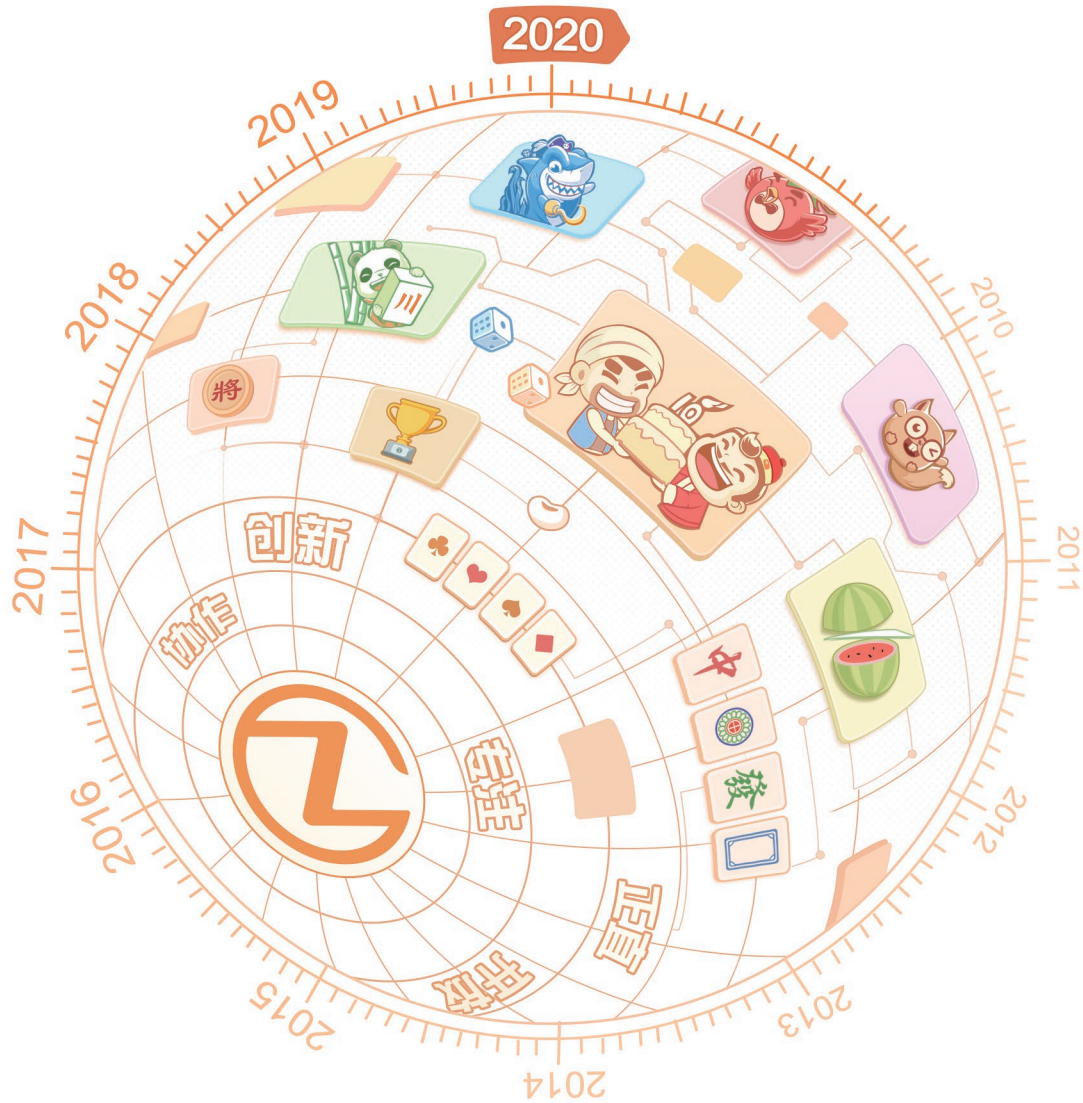




Zengame Technology Holding Limited 禪遊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

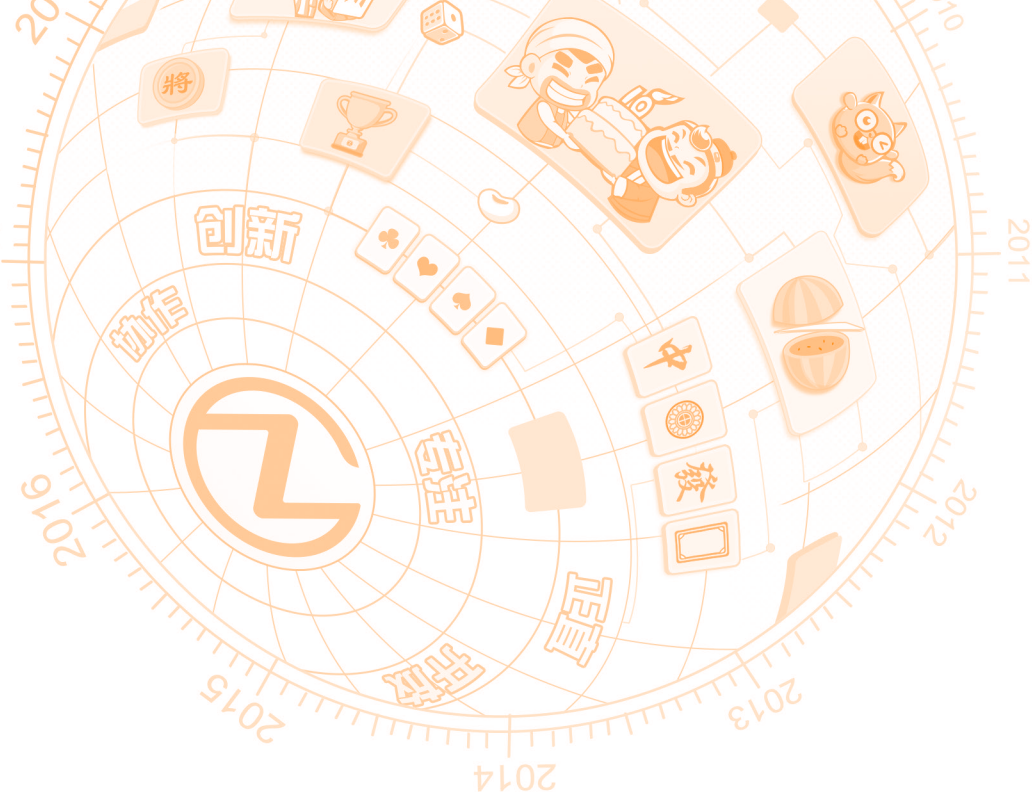
Stock Code: 2660



2020

INTERIM REPORT





CONTENTS

CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
OPERATIONAL HIGHLIGHTS	5
MANAGEMENT DISCUSSION AND ANALYSIS	6
CORPORATE GOVERNANCE AND OTHER INFORMATION	13
INDEPENDENT REVIEW REPORT	20
Interim Condensed Consolidated Statement of Profit or Loss	21
Interim Condensed Consolidated Statement of Comprehensive Income	22
Interim Condensed Consolidated Statement of Financial Position	23
Interim Condensed Consolidated Statement of Changes in Equity	24
Interim Condensed Consolidated Statement of Cash Flows	26
Notes to Interim Condensed Consolidated Financial Information	28
DEFINITIONS	62





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ye Sheng (叶升)
(Chairman and Chief Executive Officer)
Mr. Yang Min (楊民)
(Vice Chairman and Chief Technology Officer)

Non-executive Director

Ms. Fu Hao (付郝)

Independent Non-executive Directors

Mr. Jin Shuhui (金書匯)
Mr. Mao Zhonghua (毛中華)
Mr. Yang Yi (陽翼)

AUDIT COMMITTEE

Mr. Jin Shuhui (金書匯) *(Chairman)*
Mr. Mao Zhonghua (毛中華)
Mr. Yang Yi (陽翼)

REMUNERATION COMMITTEE

Mr. Yang Yi (陽翼) *(Chairman)*
Mr. Ye Sheng (叶升)
Mr. Mao Zhonghua (毛中華)

NOMINATION COMMITTEE

Mr. Ye Sheng (叶升) *(Chairman)*
Mr. Mao Zhonghua (毛中華)
Mr. Yang Yi (陽翼)

JOINT COMPANY SECRETARIES

Mr. Zhang Yong (張勇)
Ms. Li Yan Wing Rita (李昕穎)

AUTHORIZED REPRESENTATIVES

Mr. Yang Min (楊民)
Ms. Li Yan Ming Rita (李昕穎)

HONG KONG LEGAL ADVISERS

**Luk & Partners In Association with Morgan,
Lewis & Bockius**
Suites 1902–09, 19th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Rooms 1304–06
Changhong Science and Technology Mansion
Keji South 12 Road
Science and Technology Park
Nanshan District, Shenzhen
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
Ping An Bank Co., Ltd

COMPANY WEBSITE

<http://www.zen-game.com>

STOCK CODE

2660



FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year Change* %
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)	
Revenue	468,478	308,043	52.1
Gross profit	225,934	154,348	46.1
Gross profit margin (%)	48.2	50.1	
Profit for the period	131,848	70,264	87.6
Profit margin (%)	28.1	22.8	
Non-HKFRS adjusted net profit**	133,590	87,970	51.9
Earnings per Share (expressed in RMB per Share)	0.130	0.078	66.0
Dividend per Share (expressed in HKD per Share)	Nil	0.05	N/A

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

** Non-HKFRS adjusted net profit was derived from the unaudited profit for the period excluding Share-based payments and Listing-related expenses.

OPERATIONAL HIGHLIGHTS

	For the six months ended 30 June		For the year ended 31 December
	2020 (‘000)	2019 (‘000)	2019 (‘000)
All Games			
Cumulative registered players	997,464	605,758	728,067
MAU	82,951	53,990	48,538
DAU	10,414	8,091	7,486
MPU (Virtual items)	899	896	809
ARPPU of virtual items (RMB)	35	39	37
Card and Board Games			
Cumulative registered players	768,895	458,001	548,099
MAU	70,203	42,119	38,696
DAU	9,384	7,301	6,768
MPU (Virtual items)	872	868	775
ARPPU of virtual items (RMB)	33	38	36
Other Games			
Cumulative registered players	228,569	147,757	179,979
MAU	12,748	11,871	9,842
DAU	1,030	790	717
MPU (Virtual items)	27	29	33
ARPPU of virtual items (RMB)	87	58	61

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established mobile game developer and operator in the PRC with special focus on card and board and other casual mobile games. Many of our games are based on well-established classic card and board games and they have been widely welcomed by the users. The Group generated income through the sales of virtual items and in-game information service. In the first half of 2020, following the outbreak of the COVID-19 pandemic, people spent more time at home and on mobile activities as well. Games served as an important channel in keeping players entertained and connected with each other. Leverage on such social circumstances, the Group continued to improve our internal procedures and supporting systems such as big data analysis system and promotion system, explore our distribution channels, and released more new features and ran compelling in-game events and activities. In the first half of 2020, we launched nine new games, among which seven are casual games such as Block Blast King (王者消方塊) and Ace Fruit Cutting (王牌切水果) and two are local Mahjong games. As at 30 June 2020, we had 60 self-developed games and 15 third-party games, among which 36 are card and board games and 39 are other casual games, respectively.

In terms of financial performance, we experienced a rapid growth in the first half of 2020. Revenue increased from approximately RMB308.0 million for the six months ended 30 June 2019 to approximately RMB468.5 million for the six months ended 30 June 2020, representing an increase of approximately 52.1%. Our net profit increased from approximately RMB70.3 million for the six months ended 30 June 2019 to approximately RMB131.8 million for the six months ended 30 June 2020, representing an increase of approximately 87.6%. Our adjusted net profit, excluding the Share-based payments, increased from approximately RMB88.0 million for the six months ended 30 June 2019 to approximately RMB133.6 million for the six months ended 30 June 2020, representing an increase of approximately 51.9%.

Our revenue generated from in-game information service achieved a significant growth in the first half of 2020. Such growth was attributable to our strengthened cooperation on advertising monetization with well-known advertising platforms such as ByteDance and Tencent and our cooperation with some new advertising monetization platforms such as Kuaishou and Youshi Technology. In addition, we have also optimized and enriched our method of advertising monetization which has further improved the monetization ability of our in-game information service. As a result, for the six months ended 30 June 2020, the Group's revenue from in-game information service amounted to approximately RMB292.0 million, representing a significant increase of approximately 187.6% from RMB101.5 million as compared with the six months ended 30 June 2019.

In terms of business development, the Group optimized and enhanced the product experience of existing games, increased the player's activity and stickiness, and at the same time increased the number of new players by strengthening promotion efforts in expanding promotion channels such as Toutiao, Pinduoduo, Kuaishou and Chubao. As a result, the Group recorded a significant increase in the cumulative registered players and active users in the first half of 2020. We had approximately 997.5 million cumulative registered players as at 30 June 2020. Our average MAU increased from approximately 54.0 million for the six months ended 30 June 2019 to approximately 83.0 million for the six months ended 30 June 2020. Our average DAU increased from approximately 8.1 million for the six months ended 30 June 2019 to approximately 10.4 million for the six months ended 30 June 2020. With our further optimization and improvement of our in-game information service strategy, notwithstanding that our ARPPU of virtual items decreased slightly from approximately RMB39 for the six months ended 30 June 2019 to approximately RMB35 for the six months ended 30 June 2020, our average MPU remained stable at approximately 0.9 million for the six months ended 30 June 2019 and 2020, respectively, while our revenue from in-game information service increased noticeably and led to a significant growth in our overall revenue for the six months ended 30 June 2020.

In terms of the mobile game industry in the PRC, the overall development trend and atmosphere remained positive throughout the first half of 2020, with a continuous growth in the number of players and the market scale. After the resumption of the approval process of game publication numbers by the PRC government, the Group has obtained six new game publication numbers in the first half of 2020, all of them are casual games. As at 30 June 2020, we possessed 67 game publication numbers, 48 of which covering our card and board games and 19 of which covering our casual games. Due to the current development strategy and resources allocation, 15 games with publication numbers have not yet been in operation. The Group will start promoting our operations at any time as and when appropriate in the future. We are confident that we will continue to obtain new game publication numbers in the future.

FUTURE PROSPECTS

Looking forward to the second half of 2020, we expect in-game consumption activities to largely normalise as people return to work, and we will mainly focus on the following strategies in the future:

- Continuously optimizing the existing R&D systems such as product testing system, development tools and promotion system, and improving the success opportunities of new games;
- Strengthening the research and development of casual games, especially moderate games such as simulation games and social games, exploring opportunities in the PRC and overseas casual games markets and continuing to diversify our revenue;
- Conducting more precise cross-selling promotion and increasing players' scale by relying on big data analysis and using the existing large-scale player base, and continuously improving our own advertising platform;
- Continuing to expand the mixed monetization mode of virtual items consumption and in-game information service, and increase our business cooperation with distribution channels and advertising platforms, thereby increasing our income scale; and
- Pursuing opportunities to acquire or invest in other game developers or teams with mobile traffic foundations or promotional resources to strengthen our development of external cooperation.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, 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 our consolidated statement of financial position and were then recognized as revenue in accordance with our 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.

Management Discussion and Analysis

The following table sets forth a breakdown of our revenue by business model for the periods indicated:

	For the six months ended 30 June				Year-on- Year Change
	2020 RMB'000 (Unaudited)	%	2019 RMB'000 (Unaudited)	%	%
Sales of virtual items	176,464	37.7	206,517	67.0	-14.6
— Self-developed games	169,304	36.2	200,976	65.2	-15.8
— Third-party games	7,160	1.5	5,541	1.8	29.2
In-game information service	292,014	62.3	101,525	33.0	187.6
Total	468,478	100.0	308,042	100.0	52.1

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

	For the six months ended 30 June				Year-on- Year Change
	2020 RMB'000 (Unaudited)	%	2019 RMB'000 (Unaudited)	%	%
Card games	290,159	62.0	259,142	84.1	12.0
Board games	34,332	7.3	17,412	5.7	97.2
Other games	143,987	30.7	31,488	10.2	357.3
Total	468,478	100.0	308,042	100.0	52.1

For the six months ended 30 June 2020, the Group's total revenue was approximately RMB468.5 million, representing an increase of approximately 52.1% from approximately RMB308.0 million as compared with the corresponding period of 2019. This increase was primarily due to the increase in in-game information service.

For the six months ended 30 June 2020, the Group's revenue from sale of virtual items amounted to approximately RMB176.5 million, representing a decrease of approximately 14.6% from RMB206.5 million as compared with the corresponding period of 2019. On the other hand, for the six months ended 30 June 2020, the Group's revenue from in-game information service amounted to approximately RMB292.0 million, representing an increase of approximately 187.6% from RMB101.5 million as compared with the corresponding period of 2019. This was mainly due to monetization of the advertising value brought by the growing user base and active users.

Cost of Sales

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

	For the six months ended 30 June		Year-on-Year Change %
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	
Payment channel costs	47,875	47,822	0.1
Distribution platform costs	39,816	71,844	-44.6
Information service costs	148,029	28,204	424.8
Others	6,824	5,824	17.1
Total	242,544	153,694	57.8

For the six months ended 30 June 2020, the cost of sales was approximately RMB243.0 million, representing an increase of approximately 57.8% from approximately RMB153.7 million as compared with the corresponding period of 2019. This was mainly attributable to the increase in the information service costs which was partially offset by the decrease in the distribution platform costs. The increase in the information service costs was due to the Group's increased advertising efforts in securing more users with advertising monetization value.

Gross Profit and Gross Profit Margin

Gross profit increased by 46.4% from approximately RMB154.3 million for the six months ended 30 June 2019 to approximately RMB225.9 million for the six months ended 30 June 2020, which was in line with the growth of the Group's business. The gross profit margin decreased to 48.2% for the six months ended 30 June 2020 from 50.1% for the six months ended 30 June 2019, which was primarily due to the stabilized gross profit margin of in-game information service resulting from the increase in the in-game information service costs.

The following table sets forth our gross profit and gross profit margin by business model:

	For the six months ended 30 June		2019	
	2020 Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Sales of virtual items	85,888	48.7	83,844	40.6
– Self-developed games	78,728	46.5	78,303	39.0
– Third-party games	7,160	100.0	5,541	100.0
In-game information service	140,046	48.0	70,504	69.4
Total	225,934	48.2	154,348	50.1

Other Income

Other income increased by 83.0% from approximately RMB8.7 million for the six months ended 30 June 2019 to approximately RMB16.0 million for the six months ended 30 June 2020. The significant increase was primarily due to the increase in (i) time deposits and wealth management income by RMB3.9 million; and (ii) temporary tax incentives by RMB1.7 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by 15.1% from approximately RMB35.1 million for the six months ended 30 June 2019 to approximately RMB40.4 million for the six months ended 30 June 2020. This increase was primarily attributable to the increase in marketing and sales labour costs while the sales and marketing expenses decreased from 11.4% of the total revenue for the six months ended 30 June 2019 to 8.6% of the total revenue for the six months ended 30 June 2020.

Administrative Expenses

Administrative expenses increased by 1.2% from approximately RMB31.1 million for the six months ended 30 June 2019 to approximately RMB31.4 million for the six months ended 30 June 2020, primarily due to the increase in labour costs and office rental expenses as a result of the Group's expansion, and such increase was offset by the decrease in Share-based payments and nil Listing-related expenses. The administrative expenses decreased from 10.0% of the total revenue for the six months ended 30 June 2019 to 6.8% for the six months ended 30 June 2020.

Research and Development Expenses

Research and development expenses increased by 70.4% from approximately RMB15.6 million for the six months ended 30 June 2019 to approximately RMB26.6 million for the six months ended 30 June 2020. The increase was primarily due to (i) the increase in the research and development efforts; (ii) the increase in the research and development personnel and other related costs; and (iii) the outsourcing of the research and development of certain products.

Other Expenses

Other expenses decreased by 14.7% from approximately RMB1.6 million for the six months ended 30 June 2019 to approximately RMB1.3 million for the six months ended 30 June 2020, primarily due to the fact that (i) there was no more donation expenses in relation to the Listing; and (ii) part of the increase was offset by the increase in losses due to the change of exchange rates.

Finance Costs

Finance costs increased by 723.9% from approximately RMB46,000 for the six months ended 30 June 2019 to approximately RMB0.4 million for the six months ended 30 June 2020. The significant increase was primarily due to (i) the payment of the borrowing interests of RMB0.3 million for a short-term bank loan; and (ii) the interest on lease liabilities of RMB0.1 million.

Income Tax Expense

The income tax expenses for the six months ended 30 June 2020 was approximately RMB9.8 million, increased by 4.1% from approximately RMB9.4 million as compared with the corresponding period of 2019. Such increase was mainly attributable to the increase in the taxable income and was partially offset by the tax exemption enjoyed by Shenzhen Laiwan as a software enterprise.

Profit for the Six Months Ended 30 June 2020

As a result of the above factors, the net profit of the Group was approximately RMB131.8 million for the six months ended 30 June 2020, an increase of approximately 87.6% as compared with RMB70.3 million for the six months ended 30 June 2019.

Non-HKFRS Measures — Adjusted Net Profit

The adjusted net profit for the six months ended 30 June 2020, adjusted by excluding the share-based compensation to key employees was approximately RMB133.6 million, increasing by 51.9% as compared to approximately RMB88.0 million for the first half of 2019.

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

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period	131,848	70,264
Add:		
Listing-related expenses	—	13,258
Share-based compensation	1,742	4,448
Adjusted net profit	133,590	87,970

Liquidity and Capital Resources

The Group's total bank balances and cash increased from approximately RMB293.5 million as at 31 December 2019 to approximately RMB507.1 million as at 30 June 2020. Such increase in total bank balances and cash during the six months ended 30 June 2020 was primarily resulted from (i) the decrease in accounts receivable for approximately RMB85.0 million; (ii) the capital received from the disposal of shares of Genimous Technology Co., Ltd. (智度科技股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000676); and (iii) the operating income generated for the six months ended 30 June 2020.

As at 30 June 2020, current assets of the Group amounted to approximately RMB780.3 million, including bank balances and cash of approximately RMB507.1 million and other current assets of approximately RMB273.2 million. Current liabilities of the Group amounted to approximately RMB89.6 million, including trade payables and contract liabilities of approximately RMB26.2 million and other current liabilities of approximately RMB63.4 million. As at 30 June 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 8.71, as compared with 5.07 as at 31 December 2019.

As at 30 June 2020, the Group had borrowings amounting to approximately RMB18.2 million (31 December 2019: nil). In March 2020, the Group received a bank loan of RMB20.0 million at an interest rate of 0.45% above the one-year loan prime rate which is repayable within six months and is guaranteed by Shenzhen Laiwan.



Management Discussion and Analysis

As a result of the abovementioned borrowings, the gearing ratio (calculated by dividing total debt (being interest-bearing bank borrowings) by total equity) as at 30 June 2020 was 2.5% while the gearing ratio as at 31 December 2019 was nil. The increase was mainly resulted from the new short-term bank borrowings obtained by the Group.

Capital Expenditures

For the six months ended 30 June 2020, the capital expenditures of the Group amounted to approximately RMB4.2 million, which were primarily used to purchase vehicles and office equipment and for office renovation.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2020.

Pledge of Assets

As at 30 June 2020, the Group did not pledge any assets.

Future Plan for Material Investments and Capital Assets

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

Significant Investments, Acquisitions and Disposals

Save as disclosed in this interim report, there were no other 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 six months ended 30 June 2020.

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 currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

Each of Mr. Ye Sheng and Mr. Yang Min has given an undertaking on 29 October 2018 to maintain his Chinese nationality as long as he holds a controlling interest in the Company. In light of the Foreign Investment Law which took effect on 1 January 2020, the Company was advised by its PRC legal adviser that the relevant draft PRC laws which would have underpinned the Company's need for such undertaking was no longer relevant. As a result, on 3 July 2020, each of Mr. Ye Sheng and Mr. Yang Min has terminated his undertaking upon receiving the Stock Exchange's consent to such termination.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules on the Stock Exchange as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code during the six months ended 30 June 2020, save for deviation from code provision A.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 executive Director, one non-executive Director 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 A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2020.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the six months ended 30 June 2020 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 interim results for the six months ended 30 June 2020 is unaudited, but has been reviewed by Ernst & Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity".

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

During the six months ended 30 June 2020, the Company has repurchased a total of 830,000 Shares on the Stock Exchange and the details are set out below:

Date of Repurchase	Number of Shares Repurchased	Price Per Share		Aggregate Consideration HK\$
		Highest HK\$	Lowest HK\$	
19 March 2020	430,000	0.75	0.72	315,600
23 March 2020	400,000	0.75	0.73	297,000

During the six months ended 30 June 2020, 830,000 Shares were repurchased and to be cancelled.

The Directors believe that repurchases of Shares are in the best interests of the Company and the Shareholders as a whole and that such repurchases of Shares would lead to an enhancement of the earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51(B) of the Listing Rule, the changes in information of Director are set out below:

Name of Director	Details of Changes
Fu Hao	Appointed as director of Beijing Yunchang Game Technology Holding Limited* (北京雲暢遊戲科技股份有限公司), a company listed on the NEEQ (stock code: 834785), and Beijing Anqu Technology Holding Limited* (北京安趣科技股份有限公司), a company listed on the NEEQ (stock code: 835804), with effect from 27 December 2019 and 6 June 2020 respectively

STRUCTURED CONTRACTS

Please refer to the section headed “Structured Contracts” in the Prospectus for details. For the six months ended 30 June 2020, the Board has reviewed the overall performance of the Structured Contracts and believed that the Group has complied with the Structured Contracts in all material respects.

A foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating value-added telecommunications businesses in the PRC must demonstrate a good track record and experience in operating value-added telecommunications businesses (the “Qualification Requirement”). Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunications businesses in the PRC. Please also refer to the section headed “Structured Contracts” in the Prospectus for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

The Foreign Investment Law, approved by the second session of the 13th National People’s Congress, and the Regulation on the Implementation of the Foreign Investment Law (外商投資法實施條例), promulgated by the State Council, have come into effect on 1 January 2020. The Foreign Investment Law defines foreign investment as an investment activity conducted directly or indirectly by a foreign investor, and enumerates the situations that should be deemed as foreign investment. There are no provisions in the Foreign Investment Law that explicitly mention the “actual control” or the “contractual arrangements”. Nevertheless, further laws and regulations on the above-mentioned are not ruled out. Therefore, there are still uncertainties on whether the structure under the contractual arrangements will be included in the scope of foreign investment supervision in the future, and on the supervision framework if it is included in the scope of supervision. As at the date of this report, the Company’s operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Company from the Listing are approximately HK\$206.5 million (after deduction of the underwriting commissions in respect of the offering and other estimated expenses). As at 30 June 2020, a total amount of approximately HK\$83.2 million out of the net proceeds had been utilized by the Group. We have, and will continue to utilize the net proceeds from the Listing in accordance with the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2020, the Group had approximately 253 employees (213 as at 31 December 2019). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. Remuneration of the Group’s employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the six months ended 30 June 2020.

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(i) Long position in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽³⁾
Mr. Ye Sheng	Founder of a discretionary trust ⁽¹⁾	231,712,000	22.77%
Mr. Yang Min	Founder of a discretionary trust ⁽²⁾	197,604,100	19.42%

Notes:

- (1) Sky-zen Capital Limited is owned as to (i) 80% by YS Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Ye Sheng as the settlor and beneficiary; and (ii) 20% by Mr. Ye Sheng. Accordingly, Mr. Ye Sheng is deemed to be interested in all the Shares held by Sky-zen Capital Limited.
- (2) J&L Y Limited is owned as to (i) 80% by Y&J Family Trust, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Yang Min as the settlor and beneficiary; and (ii) 20% by Mr. Yang Min. Accordingly, Mr. Yang Min is deemed to be interested in all the Shares held by J&L Y Limited.
- (3) The percentage is calculated based on the total number of 1,017,444,000 Shares in issue as at 30 June 2020 (excluding the Shares repurchased but not yet cancelled for the six months ended 30 June 2020).

(ii) Long position in associated corporation

Zen-Game Shenzhen

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

Notes:

- (1) Mr. Ye Sheng holds 99% equity interest of Shenzhen Tianchan Technology Co., Ltd.* (深圳市天禪科技有限公司) and he is thus deemed to be interested in the shares held by Shenzhen Tianchan Technology Co., Ltd.* (深圳市天禪科技有限公司) in Zen-Game Shenzhen.
- (2) Mr. Yang Min holds 90% equity interest of Shenzhen Dingyi Technology Co., Ltd.* (深圳市鼎翌科技有限公司) and he is thus deemed to be interested in the shares held by Shenzhen Dingyi Technology Co., Ltd.* (深圳市鼎翌科技有限公司) in Zen-Game Shenzhen.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in our Group ⁽¹⁰⁾
Sky-zen Capital Limited ⁽¹⁾	Beneficial owner	231,712,000	22.77%
Ms. Xie Yingying ⁽²⁾	Interest of spouse	231,712,000	22.77%
YS Limited ⁽¹⁾	Nominee for another person (other than a bare trustee)	231,712,000	22.77%
J&L Y Limited ⁽³⁾	Beneficial owner	197,604,100	19.42%
Ms. Jiang Qian ⁽⁴⁾	Interest of spouse	197,604,100	19.42%
Y&J Family Limited ⁽³⁾	Nominee for another person (other than a bare trustee)	197,604,100	19.42%
D Fun Limited ⁽⁵⁾	Beneficial owner	165,201,300	16.23%
Ms. Zhang Wei ⁽⁵⁾	Founder of a discretionary trust	165,201,300	16.23%
Mr. Zeng Liqing ⁽⁶⁾	Interest of spouse	165,201,300	16.23%
Bonaza Limited ⁽⁵⁾	Nominee for another person (other than a bare trustee)	165,201,300	16.23%
Playa Technology Limited ⁽⁷⁾	Beneficial owner	90,860,920	8.93%
Mr. Bao Zhoujia ⁽⁷⁾	Founder of a discretionary Trust	90,860,920	8.93%

Corporate Governance and Other Information

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in our Group ⁽¹⁰⁾
BAO TRUST ⁽⁷⁾	Trustee	90,860,920	8.93%
Hezhong Power Limited ⁽⁸⁾	Nominee for another person (other than a bare trustee)	60,825,080	5.97%
TCT (BVI) Limited	Other ⁽⁹⁾	231,712,000	22.77%
	Other ⁽⁹⁾	197,604,100	19.42%
	Other ⁽⁹⁾	165,201,300	16.23%
	Other ⁽⁹⁾	60,825,080	5.97%
The Core Trust Company Limited	Trustee ⁽¹⁾	231,712,000	22.77%
	Trustee ⁽³⁾	197,604,100	19.42%
	Trustee ⁽⁵⁾	165,201,300	16.23%
	Trustee ⁽⁶⁾	60,825,080	5.97%

Notes:

- (1) Sky-zen Capital Limited is owned as to (i) 80% by YS Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Ye Sheng as the settlor and beneficiary; and (ii) 20% by Mr. Ye Sheng. Accordingly, YS Limited is deemed to be interested in all the Shares held by Sky-zen Capital Limited.
- (2) Ms. Xie Yingying is the spouse of Mr. Ye Sheng and she is thus deemed to be interested in all the Shares held by Mr. Ye Sheng under the SFO.
- (3) J&L Y Limited is owned as to (i) 80% by Y&J Family Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Mr. Yang Min as the settlor and beneficiary; and (ii) 20% by Mr. Yang Min. Accordingly, Y&J Family Limited is deemed to be interested in all the Shares held by J&L Y Limited.
- (4) Ms. Jiang Qian is the spouse of Mr. Yang Min and she is thus deemed to be interested in all the Shares held by Mr. Yang Min under the SFO.
- (5) D Fun Limited is owned as to (i) 80% by Bonaza Limited, a company wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of a discretionary trust established by Ms. Zhang Wei as the settlor and beneficiary; and (ii) 20% by D Zen Limited, a company wholly owned by Mr. Zeng Liqing. Accordingly, each of Bonaza Limited and Ms. Zhang Wei is deemed to be interested in all the Shares held by D Fun Limited.
- (6) Mr. Zeng Liqing is the spouse of Ms. Zhang Wei and he is thus deemed to be interested in all the Shares held by Ms. Zhang Wei under the SFO.
- (7) Playa Technology Limited is owned as to (i) 80% by BAO TRUST, a trust established by Mr. Bao Zhoujia as the settlor and trustee; and (ii) 20% by Mr. Bao Zhoujia. Accordingly, each of BAO TRUST and Mr. Bao Zhoujia is deemed to be interested in all the Shares held by Playa Technology Limited.
- (8) Hezhong Power Limited is wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee under the RSU Scheme.

- (9) Certain Shares were held by Sky-zen Capital Limited (22.77%), J&L Y Limited (19.42%), D Fun Limited (16.23%) and Hezhong Power Limited (5.97%), pursuant to certain discretionary trusts established and the RSU Scheme. Sky-zen Capital Limited, J&L Y Limited and D Fun Limited are held by YS Limited, Y&J Family Limited and Bonaza Limited (each a “Nominee”), respectively, as to 80%. Each Nominee and Hezhong Power Limited is wholly owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee of the aforementioned discretionary trusts and the RSU Scheme.
- (10) The percentage is calculated based on the total number of issued Shares as at 30 June 2020 (excluding the Shares repurchased but not yet cancelled for the six months ended 30 June 2020).

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

RSU SCHEME

We have adopted the RSU Scheme with a view to incentivize the Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group. The RSU Scheme was approved and adopted by the Board on 9 October 2018, the principal terms of which are set out in “Statutory and General Information — F. RSU Scheme and Share Option Scheme — 1. RSU Scheme” in Appendix IV of the Prospectus.

We have appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of the RSUs granted pursuant to the RSU Scheme. A total of 62,561,080 Shares were issued to the RSU Nominee, who hold the shares for the benefit of eligible participants pursuant to the RSU Scheme. No further Shares will be allotted and issued to the RSU Nominee or the trustee for the purpose of the RSU Scheme (other than pursuant to sub-division, reduction or consolidation of the share capital of the Company in accordance with the RSU Scheme). As the RSU Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions under Chapter 17 of the Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 28 March 2019, providing the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The principal terms of the Share Option Scheme are prepared in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations. Further details of the Scheme are set forth in the section headed “Statutory and General Information — F. RSU Scheme and Share Option Scheme — 2. Share Option Scheme” in Appendix IV to the Prospectus.

For the six months ended 30 June 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.



INDEPENDENT REVIEW REPORT



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central,
Hong Kong

To the board of directors of Zengame Technology Holding Limited
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 21 to 61, which comprises the condensed consolidated statement of financial position of Zengame Technology Holding Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
13 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	4	468,478	308,042
Cost of sales		(242,544)	(153,694)
Gross profit		225,934	154,348
Other income and gains	4	15,950	8,714
Selling and distribution expenses		(40,416)	(35,117)
Administrative expenses		(31,444)	(31,075)
Research and development costs		(26,627)	(15,623)
Other expenses		(1,326)	(1,555)
Finance costs	6	(379)	(46)
Share of profits and losses of: Joint ventures		(79)	—
PROFIT BEFORE TAX	5	141,613	79,646
Income tax expense	7	(9,765)	(9,382)
PROFIT FOR THE PERIOD		131,848	70,264

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		131,848	70,264
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		3,105	5,270
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		3,105	5,270
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVOCI")	13	14,052	2,171
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		17,157	7,441
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		149,005	77,705
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	RMB13.0 cents	RMB7.8 cents
Diluted		RMB13.0 cents	RMB7.8 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	10	6,736	3,652
Right-of-use asset		5,698	6,355
Intangible assets	11	230	334
Investments in joint ventures	12	4,921	—
Equity instruments designated at FVOCI	13	3,486	40,606
Long-term prepayments, deposits and other receivables	17	7,000	7,400
Deferred tax asset	22	1,813	546
Total non-current assets		29,884	58,893
CURRENT ASSETS			
Trade receivables	14	108,214	193,204
Contract costs	15	5,011	8,743
Financial assets at fair value through profit or loss	16	129,317	166,998
Prepayments, deposits and other receivables	17	30,687	18,648
Time deposits with original maturity of over three months		212,257	131,662
Cash and cash equivalents	18	294,820	161,843
Total current assets		780,306	681,098
CURRENT LIABILITIES			
Trade payables	19	16,577	71,731
Contract liabilities	20	9,611	15,558
Other payables and accruals	21	39,684	33,256
Interest-bearing bank borrowings		18,200	—
Lease liabilities		2,850	2,461
Tax payable		2,641	11,380
Total current liabilities		89,563	134,386
NET CURRENT ASSETS		690,743	546,712
TOTAL ASSETS LESS CURRENT LIABILITIES		720,627	605,605
NON-CURRENT LIABILITIES			
Lease liabilities		3,069	4,080
Deferred tax liabilities	22	—	6,210
Total non-current liabilities		3,069	10,290
Net assets		717,558	595,315
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	8,946	8,946
Reserves	24/25	708,612	586,369
Total equity		717,558	595,315

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent							Total
	Share capital	Capital reserve	Statutory surplus reserve	Share-based payment reserve	Fair value reserve of financial assets at FVOCI	Exchange fluctuation reserve	Retained profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 23)	(Note 25)	(Note 25)	(Note 24)	(Note 25)	(Note 25)	(Note 25)	
At 31 December 2019 (audited)	8,946	293,464	27,000	23,842	4,672	8,402	228,989	595,315
Profit for the period (unaudited)	-	-	-	-	-	-	131,848	131,848
Other comprehensive loss for the period:								
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	-	(19,130)	-	19,130	-
Change in fair value of equity instruments designated at FVOCI (unaudited)	-	-	-	-	14,052	-	-	14,052
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	-	3,105	-	3,105
Total comprehensive income for the period (unaudited)	-	-	-	-	(5,078)	3,105	150,978	149,005
Annual 2019 dividend (unaudited)	-	-	-	-	-	-	(27,950)	(27,950)
Shares repurchased (unaudited)	-	-	-	-	-	-	(554)	(554)
Equity-settled share-based payment (unaudited)	-	-	-	1,742	-	-	-	1,742
At 30 June 2020 (unaudited)	8,946	293,464*	27,000*	25,584*	(406)*	11,507*	351,463*	717,558

At 31 December 2019 (audited)

Profit for the period (unaudited)

Other comprehensive loss for the period:

Transfer of fair value reserve of equity instruments designated at FVOCI

Change in fair value of equity instruments designated at FVOCI (unaudited)

Exchange differences on translation of foreign operations (unaudited)

Total comprehensive income for the period (unaudited)

Annual 2019 dividend (unaudited)

Shares repurchased (unaudited)

Equity-settled share-based payment (unaudited)

24

At 30 June 2020 (unaudited)

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent							Total RMB'000
	Share capital RMB'000 (Note 23)	Capital reserve RMB'000 (Note 25)	Statutory surplus reserve RMB'000 (Note 25)	Share- based payment reserve RMB'000 (Note 24)	Fair value reserve of financial assets at FVOCI RMB'000 (Note 25)	Exchange reserve RMB'000 (Note 25)	Retained profits RMB'000	
At 1 January 2019 (audited)	334	98,866	25,147	17,406	6,880	(6)	103,843	252,470
Profit for the period (unaudited)	—	—	—	—	—	—	70,264	70,264
Other comprehensive income for the period:								
Change in fair value of equity instruments	—	—	—	—	2,171	—	—	2,171
Change in fair value of equity instruments designated at FVOCI (unaudited)	—	—	—	—	—	—	—	—
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	—	5,270	—	5,270
Total comprehensive income for the period (unaudited)	—	—	—	—	2,171	5,270	70,264	77,705
Capital injection from shareholders (unaudited)	1,730	201,504	—	—	—	—	—	203,234
Equity-settled share-based payment (unaudited)	—	—	—	4,448	—	—	—	4,448
At 30 June 2019 (unaudited)	2,064	300,370*	25,147*	21,854*	9,051*	5,264*	174,107*	537,857

* These reserve accounts comprise the consolidated reserves of RMB708,612,000 and RMB535,793,000 in the consolidated statements of financial position as at 30 June 2020 and 30 June 2019, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		141,613	79,646
Adjustments for:			
Finance costs	6	379	46
Listing expense		—	13,258
Interest income	4	(3,571)	(548)
Fair value gains on financial assets at fair value through profit or loss	4	(3,870)	(2,959)
Depreciation of property and equipment	5	1,101	692
Share of losses of joint ventures	12	79	—
Depreciation of right-of-use assets	5	1,092	1,166
Amortisation of other intangible assets	5	104	106
Equity-settled share-based payment expenses	5	1,742	4,448
Impairment of trade receivables	5	646	666
		139,315	96,521
Decrease in trade receivables		84,344	13,544
Decrease in contract costs		3,732	9,607
(Increase)/decrease in prepayments, deposits and other receivables		(10,303)	(161)
Decrease in long term prepayments, deposits and other receivables		400	—
Increase/(decrease) in trade payables		(55,154)	3,474
Decrease in a contract liability		(5,947)	(14,096)
Increase/(decrease) in other payables and accruals		6,428	(3,961)
Cash generated from operations		162,815	104,928
Income tax paid		(12,564)	(7,582)
Net cash flows generated from operating activities		150,251	97,346

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		1,835	548
Fair value gains on financial assets at fair value through profit or loss ("FVPL")		3,870	2,959
Purchases of items of property, plant and equipment	10	(4,185)	(1,219)
Additions to other intangible assets	11	—	(600)
Purchases of investments in joint ventures		(5,000)	—
Increase in time deposits with original maturity of over three months		(80,595)	(80,373)
Proceeds from disposal of equity investments designated at FVOCI		37,757	—
Purchases of financial assets at fair value through profit or loss		(85,854)	(90,376)
Receipt from maturity of financial assets at fair value through profit or loss		123,535	30,000
Net cash flows used in investing activities		(8,637)	(139,061)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from issue of shares		—	213,641
Share issue expenses		—	(23,666)
Principal portion of lease payments		(1,058)	(1,151)
Dividends paid		(27,950)	—
New bank loans		20,000	—
Repayment of bank loans		(1,800)	—
Shares repurchased		(554)	—
Interest paid		(379)	(46)
Net cash flows (used in)/from financing activities		(11,741)	188,778
NET INCREASE IN CASH AND CASH EQUIVALENTS		129,873	147,063
Cash and cash equivalents at beginning of year		161,843	11,052
Effect of foreign exchange rate changes, net		3,104	5,270
CASH AND CASH EQUIVALENTS AT END OF YEAR		294,820	163,385
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Unrestricted bank balances and cash	18	294,820	75,419
Time deposits with original maturity of less than three months	18	—	87,966
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		294,820	163,385

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

30 June 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB240,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

30 June 2020

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from a customer which amounted to more than 10% of the Group's revenue during the six months ended 30 June 2020 and 2019 are set out below:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	133,019	N/A*
Customer B	88,481	53,413

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective period.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Type of goods or services		
Self-developed games	169,304	200,976
Third-party games	7,160	5,541
In-game information service	292,014	101,525
Total revenue from contracts with customers	468,478	308,042
Timing of revenue recognition		
Services transferred over time	468,478	308,042

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS (Continued)**Revenue from contracts with customers** (Continued)**(a) Disaggregated revenue information** (Continued)

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	15,558	30,305

(b) Performance obligations

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

Virtual items in self-developed games

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

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

Publishing service for third party games

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

In-game information service

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

In-game information service (Continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019/30 June 2020 are as follows:

	Six months ended 30 June 2020 RMB'000 (Unaudited)	Year ended 31 December 2019 RMB'000 (Audited)
Within one year	9,611	15,558

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

Other income and gains

	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Bank interest income	3,571	548
Fair value gains or losses on financial assets at fair value through profit and loss	3,870	2,959
Government grants related to income*	3,977	4,845
Super deduction for input VAT	1,661	—
Donation income	2,800	—
Others	71	362
	15,950	8,714

* 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.

30 June 2020

5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Services fee charged by distribution platforms and payment vendors		87,691	119,666
Cost of in-game information service		148,029	28,204
Promotion expenses		40,416	35,117
Employee benefit expense (including directors' and chief executives' remuneration):			
Wages and salaries		51,895	25,745
Pension scheme contributions (defined contribution scheme)		322	824
Equity-settled share-based payment expenses	24	1,742	4,448
Depreciation of property and equipment	10	1,101	692
Depreciation of right-of-use assets		1,092	1,166
Amortisation of intangible assets	11	104	106
Research and development costs		26,627	15,623
Impairment of trade receivables*	14	646	666
Auditors' remuneration		350	350
Listing expense		—	13,258

* The provision of impairment for trade receivables is included in other expenses in the consolidated statement of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on bank loans	261	—
Interest on lease liabilities	118	46
	379	46

30 June 2020

7. INCOME TAX

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Zen-Game Shenzhen was qualified as a “Key Software Enterprise” under relevant PRC laws and regulations and the applicable tax rate was 10% since 31 December 2017. Zen-Game Shenzhen applied the most preferential tax rate of 10% for the year ended 31 December 2019. Zen-Game Shenzhen expected the applicable tax rate to be 10% for the six months ended 30 June 2020. The qualification of “Key Software Enterprise” and related preferential income tax rate are subject to annual assessment.

Shenzhen Laiwan Technology Company Limited (“Shenzhen Laiwan”) was accredited as a “Software enterprise” in July 2019 under relevant PRC laws and regulations with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Shenzhen Laiwan expected it will be exempt from income tax for the year 2020.

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

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

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

	Six months ended 30 June	
	2020	2019
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	9,962	8,279
Deferred tax (note 22)	(197)	1,103
	<hr/>	<hr/>
Total tax charge for the period	9,765	9,382

30 June 2020

7. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rates are as follows:

	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Profit before tax	141,613		79,646	
Tax at the statutory tax rate	35,403	25.0	19,912	25.0
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	(24,828)	(17.5)	(11,369)	(14.3)
Super deduction for research and development expenses (a)	(1,554)	(1.1)	(1,102)	(1.4)
Expenses not deductible for tax	53	—	793	1.1
Tax losses utilised from previous periods	(1,026)	(0.7)	—	—
Tax losses not recognized	1,717	1.2	1,148	1.4
Tax charge at the Group's effective rate	9,765	6.9	9,382	11.8

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 30 June 2020 and 31 December 2019, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The total amounts of temporary difference associated with the investment in the subsidiary in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB451,097,000 and RMB297,158,000 for the six months ended 30 June 2020 and year ended 31 December 2019, respectively.

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

7. INCOME TAX (Continued)

- (a) According to relevant laws and regulations promulgated by the state Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses from 1 January 2008 to 31 December 2017, and 175% of the research and development expenses from 1 January 2018 to 30 June 2020, as tax deductible expenses.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

As at 30 June 2020 and 31 December 2019, the Group had tax losses arising in Hong Kong of RMB11,808,000 and RMB15,422,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 30 June 2020 and 31 December 2019, the Group had tax losses arising in Mainland China of RMB7,714,000 and RMB881,000, respectively, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as they have arisen in a subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The unrecognized deferred tax assets from tax losses will expire as followings:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
31 December 2021	—	1,563
31 December 2022	7,866	8,534
31 December 2023	4,339	4,339
31 December 2024	881	881
30 June 2025	7,714	—
	20,800	15,317

30 June 2020

8. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
Interim — nil (six months ended 30 June 2019: HK\$0.05) per ordinary share	—	51,082

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2020.

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue, during the six months ended 30 June 2020 and 2019.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2020 and 2019 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 23.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	131,848	70,264
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	1,017,808,505	901,207,646

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

10. PROPERTY AND EQUIPMENT

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
30 June 2020 (Unaudited)				
At 1 January 2020:				
Cost	2,275	4,391	944	7,610
Accumulated depreciation	(1,539)	(1,696)	(723)	(3,958)
Net carrying amount	736	2,695	221	3,652
At 1 January 2020, net of accumulated depreciation	736	2,695	221	3,652
Additions	816	3,075	294	4,185
Depreciation provided during the year (note 5)	(255)	(723)	(123)	(1,101)
At 30 June 2020, net of accumulated depreciation	1,297	5,047	392	6,736
At 30 June 2020:				
Cost	3,091	7,466	1,238	11,795
Accumulated depreciation	(1,794)	(2,419)	(846)	(5,059)
Net carrying amount	1,297	5,047	392	6,736

30 June 2020

10. PROPERTY AND EQUIPMENT (Continued)

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019 (Audited)				
At 1 January 2019:				
Cost	1,855	2,422	567	4,844
Accumulated depreciation	(1,099)	(868)	(288)	(2,255)
Net carrying amount	756	1,554	279	2,589
At 1 January 2019, net of accumulated depreciation	756	1,554	279	2,589
Additions	421	2,075	377	2,873
Disposal	(1)	(106)	—	(107)
Depreciation provided during the year	(440)	(828)	(435)	(1,703)
At 31 December 2019, net of accumulated depreciation	736	2,695	221	3,652
At 31 December 2019:				
Cost	2,275	4,391	944	7,610
Accumulated depreciation	(1,539)	(1,696)	(723)	(3,958)
Net carrying amount	736	2,695	221	3,652

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

11. INTANGIBLE ASSETS

	Software license RMB'000	Total RMB'000
30 June 2020 (Unaudited)		
At 1 January 2020:		
Cost	600	600
Accumulated amortisation	(266)	(266)
Net carrying amount	334	334
At 1 January 2020, net of accumulated amortisation	334	334
Additions	—	—
Amortisation provided during the year (note 5)	(104)	(104)
Exchange realignment	—	—
At 30 June 2020, net of accumulated amortisation	230	230
At 30 June 2020:		
Cost	600	600
Accumulated amortisation	(370)	(370)
Net carrying amount	230	230
31 December 2019 (Audited)		
At 1 January 2019:		
Cost	—	—
Accumulated amortisation	—	—
Net carrying amount	—	—
At 1 January 2019, net of accumulated amortisation	—	—
Additions	600	600
Amortisation provided during the year	(266)	(266)
Exchange realignment	—	—
At 31 December 2019, net of accumulated amortisation	334	334
At 31 December 2019:		
Cost	600	600
Accumulated amortisation	(266)	(266)
Net carrying amount	334	334

30 June 2020

12. INVESTMENTS IN JOINT VENTURES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Share of net assets	1,208	—
Goodwill on acquisition	3,713	—
Provision for impairment	—	—
	4,921	—

Particulars of the Group's joint ventures is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Guangzhou Guaidian Internet Technology Company Limited ("Guaidian")	(a) RMB1,428,571 as registered capital	Mainland China	30%	Game promotion service
Wuhan Ruiyou Technology Company Limited ("Ruiyou")	(b) RMB1,000,000 as registered capital	Mainland China	25%	Mobile game development

(a) In April 2020, the Group acquired 30% equity interest in Guaidian at a consideration of RMB2,000,000.

(b) In January 2020, the Group acquired 25% equity interest in Ruiyou at a consideration of RMB3,000,000.

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Share of the joint venture's loss for the year/period	(79)	—
Share of the joint venture's total comprehensive loss	(79)	—
Aggregate carrying amount of the Group's investments in the joint venture	4,921	—

30 June 2020

13. EQUITY INSTRUMENTS DESIGNATED AT FVOCI

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Listed equity investment:		
Genimous Technology Co., LTD. (“Zhidu Technology”)*	—	37,268
Non-listed equity investments:		
Shenzhen Flying Fish Interactive Technology Company Limited (“Flying Fish”)	636	488
Shenzhen Yiyou Technology Company Limited (“Yiyou”)	1,350	1,350
Shenzhen Yanque Technology Company Limited (“Yanque”)	1,500	1,500
	3,486	40,606

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

For the six months ended 30 June 2020 and 2019, the changes in the fair value and income tax effect in respect of the Group’s equity instruments designated at FVOCI recognised in other comprehensive income are as below:

	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
The gross fair value change in respect of the Group’s equity instruments designated at FVOCI recognised in other comprehensive income	6,772	2,894
Income tax effect	7,280	(723)
Changes in fair value on equity instruments designated at FVOCI	14,052	2,171

Equity instruments designated at FVOCI include investments in equity shares of listed and non-listed companies. The Group holds non-controlling interests (less than 10%) in these companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

* The Listed equity investment represents the Group’s shareholding in Zhidu Technology, a third party company listed on the Shenzhen Stock Exchange. During the six months ended 30 June 2020, the Group disposed of the remaining 4,122,561 shares of Zhidu Technology and the accumulated gain recognised in other comprehensive income of RMB19,130,000 was transferred to retained earnings.

30 June 2020

14. TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	110,168	194,512
Provision for expected credit losses	(1,954)	(1,308)
	108,214	193,204

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

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 90 days	92,986	183,909
91 to 180 days	11,710	7,309
181 days to 1 year	2,997	1,468
1 year to 2 years	521	518
	108,214	193,204

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

14. TRADE RECEIVABLES (Continued)

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 reporting periods, the expected losses rate are determined as follows:

31 December 2019 (Audited)	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 1 year	193,304	0.32%	618
1 to 2 years	721	28.15%	203
Over 2 years	487	100.00%	487
	194,512		1,308
30 June 2020 (Unaudited)	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Trade receivables aged:			
Within 1 year	108,751	0.97%	1,058
1 to 2 years	876	40.50%	355
Over 2 years	541	100.00%	541
	110,168		1,954

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

	Note	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
At beginning of year		(1,308)	(306)
Provision for expected credit losses	5	(646)	(1,002)
At the end of year/period		(1,954)	(1,308)

30 June 2020

15. CONTRACT COSTS

Contract costs are mainly related to contract acquisition costs. Management expects that incremental relevant distribution service fees paid as a result of obtaining customer contracts are recoverable, which meet the contract acquisition cost criteria when the Group considers the players purchased the Group's in-game virtual items ("Paying Players") as its customers. The Group has therefore capitalised them as contract costs in the amount of RMB5,011,000 and RMB8,743,000 as at 30 June 2020 and 31 December 2019, respectively.

Capitalised relevant service fees are amortised when the related revenue is recognised, which is consistent with the pattern of recognition of the associated revenue. The amount of amortisation was RMB87,691,000 and RMB202,340,000 for each of the reporting periods and there was no impairment loss in relation to the costs capitalised.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Wealth management products issued by licensed banks, at fair value	129,317	166,998
	129,317	166,998

Wealth management products were denominated in RMB, with an expected rate of return ranging from 2.40% to 4.40% and 3.65% to 4.50% per annum for the six months ended 30 June 2020 and year ended 31 December 2019, respectively. The return on all of these wealth management products is not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flows discounted using the expected return based on management judgement and are within categorized level 2 of the fair value hierarchy.

30 June 2020

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current portion		
Prepayments	—	3,400
Deposits and other receivables	4,000	4,000
Loans to key management	1,500	—
Loans to other employees	1,500	—
	7,000	7,400
Current portion		
Prepayments	24,978	5,994
Deposits and other receivables	5,709	12,654
	30,687	18,648

As at the end of each of the reporting periods, the amounts due from non-trade debtors were unsecured and interest-free. None of the above assets was either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The credit exposures of the above balances have not had significantly increase in credit risk since initial recognition, the Group is required to provide for 12-month expected credit losses. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the reporting periods, the Group estimated that the expected loss rate for the above receivables is insignificant.

18. CASH AND CASH EQUIVALENTS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cash and bank balances	294,820	161,843
Denominated in:		
RMB	259,148	81,093
HK\$	33,081	80,277
US\$	2,591	473

30 June 2020

18. CASH AND CASH EQUIVALENTS (Continued)

The cash and bank balances of the Group denominated in RMB amounted to RMB259,148,000 and RMB81,093,000 as at 30 June 2020 and 31 December 2019, respectively. 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. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aging analysis of the trade payables as at the end of each of the reporting periods, based on the invoice date, is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 3 months	7,294	63,812
3 to 6 months	4,416	4,447
6 months to 1 year	3,095	2,316
1 year to 2 years	909	1,156
2 years to 3 years	863	—
	16,577	71,731

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

20. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2020 and 31 December 2019 and will be expected to be recognised within one year:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Online game revenue	9,611	15,558

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

21. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Salary and welfare payables	36,361	21,677
Other tax payables	1,311	9,228
Other payables	2,012	2,351
	39,684	33,256

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the reporting periods are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Deferred tax assets and liabilities:		
At 1 January	(5,664)	(7,287)
Deferred tax credited to profit or loss during the year (note 7)	197	(1,045)
Deferred tax charged to other comprehensive income	7,280	2,668
At 31 December/30 June	1,813	(5,664)

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Deferred tax assets		
Tax loss	1,206	1,206
Fair value adjustments arising from equity instruments designated at FVOCI	91	143
Provision for accounts receivable	586	521
	1,883	1,870

30 June 2020

22. DEFERRED TAX (Continued)

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Deferred tax liabilities		
Fair value adjustments arising from equity instruments designated at FVOCI	—	7,332
Fair value adjustment arising from wealth management products	70	202
	70	7,534
	1,813	(5,664)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	1,813	546
Net deferred tax liabilities recognised in the consolidated statement of financial position	—	(6,210)
	1,813	(5,664)

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

23. SHARE CAPITAL

Shares

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Authorized:		
50,000,000,000 ordinary shares of HK\$0.01 each as at 30 June 2020 (2019: 50,000,000,000 ordinary shares)	440,000	440,000
Issued and fully paid:		
1,017,444,000 ordinary shares as at 30 June 2020 (2019: 1,018,274,000 ordinary shares)	8,946	8,946

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

	<i>Notes</i>	Number of shares in issue	Share capital RMB'000
At 31 December 2019 (Audited) and 1 January 2020		1,018,274,000	8,946
Repurchase shares (not yet cancelled)	(a)	(830,000)	—
At 30 June 2020 (Unaudited)		<u>1,017,444,000</u>	<u>8,946</u>

(a) In March 2020, 830,000 ordinary shares were repurchased but not yet cancelled by the Company.

24. SHARE-BASED PAYMENT

Hezhong Century Technology Company Limited ("Hezhong") is a limited liability company controlled by Mr. Ye Sheng and Mr. Yang Min incorporated in the PRC since May 2012 and has become a shareholder of Zen Game since June 2012. Except for holding an equity interest in Zen Game, Hezhong did not conduct any other business. On 1 June 2016 and 1 June 2018, Hezhong granted 3,502,850 and 617,000 restricted shares units ("RSUs"), representing 2,980,300 underlying shares of and 5.52% equity interest in Zen Game to the senior management and key employees ("Grantees") of the Group respectively to retain them for the continuing operation and development of the Group. The RSUs enabled the Grantees to indirectly entitle to the ownership of Zen Game through their respective equity interests in Hezhong.

The vesting period of the RSUs is determined to be two years with 50% each which will be vested at the end of each anniversary, or four years with 25% each which will be vested at the end of each anniversary, or six years with 10% each which will be vested at rear of the initial two anniversaries and 20% at the end of each of the following four anniversaries.

30 June 2020

24. SHARE-BASED PAYMENT (Continued)**Movements during the year/period**

Movements in the number of shares held for the Scheme and awarded shares for the year ended 31 December 2019 and six months ended 30 June 2020 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 31 December 2019	1,802,712	2,317,138	4,119,850*
Vested	(1,056,213)	1,056,213	—
At 30 June 2020	746,499	3,373,351	4,119,850*

* Representing 62,561,080 underlying shares of, and approximately 6.14% of the total issued shares of the Company (excluding the shares repurchased).

As part of the Restructuring, the Company issued shares to Hezhong Power Limited which is the nominee of trust and beneficially owned by the Grantees in exchange for controlling Hezhong's equity interest in Zen Game. The percentage of the equity interest held by Hezhong Power Limited in the Company is identical to the percentage of the equity interest in Zen Game indirectly held by the Grantees through Hezhong. There was no change in any other vesting conditions. There was no significant incremental value noted before and after the modification given the Zen Game has carried out substantially all of the businesses owned by the Group.

The expense recognised for employee services received during the reporting periods is shown in the following table:

	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Share-based payment expenses	1,742	4,448

The directors of the Company appointed an independent valuer, Value Link Group, to estimate the fair values of the above RSUs as at the respective grant dates.

30 June 2020

24. SHARE-BASED PAYMENT (Continued)

Movements during the year/period (Continued)

The following table lists the key inputs to the model used for the valuation of the above RSUs granted on each grant date:

	Granted on 1 June 2016	Granted on 1 June 2018
Weighted average cost of capital (%)	24	22
Discount for lack of marketability (%)	27	15
Weighted average share price (RMB per share)	5.06	14.97
Model used	Discounted cash flow method	Discounted cash flow method

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the interim condensed consolidated statement of changes in equity.

(a) Capital reserve

The capital reserve of the Group represents the difference between the aggregate of the paid-up share capital of the subsidiaries, the consideration paid by the Group for the business combination under common control and acquisition of a non-controlling shareholder.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(c) Fair value reserve of financial assets at FVOCI

The fair value reserve of financial assets at FVOCI comprises all revaluation changes arising from the equity instruments designated at FVOCI.

(d) Share-based payment reserve

The share-based payment reserve comprises the fair value of the share-based payment granted and exercised, as further explained in Note 24 to interim condensed consolidated financial information.

30 June 2020

25. RESERVES (Continued)**(e) Exchange fluctuation reserve**

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies not using RMB as functional currencies. The reserve is dealt with in accordance with the accounting policy set out in Note 2.4 to the financial statements in the Group's annual consolidated financial statements for the year ended 31 December 2019.

26. COMMITMENTS

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

27. RELATED PARTY TRANSACTIONS

Name of related party	Relationship with the Group
Guangzhou Guaidian Internet Technology Company Limited ("Guaidian")	Joint venture
Wuhan Ruiyou Technology Company Limited ("Ruiyou")	Joint venture

(a) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	2,283	2,029
Equity-settled share-based payment expense	1,225	3,210
Pension scheme contributions	32	129
	3,540	5,368

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the reporting periods are as follows:

30 June 2020 (Unaudited)

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Equity instruments designated at FVOCI	—	—	3,486	3,486
Trade receivables	108,214	—	—	108,214
Financial assets included in prepayments, deposits and other receivables	5,709	—	—	5,709
Financial assets included in long-term prepayments, deposits and other receivables	7,000	—	—	7,000
Financial assets at fair value through profit or loss	—	129,317	—	129,317
Time deposits with original maturity of over three months	212,257	—	—	212,257
Cash and cash equivalents	294,820	—	—	294,820
	628,000	129,317	3,486	760,803
Financial liabilities				Financial liabilities at amortised cost RMB'000
Trade payables				16,577
Financial liabilities included in other payables and accruals				38,373
Interest-bearing bank borrowings				18,200
Financial liabilities included in lease liabilities				5,919
				79,069

30 June 2020

28. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**31 December 2019 (Audited)**

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Equity instruments designated at FVOCI	—	—	40,606	40,606
Trade receivables	193,204	—	—	193,204
Financial assets included in prepayments, deposits and other receivables	4,953	—	—	4,953
Financial assets included in long-term prepayments, deposits and other receivables	4,000	—	—	4,000
Financial assets at fair value through profit or loss	—	166,998	—	166,998
Time deposits with original maturity of over three months	131,662	—	—	131,662
Cash and cash equivalents	161,843	—	—	161,843
	495,662	166,998	40,606	703,266
Financial liabilities				Financial liabilities at amortised cost RMB'000
Trade payables				71,731
Financial liabilities included in other payables and accruals				24,028
Lease liabilities				6,541
				102,300

As at 30 June 2020 and 31 December 2019, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, trade receivables, amounts due from a related party, financial assets included in prepayments, deposits and other receivables, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals and interest-bearing bank borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

30 June 2020

28. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2019 (Audited) (Continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) Financial instruments in level 1

The fair value of the listed securities is determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on the quoted market prices (level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

The fair values of wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including the expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in the consolidated statements of profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the reporting periods.

(c) Financial instruments in level 3

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

The fair values of the equity investments in unlisted companies have been estimated using the market approach. Major assumptions used in the valuation include discount of lack of marketability, P/E ratio, etc.

30 June 2020

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2020 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity instruments designated at FVOCI:				
Non-listed equity investment	—	—	3,486	3,486
Financial assets at fair value through profit or loss	—	129,317	—	129,317
	—	129,317	3,486	132,803

As at 31 December 2019(Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity instruments designated at FVOCI:				
Listed equity investment	37,268	—	—	37,268
Non-listed equity investment	—	—	3,338	3,338
Financial assets at fair value through profit or loss	—	166,998	—	166,998
	37,268	166,998	3,338	207,604

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

Fair value hierarchy (Continued)

During the reporting periods, there were no transfers of fair value measurements between Level 1 and Level 2. The movements in fair value measurements within Level 3 during the reporting periods are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Equity instruments designated at FVOCI:		
At 1 January	3,338	51,796
Total gains recognised in other comprehensive income	148	15,096
Transfer out of Level 3	—	(37,268)
Purchases	—	4,230
Disposals	—	(30,516)
At 30 June & 31 December	3,486	3,338

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

	Valuation technique	Significant unobservable input	Range of inputs	
			As at 30 June 2020	As at 31 December 2019
Equity instruments designated at FVOCI				
Non-listed equity investment	Market approach	Discount for lack of marketability %	30	30
		Price-Earnings ratio ("P/E ratio")	19.5	16.5

The fair value of equity instruments designated at FVOCI is affected by changes in the discount for lack of marketability and P/E ratio. If the discount for lack of marketability had increased/decreased by 10% with all other variables held constant, the fair value of equity instruments designated at FVOCI for the six months ended 30 June 2020 and year ended 31 December 2019 would have been approximately RMB349,000 and RMB334,000 lower/higher, respectively.

30 June 2020

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

Fair value hierarchy (Continued)

If the P/E ratio had increased/decreased by 10% with all other variables held constant, the fair value of equity instruments designated at FVOCI for the six months ended 30 June 2020 and year ended 31 December 2019 would have been approximately RMB349,000 and RMB334,000 higher/lower, respectively.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, equity instruments designated at FVOCI and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade payables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades mainly with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type.

The following table demonstrates the concentrations of credit risk of the total trade receivables which were due from the Group's five largest distribution platforms or payment vendors.

	As at 30 June 2020 % (Unaudited)	As at 31 December 2019 % (Audited)
Percentage of total trade receivables due from: Group's five largest trade receivables	71.0	84.0

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 14 to interim condensed consolidated financial information.

30 June 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Credit risk** (Continued)

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. Management estimated that the expected credit loss rate for the Group's trade receivables are 1.8% and 0.7% as at 30 June 2020 and 31 December 2019, respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, was as follows:

	As at 30 June 2020 (Unaudited)					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 year to 2 years RMB'000	over 2 years RMB'000	
Trade payables	16,577	—	—	—	—	16,577
Financial liabilities included in other payables and accruals	38,373	—	—	—	—	38,373
Interest-bearing bank borrowings	—	18,371	—	—	—	18,371
Lease liabilities	—	764	2,305	2,625	533	6,227
	54,950	19,135	2,305	2,625	533	79,548

	As at 31 December 2019 (Audited)					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 year to 2 years RMB'000	over 2 years RMB'000	
Trade payables	71,731	—	—	—	—	71,731
Financial liabilities included in other payables and accruals	24,028	—	—	—	—	24,028
Lease liabilities	—	679	2,040	2,759	1,488	6,966
	95,759	679	2,040	2,759	1,488	102,725

30 June 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Capital management**

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts, and manage the asset-liability ratios. The Group's overall strategy remained unchanged during the reporting periods.

The asset-liability ratios as at the end of each of the reporting periods are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Total assets	810,190	739,991
Total liabilities	92,632	144,676
Asset-liability ratio	11%	20%



DEFINITIONS

“ARPPU”	monthly average revenue per paying user, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	Zengame Technology Holding Limited (禪遊科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 28 August 2018
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“DAU”	daily active users
“Director(s)”	the director(s) of our Company
“Foreign Investment Law”	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) which has become effective on 1 January 2020
“Free-to-Play”	a business model which players can play games for fee, but may need to pay for virtual items sold in games to enhance their game experience
“Group”	collectively, the Company and its subsidiaries
“HK\$”, “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“MAU”	monthly active users
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPU”	monthly playing users
“NEEQ”	National Equities Exchange and Quotations, a PRC over-the-counter system for trading shares of public companies
“Prospectus”	the prospectus issued by the Company dated 3 April 2019
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“RSU(s)”	the restricted share unit(s) to be granted under the RSU Scheme
“RSU Nominee”	Hezhong Power Limited, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of Core Trust which will hold the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme
“RSU Scheme”	the restricted share unit scheme approved and adopted by a resolution of the Board dated 9 October 2018, the principal terms of which are summarized under the section headed “Statutory and General Information – F. RSU Scheme and Share Option Scheme – 1. RSU Scheme” in Appendix IV to the Prospectus
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)



Definitions

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 28 March 2019, the principal terms of which are summarized under the section headed “Statutory and General Information — F. RSU Scheme and Share Option Scheme — 2. Share Option Scheme” in Appendix IV to the Prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Exclusive Consultancy and Technical Service Agreement, the IP License Agreement, the Exclusive Call Option Agreement, the Share Pledge Agreement, the Shareholders’ Rights Entrustment Agreement, the Shareholders’ Powers of Attorney, the Spouse Undertakings and the Loan Agreement, details of which are set out in the section headed “Structured Contracts” in the Prospectus
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Zen-Game Shenzhen”	Shenzhen Zen-Game Technology Co. Ltd.* (深圳市禪遊科技股份有限公司), a company established as a limited liability company under the laws of the PRC on 20 July 2010 and converted into a joint stock company with limited liability in September 2015 and an indirect wholly-owned subsidiary of the Company
“%”	per cent

* If there is any inconsistency between the Chinese names of companies established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company marked with “*” is for identification purpose only.