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Zengame Technology Holding Limited

禪遊科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2660)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors of Zengame Technology Holding Limited is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year
	31 December	2020	Change*
	2021	2020	%
	(RMB'000)	(RMB'000)	
Revenue	1,473,958	742,506	98.5
Gross profit	905,375	364,559	148.3
Gross profit margin (%)	61.4	49.1	
Profit for the period	500,343	220,968	126.4
Net profit margin (%)	33.9	29.8	
Non-HKFRS adjusted net profit**	503,003	223,217	125.3
Earnings per Share			
(expressed in RMB per Share)	0.49	0.22	122.7
Final dividend per Share			
(expressed in HKD per Share)	0.15	0.06	150.0

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

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

OPERATIONAL HIGHLIGHTS

	For the year ended	
	31 December	
	2021	2020
	('000)	('000)
All Games		
Cumulative registered players	1,301,442	1,090,674
MAU	43,237	60,466
DAU	6,890	7,906
MPU (Virtual items)	951	649
ARPPU of virtual items (RMB)	88	35
Card and Board Games		
Cumulative registered players	1,034,274	845,754
MAU	40,420	51,964
DAU	6,724	7,248
MPU (Virtual items)	940	629
ARPPU of virtual items (RMB)	81	31
Other Games		
Cumulative registered players	267,168	244,920
MAU	2,817	8,502
DAU	166	658
MPU (Virtual items)	11	19
ARPPU of virtual items (RMB)	262	183

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 2021, the mobile game industry in the PRC has entered a high-quality development channel from the stage of rapid growth, with many game manufacturers putting more focus on improving game product quality and upgrading player experience. Against such background, in 2021, the Group further optimized its product portfolio, game innovation and promotion strategies to increase user retention and in-game payment rate. As for product portfolio, we reduced our investment in hyper-casual games and put more resources in major card and board games innovation and optimization, and also worked on the development of more premium casual games. Our research and development operation team constantly add new elements to existing products, allowing long life cycle products such as card and board games to meet changing market and user demand and be more long-lasting. On one hand, we made substantial investment in product innovation of card and board games, such as launching competition mode and live telecast mode, adding innovative gameplay and quality special game effects with elements of traditional Chinese culture when players playing some special composition of cards or boards in our games, bringing brand new gaming experience for users. In addition, we added new gameplay for the card and board games to constantly enrich players' gaming experience, such as innovative rules including "additional flower tiles" for The Fingertip Sichuan Mahjong (指尖四川麻將), and "treasury cards for multiple winning chances", "multiple combinations of cards", and "card solitaire among four players" for Fight the Landlord (禪遊鬥地主). 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 2021, in addition to maintaining the leading position of our Fight the Landlord series in the market, we have made great breakthroughs in our Mahjong series. The revenue generated from our board games has increased from approximately RMB64.4 million for the year ended 31 December 2020 to approximately RMB918.0 million for the year ended 31 December 2021, representing an increase of 13.3 times, making board games one of the Group's flagship products. The Fingertip Sichuan Mahjong (指尖四川麻將) was also highly popular and loved by players, and it had ranked top 2 on the iOS bestselling board games in

China and top 1 for livestreaming card and board games on Douyin. In 2021, we launched seven new games, among which, three are card and board games and four are casual games. As at 31 December 2021, we had 53 self-developed games and 10 third-party games, among which 19 are card games, 28 are board games and 26 are other casual games, respectively.

In terms of business development, the Group optimized and enhanced the product experience of existing games, and at the same time expanded sources of new users and maintained user royalty by enhancing promotion efforts in new media channels such as Douyin, Tencent Video, Kuaishou, Xigua and Toutiao. As a result, the Group recorded an increase in the cumulative registered players in 2021. We had approximately 1.3 billion cumulative registered players for the year ended 31 December 2021 as compared with approximately 1.1 billion for the year ended 31 December 2020. In addition, the Group enriched the features of in-game virtual items. As a result, for the year ended 31 December 2021, the Group's revenue from sales of virtual items amounted to approximately RMB1.0 billion, representing an increase of approximately 3.07 times as compared with approximately RMB256.3 million for the year ended 31 December 2020, and our ARPPU of virtual items increased from approximately RMB36 for the year ended 31 December 2020 to approximately RMB88 for the year ended 31 December 2021.

In terms of financial performance, as the Group constantly worked on innovation and achieved breakthroughs in new media channels in 2021, our overall revenue increased from approximately RMB742.5 million for the year ended 31 December 2020 to approximately RMB1.5 billion for the year ended 31 December 2021, representing an increase of approximately 98.5%. With the increase of revenue, the cost of sales also increased considerably, from approximately RMB377.9 million for the year ended 31 December 2020 to approximately RMB568.6 million for the year ended 31 December 2021, representing an increase of 50.4%. Our net profit has increased from approximately RMB221.0 million for the year ended 31 December 2020 to approximately RMB500.3 million for the year ended 31 December 2021, representing an increase of approximately 126.4%. Our adjusted net profit, excluding the Share-based payments, increased from approximately RMB223.2 million for the year ended 31 December 2020 to approximately RMB503.0 million for the year ended 31 December 2021, representing an increase of approximately 125.3%.

In terms of platform research and development, we continued to invest in the operation supporting platform and tools and achieved satisfactory results. We optimised supporting systems such as a complete set of distribution tool system and the data analysis system, which can significantly improve the efficiency and effectiveness of game delivery. The Group has obtained 14 new game publication numbers in 2021. As at 31 December 2021, we possessed 86 game publication numbers, 55 of which covered our card and board games and 31 of which covered our casual games. Due to the current development strategy and resources allocation of the Group, 36 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 terms of regulatory supervision, facing the more stringent and detailed regulatory policy adjustments, we have continued to strictly comply 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 cover sensitive words and block inappropriate language and content, so as to resist vulgar content such as erotica and violence. Meanwhile, we also strictly abide by relevant laws and regulations for security protection of online personal data and those relating to anti-gambling. We compiled internal policies for personal data protection, established prevention and control measures for personal data leakage, and strictly followed relevant laws and regulations to protect user privacy. 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 2022, the Group will continue to move forward following its positive development trend during the year ended 31 December 2021. We will mainly focus on the following strategies to continue our growth in the year of 2022:

- continuously strengthening our brand building and enhancing the word-of-mouth promotion of our brand, in addition to expanding promotion channels;
- increasing our effort in the innovation of existing card and board games by adding multi-element entertainment experiences;
- continuously exploring opportunities in overseas game markets and developing competitive products;
- pursuing opportunities to acquire or invest in teams which are compatible with our development strategies and continuously expanding our business boundaries and new markets; and
- continuously building a talented team with efficient learning capability and embracing a future of both uncertainties and opportunities with an open and focused attitude.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, 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 years indicated:

	For the year ended 31 December				Year-on-Year Change %
	2021		2020		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Sales of virtual items	1,043,038	70.8	256,345	34.5	306.9
— Self-developed games	1,034,814	70.2	244,797	33.0	322.7
— Third-party games	8,224	0.6	11,548	1.5	-28.8
In-game information service	430,920	29.2	486,161	65.5	-11.4
Total	1,473,958	100.0	742,506	100.0	98.5

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

	For the year ended 31 December				Year-on-Year Change %
	2021		2020		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Card games	517,868	35.1	490,863	66.1	5.5
Board games	918,032	62.3	64,397	8.7	1,325.6
Other games	38,058	2.6	187,246	25.2	-79.7
Total	1,473,958	100.0	742,506	100.0	98.5

For the year ended 31 December 2021, the Group's total revenue was approximately RMB1.4 billion, representing an increase of approximately 98.5% from approximately RMB742.5 million for the year ended 31 December 2020. This increase was primarily due to the significant increase in revenue generated from the Group's sales of virtual items.

The Group's revenue derived from the sales of virtue items increased by 306.9% from approximately RMB256.3 million for the year ended 31 December 2020 to approximately RMB1.0 billion for the year ended 31 December 2021. On the other hand, the Group's revenue derived from in-game information service decreased by 11.4% from approximately RMB486.2 million for the year ended 31 December 2020 to RMB430.9 million for the year ended 31 December 2021. This was mainly due to the reduction of information service revenue from hyper-casual games.

Cost of Sales

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

	For the year ended		Year-on-Year Change %
	31 December 2021 (RMB'000)	2020 (RMB'000)	
Payment channel costs	150,294	70,496	113.2
Distribution platform costs	250,305	54,790	356.8
Information service costs	90,683	240,813	-62.3
New media costs	61,359	—	—
Others	15,942	11,848	34.6
Total	568,583	377,947	50.4

For the year ended 31 December 2021, the cost of sales was approximately RMB568.6 million, representing an increase of approximately 50.4% from approximately RMB377.9 million for the year ended 31 December 2020. This was mainly attributable to the increases in payment channel costs and the profit sharing of the distribution platform brought by the increase in sales revenue, while the Company increased new media costs to expand its sales.

Gross Profit and Gross Profit Margin

Gross profit increased by 148.3% from approximately RMB364.6 million for the year ended 31 December 2020 to approximately RMB905.4 million for the year ended 31 December 2021, which was in line with the growth of the Group's business. The gross profit margin increased by 12.3% from 49.1% for the year ended 31 December 2020 to 61.4% for the year ended 31 December 2021. The increase in the gross profit margin was primarily due to the higher gross profit of the new media business than that for the traditional model.

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

	For the year ended 31 December			
	2021		2020	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Sales of virtual items				
— Self-developed games	556,914	53.8	107,663	44.0
— Third-party games	8,224	100.0	11,548	100.0
In-game information service	<u>340,237</u>	79.0	<u>245,348</u>	50.5
Total	<u><u>905,375</u></u>	61.4	<u><u>364,559</u></u>	49.1

Other Income

Other income increased by 17.6% from approximately RMB27.3 million for the year ended 31 December 2020 to approximately RMB32.1 million for the year ended 31 December 2021. The increase was primarily due to the increases in bank interest income and fair value gains on financial assets at fair value through profit or loss.

Selling and Distribution Expenses

Selling and distribution expenses increased by 157.1% from approximately RMB68.3 million for the year ended 31 December 2020 to approximately RMB175.6 million for the year ended 31 December 2021. Such increase was primarily due to the increases in the promotion expenses for virtual items and the remuneration of salespersons.

Administrative Expenses

Administrative expenses increased by 109.8% from approximately RMB30.9 million for the year ended 31 December 2020 to approximately RMB64.8 million for the year ended 31 December 2021, primarily due to an increase of RMB29.7 million in employment benefits-related expenses and the increase in the depreciation of assets (including lease assets).

Research and Development Expenses

Research and development expenses increased by 71.9% from approximately RMB53.8 million for the year ended 31 December 2020 to approximately RMB92.5 for the year ended 31 December 2021. The increase was primarily due to the increase in the remuneration of our research and development employees.

Other Expenses

Other expenses increased by 166.7% from approximately RMB1.2 million for the year ended 31 December 2020 to approximately RMB3.2 million for the year ended 31 December 2021. The increase was mainly due to the reversal of the impairment of trade receivables and the investment loss in associates and joint ventures.

Finance Costs

Finance costs increased by 27.7% from approximately RMB0.5 million for the year ended 31 December 2020 to approximately RMB0.6 million for the year ended 31 December 2021. Such increase was primarily relating to interest on lease liabilities and interest on bank loans.

Income Tax Expense

The income tax expenses increased from approximately RMB16.2 million for the year ended 31 December 2020 to approximately RMB98.5 million for the year ended 31 December 2021, representing an increase of RMB82.3 million or approximately 507.2%. Such significant increase was mainly attributable to the increase in the Group's taxable income.

Profit for the year ended 31 December 2021

As a result of the above factors, the net profit of the Group was approximately RMB500.3 million for the year ended 31 December 2021, representing an increase of approximately 126.4% as compared with RMB221.0 million for the year ended 31 December 2020.

Non-HKFRS Measures — Adjusted Net Profit

The adjusted net profit for the year ended 31 December 2021, adjusted by Share-based compensation, was approximately RMB503.0 million, increased by 125.3% as compared to approximately RMB223.2 million for the year ended 31 December 2020.

The following table sets out the adjusted net profit as well as the calculation process based on non-HKFRS for the years ended 31 December 2021 and 2020:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	500,343	220,968
Add:		
Share-based compensation	2,660	2,249
	<u>503,003</u>	<u>223,217</u>
Adjusted net profit	<u>503,003</u>	<u>223,217</u>

Liquidity and Capital Resources

The Group's total bank balances and cash increased from approximately RMB608.8 million as at 31 December 2020 to approximately RMB1.0 billion as at 31 December 2021. Such significant increase in total bank balances and cash during the year ended 31 December 2021 was primarily resulted from the increase in cash balance from operating profit.

As at 31 December 2021, current assets of the Group amounted to approximately RMB1.4 billion, primarily consisting bank balances and cash of approximately RMB1.0 billion and financial assets at fair value through profit or loss of approximately RMB101.1 million. Current liabilities of the Group amounted to approximately RMB237.5 million, primarily consisting other payables and accruals of approximately RMB101.2 million and trade payables and contract liabilities of approximately RMB74.2 million. As at 31 December 2021, the current ratio (the current assets to current liabilities ratio) of the Group was 6.0, as compared with 14.3 as at 31 December 2020.

As at 31 December 2021, the Group had borrowings amounting to approximately RMB9.1 million (31 December 2020: nil). In April 2021, the Group obtained a bank loan of RMB12.0 million at an interest rate of 0.65% above the one-year loan prime rate. The said loan will be due in April 2022.

As a result of the aforementioned borrowings, the gearing ratio is calculated by dividing total debt (being interest-bearing bank borrowings) by total equity. As at 31 December 2021, the gearing ratio was 0.7% (31 December 2020: nil).

Capital Expenditures

For the year ended 31 December 2021, the capital expenditures of the Group amounted to approximately RMB6.8 million, which were primarily used to purchase office facilities and office software.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2021.

Pledge of Assets

As at 31 December 2021, the Group did not pledge any assets.

Future Plan for Material Investments and Capital Assets

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

Significant Investments, Acquisitions and Disposals

Save as disclosed in this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the year ended 31 December 2021.

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
REVENUE	4	1,473,958	742,506
Cost of sales		<u>(568,583)</u>	<u>(377,947)</u>
Gross profit		905,375	364,559
Other income and gains	4	32,082	27,349
Selling and distribution expenses		(175,628)	(68,305)
Administrative expenses		(64,797)	(30,890)
Research and development costs		(92,531)	(53,816)
Other expenses		(3,241)	(1,150)
Finance costs		<u>(637)</u>	<u>(499)</u>
Share of profits and losses of:			
associates		(1,366)	—
joint ventures		<u>(421)</u>	<u>(60)</u>
PROFIT BEFORE TAX	5	598,836	237,188
Income tax expense	6	<u>(98,493)</u>	<u>(16,220)</u>
PROFIT FOR THE YEAR		500,343	220,968
Attributable to:			
Owners of the parent		<u>500,343</u>	<u>220,968</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	<u>RMB49.44 cents</u>	<u>RMB21.71 cents</u>
Diluted	8	<u>RMB49.44 cents</u>	<u>RMB21.71 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR		<u>500,343</u>	<u>220,968</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(1,638)</u>	<u>(6,237)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		<u>(1,638)</u>	<u>(6,237)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Change in fair value	9	<u>258</u>	<u>12,810</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(1,380)</u>	<u>6,573</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>498,963</u>	<u>227,541</u>
Attributable to:			
Owners of the parent		<u>498,963</u>	<u>227,541</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property and equipment		8,024	5,398
Investments in associates		4,579	—
Investment in an joint ventures		7,574	8,940
Intangible assets		1,729	892
Right-of-use assets		9,072	4,480
Equity instruments designated at fair value through other comprehensive income (“FVOCI”)	9	21,476	3,600
Long-term prepayments, deposits and other receivables		9,210	6,750
Deferred tax assets		454	515
		62,118	30,575
CURRENT ASSETS			
Trade receivables	10	192,837	71,259
Contract costs	11	20,100	3,308
Financial assets at fair value through profit or loss	12	101,102	110,680
Prepayments, deposits and other receivables		61,978	31,476
Time deposits with original maturity of over three months		405,000	323,915
Cash and cash equivalents	13	644,709	284,921
		1,425,726	825,559
CURRENT LIABILITIES			
Trade payables	14	14,982	10,484
Contract liabilities	15	59,183	6,784
Other payables and accruals	16	101,238	33,559
Interest-bearing bank borrowings		9,120	—
Lease liabilities		6,408	2,924
Tax payable		46,544	3,831
		237,475	57,582
NET CURRENT ASSETS		1,188,251	767,977
TOTAL ASSETS LESS CURRENT LIABILITIES		1,250,369	798,552

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		2,945	1,803
Deferred tax liabilities		22,202	142
		<hr/>	<hr/>
Total non-current liabilities		25,147	1,945
		<hr/>	<hr/>
Net assets		1,225,222	796,607
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>17</i>	8,946	8,946
Treasury shares		(22,476)	—
Reserves		1,238,752	787,661
		<hr/>	<hr/>
Total equity		1,225,222	796,607
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2021

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in developing and operating mobile games in the People's Republic of China (hereafter, the "PRC") and investment business in the PRC. There has been no significant change in the Group's principal activities during the year ended 31 December 2021.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase²

*Covid-19-Related Rent Concessions beyond 30 June
2021 (early adopted)*

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 5}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

Revenue from a customer which amounted to more than 10% of the Group's revenue for the year ended 31 December 2021 is set out below:

	<i>RMB'000</i>
Customer A	NA*
Customer B	167,420

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the year ended 31 December 2021.

Revenue from customers which amounted to more than 10% of the Group's revenue for the year ended 31 December 2020 is set out below:

	<i>RMB'000</i>
Customer A	192,251
Customer B	172,271

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue :		
Type of goods or services		
Self-developed games	1,034,814	244,797
Third-party games	8,224	11,548
In-game information service	430,920	486,161
	<u>1,473,958</u>	<u>742,506</u>
Total revenue from contracts with customers	<u>1,473,958</u>	<u>742,506</u>
Timing of revenue recognition		
Services transferred over time	<u>1,473,958</u>	<u>742,506</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	<u>6,784</u>	<u>15,558</u>

(b) *Performance obligations*

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

Virtual items in self-developed games

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

The distribution platforms collect the payment from the 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 publishing 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 31 December are as follows:

	2021	2020
	RMB'000	RMB'000
Within one year	<u>59,183</u>	<u>6,784</u>

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

Other income and gains

	2021	2020
	RMB'000	RMB'000
Bank interest income	12,005	7,325
Gains or losses on financial assets at fair value through profit or loss	11,877	9,284
Government grants related to income*	3,578	4,676
Super deduction for input VAT	4,518	3,214
Donation income	—	2,800
Others	104	50
	<u>32,082</u>	<u>27,349</u>

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

5. PROFIT BEFORE TAX

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

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Services fee charged by distribution platforms and payment vendors		400,599	125,286
Information service costs		90,683	240,813
New media costs		61,359	—
Promotion expenses		138,937	47,622
Employee benefit expense (excluding directors' and chief executives' remuneration)			
Wages and salaries		125,755	63,980
Pension scheme contributions (defined contribution schemes)		3,811	322
Equity-settled share-based payment expenses		2,660	2,249
Depreciation of property and equipment		2,897	2,587
Depreciation of right-of-use assets		4,440	2,717
Amortisation of intangible assets		413	182
Research and development costs		92,531	53,816
Impairment of trade receivables*	<i>10</i>	1,150	(102)
Auditors' remuneration		1,850	2,000
Loss on disposal of items of property, plant and equipment		6	—

* 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 was entitled to a preferential income tax rate of 15% for the year ended 31 December 2021.

Shenzhen Laiwan was accredited as a "Software Enterprise" in 2019 under the relevant PRC laws and regulation and was entitled 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.

Tiantianlaiwan was qualified as a “Software Enterprise” in 2020 under the relevant PRC Laws and regulations with a preferential tax treatment (ie., 2-year exemption and 3-year half payment) from its first profitable year. Therefore, Tiantianlaiwan was entitled to a preferential income tax rate of 12.5% for the year ended 31 December 2021.

Hainan Tiantianlaiwan were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Tiantianlaiwan was 15% for the year ending 31 December 2021.

Shenzhen Metaverse was qualified as a “Software Enterprise” under the relevant PRC Laws and regulations with a preferential tax treatment (ie., 2-year exemption and 3-year half payment) from its first profitable year. Metaverse expected it will be exempt from income tax for the year 2021.

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

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

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Current tax		
Charge for the year	76,384	14,818
Deferred tax	22,109	1,402
	<u>98,493</u>	<u>16,220</u>
Total tax charge for the year	<u>98,493</u>	<u>16,220</u>

7. DIVIDENDS

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Proposed final — HK\$0.15 (2020: HK\$0.06) per ordinary share	152,543	61,047
	<u>152,543</u>	<u>61,047</u>

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

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year ended 31 December 2021.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021 and 2020.

The calculation of basic earnings per share is based on:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	500,343	220,968
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,012,061,271	1,017,623,479

9. EQUITY INSTRUMENTS DESIGNATED AT FVOCI

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-listed equity investments:		
Shenzhen Flying Fish Interactive Technology Company Limited (“ Flying Fish ”)	620	600
Shenzhen Yanque Technology Company Limited (“ Yanque ”)	—	1,500
Guangzhou Xiguahentian Information Technology Company Limited (“ Xiguahentian ”)	1,750	1,500
Shenzhen Candy Interactive Technology Company Limited (“ Candy Interactive ”)	4,800	—
Shenzhen Kuangyexiongmao Company Limited (“ Kuangyexiongmao ”)	3,000	—
Shenzhen Qiuxing Technology Company Limited (“ Qiuxing ”)	1,000	—
Shenzhen Mengqiwenhua Company Limited (“ Mengqiwenhua ”)	10,306	—
	<u>21,476</u>	<u>3,600</u>

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

In the years ended 31 December 2021 and 2020, the changes in the fair value and income tax effect in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income are as below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The gross fair value change in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income	270	5,371
Income tax effect	(12)	7,439
Changes in fair value on equity instruments designated at FVOCI	<u>258</u>	<u>12,810</u>

Equity instruments designated at FVOCI include investments in equity shares of listed and non-listed companies. The Group holds non-controlling interests (no more than 15%) in these companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

10. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	195,193	72,465
Provision for expected credit losses	(2,356)	(1,206)
	<u>192,837</u>	<u>71,259</u>

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	177,688	62,530
91 to 180 days	11,580	5,889
181 to 1 year	1,818	2,449
1 year to 2 years	1,751	391
	<u>192,837</u>	<u>71,259</u>

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

31 December 2021	Amount <i>RMB'000</i>	Expected credit loss rate	Impairment <i>RMB'000</i>
Trade receivables aged:			
Within 1 year	191,520	0.23%	434
1 to 2 years	3,034	42.29%	1,283
2 to 3 years	639	100.00%	639
	<u>195,193</u>		<u>2,356</u>
31 December 2020	Amount <i>RMB'000</i>	Expected credit loss rate	Impairment <i>RMB'000</i>
Trade receivables aged:			
Within 1 year	71,373	0.71%	505
1 to 2 years	647	39.57%	256
2 to 3 years	445	100.00%	445
	<u>72,465</u>		<u>1,206</u>

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

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year		1,206	1,308
Provision/(reversal of provision) for expected credit losses	6	<u>1,150</u>	<u>(102)</u>
At the end of year		<u>2,356</u>	<u>1,206</u>

11. CONTRACT COSTS

Contract costs are mainly related to contract acquisition costs. Management expects that incremental relevant distribution service fees paid as a result of obtaining customer contracts are recoverable, which meet the contract acquisition cost criteria when the Group considers the Paying Player as its customers. The Group has therefore capitalised them as contract costs in the amounts of RMB20,100,000 and RMB3,308,000 as at 31 December 2021 and 2020, respectively.

Capitalised relevant service fees are amortised when the related revenue is recognised, which is consistent with the pattern of recognition of the associated revenue. The amounts of amortisation were RMB400,599,000 and RMB125,286,000 for the years ended 31 December 2021 and 2020 and there was no impairment loss in relation to the costs capitalised.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Wealth management products issued by licensed banks, at fair value	<u>101,102</u>	<u>110,680</u>
	<u>101,102</u>	<u>110,680</u>

Wealth management products issued by several licensed banks were denominated in RMB, with expected rates of return ranging from 2.29% to 3.50% and 2.72% to 4.05% per annum for the years ended 31 December 2021 and 2020, respectively. The return on all 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 categorised within level 2 of the fair value hierarchy.

13. CASH AND CASH EQUIVALENTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash and bank balances	<u>644,709</u>	<u>284,921</u>
	<u>644,709</u>	<u>284,921</u>
Denominated in:		
RMB	616,641	245,272
HK\$	22,521	37,692
US\$	5,547	1,957

The cash and bank balances of the Group denominated in RMB amounted to RMB616,641,000 (2020: RMB245,272,000) at the end of the reporting period. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	13,573	7,116
3 to 6 months	198	630
6 months to 1 year	448	1,801
1 year to 2 years	763	937
	<u>14,982</u>	<u>10,484</u>

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

15. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 2021 and 2020 and will be expected to be recognised within one year:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Self-developed games	<u>59,183</u>	<u>6,784</u>

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

16. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salary and welfare payables	76,338	24,853
Other tax payables	21,462	6,979
Other payables	3,438	1,727
	<u>101,238</u>	<u>33,559</u>

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

17. SHARE CAPITAL

Shares

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Authorised: 50,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2021 (2020: 50,000,000,000 ordinary shares of HK\$0.01 each)	440,000	440,000
Issued and fully paid: 996,642,000 ordinary shares as at 31 December 2021 (2020: 1,017,444,000 ordinary shares)	8,946	8,946

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

	<i>Note</i>	Number of shares in issue	Share capital <i>RMB'000</i>
At 31 December 2020 and 1 January 2021		1,017,444,000	8,946
Shares repurchased	(a)	<u>(20,802,000)</u>	<u>—</u>
At 31 December 2021		<u>996,642,000</u>	<u>8,946</u>

- (a) The Company repurchased 20,802,000 shares on the Hong Kong Stock Exchange at a total consideration of RMB22,475,541.

SIGNIFICANT EVENTS AFTER THE YEAR END

The Group did not have any significant events after 31 December 2021 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Company from the Listing (after deduction of the underwriting commissions in respect of the offering and other estimated expenses) were approximately HK\$206.5 million. As at 31 December 2021, a total amount of approximately HK\$197.2 million out of the net proceeds had been utilized by the Group. We have, and will continue to utilize the net proceeds from the Global Offering in accordance with the purposes set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 3 April 2019.

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2021, the Group had approximately 490 employees (235 as at 31 December 2020). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. Remuneration of the Group’s employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. For the year ended 31 December 2021, the total remuneration expenses, including Share-based compensation expense, were approximately RMB172.0 million, representing an increase of 118.1% from RMB79.0 million for the year ended 31 December 2020, which was primarily due to a 70.2% increase in the average number of employees in 2021.

The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the year ended 31 December 2021.

PAYMENT OF FINAL DIVIDEND

Having taken into account the performance of the Group for the financial year ended 31 December 2021, the Board has resolved to recommend the payment of a final dividend of HK\$0.15 per Share for the year ended 31 December 2021 (2020: HK\$0.06 per Share) to the Shareholders whose names appear on the register of members of the Company on Thursday, 9 June 2022. The total amount is HK\$153 million. The proposed final dividend, subject to the approval of the Shareholders at the AGM, is expected to be paid on or before Thursday, 30 June 2022.

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

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 27 May 2022. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

In order to ascertain the Shareholders' entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of Shares will be registered. All Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 23 May 2022.

In order to ascertain the Shareholders' entitlements to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 7 June 2022 to Thursday, 9 June 2022, both days inclusive, during which period no transfer of Shares will be registered. All Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 June 2022.

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 throughout the year ended 31 December 2021, save for deviation from code provision A.2.1 of the Corporate Governance Code (which has been re-numbered as code provision C.2.1 since 1 January 2022). The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

Mr. Ye Sheng is both the chairman of the Board and the chief executive officer of the Group. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises five other experienced and high-calibre individuals including another executive Director, one non-executive Director and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from code provision A.2.1 of the Corporate Governance Code (which has been re-numbered as code provision C.2.1 since 1 January 2022) is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 December 2021.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2021 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The annual results for the year ended 31 December 2021 have been prepared in accordance with HKFRS.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this annual results announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. Ernst & Young made no comments as to the reasonableness or appropriateness of those assumptions of the "Non-HKFRS Measures" as presented in this annual results announcement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.zen-game.com>). The annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company proposed to be held on Friday, 27 May 2022
“ARPPU”	monthly average revenue per paying user, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Company”	Zengame Technology Holding Limited (禪遊科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 August 2018
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules

“DAU”	daily active users
“Director(s)”	the director(s) of the Company
“Free-to-Play”	a business model which players can play games for free, but may need to pay for virtual items sold in games to enhance their game experience
“Group”	collectively, the Company and its subsidiaries
“HK\$”, “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards
“Listing”	the listing of the Company’s Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“MAU”	monthly active users
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“MPU”	monthly playing users
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Tiantianlaiwan”	Shenzhen Tiantianlaiwan Technology Co., Ltd.* (深圳市天天來玩科技有限公司), a limited liability company established under the laws of PRC on 29 September 2018 and an indirect wholly-owned subsidiary of our Company
“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

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

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

Hong Kong, 22 March 2022

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