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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 2024

The Board of Zengame Technology Holding Limited is pleased to announce the consolidated and audited results of the Company and its subsidiaries for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023.

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change*
	31 December 2024	2023	
	(RMB'000)	(RMB'000)	%
Revenue	1,657,727	2,059,383	(19.5)
Gross profit	918,629	1,231,358	(25.4)
Gross profit margin (%)	55.4	59.8	
Profit for the year	430,677	725,919	(40.7)
Net profit margin (%)	26.0	35.2	
Non-HKFRS adjusted net profit**	456,162	742,184	(38.5)
Earnings per Share			
(expressed in RMB per Share)	0.43	0.72	(40.3)
Final dividend per Share			
(expressed in HKD per Share)	0.15	0.23	(34.8)

* 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

In 2024, the gaming industry is developing in a more prosperous and healthy direction, with China's gaming market sales revenue and user scale reaching new highs. On the other hand, China's gaming industry continues to make progress in areas such as regulatory compliance, the creation of high-quality products, the empowerment of Artificial Intelligence (AI) technology, and cultural development. Meanwhile, competition in the domestic gaming market is becoming increasingly intense. The era of new user growth is fading, and the Matthew effect within the industry is becoming more pronounced. Players' content consumption demands are gradually upgrading, placing higher requirements on game developers in terms of product quality, innovation in gameplay and user experience.

In response to the changing market environment, in 2024, the Group has been actively exploring business development, achieving some successes, but also facing numerous challenges. The Group has closely followed the trends in the digital economy, focused on improving self-research innovation and operational capabilities, and, while deepening the Group's local business, the Group has continuously invested in overseas markets. The Group's goal is to consistently create new game content and optimize the user experience.

The flagship products of the Group continue to maintain their popularity, and product experiences have been continuously upgraded. During the reporting period, the Group's flagship board game, "Fingertip Sichuan Mahjong (指尖四川麻將)", was greatly favored by players, ranking third in the best-selling desktop game chart on China's iOS platform. In terms of innovation, the Group launched the "Dragon Three Kingdoms (天龍三國)" and "Kung Fu Mahjong (Fate Gameplay) (功夫麻將(機緣玩法))" updates for "Fingertip Sichuan Mahjong (指尖四川麻將)", which greatly enriched the gaming experience. At the same time, the Group actively explored traditional culture and history, cleverly integrating cultural elements with game special effects. For instance, in the game "The Proud Twins (絕代雙驕)", the Group introduced the game character "Xiao Yu'er (小魚兒)", showcasing magnificent special effects during gameplay, bringing players an exciting gaming experience. On the other hand, the Group introduced a monthly activity matrix within the game, which is continuously iterated to provide users with more playability.

New business areas have emerged, and user feedback has been pleasantly surprising. Apart from board and card games, the Group's casual game "Fishing Master (捕魚神手)" has also won the favor of players. The Group maintain monthly updates and, relying on the Group's unique core combat gameplay and item systems, have brought players more diverse boss fish and splendid game graphics, receiving widespread praise from users.

Additionally, the Group is actively embracing cutting-edge AI technology globally and combining it with the Group's own game products, business processes, and research capabilities, is exploring innovative ways to integrate AI into the gaming sector. In terms of quality enhancement and efficiency improvement, AI technology plays an important role across the entire value chain, including organizational collaboration, product development, and operations. Through intelligent methods, the Group has improved efficiency while ensuring high-quality products and services.

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

	For the year ended	
	31 December	
	2024	2023
	(‘000)	(‘000)
MAU	23,636	25,065
DAU	4,316	4,347
MPU (Virtual items)	502	553
ARPPU of virtual items (<i>RMB</i>)	256	304

In 2024, the Group launched three new casual games, one released in domestic market and two released in overseas market. As at 31 December 2024, the Group had 50 self-developed games and six third-party games, among which 44 are board and card games, and 12 are casual games, respectively.

In terms of financial performance, due to a decrease in the number of paying users and a decline in ARPPU for the Group's board games, the overall revenue of the Group decreased from approximately RMB2.1 billion for the year ended 31 December 2023 to approximately RMB1.7 billion for the year ended 31 December 2024, representing a decrease of approximately 19.5%. At the same time, due to a combination of increased information service costs and a decrease in channel and new media costs, the cost of sales decreased from approximately RMB828.0 million for the year ended 31 December 2023 to approximately RMB739.1 million for the year ended 31 December 2024, representing a decrease of approximately 10.7%. With the decline in the Group's revenue, the Group's net profit has decreased from approximately RMB725.9 million for the year ended 31 December 2023 to approximately RMB430.7 million for the year ended 31 December 2024, representing a decrease of approximately 40.7%. The Group's adjusted net profit, excluding the Share-based payments, decreased from approximately RMB742.2 million for the year ended 31 December 2023 to approximately RMB456.2 million for the year ended 31 December 2024, representing a decrease of approximately 38.5%.

In terms of game industry regulation, the Company has always attached great importance to the compliance management of game operations. By continuously improving the internal content compliance and risk control systems, and implementing various compliance measures, the Company ensures consumer rights protection and strictly prevents risks. The Company has established a strict review system for protecting user rights, account management, personal information protection, and identification and handling of issues. In terms of anti-addiction measures, the Company has fully integrated real-name authentication systems and anti-addiction notifications into its game products. In accordance with the latest regulations, the Company has strictly enforced restrictions on the gaming duration, playtime, and spending for minors, while also developing supplementary measures such as facial recognition. Additionally, reasonable requirements are also set for adults regarding anti-addiction and spending limits. In terms of user information security protection, the Company has upgraded and improved its system for preventing personal information leaks, optimized management policies for protecting user privacy, and created a clear and healthy online environment for every user.

FUTURE PROSPECTS

In 2025, the Group will mainly focus on the following strategies to expand its business and growth:

- Adhere to self-research and innovation-driven development, with a core focus on enhancing user experience;
- Actively learn and incorporate the latest AI technologies, accelerate the AI-driven transformation of the entire research, development, and distribution process, and explore the creation of specialized AI models and applications;
- Establish a talent recruitment and development system targeting the AI era, actively reform and adjust the workforce structure to meet the company's future development needs; and
- Strengthen the domestic innovation in the board game market, actively expand overseas markets for growth, and contribute to the global spread of Chinese culture.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2024, 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-
	2024		2023		on-Year
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	Change
					<i>%</i>
Sales of virtual items	1,574,680	95.0	1,962,501	95.3	(19.8)
— Self-developed games	1,567,952	94.6	1,950,257	94.7	(19.6)
— Third-party games	6,728	0.4	12,244	0.6	(45.1)
In-game information service	83,047	5.0	96,882	4.7	(14.3)
Total	1,657,727	100.0	2,059,383	100.0	(19.5)

For the year ended 31 December 2024, the Group's total revenue was approximately RMB1.7 billion, representing a decrease of approximately 19.5% from approximately RMB2.1 billion for the year ended 31 December 2023. This decrease was primarily due to a reduction in the number of paying users and a decrease in ARPPU for the Group's board games. The Group's revenue derived from the sales of virtue items decreased by 19.8% from approximately RMB1.96 billion for the year ended 31 December 2023 to approximately RMB1.58 billion for the year ended 31 December 2024. On the other hand, the Group's revenue derived from in-game information service decreased by 14.3% from approximately RMB96.9 million for the year ended 31 December 2023 to approximately RMB83.0 million for the year ended 31 December 2024. The decrease in revenue derived from in-game information service was mainly due to a decline in the market for in-game information services.

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-
	2024		2023		on-Year
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	Change
					%
Board and card games	1,551,874	93.6	2,005,314	97.4	(22.6)
Casual and other games	105,853	6.4	54,069	2.6	95.8
Total	1,657,727	100.0	2,059,383	100.0	(19.5)

Due to the reduction in the number of paying users and a decrease in ARPPU, the Group's revenue from board and card games decreased from approximately RMB2.0 billion for the year ended 31 December 2023 to approximately RMB1.6 billion for the year ended 31 December 2024, representing a decrease of approximately 22.6%. The Group's revenue from casual and other games increased from RMB54.1 million for the year ended 31 December 2023 to RMB105.9 million for the year ended 31 December 2024, representing an increase of approximately 95.8%. The increase in revenue from casual and other games was mainly attributable to the growth in revenue from the casual game of "Fishing Master (捕魚神手)".

Cost of Sales

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

	For the years ended 31 December		Year-on-Year
	2024	2023	Change
	(RMB'000)	(RMB'000)	%
Channel costs	446,206	594,517	(24.9)
Information service costs	121,995	34,405	254.6
New media costs	149,424	179,616	(16.8)
Others	21,473	19,487	10.2
Total	739,098	828,025	(10.7)

For the year ended 31 December 2024, the cost of sales was approximately RMB739.1 million, representing a decrease of approximately 10.7% from approximately RMB828.0 million for the year ended 31 December 2023. This decrease in the cost of sales was mainly attributable to the combination of (i) the decrease in sales revenue; (ii) the decrease in channel costs and new media costs; and (iii) the significant increase in information service costs as a result of the intensified promotion efforts for casual and board games.

Gross Profit and Gross Profit Margin

Gross profit decreased by 25.4% from approximately RMB1.2 billion for the year ended 31 December 2023 to approximately RMB0.9 billion for the year ended 31 December 2024. The gross profit margin decreased from 59.8% for the year ended 31 December 2023 to 55.4% for the year ended 31 December 2024. This decrease in the gross profit margin was principally due to lower-than-expected sales of new products and game features and higher game operation costs.

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

	For the year ended 31 December			
	2024		2023	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	Margin	Margin	Margin	Margin
	RMB'000	%	RMB'000	%
Sales of virtual items				
— Self-developed games	834,947	53.3	1,130,202	58.0
— Third-party games	6,728	100.0	12,244	100.0
In-game information service	76,954	92.7	88,912	91.8
Total	<u>918,629</u>	<u>55.4</u>	<u>1,231,358</u>	<u>59.8</u>

Other Income

Other income increased by 9.4% from approximately RMB87.5 million for the year ended 31 December 2023 to approximately RMB95.7 million for the year ended 31 December 2024. This increase was primarily due to the higher bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 11.2% from approximately RMB166.7 million for the year ended 31 December 2023 to approximately RMB148.0 million for the year ended 31 December 2024. This decrease was primarily attributable to a reduction in distribution expenses and lower sales personnel and compensation costs.

Administrative Expenses

Administrative expenses decreased by 1.6% from approximately RMB103.6 million for the year ended 31 December 2023 to approximately RMB102.0 million for the year ended 31 December 2024. This decrease was primarily due to a combination of reduced management salaries and increased office renovation expenses.

Research and Development Expenses

Research and development expenses decreased by 9.9% from approximately RMB140.5 million for the year ended 31 December 2023 to approximately RMB126.6 million for the year ended 31 December 2024. This decrease was primarily due to a reduction in research and development personnel and salaries.

Other Expenses

Other expenses slightly decreased by 10.3% from approximately RMB20.0 million for the year ended 31 December 2023 to approximately RMB17.9 million for the year ended 31 December 2024. Other expenses mainly include currency exchange losses and impairment of equity investments.

Finance Costs

Finance costs increased by 23.5% from approximately RMB0.6 million for the year ended 31 December 2023 to approximately RMB0.8 million for the year ended 31 December 2024. This increase was primarily due to an increase in office rental liabilities.

Income Tax Expense

The income tax expenses increased from approximately RMB157.1 million for the year ended 31 December 2023 to approximately RMB181.4 million for the year ended 31 December 2024, representing an increase of approximately RMB24.3 million or approximately 15.5%. This increase was mainly attributable to the Group's decrease in pre-tax profit, and the transfer of retained profits from the Group's indirectly wholly-owned subsidiary, which resulted in additional income tax.

Profit for the year ended 31 December 2024

As a result of the above factors, the net profit of the Group was approximately RMB430.7 million for the year ended 31 December 2024, representing a decrease of approximately 40.7% as compared with RMB725.9 million for the year ended 31 December 2023. This decrease was mainly attributable to the combination of the reduced revenue from the sale of virtual items, the decreased gross profit and the increased income tax expense.

Non-HKFRS Measures — Adjusted Net Profit

The adjusted net profit for the year ended 31 December 2024, adjusted by excluding the Share-based compensation, was approximately RMB456.2 million, decreased by 38.5% as compared to approximately RMB742.2 million for the year ended 31 December 2023.

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 2024 and 2023:

	For the year ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
Profit for the year	430,677	725,919
Add:		
Share-based compensation	25,485	16,265
Adjusted net profit	<u>456,162</u>	<u>742,184</u>

Liquidity and Capital Resources

The Group's total bank balances and cash decreased from approximately RMB1.9 billion as at 31 December 2023 to approximately RMB1.8 billion as at 31 December 2024. This decrease was due to the Group allocating some funds into term deposits with a maturity of over one year.

As at 31 December 2024, current assets of the Group amounted to approximately RMB2.4 billion, primarily consisting of bank balances and cash of approximately RMB1.8 billion and financial assets held for trading of approximately RMB404.6 million. Current liabilities of the Group amounted to approximately RMB267.3 million, primarily consisting of tax payables of approximately RMB88.6 million, other payables and accruals of approximately RMB90.3 million and contract liabilities of approximately RMB69.3 million. As at 31 December 2024, the current ratio (the current assets to current liabilities ratio) of the Group was 8.8, as compared with 7.5 as at 31 December 2023.

As at 31 December 2024, the Group had no borrowings (31 December 2023: nil). The gearing ratio is calculated by dividing total debt (being interest-bearing bank borrowings) by total equity. As at 31 December 2024, the gearing ratio was nil (31 December 2023: nil).

Capital Expenditures

For the year ended 31 December 2024, the capital expenditures of the Group amounted to approximately RMB20.8 million, which were primarily used for investment, the purchase of office premises, and office renovations.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2024.

Pledge of Assets

As at 31 December 2024, 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 2024.

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 2024

		2024	2023
	Notes	RMB'000	RMB'000
REVENUE	4	1,657,727	2,059,383
Cost of sales		<u>(739,098)</u>	<u>(828,025)</u>
Gross profit		918,629	1,231,358
Other income and gains	4	95,747	87,485
Selling and distribution expenses		(147,985)	(166,738)
Administrative expenses		(101,981)	(103,645)
Research and development costs		(126,576)	(140,501)
Impairment losses on financial and contract assets	6	(1,980)	(9,846)
Other expenses		(15,927)	(10,124)
Finance costs		(787)	(637)
Share of profits and losses of:			
Joint ventures		(288)	(780)
Associates		(6,732)	(3,532)
PROFIT BEFORE TAX	5	612,120	883,040
Income tax expense	6	<u>(181,443)</u>	<u>(157,121)</u>
PROFIT FOR THE YEAR		430,677	725,919
Attributable to:			
Owners of the parent		430,677	725,882
Non-controlling interests		<u>—</u>	<u>36</u>
		<u>430,677</u>	<u>725,919</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	<u>RMB42.69 cents</u>	<u>RMB72.38 cents</u>
Diluted	8	<u>RMB41.82 cents</u>	<u>RMB71.18 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR		<u>430,677</u>	<u>725,919</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>24,317</u>	<u>5,836</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>24,317</u>	<u>5,836</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, net of tax	9	<u>(12,907)</u>	<u>(6,101)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>11,410</u>	<u>(265)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>442,087</u>	<u>725,654</u>
Attributable to:			
Owners of the parent		<u>442,087</u>	<u>725,618</u>
Non-controlling interests		<u>—</u>	<u>36</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2024

		31 December 2024	31 December 2023
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment		18,693	7,653
Investments in associates		35,645	28,471
Investments in joint ventures		2,636	4,136
Intangible assets		1,132	541
Right-of-use assets		23,451	5,086
Equity investments designated at fair value through other comprehensive income (“FVOCI”)	9	17,334	29,772
Long-term prepayments, deposits and other receivables		20,259	20,059
Deferred tax assets		77	4,551
Time deposits		399,960	374,079
Total non-current assets		<u>519,187</u>	<u>474,348</u>
CURRENT ASSETS			
Trade receivables	10	101,817	168,691
Contract costs	11	22,114	38,717
Financial assets at fair value through profit or loss (“FVPL”)	12	404,575	15,521
Prepayments, deposits and other receivables		42,797	36,283
Time deposits with original maturity of over three months		957,481	575,278
Cash and cash equivalents	13	831,556	1,331,652
Total current assets		<u>2,360,340</u>	<u>2,166,142</u>
CURRENT LIABILITIES			
Trade payables	14	12,823	17,174
Contract liabilities	15	69,341	112,468
Other payables and accruals	16	90,293	130,247
Lease liabilities		6,262	3,465
Tax payable		88,560	26,770
Total current liabilities		<u>267,279</u>	<u>290,124</u>
NET CURRENT ASSETS		<u>2,093,061</u>	<u>1,876,018</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,612,248</u>	<u>2,350,366</u>

		31 December 2024	31 December 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		18,226	1,632
Deferred tax liabilities		22,284	19,516
Deferred income		9,056	9,244
		<hr/>	<hr/>
Total non-current liabilities		49,566	30,392
		<hr/>	<hr/>
Net assets		2,562,682	2,319,974
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	9,087	9,070
Treasury shares		(26,584)	(18,817)
Reserves		2,580,179	2,329,721
		<hr/>	<hr/>
		2,562,682	2,319,974
		<hr/>	<hr/>
Non-controlling interests		—	—
		<hr/>	<hr/>
Total equity		2,562,682	2,319,974
		<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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 2024.

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**”), 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 2024. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible

liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any 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 new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contract Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 21	Lack of Exchangeability ¹
Annual Improvements to HKFRS Accounting Standards — Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²

- ¹ Effective for annual periods beginning on or after 1 January 2025
- ² Effective for annual periods beginning on or after 1 January 2026
- ³ Effective for annual/reporting periods beginning on or after 1 January 2027
- ⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

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 2024 (Nil for the year ended 31 December 2023).

Revenue from customers which amounted to more than 10% of the Group's revenue for the year ended 31 December 2024 and the year ended 31 December 2023 are set out below:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Customer A	NA*	NA*
Customer B	NA*	NA*

- * The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the year ended 31 December 2024 and the year ended 31 December 2023.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Revenue:		
Types of goods or services		
Self-developed games	1,567,952	1,950,257
Third-party games	6,728	12,244
In-game information service	83,047	96,882
Total	1,657,727	2,059,383
Timing of revenue recognition		
Services transferred at a point in time	89,775	109,126
Services transferred over time	1,567,952	1,950,257
Total	1,657,727	2,059,383

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

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	69,341	112,468

(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 Group's performance as the Group 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's developer receives publishing services provided by the Group. 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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Other income and gains		
Bank interest income	80,487	61,973
Gains on financial assets at fair value through profit or loss	12,970	8,103
Government grants*	1,103	16,840
Others	1,187	569
	<u>95,747</u>	<u>87,485</u>

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

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
Services fee charged by distribution platforms and payment vendors		568,202	628,922
New media costs		149,424	179,616
Promotion expenses		105,465	116,347
Depreciation of property and equipment		4,004	4,569
Depreciation of right-of-use assets	17	8,022	8,127
Amortisation of intangible assets	16	1,061	884
Research and development costs		3,425	5,787
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Wages and salaries		158,668	185,997
Equity-settled share-based payment expenses	30	25,485	16,265
Pension scheme contributions (defined contribution scheme)		6,099	5,987
Foreign exchange differences, net*		8,159	8,063
Impairment/(reversal of impairment) of trade receivables	19	1,980	(185)
Impairment of financial assets included in prepayments, other receivables and other assets*		—	10,031
Impairment of investments in associates and joint ventures*		7,584	—
Loss on disposal of items of property, plant and equipment		3	31
Gain on disposal of items of right-of-use assets		—	(14)
Auditors' remuneration		2,100	2,100

* 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.

The Group's subsidiary Shenzhen Zen-Game Technology Co., Ltd. (hereafter, "**Zen-Game Shenzhen**") was registered in the Shenzhen-Hong Kong modern service industry cooperation zone in Qianhai, Shenzhen. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Zen-Game Shenzhen was 15% for the year ended 31 December 2024.

The Group's subsidiary Shenzhen Tiantianlaiwan Technology Co., Ltd. (hereafter, “**Tiantianlaiwan**”) was qualified as “High and New Technology Enterprises” under the PRC Enterprise Income Tax (“**EIT**”) Law since year 2022. Accordingly, Tiantianlaiwan was entitled to a preferential income tax rate of 15% for a 3-year period since year 2022. Tiantianlaiwan expected the applicable tax rate to be 15% for the year ended 31 December 2024.

Hainan Tiantianlaiwan was established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Tiantianlaiwan was 15% for the year ended 31 December 2024.

Metaverse was qualified as a “Software Enterprise” 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, 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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current		
Charge for the year	171,669	164,847
Deferred tax	9,774	(7,726)
	<u>181,443</u>	<u>157,121</u>

7. DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Proposed final — HK\$0.15* (2023: HK\$0.23) per ordinary share	<u>154,851</u>	<u>237,039</u>
	<u>154,851</u>	<u>237,039</u>

The proposed final dividend for the year ended 31 December 2024 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 2024.

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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	430,677	725,882
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	<u>1,008,853,495</u>	<u>1,002,930,489</u>
Effect of dilution — weighted average number of ordinary shares:		
Share options	4,861,541	6,060,411
Restricted Shares	<u>16,137,019</u>	<u>10,787,186</u>
	<u><u>1,029,852,055</u></u>	<u><u>1,019,778,086</u></u>

* The diluted earnings per share amounts are based on the profit for the year ended 31 December 2024 of RMB430.7 million and the weighted average number of ordinary shares of 1,029,852,055 in issue during the year.

9. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-listed equity investments	<u>17,334</u>	<u>29,772</u>

In the years ended 31 December 2024 and 2023, 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:

	2024 <i>RMB'000</i>	2023 <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	(15,439)	(3,838)
Income tax effect	<u>2,532</u>	<u>(2,263)</u>
Changes in fair value on equity investments designated at FVOCI	<u>(12,907)</u>	<u>(6,101)</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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	106,493	171,387
Provision for expected credit losses	<u>(4,676)</u>	<u>(2,696)</u>
	<u>101,817</u>	<u>168,691</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:

	2024 RMB'000	2023 <i>RMB'000</i>
Within 90 days	101,072	165,900
91 to 180 days	380	1,629
181 to 1 year	101	528
1 year to 2 years	264	634
	<u>101,817</u>	<u>168,691</u>

The amounts due from the joint ventures are unsecured, non-interest-bearing and has no fixed terms of repayment.

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

31 December 2024	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 1 year	102,191	0.62%	638
1 to 2 years	1,859	85.80%	1,595
2 to 3 years	2,443	100.00%	2,443
	<u>106,493</u>		<u>4,676</u>
31 December 2023	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 1 year	168,216	0.09%	159
1 to 2 years	746	15.01%	112
2 to 3 years	2,425	100.00%	2,425
	<u>171,387</u>		<u>2,696</u>

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

	2024 RMB'000	2023 RMB'000
At beginning of year	2,696	2,881
Provision/(reversal) of expected credit losses	<u>1,980</u>	<u>(185)</u>
At end of year	<u>4,676</u>	<u>2,696</u>

11. CONTRACT COSTS

Contract costs are mainly related to contract acquisition costs. Management expects that incremental 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 RMB22.1 million as at 31 December 2024 (2023: RMB38.7 million).

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 RMB446.2 million for the years ended 31 December 2024 (2023: RMB594.5 million), and there was no impairment loss in relation to the costs capitalised.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Wealth management products issued by licensed banks, at fair value	<u>404,575</u>	<u>15,521</u>
	<u>404,575</u>	<u>15,521</u>

Wealth management products issued by several licensed banks were denominated in RMB, with expected rates of return ranging from 1.00% to 5.00% per annum for the year ended 31 December 2024 (2023: 1.00% to 3.00%). 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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cash and bank balances	425,665	687,097
Time deposits	<u>1,763,332</u>	<u>1,593,912</u>
Less:		
Current:		
Time deposits with original maturity of over three months	957,481	575,278
Non-current:		
Time deposits	399,960	374,079
Cash and cash equivalents	<u><u>831,556</u></u>	<u><u>1,331,652</u></u>
Cash and bank balances denominated in:		
RMB	175,859	676,592
HK\$	4,416	2,588
US\$	245,362	7,917
SG\$	28	—

The cash and bank balances of the Group denominated in RMB amounted to RMB175.9 million (31 December 2023: RMB676.6 million) 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 RMB957.5 million (31 December 2023: RMB575.3 million) 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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 3 months	11,271	16,543
3 to 6 months	1,193	330
6 months to 1 year	214	186
Over 1 years	145	115
	<u>12,823</u>	<u>17,174</u>

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

15. CONTRACT LIABILITIES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Self-developed games	<u>69,341</u>	<u>112,468</u>

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

16. OTHER PAYABLES AND ACCRUALS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Analysed into:		
Salary and welfare payables	73,211	98,365
Other tax payables	14,965	30,157
Other payables	2,117	1,725
	<u>90,293</u>	<u>130,247</u>

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

17. SHARE CAPITAL

Shares

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2024 (2023: 50,000,000,000 ordinary shares of HK\$0.01 each)	440,000	440,000
Issued and fully paid:		
1,032,338,937 ordinary shares as at 31 December 2024 (2023: 1,030,604,937 ordinary shares)	<u>9,087</u>	<u>9,070</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 2023 and 1 January 2024	1,030,604,937	9,070
Share options exercised (<i>Note (a)</i>)	<u>1,734,000</u>	<u>17</u>
At 31 December 2024	<u>1,032,338,937</u>	<u>9,087</u>

- (a) The subscription rights attaching to 1,734,000 share options were exercised at the subscription price of HK\$1.29 per share, resulting in the issue of 1,734,000 shares for a total cash consideration, before expenses, of HK\$2.2 million (equivalent to RMB2.0 million). An amount of HK\$0.9 million (equivalent to RMB0.8 million) 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 2024 and up to the date of this announcement.

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2024, the Group had approximately 494 employees (537 as at 31 December 2023). As required by the PRC laws and regulations, the Group participates in various employee social security plans for the Group's employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The Group believes that we maintain a good working relationship with the Group's employees, and the Group has not experienced any material labor disputes during the year ended 31 December 2024.

PAYMENT OF FINAL DIVIDEND

Having taken into account the performance of the Group for the financial year ended 31 December 2024, the Board has resolved to recommend the payment of a final dividend of HK\$0.15 per Share for the year ended 31 December 2024 (2023: HK\$0.23 per Share) to the Shareholders whose names appear on the register of members of the Company on Monday, 16 June 2025. The total amount is approximately HK\$154.9 million. The proposed final dividend, subject to the approval of the Shareholders at the AGM, is expected to be paid on or before Wednesday, 9 July 2025.

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 Thursday, 5 June 2025. 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 Monday, 2 June 2025 to Thursday, 5 June 2025, 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 Friday, 30 May 2025.

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 Thursday, 12 June 2025 to Monday, 16 June 2025, 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 Wednesday, 11 June 2025.

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 2024, 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 2024.

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 2024 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 2024 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 2024 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 (including the sale of treasury shares (as defined under the Listing Rules), if any) for the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

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 (www.zen-game.com). The annual report for the year ended 31 December 2024 containing all the information required by Appendix D2 to the Listing Rules will be available on the same websites in due course, and will be despatched to the Shareholders who have already provided instructions indicating their preference to receive hard copies 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 Thursday, 5 June 2025
“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”	corporate governance code 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 the 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, 20 March 2025

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.