million in 2023 as a result of the revenue decline from our online game publishing business, which was in turn attributable to the fierce market competition faced by our game products, and the relatively short period of revenue generation for our new games launched in 2023.

The Group's gross profit margin remained relatively stable at 72.7% and 70.2% in 2022 and 2023, respectively.

Gross profit margin for game products operated under the self-run model remained relatively stable at 95.4% and 92.3% in 2022 and 2023, respectively. Gross profit margin for the game products operated under the joint-run model increased from 16.3% in 2022 to 24.5% in 2023, primarily because the reduction in costs was greater than the decrease in revenue as we strategically streamlined our collaboration with the distribution channels that were entitled to a higher portion of gross billings. Gross profit margin for the consumer product business decreased from 40.7% in 2022 to 31.5% in 2023, as a result of the increase of procurement costs for our rice noodle products in 2023.

Other Income and Gains

Other income and gains increased by 60.0% from RMB292.6 million in 2022 to RMB468.1 million in 2023, primarily due to profit from the sale of financial assets, mainly representing our equity investments in a listed company.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 31.0% from RMB5,622.4 million in 2022 to RMB3,880.2 million in 2023, primarily due to a decrease in game marketing and promotion expenses as (i) the new game products we launched in 2023 had a relatively short marketing and promotion period due to their launch time schedules, and (ii) we did not launch new blockbuster games in 2023 that required significant marketing and promotion resources.

Administrative Expenses

The Group's administrative expenses increased by 51.0% from RMB175.7 million in 2022 to RMB265.3 million in 2023, primarily due to (i) the increase in share-based compensation as a result of the implementation of the pre-IPO share option plan as adopted in November 2022, and (ii) the increase in listing expense in 2023.

R&D Costs

The Group's R&D costs increased by 8.6% from RMB157.7 million in 2022 to RMB171.2 million in 2023, primarily due to an increase in share-based compensation in 2023 as a result of the implementation of the pre-IPO share option plan as adopted in November 2022.

Other Expenses

The Group's other expenses increased significantly from RMB8.3 million in 2022 to RMB208.3 million in 2023, primarily due to (i) an increase in fair value losses of financial assets, primarily due to the unanticipated changes in the market value of a listed company we invested; (ii) an increase in goodwill impairment of long-term equity investment, in relation to Hainan Zhangwan Network Technology Co., Ltd. (海南掌玩網絡科技有限公司), a non-wholly owned subsidiary acquired in 2021; and (iii) an increase in donation expenses.

Finance Costs

The Group's finance costs decreased by 12.6% from RMB107.9 million in 2022 to RMB94.3 million in 2023, primarily due to a decrease in finance costs on bills payable as means of payment to our business partners, which was in line with the decrease in our revenue.

Share of Profits and Losses of Joint Ventures

The Group recorded gains of RMB6.4 million in 2023, compared to gains of RMB7.4 million in 2022, as the Group's share of profits and losses of joint ventures, primarily due to a decrease in the gains recorded by our joint venture company, Zhejiang Xuwan Technology Co., Ltd.(浙江旭玩科技有限公司) in 2023.

Share of Profits and Losses of Associates

The Group recorded losses of RMB13.3 million in 2023, primarily in relation to share of losses of our associate company, Hangzhou Shengxu Miracle Network Technology Co., Ltd. (杭州盛旭奇跡網絡科技有限公司). We recorded share of losses of associates of RMB33.9 million in 2022. The fluctuation was primarily because the book value of our investments in Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (福州自在互娛網絡科技有限公司) had been written down to zero, therefore we ceased to record share of losses of this associate in 2023.

Income Tax Expense

The Group recorded income tax expense of RMB110.1 million and RMB140.1 million in 2022 and 2023, respectively. The increase was primarily attributable to upward adjustments in our preferential tax rates pursuant to the applicable policies.

Profit for the Year

As a result of the foregoing, the Group's net profit decreased by 44.4% from RMB491.5 million in 2022 to RMB273.3 million in 2023.

Adjusted Profit for the Year

To supplement our consolidated financial statements, which are presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), we also use the adjusted profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measure facilitates comparisons of operating performance from period to period and provides useful information to investors and others to understand and evaluate our consolidated results of operations in the same manner as our management by eliminating potential impacts of items. We also believe that the non-HKFRS measure are appropriate for evaluating our operating performance. The use of this non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS measure may not be comparable to similar measures presented by other companies. We define the adjusted profit (Non-HKFRS measure) as the profit for the year, excluding share-based compensation and listing expenses. Share-based compensations are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made as in the Prospectus. In addition, we exclude listing expenses, as this item arises from activities relating to the Listing. In 2022 and 2023, we recorded adjusted profit (non-HKFRS measure) of RMB560.1 million and RMB542.0 million, respectively.

	For the year ended December 31,	
	2023	2022
	(RMB'000)	
Reconciliation of profit to adjusted profit (Non-HKFRS measure)		
Profit for the year	**273,289**	491,522
Add:		
Share-based compensation	**219,368**	42,883
Listing expenses	**49,337**	25,679
Adjusted profit (Non-HKFRS measure)	**541,994**	560,084

Trade Receivables

Trade receivables primarily consist of outstanding amounts payable by collaborating distribution channels under the joint-run model in the ordinary course of business. Our net trade receivables decreased by 27.2% from RMB426.8 million as of December 31, 2022 to RMB310.7 million as of December 31, 2023, primarily in line with the decrease in our revenue and as a result of our increased efforts for the settlement of certain trade receivables which were due.

Trade Payables

Trade payables primarily consist of (i) a portion of gross billing payable to the clients in connection with end-users' in-game purchases of the products developed by the clients for which the Group provides precision marketing, in-depth operation and brand development services; and (ii) payables to the suppliers, such as server custody service providers and suppliers for the consumer product business. The Group's trade payables decreased by 11.0% from RMB523.6 million as of December 31, 2022 to RMB466.1 million as of

December 31, 2023, mainly due to (i) a decrease in gross billings from game products, which was in line with our revenue decline in 2023; and (ii) changes in our settlement methods with certain suppliers, resulting in a shorter settlement cycle of trade payables.

Bills Payable

Bills payable primarily consist of bank acceptance bills and letters of credit made in the ordinary course of our business, mainly attributable to payables to game developers and to collaborating media platforms for marketing and promotion activities. The Group's bills payable decreased by 50.2% from RMB5,640.2 million as of December 31, 2022 to RMB2,806.6 million as of December 31, 2023, which was in line with the decrease in our revenue.

Investments in Associates

We recorded investments in associates of RMB6.0 million as of December 31, 2022 and RMB178.2 million as of December 31, 2023, mainly due to our investment in Jiaxing Xukai Enterprise Management Partnership (Limited Partnership) (嘉興旭愷企業管理合夥企業（有限合夥）) ("**Jiaxing Xukai**"). With an aim to invest in companies with significant growth potential in the digital mobile game industry, in June 2023, we, together with two independent third parties, namely Shanghai Shengyi Network Technology Co., Ltd. (上海盛薏網絡科技有限公司) and Shanghai Jiale Network Technology Co., Ltd. (上海佳樂網絡科技有限公司), as limited partners and an independent third party, namely Shanghai Erta Network Technology Co., Ltd. (上海爾塔網絡科技有限公司), as general partner, established Jiaxing Xukai. We invested approximately RMB235.2 million for 42% limited partnership interest in Jiaxing Xukai. As of December 31, 2023, Jiaxing Xukai held approximately 1.07% of the total issued shares of Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司) ("**Century Huatong**"), a listed company on the Shenzhen Stock Exchange (SZSE: 002602).

Liquidity and Capital Resources

The Group monitored and maintained a level of cash and cash equivalents deemed adequate to finance its operations and mitigate the effects of fluctuations in cash flows. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operating activities and net proceeds received from the Global Offering. As of December 31, 2023, the Group had cash and cash equivalents of RMB486.9 million, representing cash and bank balance, net of restricted cash. Cash and cash equivalents were held in RMB, HK dollars, US dollars and Japanese yen. Going forward, the Group believes that its liquidity requirements will be satisfied by using a combination of cash generated from operating activities, funds raised from the capital markets from time to time and the net proceeds received from the Global Offering. The Group currently does not have any other plans for material additional external financing.

Bank Borrowings

As of December 31, 2023, the Group had interest-bearing bank and other borrowings of RMB213.7 million. The Group's interest-bearing bank and other borrowings were discounted bills and bank loans provided by commercial banks to the Group, both of which were fully secured by pledges during the ordinary course of business. The interest-bearing bank and other borrowings were denominated in RMB and bore interests at rates ranging from 1.2% to 2.8% per annum.

Gearing Ratio

The Group monitored its capital sufficiency using gearing ratio. As of December 31, 2022 and 2023, the Group's gearing ratio (total debt, including interest-bearing bank borrowings and lease liabilities, as a percentage of total equity as of the end of the relevant reporting year) was 0.45 and 0.18, respectively.

Current Ratio

As of December 31, 2022 and 2023, the Group's current ratio (total current assets divided by total current liabilities as of the end of the relevant reporting year) was 0.71 and 0.84, respectively.

Significant Investments

As of December 31, 2023, the Group held an aggregate of RMB412.8 million of listed equity investments at fair value in Century Huatong, representing 5.7% of the Group's total assets as of December 31, 2023. The Group held 80,000,000 shares in Century Huatong, representing approximately 1.07% of its total issued shares, and the investment cost was RMB585.9 million. Century Huatong is engaged in automobile components, internet game and artificial intelligence businesses. The Group's investment in Century Huatong is for strengthening strategical alliance with a major player in the digital entertainment industry chain to create synergies by complementing the Group's publishing of online game products. During the Reporting Period and up to December 31, 2023, the fair value loss from such investment amounted to RMB173.1 million. No dividend was received from such investment during the Reporting Period.

Save as disclosed above, there was no other significant investments held (including any investment in an investee company with a value of 5% or more of the Group's total assets) as of December 31, 2023.

Material Acquisitions and Disposals

In 2023, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As of December 31, 2023, the Group had no specific plan for material investments and acquisition or disposal of capital assets.

Capital Expenditure

In 2023, total capital expenditure amounted to approximately RMB23.0 million, which was used in the purchase of property and equipment and other intangible assets.

Contingent Liabilities

As of December 31, 2023, except for the below civil litigation which is still ongoing, the Company did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of the Company. In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People's Court of Fujian Province alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. The plaintiff sought (i) an injunction against the future operation of the relevant website; and (ii) RMB100.5 million in monetary damages from us and the other co-defendants. In December 2023, the trial was held with the High People's Court of Fujian Province and the ruling was pending as of the date of this announcement. With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that, (i) we are not a party to the collaboration agreement or any other ancillary documents at issue and the validity of collaboration agreement has been confirmed by ruling of the Supreme People's Court of the PRC; (ii) we are not involved in the establishment or operation of the relevant website at issue or other allegedly infringing conducts of our joint ventures at issue; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages.

Foreign Exchange Risk and Hedging

The Group's financial statements were expressed in RMB, but the Group undertook certain transactions in foreign currencies, which exposed the Group to foreign currency risk. The Group currently does not hold any financial instruments for hedging purposes. The Group manages its currency risks by closely monitoring the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

Employee, Remuneration and Option Scheme

As of December 31, 2023, the Group had 1,305 employees, all of whom were based in China. The total remuneration cost incurred by the Group for the year ended December 31, 2023 was RMB501.7 million, as compared to RMB409.7 million for the year ended December 31, 2022.

The Company compensates its employees with salaries, allowances and benefits in kind, equity-settled share payment expenses and pension scheme contributions. The Company determines employees' compensation packages on the basis of work performance and the market standard of remuneration. The Company also makes sufficient provisions for the social insurance and housing provident fund contributions as required by the PRC laws and regulations.

The Company also has adopted a pre-IPO share option plan to provide incentives for eligible participants who contribute to the success of the Group's operations, including among others, employees of the Group. Please refer to the section headed "Statutory and General Information — D. Pre-IPO Share Option Plans" in Appendix IV to the Prospectus for further details.

For the year ended December 31, 2023, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on its business, financial condition or results of operations, or any difficulty in recruiting employees.

Charge on Assets

As of December 31, 2023, the Group had pledged time deposits of RMB4,183.4 million, which had been acting as a security for the discounted bills, bills payable and bank loans made available to the Group. As of the same date, 80,000,000 shares in Century Huatong held by the Group were also pledged for security for bank bills made available to the Group.

OTHER INFORMATION

Compliance with the Corporate Governance Code in the Appendix C1 of the Listing Rules (the "Corporate Governance Code")

The Company is committed to maintaining high standard of corporate governance to safeguard the interest of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company was listed on the Main Board of the Stock Exchange on September 28, 2023 (the "**Listing Date**"). The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code.

From the Listing Date to December 31, 2023, the Company has complied with the code provisions set out in the Corporate Governance Code except for code provisions as explained below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of chairman of the Board and chief executive officer of the Company are currently performed by Mr. WU Xubo ("**Mr WU**"). In view of Mr. WU's substantial contribution to the Group since its establishment and his extensive experience, the Company considers that having Mr. WU acting as both the chairman of the Board and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of the Group's business strategies. The Directors believe that it is appropriate and beneficial to the Group's business development and prospects that Mr. WU continues to act as both the chairman of the Board and chief executive officer of the Company, and therefore currently do not propose to separate the functions of chairman and chief executive officer.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by the Board requires approval by at least a majority of the Directors, and the Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. WU and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Pursuant to code provision C.5.1 of the Corporate Governance Code, board meetings should be held at least four times a year at approximately quarterly intervals. One board meeting was held during the period from the Listing Date to December 31, 2023, as the Company was only listed on September 28, 2023.

In addition, the Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers in the Appendix C3 of the Listing Rules (the "Model Code")

The Company has adopted the Model Code as its code of conduct regarding directors' dealing in the Company's securities. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2023. The Company's relevant employees, who are likely to be in possession of inside information of the Company, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company from the Listing Date to December 31, 2023.

The Company has also established a policy on inside information to comply with its obligations under the Securities and Futures Ordinance and the Listing Rules. In case when the Company becomes aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the Listing Date to December 31, 2023.

Final Dividend

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

Donation

For the year ended December 31, 2023, the Group made charitable donation of RMB12.9 million.

Events after the End of the Reporting Period

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2023 and up to the date of this announcement.

Audit Committee

The Company has established the audit committee (the "**Audit Committee**") under the Board with written terms of reference in compliance with Rule 3.21 of the Listing Rules as well as paragraph D.3 of part 2 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely, Ms. ZHENG Yi, Ms. SONG Siyun and Mr. QIN Yongde. The chairlady of the Audit Committee is Ms. ZHENG Yi, who has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management, including the review of the consolidated results of the Group for the year ended December 31, 2023. The Audit Committee considers that the annual financial results for the year ended December 31, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Scope of Work of the Auditor

The figures in respect of this announcement for the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, and the related notes thereon for the year ended December 31, 2023 have been compared by the Company's external auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year ended December 31, 2023 and the amounts were found to be in agreement. The work performed by EY 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 EY in this announcement.

Annual General Meeting

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on June 21, 2024. A circular (including notice convening the AGM) and all other relevant documents will be published and dispatched (if so requested by Shareholder(s)) to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

The registers of members of the Company will be closed from June 18, 2024 to June 21, 2024, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at AGM to be held on June 21, 2024. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on June 17, 2024.

Publication of 2023 Annual Results and Annual Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zx.com). The annual report for the year ended December 31, 2023 containing all applicable information required by the Listing Rules will be dispatched (if so requested by Shareholder(s)) to the Shareholders and published on the above websites in April 2024.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**6,514,585**	8,817,221
Cost of sales		**(1,941,267)**	(2,407,531)
Gross profit		**4,573,318**	6,409,690
Other income and gains	5	**468,122**	292,600
Selling and distribution expenses		**(3,880,221)**	(5,622,406)
Administrative expenses		**(265,343)**	(175,696)
Research and development costs		**(171,245)**	(157,738)
Impairment losses on financial assets, net		**(1,780)**	(2,219)
Other expenses		**(208,271)**	(8,330)
Finance costs	7	**(94,335)**	(107,878)
Share of profits and losses of:			
Joint ventures		**6,430**	7,430
Associates		**(13,284)**	(33,878)
PROFIT BEFORE TAX	6	**413,391**	601,575
Income tax expense	8	**(140,102)**	(110,053)
PROFIT FOR THE YEAR		**273,289**	491,522
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent years:			
Share of other comprehensive income of associate		**(60,950)**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(60,950)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**212,339**	491,522

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Profit attributable to:			
Owners of the parent		**235,487**	514,067
Non-controlling interests		**37,802**	(22,545)
Total comprehensive income attributable to:			
Owners of the parent		**174,537**	514,067
Non-controlling interests		**37,802**	(22,545)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB)*	*10*	**0.47**	9.65
Diluted *(RMB)*	*10*	**0.46**	9.60

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**98,567**	79,169
Investment properties		**81,541**	—
Right-of-use assets		**347,846**	180,229
Goodwill		**27,917**	42,499
Other intangible assets		**15,253**	43,734
Investments in joint ventures		**273,418**	267,188
Investments in associates		**178,239**	5,992
Financial assets at fair value through profit or loss	*13*	**15,000**	—
Deferred tax assets		**109,312**	47,857
Prepayments, other receivables and other assets	*12*	**11,633**	119,183
Pledged deposits	*14*	**2,045,506**	3,395,558
Total non-current assets		**3,204,232**	4,181,409
CURRENT ASSETS			
Inventories		**2,905**	4,424
Trade receivables	*11*	**310,696**	426,817
Prepayments, other receivables and other assets	*12*	**683,872**	667,323
Amounts due from related parties		**23,981**	16,981
Financial assets at fair value through profit or loss	*13*	**412,800**	1,271,335
Pledged deposits	*14*	**2,137,907**	3,006,801
Restricted cash	*14*	**4,931**	10,394
Cash and cash equivalents	*14*	**486,886**	213,422
Total current assets		**4,063,978**	5,617,497

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
CURRENT LIABILITIES			
Trade payables	*15*	**466,069**	523,649
Bills payable	*16*	**2,806,551**	5,640,211
Other payables and accruals		**893,941**	901,219
Interest-bearing bank borrowings		**213,743**	555,844
Lease liabilities		**39,616**	21,247
Tax payable		**416,277**	247,796
Total current liabilities		**4,836,197**	7,889,966
NET CURRENT LIABILITIES		**(772,219)**	(2,272,469)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,432,013**	1,908,940
NON-CURRENT LIABILITIES			
Lease liabilities		**153,178**	190,754
Provision		**3,050**	9,150
Total non-current liabilities		**156,228**	199,904
Net assets		**2,275,785**	1,709,036
EQUITY			
Equity attributable to owners of the parent			
Share capital		**77**	74
Treasury shares		**(3)**	(3)
Reserves		**2,286,450**	1,731,686
		2,286,524	1,731,757
Non-controlling interests		**(10,739)**	(22,721)
Total equity		**2,275,785**	1,709,036

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2021 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

During the year, the Group was principally engaged in providing product marketing and operation services for online games in the People's Republic of China (hereafter, the "**PRC**").

2. ACCOUNTING POLICIES

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**") and the disclosure requirements 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 except when otherwise indicated.

The Group recorded net current liabilities of RMB772,219,000 as at 31 December 2023, which was primarily due to certain of the Group's interest-bearing bank borrowings and bills payables being secured by long term fixed deposits of RMB2,045,506,000 that can be used to settle the Group's current liabilities before maturity. The directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the long term fixed deposits available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial information has been prepared on a going concern basis.

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 contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules*

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

(a) 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 not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following 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 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1, 3]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1, 3]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. So far, the Group expects that these standards will not have a significant effect on the Group's financial performance and financial position.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Principal versus agent considerations

The Group determines whether it is a principal or an agent in providing marketing and operating services by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised services before transferring the services to the customer. Otherwise, the Group is an agent and records as revenue the net amount that it retains profits agency services if its role is to arrange to provide the services. To assess whether the Group controls the services before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has discretion in establishing the selling price.

Contingent liabilities on pending litigations

The Group has several pending litigations with regards to game products operated by the Group in the PRC. The Group recognised a provision for the estimated amounts to settle the obligations based on all the available information and the advices from legal counsels. If the final outcomes of these pending litigations are different with management's estimation, there will be adjustments to the amounts provided.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Withholding tax is provided for the profits of the subsidiaries which the Group considers it probable to be distributed in the foreseeable future.

Contractual Arrangements

Jiangxi Tanwan and its subsidiaries (collectively the "**PRC Operating Entities**") are mainly engaged in the provision of product marketing and operation services to online games in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

The Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Contractual Arrangements.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interests in the PRC Operating Entities, as it has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities through the Contractual Arrangements. Accordingly, the PRC Operating Entities have been accounted for as subsidiaries during the year. The Group has consolidated the financial position and results of the PRC Operating Entities in the consolidated financial statements.

Property lease classification — Group as lessor

The Group has entered into commercial property and office property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimate of the Player Relation Period for revenue from self-owned game operation

Revenue from self-owned game is recognised over the Player Relation Period. The Group estimates the Player Relation Period of a game based on historical data statistics of the paying players and re-assesses such period semi-annually. While the Group believes its estimates to be reasonable, it may revise such estimate in the future as there are any important changes in game player behaviour patterns, games' operation periods and other aspects.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB27,917,000 (2022: RMB42,499,000).

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of investments in joint ventures and associates

The Group determined whether there are indicators of impairment for investments in joint ventures and associates at the end of each reporting period. Indicators of impairment included, but not limited to serious deterioration of financial condition of the joint ventures and associates, significant drop in share prices, adverse changes in the industry market environment and other circumstances indicated that joint ventures and associates are unable to generate economic benefits for the Group. When such an indicator exists, the Group tested its investments in joint ventures and associates for impairment by comparing the estimated recoverable amounts with the carrying amounts. An impairment exists when the carrying value of investments in joint ventures and associates exceeds its recoverable amount.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB35,972,000 (2022: RMB19,912,000).

Fair value of share-based payments

The equity-settled share-based payments were estimated based on fair value of the awards as at the date of grant using valuation model depending on the terms and conditions of the grant. This requires the Group to determine the most appropriate inputs to the valuation model and make assumptions about them.

Fair value of equity investments

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques including the recent transaction approach. Management of the Group determines their fair value at the end of each reporting period by taking reference to those recent transaction prices.

Useful lives of intangible assets

Amortisation is calculated on the straight-line basis to write off the cost of each item of intangible assets to its residual value over its estimated useful life. The estimated useful lives and dates that the Group places the items of assets into productive use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets.

4. OPERATING SEGMENT INFORMATION

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

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**6,084,255**	8,638,210
Hong Kong	**430,330**	179,011
Total revenue	**6,514,585**	8,817,221

(b) Non-current assets

As at 31 December 2023 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

Information about major customers

Revenue from customers which amounted to more than 10% of the Group's revenue during the year ended 31 December 2023 and 2022 is set out below:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**1,887,087**	2,373,776
Customer B	**986,184**	2,796,320
Customer C	**751,758**	1,572,252

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Game marketing and operation — Self-run model*	**4,264,462**	6,179,622
Game marketing and operation — Joint-run model	**1,944,848**	2,383,819
Other marketing services	**91,618**	38,022
Sales of products	**213,657**	215,758
Total revenue from contracts with customers	**6,514,585**	8,817,221
Timing of revenue recognition		
Services transferred over time	**854,385**	1,145,595
Services transferred at a point in time	**5,446,543**	7,455,868
Goods transferred at a point in time	**213,657**	215,758
Total revenue from contracts with customers	**6,514,585**	8,817,221
Geographical markets		
Mainland China	**6,084,255**	8,638,210
Hong Kong	**430,330**	179,011
Total revenue from contracts with customers	**6,514,585**	8,817,221

* Included the revenue of marketing and operation support services provided to third party publishers amounting to RMB58,817,000 (2022: RMB85,586,000) for the year.

(b) Performance obligations

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

Authorised game marketing and operation

The performance obligation is satisfied upon the payment for the purchase of in-game virtual items by game players as the Group has no further obligation to game developers or publishers in order to earn the service fees upon the completion of the corresponding payment. Under the self-run model, the payment is due immediately when the game players make the payment for in-game purchases. Under joint-run model, the payment is due when the statement is received and confirmed with the collaborating distribution platforms. The Group settles the payment with game developers or publishers within 180 days from the date of billing.

Self-owned game marketing and operation

The performance obligation is satisfied over the estimated Player Relation Period. Under the self-run model, the payment is due immediately when the game players make the payment for in-game purchases. Under the joint-run model, the payment is due when the statement is received and confirmed with the collaborating distribution platforms.

Other marketing services

The performance obligation is satisfied upon the subscription of pay-to-read services by online literature readers. The payment is due immediately when the readers make the subscription. The Group settles the payment with the literature content providers on a monthly basis.

Sales of products

The performance obligation is satisfied at the point in time when the products are delivered and accepted by customers. The payment is due immediately for direct sales to the end customers on online retail platforms. The payment from the distributors is generally due within 15 days from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 are as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**85,395**	117,712

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year relate to self-owned game marketing and operation. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**188,567**	189,125
Investment income from financial assets at fair value through profit or loss	**248,705**	29,796
VAT additional deduction and refunds	**21,971**	52,294
Government grants — related to income*	**3,100**	2,759
Investment property rental income	**794**	—
Others	**936**	1,606
	464,073	275,580
Gains		
Foreign exchange gains	**—**	1,224
Fair value gain on financial assets at fair value through profit or loss	**—**	12,467
Gain on disposal of subsidiaries	**—**	621
Gain on lease modification	**4,049**	2,708
	4,049	17,020
	468,122	292,600

* 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.

6. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Costs of services charged by the collaborating distribution platforms under the joint-run model	**1,417,200**	1,937,855
Cost of products sold	**142,952**	124,804
Promotion expenses	**3,685,013**	5,440,279
Employee benefit expense: (including directors' and chief executive's remuneration)		
Wages and salaries	**269,610**	330,469
Equity-settled-based payment expenses	**219,368**	42,883
Pension scheme contributions*(defined contribution scheme)	**12,720**	36,345
	501,698	409,697
Listing expenses	**49,337**	25,679
Auditor's remuneration	**6,000**	341
Depreciation of property and equipment	**16,880**	14,364
Depreciation of right-of-use assets	**32,932**	31,065
Depreciation of investment properties	**841**	—
Amortisation of other intangible assets**	**35,372**	50,777
Lease payments not included in the measurement of lease liabilities	**235**	30
Gain on lease modification	**(4,049)**	(2,708)
Foreign exchange differences, net	**3,639**	(1,224)
Impairment of trade receivables, net	**923**	615
Impairment of financial assets included in other receivables	**856**	1,604
Impairment of property and equipment***	**—**	5,479
Impairment of goodwill***	**14,582**	—
Fair value (gain)/loss on financial assets at fair value through profit or loss	**173,120**	(12,467)
Gain on disposal of financial assets at fair value through profit or loss	**(248,705)**	(29,796)
Loss on disposal of subsidiaries	**—**	(621)
Loss on disposal of items of property and equipment, net	**2,944**	4

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** The amortisation of other intangible assets is included in costs of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

*** The impairment of property and equipment and goodwill are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Finance costs on bills payable*	**80,002**	89,893
Interest on bank borrowings	**5,263**	7,969
Interest on lease liabilities	**9,070**	10,016
	94,335	107,878

* It represented the finance costs charged by the banks to extend the maturity date of bills payable.

8. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the "**PRC Tax Law**") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in Mainland China during the reporting period was 25% of their taxable profits.

Jiangxi Tanwan was accredited as a high and new technology enterprise ("**HNTE**") in 2021, and the certificate is valid for three years. The HNTE certificate needs to be renewed every three years so as to enable Jiangxi Tanwan to enjoy the reduced tax rate of 15%. Although Jiangxi Tanwan has re-applied for and obtained the certificate of HNTE on 3 November 2021, it failed to enjoy the preferential tax rate of 15% in 2022 and 2023 because of its business indicators not meeting the stipulation of HNTE, but applied the statutory rate of 25%.

ZX WFOE was accredited as a "software enterprise" in 2021 under relevant PRC laws and regulations. Accordingly, ZX WFOE is exempt from Corporate Income Tax ("**CIT**") for 2021 and 2022, followed by a 50% reduction in the applicable tax rates from 2023 to 2025.

The following table sets forth a breakdown of the income tax expense for the year indicated:

	2023	2022
	RMB'000	*RMB'000*
Current — Mainland China	**201,557**	116,993
Deferred	**(61,455)**	(6,940)
Total	**140,102**	110,053

9. DIVIDENDS

On 15 August 2023, the Company declared a special dividend in the amount of RMB50,000,000, the payment of which was fully settled in the same month by cash using internal resources.

The Board does not recommend the payment of a final dividend to the ordinary equity holders of the Company for the year ended 31 December 2023 (2022: nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 502,938,959 (2022: 53,255,479) in issue during the year, as adjusted to reflect the rights issue during the year.

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 exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2023	2022
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation *(RMB'000)*	**235,487**	514,067
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**502,938,959**	53,255,479
Effect of dilution — weighted average number of ordinary shares	**9,725,162**	266,204
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**512,664,121**	53,521,683

11. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**315,011**	430,209
Impairment	**(4,315)**	(3,392)
Net carrying amount	**310,696**	426,817

The Group's trade receivables mainly represent amounts receivable from third-party collaborated distribution platforms and online retail platforms. The credit period for collaborated distribution platforms is generally 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by the Group's management. In view of the aforementioned and the fact that the Group's trade receivables principally relate to diversified application distribution platforms, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**307,204**	424,403
1 to 2 years	**3,218**	2,222
Over 2 years	**274**	192
	310,696	426,817

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	**3,392**	2,777
Impairment losses, net	**923**	615
At end of year	**4,315**	3,392

The Group applies the simplified approach to provide for expected credit losses under HKFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The Group used a calculation which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided for 100% of the defaulted receivables during the years ended 31 December 2022 and 2023.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Amount *RMB'000*	Expected loss rate *%*	Impairment *RMB'000*
Defaulted receivables	**1,925**	**100%**	**1,925**
Other trade receivables aged:			
Current	**292,616**	**—***	**379**
Past due for 6 months to 1.5 years	**16,728**	**3%**	**558**
Past due for 1.5 years to 2.5 years	**2,966**	**23%**	**677**
Past due for over 2.5 years	**776**	**100%**	**776**
	315,011		**4,315**

As at 31 December 2022

	Amount	Expected loss rate	Impairment
	RMB'000	*%*	*RMB'000*
Defaulted receivables	1,925	100%	1,925
Other trade receivables aged:			
Current	392,225	—*	249
Past due for 6 months to 1.5 years	35,026	1%	449
Past due for 1.5 years to 2.5 years	375	30%	111
Past due for over 2.5 years	658	100%	658
	430,209		3,392

* *Less than 1%*

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Non-current		
Loans to employees	**—**	1,996
Prepayments for property and equipment	**—**	109,376
Deposits and other receivables	**11,633**	7,811
	11,633	119,183
Less: allowance for impairment	**—**	—
	11,633	119,183

	2023	2022
	RMB'000	*RMB'000*
Current		
Prepayment for marketing and promotion services	**88,975**	109,282
Deposits and other receivables	**72,577**	187,560
Prepayments to game developers	**350,699**	148,171
Undrawn deposits on third party payment channels	**33,128**	39,733
Deductible input VAT	**112,813**	83,418
Prepaid expenses	**5,963**	1,785
Time deposits with original maturity of over three months but less than one year	**7,099**	48,093
Contract costs for self-owned games	**30,955**	61,686
Deferred listing expenses	**—**	6,386
Loans to employees	**1,310**	—
	703,519	686,114
Less: allowance for impairment	**(19,647)**	(18,791)
	683,872	667,323

The loans to employees provided by the Group bear interest at a rate of 4.75% p.a. and will be due for repayment in 2024.

An impairment analysis was performed at the end of the year. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. The defaulted non-trade other receivables as at 31 December 2023 were RMB19,647,000 (2022: RMB18,791,000).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Non-current portion		
Unlisted equity investments, at fair value	**15,000**	—
Current portion		
Wealth management products, at fair value	**—**	471,530
Listed equity investments, at fair value	**412,800**	799,805
	412,800	1,271,335
	427,800	1,271,335

The above unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2022, the carrying amounts of wealth management products of RMB212,798,000 were pledged for discounted bills and bills payable. As at 31 December 2023, the carrying amounts of wealth management products was nil as all of them had expired.

The above listed equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

As at 31 December 2023, the Group's listed equity investments amounting to RMB412,800,000 (2022: nil) were pledged for bills payable of the Group.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**4,682,329**	6,674,268
Less: Current restricted cash	**(4,931)**	(10,394)
Non-current pledged time deposits	**(2,045,506)**	(3,395,558)
Current pledged time deposits	**(2,137,907)**	(3,006,801)
Non-pledged time deposits with original maturity of over three months and less than one year	**(7,099)**	(48,093)
Cash and cash equivalents	**486,886**	213,422
Denominated in:		
RMB	**239,691**	177,360
USD	**128,580**	3,446
HKD	**118,613**	32,616
JPY	**2**	—

As at 31 December 2023, restricted cash amounting to RMB4,060,000 (2022: RMB10,000,000), represented deposits held in designated bank accounts for pending litigations. As at 31 December 2023, restricted cash amounting to RMB871,000 (2022: RMB394,000), represented bank deposits designated for securing bills payable.

As at 31 December 2023, pledged time deposits amounting to RMB4,183,413,000 (2022: RMB6,402,359,000) were restricted and pledged for discounted bills, bills payable and bank loans of the Group.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction dates, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**454,835**	521,280
1 to 2 years	**9,624**	1,464
2 to 3 years	**324**	134
Over 3 years	**1,286**	771
	466,069	523,649

The trade payables are non-interest-bearing and are normally settled on 1-year terms.

Included in the trade payable amounts of RMB450,906,000 (2022: RMB488,394,000) were payables to game developers as at 31 December 2023.

16. BILLS PAYABLE

	2023	2022
	RMB'000	*RMB'000*
Bills payable	**2,806,551**	5,640,211
	2,806,551	5,640,211

The bills payable are due for payment within 1 year and the Group bears finance costs at rates of 1.48% to 2.7% p.a. for the extended maturity date of 6 months.

Included in bills payable amounts of RMB727,430,000 and RMB1,464,893,000 were payables to game developers as at 31 December 31 2023 and 31 December 2022.

Included in bills payable amounts of RMB2,079,121,000 and RMB4,145,444,000 were payables for marketing and promotion services as at 31 December 2023 and 31 December 2022.

The time deposits and financial assets at fair value through profit or loss in total of RMB4,371,004,000 (2022: RMB6,314,746,000) were pledged for bills payable as at 31 December 2023.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to the management and staff of the Group for their commitment and contribution during the Reporting Period. The Board would also like to express its appreciation to the guidance from the regulators and continued support from the Shareholders and customers.

By order of the Board
ZX Inc.
Mr. WU Xubo
Chairman of the Board and Executive Director

Guangzhou, the PRC, March 28, 2024

As at the date of this announcement, the Board comprises Mr. WU Xubo and Ms. WU Xuan as executive Directors; and Ms. SONG Siyun, Mr. QIN Yongde and Ms. ZHENG Yi as independent non-executive Directors.