



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



2022 INTERIM REPORT

CONTENTS



CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
OPERATIONAL HIGHLIGHTS	5
MANAGEMENT DISCUSSION AND ANALYSIS	6
CORPORATE GOVERNANCE AND OTHER INFORMATION	15
INDEPENDENT REVIEW REPORT	26
Interim Condensed Consolidated Statement of Profit or Loss	27
Interim Condensed Consolidated Statement of Comprehensive Income	28
Interim Condensed Consolidated Statement of Financial Position	29
Interim Condensed Consolidated Statement of Changes in Equity	30
Interim Condensed Consolidated Statement of Cash Flows	32
Notes to Interim Condensed Consolidated Financial Information	34
DEFINITIONS	54



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li Yan Wing Rita (李昕穎)

AUTHORIZED REPRESENTATIVES

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

HONG KONG LEGAL ADVISERS

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

AUDITORS

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979 King's Road
Quarry Bay
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

Unit No. 2012, Level 20
Millennium City 2
378 Kwun Tong Road, Kwun Tong
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
Ping An Bank Co., Ltd

COMPANY WEBSITE

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

STOCK CODE

2660

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year Change* %
	2022 (RMB'000) (Unaudited)	2021 (RMB'000) (Unaudited)	
Revenue	619,786	444,223	39.5
Gross profit	399,648	286,633	39.4
Gross profit margin (%)	64.5	64.5	
Profit for the period	236,905	145,745	62.5
Profit (%)	38.2	32.8	
Non-HKFRS adjusted net profit**	238,459	146,442	62.8
Earnings per Share (expressed in RMB per Share)	0.24	0.14	71.4

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

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

OPERATIONAL HIGHLIGHTS

	For the six months ended 30 June		For the year ended 31 December
	2022 ('000)	2021 ('000)	2021 ('000)
All Games			
Cumulative registered players	1,383,225	1,203,373	1,301,442
MAU	38,707	44,443	43,237
DAU	6,288	6,643	6,890
MPU (Virtual items)	1,065	661	951
ARPPU of virtual items (RMB)	82	65	88
Card and Board Games			
Cumulative registered players	1,113,379	940,250	1,034,274
MAU	37,940	39,968	40,420
DAU	6,242	6,390	6,724
MPU (Virtual items)	1,061	646	940
ARPPU of virtual items (RMB)	82	61	81
Other Games			
Cumulative registered players	269,846	263,124	267,168
MAU	767	4,475	2,817
DAU	46	253	166
MPU (Virtual items)	4	15	11
ARPPU of virtual items (RMB)	225	217	262

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading mobile game developer and operator in the PRC that closely follows the changing trends of market and user demand, while embracing new media channel trends such as short clips and livestreaming. We focus on the innovation, research and development and operation of high-quality card and board and casual games and established a top leisure entertainment platform and community. 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 2022, the game industry continued to evolve in the era of booming digital economy. The ecology of the game industry underwent ongoing improvement due to continuous standardized development of the industry, thereby significantly increasing the competitive moat. Game operators paid more attention to cultural connotation and technological empowerment, and only those game operators that focus on innovation-driven development and user experience enhancement can be outstanding.

Against such background, in the first half of 2022, the Group further upgraded its product portfolio, game innovation and promotion channels to increase user retention and players' willingness to pay. As for product portfolio, we continued the development strategy of the Group in 2021 by reducing our investment in hyper-casual games, putting more resources in major card and board games innovation and optimization, and working on the development of more premium casual games. Our research and development operation team constantly updates game products, and enriches the contents of new media promotion channels, allowing long life cycle products such as card and board games to meet changing market and user demand. With respect to game innovation, on one hand, we invested more resources on innovation in the gameplay and aesthetics of our card and board games products, constantly improving and upgrading our gameplay, such as the launch of "additional flower tiles without shuffling" for The Fingertip Sichuan Mahjong (指尖四川麻將), "additional flower cards for winners" and "joyous multiple winning" for Fight the Landlord (禪遊鬥地主) and other innovative rules and gameplay, to provide players with a more diversified game experience. In terms of aesthetics, we upgraded the design of the game interface, while incorporating more elements with rich connotation of Chinese traditional culture in the special effects of different cards of the card and board games, such as "peacocks flying southeast", "Wu Wen Xi Dong" and other quality game special effects to meet the user's demand for premium game experience. On the other hand, we reduced our investment in hyper-casual games and removed 15 games, which are mainly casual games and third-party games, in order to put more focus on the production of boutique games.

In the first half of 2022, due to the Group's product iterative innovation and steady development of product channel, the revenue generated from our board games increased from RMB157.9 million for the six months ended 30 June 2021 to RMB451.8 million for the six months ended 30 June 2022, representing an increase of approximately 1.9 times. The Fingertip Sichuan Mahjong (指尖四川麻將), one of the Group's flagship products, was highly popular and loved by players and it has recently ranked first in card and board games on the iOS bestseller list in the PRC. In the first half of 2022, we launched two new games and both of them are overseas games. As at 30 June 2022, we had 43 self-developed games and 7 third-party games, among which 18 are card games, 17 are board games and 15 are other casual games, respectively.

In terms of business development, the Group optimized and enhanced the product experience of existing games, increased the investment in the operation of the Group's live broadcasting business, and at the same time engaged more live broadcasting hosts with high quality and unique features. As a result, the Group recorded an increase in the cumulative registered players in the first half of 2022. We had approximately 1,383.2 million cumulative registered players for the six months ended 30 June 2022 as compared with 1,203.4 million cumulative registered players for the six months ended 30 June 2021. In addition, the Group enriched the gameplay to increase users' willingness to pay. As a result, for the six months ended 30 June 2022, the Group's revenue from sales of virtual items amounted to approximately RMB480.2 million, representing an increase of approximately 112.0% from RMB226.5 million as compared with the six months ended 30 June 2021, and our ARPPU of virtual items increased from approximately RMB65 for the six months ended 30 June 2021 to approximately RMB82 for the six months ended 30 June 2022.

In terms of financial performance, due to comprehensive effect of (i) the increase in the number of the paying users of board games and board games ARPPU of the Group; and (ii) the decrease in the number of the paying users of card games and card games ARPPU of the Group, our overall revenue increased from approximately RMB444.2 million for the six months ended 30 June 2021 to approximately RMB619.8 million for the six months ended 30 June 2022, representing an increase of approximately 39.5%. At the same time, due to the increase in overall revenue of the Group, the cost of sales increased from approximately RMB157.6 million for the six months ended 30 June 2021 to approximately RMB220.1 million for the six months ended 30 June 2022, representing an increase of approximately 39.7%. With the growth of overall performance of the Group, our net profit has nonetheless increased from approximately RMB145.7 million for the six months ended 30 June 2021 to approximately RMB236.9 million for the six months ended 30 June 2022, representing an increase of approximately 62.5%. Our adjusted net profit, excluding the Share-based payments, increased from approximately RMB146.4 million for the six months ended 30 June 2021 to approximately RMB238.5 million for the six months ended 30 June 2022, representing an increase of approximately 62.8%.

Management Discussion and Analysis

In terms of the mobile game industry in the PRC, the industry moved toward to a healthier development model in the first half of 2022 under more stringent regulatory requirements. The trend of game publication number issuance remained positive, and the overall industry atmosphere remained optimistic. As at 30 June 2022, we possessed 86 game publication numbers, 55 of which covering our card and board games and 31 of which covering our casual games. Due to the current development strategy and resources allocation, 46 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. In addition, we have always strictly complied with the relevant laws and regulations. To protect the physical and mental health of game players, especially minors, we have long established an anti-addiction system for minors in accordance with the relevant laws and regulations and have incorporated this system into our games. Our system can also automatically screen sensitive words and block inappropriate language and content, so as to resist vulgar content such as erotic and violence. Meanwhile, we also strictly abide by the relevant rules and regulations for the security protection of internet personal information and also those relating to anti-gambling. We have compiled with internal policies for personal information protection, upgraded a complete prevention and control system for personal information leakage, and optimized the management system of the personal privacy protection for users. We will closely monitor and follow up with any relevant new laws and regulations in the PRC, and update our legal compliance database and business processes in a timely manner to ensure that our business complies with the requirements of the latest laws and regulations.

FUTURE PROSPECTS

In the second half of 2022, the Group will mainly focus on the following strategies to expand our business and growth:

- continuously increasing the investment in research and development, updating game technology, and innovating gameplay;
- continuously focusing on enhancing player experience and upgrading contents and forms of new media promotion channels;
- continuously leveraging on the Group's core competitiveness to deeply explore and develop opportunities in overseas game markets;
- continuously paying attention to emerging issues and opportunities, exploring new business activities, and integrating with new media and new technologies; and
- actively cooperating with the Group's synergistic teams to constantly broaden business boundaries and new sectors.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, 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.

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 %
	2022		2021		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
Sales of virtual items	480,233	77.5	226,515	51.0	112.0
— Self-developed games	477,900	77.1	221,068	49.8	116.2
— Third-party games	2,333	0.4	5,447	1.2	-57.2
In-game information service	139,553	22.5	217,708	49.0	-35.9
Total	619,786	100.0	444,223	100.0	39.5

Management Discussion and Analysis

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 %
	2022 RMB'000 (Unaudited)	%	2021 RMB'000 (Unaudited)	%	
Card games	160,967	26.0	262,269	59.0	-38.6
Board games	451,800	72.9	157,853	35.5	186.2
Other games	7,019	1.1	24,101	5.5	-70.9
Total	619,786	100.0	444,223	100.0	39.5

For the six months ended 30 June 2022, the Group's total revenue was approximately RMB619.8 million, representing an increase of approximately 39.5% from approximately RMB444.2 million as compared with the corresponding period of 2021. This increase was primarily due to comprehensive effect of (i) the increase in the number of paying users of board games and board games ARPPU of the Group; (ii) the decrease in the number of paying users of card games and card games ARPPU of the Group; and (iii) the decrease in revenue derived from in-game information service. The Group's revenue from sale of virtual items amounted to approximately RMB480.2 million, representing an increase of approximately 112.0% from RMB226.5 million as compared with the corresponding period of 2021. On the other hand, for the six months ended 30 June 2022, the Group's revenue from in-game information service amounted to approximately RMB139.6 million, representing a decrease of approximately 35.9% from RMB217.7 million as compared with the corresponding period of 2021. These were mainly due to the decrease in revenue of card games in terms of the in-game information service.

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 %
	2022 (RMB'000) (Unaudited)	2021 (RMB'000) (Unaudited)	
Payment channel costs	62,410	36,353	71.7
Distribution platform costs	95,204	49,313	93.1
Information service costs	19,006	59,818	-68.2
New media costs	36,884	6,686	451.7
Others	6,634	5,420	22.4
Total	220,138	157,590	39.7

For the six months ended 30 June 2022, the cost of sales was approximately RMB220.1 million, representing an increase of approximately 39.7% from approximately RMB157.6 million as compared with the corresponding period of 2021. This was mainly attributable to the (i) increase in payment channel costs and distribution platform costs caused by the increase in the revenue from the sales of virtual items; and (ii) comprehensive effects of the Group's increased investment in new media operation and reduced investment in information service.

Gross Profit and Gross Profit Margin

Gross profit increased by 39.4% from approximately RMB286.6 million for the six months ended 30 June 2021 to approximately RMB399.6 million for the six months ended 30 June 2022. The gross profit margin for the six months ended 30 June 2022 remained the same at 64.5% as compared with the corresponding period of 2021.

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

	For the six months ended 30 June			
	2022		2021	
	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %
Sales of virtual items	289,254	60.2	128,743	56.8
— Self-developed games	286,921	60.0	123,296	55.8
— Third-party games	2,333	100.0	5,447	100.0
In-game information service	110,394	79.1	157,890	72.5
Total	399,648	64.5	286,633	64.5

Other Income

Other income increased by 81.3% from approximately RMB14.3 million for the six months ended 30 June 2021 to approximately RMB25.9 million for the six months ended 30 June 2022. The increase was primarily due to (i) the increase in revenue from the bank's interest-bearing assets and financial assets at fair value through profit or loss; and (ii) the increase in government subsidies.

Selling and Distribution Expenses

Selling and distribution expenses increased by 69.8% from approximately RMB48.4 million for the six months ended 30 June 2021 to approximately RMB82.3 million for the six months ended 30 June 2022. This increase was primarily attributable to the increase in (i) the promotion of the Group's virtual items; and (ii) the remuneration of sales staff.

Administrative Expenses

Administrative expenses increased by 12.9% from approximately RMB32.9 million for the six months ended 30 June 2021 to approximately RMB37.1 million for the six months ended 30 June 2022, primarily due to the increase in the number of the Group's offices and the rental expenses.

Research and Development Expenses

Research and development expenses increased by 32.7% from approximately RMB37.7 million for the six months ended 30 June 2021 to approximately RMB50.0 million for the six months ended 30 June 2022. The increase was primarily due to the increase in the number of R&D personnel and their salaries.

Other Expenses

Other expenses increased by 207.3% from approximately RMB0.6 million for the six months ended 30 June 2021 to approximately RMB1.8 million for the six months ended 30 June 2022. The increase was primarily due to the increase in impairment loss on accounts receivable assets.

Finance Costs

Finance costs increased by 55.9% from approximately RMB0.2 million for the six months ended 30 June 2021 to approximately RMB0.3 million for the six months ended 30 June 2022. The increase was primarily due to the increase in office lease liabilities.

Income Tax Expense

The income tax expenses for the six months ended 30 June 2022 were approximately RMB17.4 million, decreased by 50.8% from approximately RMB35.4 million as compared with the corresponding period of 2021. Such decrease was mainly attributable to the (i) withholding tax at the rate of 5% enjoyed by the Group when dividend payable by the Group's PRC subsidiaries to its Hong Kong subsidiary as the Group's Hong Kong subsidiary has obtained the Hong Kong tax resident certificate; and (ii) the impact of the applicable preferential tax rate.

Profit for the six months ended 30 June 2022

As a result of the above factors, the net profit of the Group was approximately RMB236.9 million for the six months ended 30 June 2022, representing an increase of approximately 62.5% as compared with RMB145.7 million for the six months ended 30 June 2021.

Non-HKFRS Measures — Adjusted Net Profit

The adjusted net profit for the six months ended 30 June 2022, adjusted by excluding the share-based compensation to key employees was approximately RMB238.5 million, increasing by 62.8% as compared to approximately RMB146.4 million for the first half of 2021.

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	
	2022 RMB'000	2021 RMB'000
Profit for the period	236,905	145,745
Add:		
Share-based compensation	1,554	697
Adjusted net profit	238,459	146,442

Liquidity and Capital Resources

The Group's total bank balances and cash slightly increased from approximately RMB644.7 million as at 31 December 2021 to approximately RMB709.9 million as at 30 June 2022.

As at 30 June 2022, current assets of the Group amounted to approximately RMB1,604.0 million, including bank balances and cash of approximately RMB709.9 million and other current assets of approximately RMB894.1 million. Current liabilities of the Group amounted to approximately RMB196.7 million, including trade payables and contract liabilities of approximately RMB110.1 million and other current liabilities of approximately RMB86.6 million. As at 30 June 2022, the current ratio (the current assets to current liabilities ratio) of the Group was 8.1, as compared with 6.0 as at 31 December 2021.

As at 30 June 2022, the Group had no borrowings (31 December 2021: RMB9.1 million).

As the Group has no borrowings as at 30 June 2022, the gearing ratio (calculated by dividing total debt by total equity) as at 30 June 2022 was nil while the gearing ratio as at 31 December 2021 was 0.7%.

Capital Expenditures

For the six months ended 30 June 2022, the capital expenditures of the Group amounted to approximately RMB12.8 million, which were primarily used for equity investment in other companies in the sum of RMB10.7 million and for the purchase of office equipment in a sum of RMB1.8 million.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2022.

Pledge of Assets

As at 30 June 2022, 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

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the six months ended 30 June 2022.

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

EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2022 and up to the date of this interim report.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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 2022, save for deviation from code provision C.2.1 of the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

Mr. Ye Sheng is both the chairman of the Board and the chief executive officer of the Group. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises five other experienced and high-calibre individuals including another two executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from code provision C.2.1 of the Corporate Governance Code is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company established the Audit Committee 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 2022 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

The interim results for the six months ended 30 June 2022 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 2022, the Company repurchased a total of 470,000 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\$	
30 May 2022	470,000	1.42	1.28	650,600

As at 30 June 2022, 470,000 Shares were repurchased and to be cancelled.

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 2022.

CHANGE OF INFORMATION OF DIRECTORS

In accordance with Rule 13.51(B)(1) of the Listing Rules, the Company is required to disclose changes in information of Directors subsequent to the date of the 2021 annual report. The change in information of Directors since the date of the 2021 annual report of the Company is set out below:

Name of Director	Details of Change
Ye Sheng	(1) Ceased to act as an executive director and general manager of Zhuhai Zhangyou Technology Company Limited* (珠海市掌遊科技有限公司) with effect from 5 May 2022
Yang Min	(1) Ceased to act as a supervisor of Zhuhai Zhangyou Technology Company Limited with effect from 5 May 2022
Jin Shuhui	(1) Revised Director's fee to RMB150,000 per annum with effect from 1 May 2022
Mao Zhonghua	(1) Revised Director's fee to RMB150,000 per annum with effect from 1 May 2022
Yang Yi	(1) Revised Director's fee to RMB150,000 per annum with effect from 1 May 2022

STRUCTURED CONTRACTS

Please refer to the section headed "Structured Contracts" in the Prospectus for details. For the six months ended 30 June 2022, 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 2022, all the net proceeds of approximately HK\$206.5 million had been fully utilized by the Group for the purposes set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 3 April 2019 and the supplemental announcement of the Company dated 2 August 2022.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2022, the Group had approximately 494 employees (490 as at 31 December 2021). 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 2022.

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

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(i) Long position in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽⁶⁾
Mr. Ye Sheng	Founder of a discretionary trust ⁽¹⁾	231,712,000	22.78%
	Beneficial owner ⁽²⁾	2,000,000	0.20%
Mr. Yang Min	Founder of a discretionary trust ⁽³⁾	197,604,100	19.43%
	Beneficial owner ⁽⁴⁾	2,000,000	0.20%
Ms. Xiong Mi	Beneficial owner ⁽⁵⁾	3,237,021	0.32%

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) On 3 June 2021, 2,000,000 share options were granted to Mr. Ye Sheng under the Share Option Scheme. Upon full exercise of such options, Mr. Ye Sheng will be beneficially interested in 2,000,000 Shares.
- (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, Mr. Yang Min is deemed to be interested in all the Shares held by J&L Y Limited.
- (4) On 3 June 2021, 2,000,000 share options were granted to Mr. Yang Min under the Share Option Scheme. Upon full exercise of such options, Mr. Yang Min will be beneficially interested in 2,000,000 Shares.
- (5) Ms. Xiong Mi was interested in 3,237,021 Shares in total which comprise 3,037,021 Shares as a result of holding RSUs under the RSU Scheme approved and adopted by the Board on 9 October 2018 and 200,000 Shares as a result of holding share options of the Company under the Share Option Scheme.
- (6) The percentage is calculated based on the total number of 1,016,958,187 Shares in issue as at 30 June 2022.

(ii) Long position in associated corporation

Zen-Game Shenzhen

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

Notes:

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

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽¹¹⁾
Sky-zen Capital Limited ⁽¹⁾	Beneficial owner	231,712,000	22.78%
Ms. Xie Yingying ⁽²⁾	Interest of spouse	233,712,000	22.98%
YS Limited ⁽¹⁾	Nominee for another person (other than a bare trustee)	231,712,000	22.78%
J&L Y Limited ⁽³⁾	Beneficial owner	197,604,100	19.43%
Ms. Jiang Qian ⁽⁴⁾	Interest of spouse	199,604,100	19.63%
Y&J Family Limited ⁽³⁾	Nominee for another person (other than a bare trustee)	197,604,100	19.43%
D Fun Limited ⁽⁵⁾	Beneficial owner	165,201,300	16.24%
Ms. Zhang Wei ⁽⁵⁾	Founder of a discretionary trust	165,201,300	16.24%
Mr. Zeng Liqing ⁽⁶⁾	Interest of spouse	165,201,300	16.24%
Bonaza Limited ⁽⁵⁾	Nominee for another person (other than a bare trustee)	165,201,300	16.24%
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%
BAO TRUST ⁽⁷⁾	Trustee	90,860,920	8.93%

Corporate Governance and Other Information

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽¹¹⁾
TCT (BVI) Limited	Other ⁽¹⁰⁾	231,712,000	22.78%
	Other ⁽¹⁰⁾	197,604,100	19.43%
	Other ⁽¹⁰⁾	165,201,300	16.24%
	Other ⁽¹⁰⁾	493,563	0.05%
	Other ⁽¹⁰⁾	22,646,000	2.23%
The Core Trust Company Limited	Trustee ⁽¹⁾	231,712,000	22.78%
	Trustee ⁽³⁾	197,604,100	19.43%
	Trustee ⁽⁵⁾	165,201,300	16.24%
	Trustee ⁽⁸⁾	493,563	0.05%
	Trustee ⁽⁹⁾	22,646,000	2.23%

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, comprising (i) interest in 231,712,000 Shares in the capacity of the founder of a discretionary trust and (ii) interest in 2,000,000 Shares in the capacity of the beneficial owner, 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, comprising (i) interest in 197,604,100 Shares in the capacity of the founder of a discretionary trust and (ii) interest in 2,000,000 Shares in the capacity of the beneficial owner, 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 (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) Zen Employee Benefit Limited is wholly-owned by TCT (BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited, the trustee under the Share Award Scheme.
- (10) Certain Shares were held by Sky-zen Capital Limited (22.78%), J&L Y Limited (19.43%), D Fun Limited (16.24%), Hezhong Power Limited (0.05%) and Zen Employee Benefit Limited (2.23%), pursuant to certain discretionary trusts established, the RSU Scheme and the Share Award 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, Hezhong Power Limited and Zen Employee Benefit 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 and the Share Award Scheme.
- (11) The percentage is calculated based on the total number of 1,016,958,187 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any person (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

RSU SCHEME

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.

Corporate Governance and Other Information

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Scheme during the six months ended 30 June 2022 by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Closing price immediately before the date of grant	Outstanding at 1 January 2022	Granted during the six months ended 30 June 2022	Exercised during the six months ended 30 June 2022	Lapsed/ cancelled during the six months ended 30 June 2022	Outstanding at 30 June 2022
Directors								
Mr. Ye Sheng	3 June 2021	HK\$1.29	HK\$1.24	2,000,000	–	–	–	2,000,000
Mr. Yang Min	3 June 2021	HK\$1.29	HK\$1.24	2,000,000	–	–	–	2,000,000
Employees	3 June 2021	HK\$1.29	HK\$1.24	11,390,000	–	(7,750)	(104,000)	11,278,250
Total				15,390,000	–	(7,750)	(104,000)	15,278,250

For share options granted on 3 June 2021, all of them are with the same exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Vesting date	Percentage of share options to vest
3 June 2022	25% of the total number of share options granted
3 June 2023	25% of the total number of share options granted
3 June 2024	25% of the total number of share options granted
3 June 2025	25% of the total number of share options granted

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the six months ended 30 June 2022.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 24 June 2021 (the “**Adoption Date**”) to recognize the contributions by certain selected participants, encourage and retain such individuals to work with the Company, provide additional incentive for them to achieve their performance goals, attract suitable personnel for further development of the Group and motivate them to maximize the value of the Company for the benefit of both the selected participants and the Company.

The administration committee of the Share Award Scheme may, from time to time, determine the number of restricted shares to be granted and at its absolute discretion select any participant to be a selected participant under the Share Award Scheme. The restricted shares shall be either (i) allotted and issued by the Company, by using the general mandate granted to the Board by the shareholders of the Company in the annual general meeting of the Company from time to time, unless separate shareholders’ approval is obtained in a general meeting of the Company; or (ii) acquired by The Core Trust Company Limited, as the trustee (“**Trustee**”) from the open market by utilising the Company’s resources provided to the Trustee, subject to the absolute discretion of the administration committee or the Trustee.

It is intended that the restricted shares under the Share Award Scheme will be offered to the selected participants for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the administration committee at the time of grant of the restricted shares under the Share Award Scheme.

The maximum total number of restricted shares which may be granted under the Share Award Scheme shall not exceed five (5)%, and the maximum total number granted to an individual selected participant shall not exceed one (1)%, of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination of the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

The principal terms of the Share Award Scheme are set forth in the announcement made by the Company dated 24 June 2021.

During the six months ended 30 June 2022, the Trustee purchased 2,224,000 Shares at a total consideration of HK\$2,734,920 (equivalent to RMB2,259,976) and as of 30 June 2022, the Trustee purchased a cumulative total of 23,026,000 Shares from the open market for the purpose of the Share Award Scheme and no restricted shares were granted, vested or lapsed under the Share Award Scheme.

INDEPENDENT REVIEW REPORT



27/F, One Taikoo Place,
979 King's Road,
Quarry Bay,
Hong Kong

To the board of directors of Zengame Technology Holding Limited

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 27 to 53, 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 2022 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

22 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	619,786	444,223
Cost of sales		(220,138)	(157,590)
Gross profit		399,648	286,633
Other income and gains		25,934	14,307
Selling and distribution expenses		(82,270)	(48,449)
Administrative expenses		(37,124)	(32,885)
Research and development costs		(49,983)	(37,675)
Other expenses		(1,758)	(572)
Finance costs		(329)	(211)
Share of profits and losses of:			
Joint ventures		391	—
Associates		(186)	—
PROFIT BEFORE TAX	5	254,323	181,148
Income tax expense	6	(17,418)	(35,403)
PROFIT FOR THE PERIOD		236,905	145,745
Attributable to:			
Owners of the parent		237,010	145,745
Non-controlling interests		(105)	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	RMB0.24	RMB0.14
Diluted		RMB0.24	RMB0.14

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

Notes	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	236,905	145,745
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	115	(1,526)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	115	(1,526)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")	2,029	75
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	2,144	(1,451)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	239,049	144,294
Attributable to:		
Owners of the parent	239,154	144,294
Non-controlling interests	(105)	—

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	9	7,784	8,024
Right-of-use asset		7,918	9,072
Intangible assets		1,472	1,729
Investments in associates		4,393	4,579
Investments in Joint ventures		9,965	7,574
Equity investments designated at FVOCI		32,940	21,476
Long-term prepayments, deposits and other receivables		7,620	9,210
Deferred tax assets		50	454
Total non-current assets		72,142	62,118
CURRENT ASSETS			
Trade receivables	10	213,250	192,837
Contract costs		30,183	20,100
Financial assets at fair value through profit or loss	11	219,982	101,102
Prepayments, deposits and other receivables		70,702	61,978
Time deposits with original maturity of over three months		360,000	405,000
Cash and cash equivalents		709,869	644,709
Total current assets		1,603,986	1,425,726
CURRENT LIABILITIES			
Trade payables	12	15,664	14,982
Contract liabilities		94,450	59,183
Other payables and accruals		72,933	101,238
Interest-bearing bank borrowings		—	9,120
Lease liabilities		6,381	6,408
Tax payable		7,333	46,544
Total current liabilities		196,761	237,475
NET CURRENT ASSETS		1,407,225	1,188,251
TOTAL ASSETS LESS CURRENT LIABILITIES		1,479,367	1,250,369
NON-CURRENT LIABILITIES			
Lease liabilities		1,747	2,945
Deferred tax liabilities		13,383	22,202
Total non-current liabilities		15,130	25,147
Net assets		1,464,237	1,225,222
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	8,942	8,946
Treasury shares		(24,736)	(22,476)
Other reserves		1,478,900	1,238,752
Non-controlling interests		1,131	—
Total equity		1,464,237	1,225,222

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent										Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Fair value reserve of financial assets at FVOCI RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 31 December 2021 (audited)	8,946	(22,476)	118,545	29,888	1,930	(1,390)	527	1,089,252	1,225,222	-	1,225,222
Profit for the period	-	-	-	-	-	-	-	237,010	237,010	(105)	236,905
Other comprehensive income for the period:											
Change in fair value of equity investments designated at FVOCI	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	-	2,029	-	-	2,029	-	2,029
	-	-	-	-	-	-	115	-	115	-	115
Total comprehensive income for the period	-	-	-	-	-	2,029	115	237,010	239,154	(105)	239,049
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	1,236	1,236
Annual 2021 dividend	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	17,581	-	-	-	(17,581)	-	-	-
Equity-settled share-based payment	(4)	-	15	-	1,541	-	-	-	1,552	-	1,552
Shares repurchased	-	(2,260)	(10)	-	-	-	-	(552)	(2,822)	-	(2,822)
At 30 June 2022 (unaudited)	8,942	(24,736)	118,550*	47,469*	3,471*	639*	642*	1,308,129*	1,463,106	1,131	1,464,237

continued/...

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent										
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Fair value reserve of financial assets at FVOCI RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2020 (audited)	8,946	—	167,757	27,000	590	(1,648)	2,165	591,797	796,607	—	796,607
Profit for the period	—	—	—	—	—	—	—	145,745	145,745	—	145,745
Other comprehensive income for the period:	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of equity investments designated at FVOCI	—	—	—	—	—	75	—	—	(75)	—	75
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	—	—	(1,526)	—	(1,526)	—	(1,526)
Total comprehensive income for the period	—	—	—	—	—	75	(1,526)	145,745	144,294	—	144,294
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—
Annual 2020 dividend	—	—	(50,446)	—	—	—	—	—	(50,446)	—	(50,446)
Transfer to statutory surplus reserve	—	—	—	—	—	—	—	—	—	—	—
Equity-settled share-based payment	—	—	978	—	(281)	—	—	—	697	—	697
Shares repurchased	—	—	—	—	—	—	—	—	—	—	—
At 30 June 2021 (unaudited)	8,946	—	118,289*	27,000*	309*	(1,573)*	639*	737,542*	891,152	—	891,152

* These reserve accounts comprise the consolidated reserves of RMB1,478,900,000 and RMB882,206,000 in the consolidated statement of financial position as at 30 June 2022 and 30 June 2021, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		254,323	181,148
Adjustments for:			
Finance costs		329	211
Interest income		(8,560)	(5,263)
Fair value gains on financial assets at fair value through profit or loss ("FVPL")		(9,231)	(5,017)
Depreciation of property and equipment	5	2,042	1,274
Share of profits of joint ventures		(391)	—
Share of losses of associates		186	—
Loss on disposal of items of property and equipment		38	2
Depreciation of right-of-use assets	5	3,581	1,584
Amortisation of other intangible assets	5	541	192
Equity-settled share-based payment expenses		1,544	697
Impairment of trade receivables		1,173	557
		245,575	175,385
Increase in trade receivables		(21,586)	(76,239)
Increase in contract costs		(10,083)	(13,492)
Increase in prepayments, deposits and other receivables		(2,164)	(8,961)
Decrease/(increase) in long term prepayments, deposits and other receivables		1,590	(1,440)
Increase in trade payables		682	8,765
Increase in contract liability		35,267	36,691
(Decrease)/increase in other payables and accruals		(29,909)	29,859
Cash generated from operations		219,372	150,568
Income tax paid		(64,153)	(16,466)
Interest paid classified as operating cash flows		(202)	—
Net cash flows generated from operating activities		155,017	134,102

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

		Six months ended 30 June	
	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		2,006	5,263
Purchases of items of property and equipment	9	(1,844)	(1,895)
Proceeds from disposal of items of property and equipment		4	—
Additions to other intangible assets		(284)	—
Purchases of investments in associates		—	(3,000)
Purchases of investments in joint ventures		(2,000)	(1,000)
Purchases of FVOCI		(8,720)	(16,606)
Decrease/(increase) in time deposits with original maturity of over three months		45,000	(11,085)
Purchases of financial assets at FVPL		(226,193)	(105,984)
Receipt from maturity of financial asset at FVPL		116,543	32,250
		(75,488)	(102,057)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Capital contribution by non-controlling shareholders		1,236	—
Principal portion of lease payments		(3,652)	(1,556)
Dividends paid		—	(50,446)
New bank loans		—	12,000
Repayment of bank loans		(9,120)	(720)
Shares repurchased		(2,822)	—
Interest paid		(126)	(211)
		(14,484)	(40,933)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		65,045	(8,888)
Cash and cash equivalents at beginning of period		644,709	284,921
Effect of foreign exchange rate changes, net		115	(1,526)
		709,869	274,507
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Unrestricted bank balances and cash		709,869	274,507
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS			
		709,869	274,507

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 2021, 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>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

30 June 2022

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

30 June 2022

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

Revenue from a customer which amounted to more than 10% of the Group's revenue during the six months ended 30 June 2022 and 2021 are set out below:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	71,439	79,220
Customer B	NA*	71,210

* 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.

30 June 2022

4. REVENUE

Revenue from contracts with customers

(a) Disaggregated revenue information

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Types of goods or services		
Self-developed games	477,900	221,068
Third-party games	2,333	5,447
In-game information service	139,553	217,708
	<hr/>	<hr/>
Total revenue from contracts with customers	619,786	444,223
	<hr/>	<hr/>
Timing of revenue recognition		
Services transferred over time	619,786	444,223
	<hr/>	<hr/>

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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	59,183	6,784
	<hr/>	<hr/>

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

4. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

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

Virtual items in self-developed games

The performance obligation of the operation of self-developed games is satisfied over the estimated average playing period of Paying Players as the customer simultaneously receives and consumes in-game virtual items provided by the entity's performance as the entity performs.

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

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.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2022 and 31 December 2021 are as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Year ended 31 December 2021 RMB'000 (Audited)
Within one year	94,450	59,183

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.

30 June 2022

5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Services fee charged by distribution platforms and payment vendors		157,614	85,666
Cost of in-game information service		19,006	59,818
New media costs		36,884	6,686
Promotion expenses		82,270	48,449
Depreciation of property and equipment	9	2,042	1,274
Depreciation of right-of-use assets		3,581	1,584
Amortisation of intangible assets		541	192
Research and development costs		49,983	37,675
Impairment of trade receivables*		1,173	557
Auditors' remuneration		600	350
Equity-settled share-based payment expenses		1,554	697
Loss on disposal of items of property and equipment		38	2

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

6. INCOME TAX

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

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

Zen-Game Shenzhen was qualified as "High and New Technology Enterprises" under the EIT Law since year 2019. Accordingly it was entitled to a preferential income tax rate of 15% for a 3-year period since 31 December 2019. Zen-Game Shenzhen is renewing its qualification in 2022. The management expects that Zen-Game Shenzhen will still be qualified as "High and New Technology Enterprises" for 2022. Therefore, it expected the applicable tax rate to be 15% for the six months ended 30 June 2022.

Shenzhen Laiwan Technology Company Limited (hereafter, "Shenzhen Laiwan") was accredited as a "software enterprise" in 2019 under the relevant PRC laws and regulations with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Therefore, Shenzhen Laiwan was exempted from income tax for its first two profitable years (i.e., 2019 and 2020) and was entitled to a preferential income tax rate of 12.5% from 2021 to 2023.

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

6. INCOME TAX (Continued)

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

HAINAN TIAN TIAN LAI WAN TECHNOLOGY CO., LTD. (hereafter, “Hainan Tiantianlaiwan”) was established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Tiantianlaiwan was 15% for the six months ended 30 June 2022.

Shenzhen Metaverse Technology Co., Ltd. (hereafter, “Metaverse”) was qualified as a “software enterprise” in 2021 under the relevant PRC Laws and regulations with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Therefore, Metaverse was exempted from income tax for its first two profitable years (i.e. 2021 and 2022) and was entitled to a preferential income tax rate of 12.5% from 2023 to 2025.

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

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	26,547	35,936
Deferred tax	(9,129)	(533)
Total tax charge for the period	17,418	35,403

7. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022 (for six months ended 30 June 2021: nil).

30 June 2022

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021.

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

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<hr/>		
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	237,010	145,745
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	996,436,157	1,017,444,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	3,254,090	—**
	999,690,247*	1,017,444,000

* The diluted earnings per share amounts are based on the profit for the period of RMB237,010,000, and the weighted average number of ordinary shares of 999,690,247 in issue during the period.

** No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2021 as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

9. PROPERTY AND EQUIPMENT

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
30 June 2022 (Unaudited)				
At 1 January 2022:				
Cost	6,821	7,591	1,822	16,234
Accumulated depreciation	(2,721)	(4,149)	(1,340)	(8,210)
Net carrying amount	4,100	3,442	482	8,024
At 1 January 2022, net of accumulated depreciation	4,100	3,442	482	8,024
Additions	832	1,012	—	1,844
Disposal	(42)	—	—	(42)
Depreciation provided during the year (note 5)	(917)	(1,028)	(97)	(2,042)
At 30 June 2022, net of accumulated depreciation	3,973	3,426	385	7,784
At 30 June 2022:				
Cost	7,598	8,603	578	16,779
Accumulated depreciation	(3,625)	(5,177)	(193)	(8,995)
Net carrying amount	3,973	3,426	385	7,784

30 June 2022

9. PROPERTY AND EQUIPMENT (Continued)

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021 (Audited)				
At 1 January 2021:				
Cost	3,234	7,466	1,243	11,943
Accumulated depreciation	(2,119)	(3,212)	(1,214)	(6,545)
Net carrying amount	1,115	4,254	29	5,398
At 1 January 2021, net of accumulated depreciation	1,115	4,254	29	5,398
Additions	3,964	987	578	5,529
Disposal	6	—	—	6
Depreciation provided during the year (note 5)	(973)	(1,800)	(124)	(2,897)
At 31 December 2021, net of accumulated depreciation	4,100	3,441	483	8,024
At 31 December 2021:				
Cost	6,821	7,590	1,823	16,234
Accumulated depreciation	(2,721)	(4,149)	(1,340)	(8,210)
Net carrying amount	4,100	3,441	483	8,024

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

10. TRADE RECEIVABLES

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

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 90 days	210,485	177,688
91 to 180 days	1,561	11,580
181 days to 1 year	514	1,818
1 year to 2 years	690	1,751
	213,250	192,837

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Wealth management products issued by licensed banks, at fair value	219,982	101,102
	219,982	101,102

Wealth management products were denominated in RMB, with an expected rate of return ranging from 1.7% to 3.5% and 2.29% to 3.50% per annum for the six months ended 30 June 2022 and year ended 31 December 2021, 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 categorized within Level 2 of the fair value hierarchy.

30 June 2022

12. TRADE PAYABLES

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 3 months	13,708	13,573
3 to 6 months	900	198
6 months to 1 year	458	448
1 year to 2 years	598	763
	15,664	14,982

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

13. SHARE CAPITAL**Shares**

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Authorized: 50,000,000,000 ordinary shares of HK\$0.01 each as at 30 June 2022 (2021: 50,000,000,000 ordinary shares)	440,000	440,000
Issued and fully paid: 995,686,187 ordinary shares as at 30 June 2022 (2021: 996,642,000 ordinary shares)	8,942	8,946

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

13. SHARE CAPITAL (Continued)

Shares (Continued)

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

	Notes	Number of shares in issue	Share capital RMB'000
At 31 December 2021 (Audited) and 1 January 2022		996,642,000	8,946
Cancellation of shares	(a)	(493,563)	(4)
Share options exercised	(b)	7,750	—
Shares repurchased	(c)	(470,000)	—
At 30 June 2022 (Unaudited)		995,686,187	8,942

- (a) Cancellation of lapsed restricted share units in respect of 493,563 shares under the RSU Scheme.
- (b) The subscription rights attaching to 7,750 share options were exercised at the subscription price of HK\$1.29 per Share, resulting in the issue of 7,750 Shares for a total cash consideration, before expenses, of HK\$9,998 (equivalent to RMB8,222). An amount of RMB2,996 was transferred from the share option reserve to share capital upon the exercise of the share options.
- (c) The Company repurchased 470,000 Shares on the Stock Exchange at a total consideration of HK\$650,600 (equivalent to RMB552,132), which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The Core Trust Company Limited 匯聚信託有限公司, being the trustee of the Zengame Technology Holding Limited Restricted Share Award Scheme Trust, purchased 2,224,000 Shares on the Stock Exchange at a total consideration of HK\$2,734,920 (equivalent to RMB2,259,976), which is held on trust for the selected participants under the share award scheme adopted on 24 June 2021 and accounted for as treasury shares. No share award were granted as at 30 June 2022.

14. COMMITMENTS

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

30 June 2022

15. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

i. Transactions with related parties

		2022	2021
		RMB'000	RMB'000
Joint ventures:			
Promotion service fee	(a)	59	1

(a) The expenditures of promotion service fee were mainly used for the purpose of expanding player base and promoting new games.

ii. Outstanding balances with related party

The Group had an outstanding balance due from its joint ventures and associates of RMB23,000 (31 December 2021: RMB124,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

iii. Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	3,668	2,685
Equity-settled share-based payment expense	616	350
Pension scheme contributions	108	168
	4,392	3,203

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

30 June 2022 (Unaudited)

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Equity investments designated at FVOCI	—	—	32,940	32,940
Trade receivables	213,250	—	—	213,250
Financial assets included in prepayments, deposits and other receivables	37,757	—	—	37,757
Financial assets included in long-term prepayments, deposits and other receivables	7,620	—	—	7,620
Financial assets at FVPL	—	219,982	—	219,982
Time deposits with original maturity of over three months	360,000	—	—	360,000
Cash and cash equivalents	709,869	—	—	709,869
	1,328,496	219,982	32,940	1,581,418
Financial liabilities				Financial liabilities at amortised cost RMB'000
Trade payables				15,663
Financial liabilities included in other payables and accruals				61,796
Financial liabilities included in lease liabilities				8,128
				85,587

30 June 2022

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

31 December 2021 (Audited)

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Equity investments designated at FVOCI	—	—	21,476	21,476
Trade receivables	192,837	—	—	192,837
Financial assets included in prepayments, deposits and other receivables	27,246	—	—	27,246
Financial assets included in long-term prepayments, deposits and other receivables	9,210	—	—	9,210
Financial assets at FVPL	—	101,102	—	101,102
Time deposits with original maturity of over three months	405,000	—	—	405,000
Cash and cash equivalents	644,709	—	—	644,709
	1,279,002	101,102	21,476	1,401,580
Financial liabilities				Financial liabilities at amortised cost RMB'000
Trade payables				14,982
Financial liabilities included in other payables and accruals				79,776
Interest-bearing bank borrowings				9,120
Lease liabilities				9,353
				113,231

30 June 2022

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

As at 30 June 2022 and 31 December 2021 the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

(a) Financial instruments in Level 1

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

(b) Financial instruments in Level 2

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

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

30 June 2022

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

(c) Financial instruments in Level 3

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at FVOCI :				
Non-listed equity investment	—	—	32,940	32,940
Financial assets at FVPL	—	219,982	—	219,982
	—	219,982	32,940	252,922

30 June 2022

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)**(c) Financial instruments in Level 3** (Continued)**Fair value hierarchy** (Continued)**As at 31 December 2021 (Audited)**

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at FVOCI :				
Non-listed equity investment	—	—	21,476	21,476
Financial assets at FVPL	—	101,102	—	101,102
	—	101,102	21,476	122,578

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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Equity investments designated at FVOCI:		
At 1 January	21,476	3,600
Total gains recognised in other comprehensive income	2,744	270
Transfer out of the third level to Investments in		
Associates	—	(1,500)
Purchases	8,720	19,106
Disposals	—	—
At 30 June & 31 December	32,940	21,476

30 June 2022

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

(c) Financial instruments in Level 3 (Continued)

Fair value hierarchy (Continued)

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

	Valuation technique	Significant unobservable input	Range of inputs	
			As at 30 June 2022	As at 31 December 2021
Equity investments designated at FVOCI:				
Non-listed equity investment	Market approach	Discount for lack of marketability %	30	30

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 August 2022.

DEFINITIONS

“ARPPU”	monthly average revenue per paying user, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Company”	Zengame Technology Holding Limited (禪遊科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 August 2018
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“DAU”	daily active users
“Director(s)”	the director(s) of the Company
“Foreign Investment Law”	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) which has become effective on 1 January 2020
“Free-to-Play”	a business model which players can play games for free, but may need to pay for virtual items sold in games to enhance their game experience
“Group”	collectively, the Company and its subsidiaries
“HK\$”, “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“MAU”	monthly active users
“MITT”	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 paying users
“Prospectus”	the prospectus issued by the Company dated 3 April 2019
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	the restricted share unit(s) to be granted under the RSU Scheme
“RSU Nominee”	Hezhong Power Limited, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of The Core Trust Company Limited which will hold the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme
“RSU Scheme”	the restricted share unit scheme approved and adopted by a resolution of the Board dated 9 October 2018, the principal terms of which are summarized under the section headed “Statutory and General Information — F. RSU Scheme and Share Option Scheme — 1. RSU Scheme” in Appendix IV to the Prospectus
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 June 2021, the principal terms of which are summarized in the announcement made by the Company dated 24 June 2021
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 28 March 2019, the principal terms of which are summarized under the section headed “Statutory and General Information — F. RSU Scheme and Share Option Scheme — 2. Share Option Scheme” in Appendix IV to the Prospectus
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions

“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), 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.*