



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



INTERIM REPORT
2024

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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 ^(Note)

Ms. Tam Sze Wai Sara (譚思慧)
(appointed on 21 March 2024)

AUTHORIZED REPRESENTATIVES ^(Note)

Mr. Yang Min (楊民)
Ms. Tam Sze Wai Sara (譚思慧)
(appointed on 21 March 2024)

HONG KONG LEGAL ADVISERS

Morgan, Lewis & Bockius

19th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

Ernst & Young

(Registered Public Interest Entity Auditor)
27/F, One Taikoo Place
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

Office G, Level 27
Maxgrand Plaza
No. 3 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

Note: Ms. Li Yan Wing Rita (李昕穎) has been the company secretary and one of the authorized representatives of the Company during the reporting period until she has resigned with effect from 21 March 2024.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
P.O. Box 26881
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
China Everbright Bank Co., Ltd.

COMPANY WEBSITE

www.zen-game.com

STOCK CODE

2660

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year Change* %
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)	
Revenue	934,315	1,017,834	(8.2)
Gross profit	492,901	635,714	(22.5)
Gross profit margin (%)	52.8	62.5	—
Profit for the period	309,844	404,261	(23.4)
Profit (%)	33.2	39.7	—
Non-HKFRS adjusted net profit**	324,733	413,154	(21.4)
Earnings per Share (expressed in RMB per Share)	0.31	0.41	(24.4)

* 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the Chinese gaming market remained stable and positive, with the industry entering a phase of normalized regulation. On one hand, the trend towards high-quality, premium game development continued, with gaming companies placing greater emphasis on the content value and cultural significance of their products. On the other hand, gaming companies are deepening their overseas expansion efforts, seeking growth in foreign markets, and leveraging high-quality games to promote and inherit China's excellent traditional culture. Furthermore, the mutual promotion of technological innovation and the booming development of the gaming industry are driving the industry to new heights through continuous technological breakthroughs.

As a leading mobile game developer in China, the Group remains vigilant to market changes, consistently adheres to compliant operations, and focuses on the card and board, and casual games business. The Group continuously enhances the quality of its game products and actively expands into overseas gaming markets to provide users with an increasingly improved gaming experience.

In the first half of 2024, the Group focused on its core products, strengthening in-house innovation and enhancing operations with the aim of optimizing user experience and the commitment to continually create new game content and improve the quality of the Group's game products. In terms of business development, on one hand, the Group has consistently updated and enriched the strategic aspects of existing game features. During the six months ended 30 June 2024, the Group introduced innovative gameplay rules such as "Dragon Three Kingdoms (天龍三國)" for "Fingertip Sichuan Mahjong (指尖四川麻將)" and "Master Blaster (暴擊大師)" for "Fight the Landlord (禪遊鬥地主)". On the other hand, the Group has comprehensively packaged and optimized game features, including opening animations, special effects triggered by specific tile combinations, and background music for matches, providing players with fresh and exciting experiences through effects like "Grand Ambition (大展宏圖)", "Four Heroes Battle (四雄爭霸)", and "Central Dominance (中原霸主)". Additionally, the Group has conducted refined operational activities to increase the fun of the games, maintain their long lifecycle, and boost player engagement. At the same time, the Group remains closely attentive to technological developments, leveraging the introduction and application of Artificial Intelligence Generated Content (AIGC) technology to enhance its research and operations, further improving the Company's level of intelligent and refined operations.

The following table sets forth the key operational highlights of the Group for the periods/year indicated:

	For the six months ended 30 June		For the year ended 31 December
	2024 (‘000)	2023 (‘000)	2023 (‘000)
MAU	25,207	25,068	25,065
DAU	4,468	4,404	4,347
MPU (Virtual items)	525	575	553
ARPPU of virtual items (RMB)	271	289	304

Management Discussion and Analysis

The Fingertip Sichuan Mahjong (指尖四川麻將), one of the Group's flagship products, is highly popular and well-loved by players, achieving a peak ranking of third on the China iOS best-selling list for board and card games. In the first half of 2024, the Group launched two new casual games, each released in domestic and overseas markets. As at 30 June 2024, the Group had 54 self-developed games and six third-party games, among which 43 are board and card games, and 17 are casual games, respectively.

In terms of financial performance, due to a decrease in the number of paying users in the Group's board and card games and a decrease of ARPPU, the overall revenue of the Group decreased from approximately RMB1,017.8 million for the six months ended 30 June 2023 to approximately RMB934.3 million for the six months ended 30 June 2024, representing a decrease of approximately 8.2%. At the same time, due to an increase in the information service costs, the cost of sales increased from approximately RMB382.1 million for the six months ended 30 June 2023 to approximately RMB441.4 million for the six months ended 30 June 2024, representing an increase of approximately 15.5%. With the decline in the Group's revenue, the Group's net profit has decreased from approximately RMB404.3 million for the six months ended 30 June 2023 to approximately RMB309.8 million for the six months ended 30 June 2024, representing a decrease of approximately 23.4%. The Group's adjusted net profit, excluding the Share-based payments, decreased from approximately RMB413.2 million for the six months ended 30 June 2023 to approximately RMB324.7 million for the six months ended 30 June 2024, representing a decrease of approximately 21.4%.

In terms of regulatory compliance within the gaming industry, the Company has consistently kept pace with the latest policy changes to ensure that all the Group's game products meet the relevant management requirements. The Group proactively and diligently advances various online protection measures for both minors and adults. Regarding the protection of minors, the Group has continuously upgraded its protection systems in line with the increasingly specific anti-addiction policy guidelines introduced domestically. In addition to strictly implementing real-name verification and anti-addiction requirements, the Group has enhanced restrictions on the duration, time slots, and spending for minors according to the latest policy demands. Furthermore, the Group has also established reasonable spending limits for adult users. In terms of user information security, the Group rigorously ensured the full protection of personal information, upgraded and improved its prevention and control systems against personal information leakage and optimized its management system for user privacy protection, ensuring that every user can enjoy the Group's game products in a healthy, positive, and compliant environment.

FUTURE PROSPECTS

In the second half of 2024, the Group will mainly focus on the following strategies to expand its business and growth:

- Develop long-cycle premium games to enhance quality and efficiency and optimize user experience;
- Focus on talent development and innovative incentive mechanisms to continuously strengthen operational management;
- Intensify efforts to expand into overseas markets, cultivating new growth engines for the future;
- Increase investment in industry peers to expand research and development capabilities and create synergies; and
- Embrace cutting-edge technologies to empower high-quality development of core businesses.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group operated self-developed games and third-party games. All of the games used a Free-to-Play model and the Group generated revenue through the sales of virtual items and in-game information service.

Sales proceeds of virtual items were initially recorded as contract liabilities on the Group's interim condensed consolidated statement of financial position and were then recognized as revenue in accordance with the Group's revenue recognition policies. Revenue collected from the paying players of third-party games and the in-game information service is 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 the Group's revenue by business model for the periods indicated:

	For the six months ended 30 June				Year-on-Year Change %
	2024 RMB'000 (Unaudited)		2023 RMB'000 (Unaudited)		
Sales of virtual items	894,395	95.7	963,923	94.7	(7.2)
– Self-developed games	889,134	95.2	960,029	94.3	(7.4)
– Third-party games	5,261	0.5	3,894	0.4	35.1
In-game information service	39,920	4.3	53,911	5.3	(26.0)
Total	934,315	100.0	1,017,834	100.0	(8.2)

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

	For the six months ended 30 June				Year-on-Year Change %
	2024 RMB'000 (Unaudited)		2023 RMB'000 (Unaudited)		
Board and card games	895,074	95.8	999,513	98.2	(10.4)
Other games	39,241	4.2	18,321	1.8	114.2
Total	934,315	100.0	1,017,834	100.0	(8.2)

Management Discussion and Analysis

For the six months ended 30 June 2024, the Group's total revenue was approximately RMB934.3 million, representing a decrease of approximately 8.2% as compared with approximately RMB1,017.8 million for the six months ended 30 June 2023. This decrease was primarily due to a decrease in the number of paying users in the Group's board and card games and a decrease of ARPPU. The Group's revenue derived from the sales of virtue items decreased by 7.2% from approximately RMB963.9 million for the six months ended 30 June 2023 to approximately RMB894.4 million for the six months ended 30 June 2024. On the other hand, the Group's revenue derived from in-game information service decreased by 26.0% from approximately RMB53.9 million for the six months ended 30 June 2023 to approximately RMB39.9 million for the six months ended 30 June 2024. The decrease in revenue derived from in-game information service was mainly due to the decline in the in-game information service market.

Due to a decrease in the number of paying users, the Group's revenue from board and card games decreased from RMB999.5 million for the six months ended 30 June 2023 to RMB895.1 million for the six months ended 30 June 2024, representing a decrease of approximately 10.4%. The increase in revenue from other games was mainly due to the increase in revenue from casual games.

Cost of Sales

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

	For the six months ended 30 June		Year-on-Year Change %
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)	
Channel costs	264,142	278,109	(5.0)
Information service costs	89,406	2,912	2,970.3
New media costs	78,395	91,721	(14.5)
Others	9,471	9,378	1.0
Total	441,414	382,120	15.5

The cost of sales increased by 15.5% from approximately RMB382.1 million for the six months ended 30 June 2023 to approximately RMB441.4 million for the six months ended 30 June 2024. The increase in the cost of sales was mainly attributable to the combined effects of increased information service costs and decreased new media costs.

Gross Profit and Gross Profit Margin

Gross profit decreased by 22.5% from approximately RMB635.7 million for the six months ended 30 June 2023 to approximately RMB492.9 million for the six months ended 30 June 2024. The gross profit margin decreased from 62.5% for the six months ended 30 June 2023 to 52.8% for the six months ended 30 June 2024.

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

	For the six months ended 30 June			
	2024		2023	
	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %
Sales of virtual items	456,455	51.0	584,715	60.7
— Self-developed games	451,194	50.7	580,821	60.5
— Third-party games	5,261	100	3,894	100.0
In-game information service	36,446	91.3	50,999	94.6
Total	492,901	52.8	635,714	62.5

Other Income

Other income increased by 1.8% from approximately RMB46.3 million for the six months ended 30 June 2023 to approximately RMB47.2 million for the six months ended 30 June 2024. The increase was primarily due to an increase in the bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 43.7% from approximately RMB73.4 million for the six months ended 30 June 2023 to approximately RMB41.3 million for the six months ended 30 June 2024. This decrease was primarily attributable to reduced distribution expenses and decreased sales personnel and salaries.

Administrative Expenses

Administrative expenses decreased by 7.4% from approximately RMB60.7 million for the six months ended 30 June 2023 to approximately RMB56.2 million for the six months ended 30 June 2024. This decrease was primarily due to reduced salaries for management personnel.

Research and Development Expenses

Research and development expenses decreased by 9.0% from approximately RMB73.8 million for the six months ended 30 June 2023 to approximately RMB67.2 million for the six months ended 30 June 2024. The decrease was primarily due to reduced salaries for research and development personnel.

Other Expenses

Other expenses decreased by 46.4% from approximately RMB10.1 million for the six months ended 30 June 2023 to approximately RMB5.4 million for the six months ended 30 June 2024. The decrease was primarily due to the decrease in impairment of other receivables.

Management Discussion and Analysis

Finance Costs

Finance costs decreased by 62.5% from approximately RMB0.4 million for the six months ended 30 June 2023 to RMB0.2 million for the six months ended 30 June 2024.

Income Tax Expense

The income tax expense decreased from approximately RMB57.7 million for the six months ended 30 June 2023 to approximately RMB56.7 million for the six months ended 30 June 2024. This decrease was mainly attributable to the combined effect of a decline in the Group's profit before tax and an increase in withholding tax on dividends to be paid by the Group's PRC subsidiaries to its Hong Kong subsidiary.

Profit for the six months ended 30 June 2024

As a result of the above factors, the net profit of the Group was approximately RMB309.8 million for the six months ended 30 June 2024, representing a decrease of approximately 23.4% as compared with RMB404.3 million for the six months ended 30 June 2023. This decrease was mainly attributable to the decrease in the Group's revenue from the sales of virtual items and in-game information service.

Non-HKFRS Measures – Adjusted Net Profit

The adjusted net profit for the six months ended 30 June 2024, adjusted by excluding the Share-based compensation, was approximately RMB324.7 million, decreasing by 21.4% as compared to approximately RMB413.2 million for the six months ended 30 June 2023.

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the period	309,844	404,261
Add:		
Share-based compensation	14,889	8,893
Adjusted net profit	324,733	413,154

Liquidity and Capital Resources

The Group's total bank balances and cash decreased from approximately RMB1.9 billion as at 31 December 2023 to approximately RMB1.7 billion as at 30 June 2024. This decrease was due to the Company's allocation of certain funds to time deposits exceeding one year.

As at 30 June 2024, current assets of the Group amounted to approximately RMB2,093.7 million, primarily consisting of bank balances and cash of approximately RMB1,661.5 million and financial assets held for trading of approximately RMB258.5 million. Current liabilities of the Group amounted to approximately RMB408.3 million, primarily consisting of contract liabilities of approximately RMB69.6 million and other payables and accruals of approximately RMB293.7 million. As at 30 June 2024, the current ratio (the current assets to current liabilities ratio) of the Group was 5.1, as compared with 7.5 as at 31 December 2023.

As at 30 June 2024, the Group had no borrowings (31 December 2023: nil). The gearing ratio is calculated by dividing total debt (being interest-bearing bank borrowings) by total equity. As at 30 June 2024, the gearing ratio was nil (31 December 2023: nil).

Capital Expenditures

For the six months ended 30 June 2024, the capital expenditures of the Group amounted to approximately RMB11.2 million, which were primarily used to the investments in and purchase of office premises.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2024.

Pledge of Assets

As at 30 June 2024, the Group did not pledge any assets.

Future Plan for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets.

Significant Investments, Acquisitions and Disposals

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, 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 2024.

Foreign Exchange Risk Management

The functional currency of the Group is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. The Group also has certain cash and bank balances denominated in United States dollars and Hong Kong dollars, which would expose the Group to foreign exchange risk. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2024 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 2024 (for the six months ended 30 June 2023: Nil).

At the Board meeting held on 21 March 2024, the Board proposed the payment of a final dividend of HK\$0.23 per Share for the year ended 31 December 2023. The aforesaid final dividend was approved by the Shareholders at the annual general meeting of the Company held on 31 May 2024 and was paid on 4 July 2024.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules on the Stock Exchange as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code during the six months ended 30 June 2024, save for deviation from code provision C.2.1 of the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the six months ended 30 June 2024 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 2024 are unaudited, but have 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules), if any) for the six months ended 30 June 2024. As at 30 June 2024, the Company did not hold any treasury shares (as defined in the Listing Rules).

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 2023 annual report. The change in information of Directors since the date of the 2023 annual report of the Company is set out below:

Name of Director	Details of Change
Mr. Ye Sheng	Appointed as an executive director of Zengame Interactive (Singapore) Pte. Ltd. with effect from 30 May 2024 Ceased to act as a general manager of Shenzhen Tiantianlaiwan Technology Co., Ltd. (深圳市天天來玩科技有限公司) with effect from 30 May 2024
Mr. Yang Min	Appointed as an executive director of Zengame Interactive (Singapore) Pte. Ltd. with effect from 30 May 2024

STRUCTURED CONTRACTS

Please refer to the section headed “Structured Contracts” in the Prospectus for details. For the six months ended 30 June 2024, 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 interim 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.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2024, the Group had approximately 501 employees (537 as at 31 December 2023). As required by the PRC laws and regulations, the Group participates in various employee social security plans for its 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 it maintains a good working relationship with its employees, and it has not experienced any material labor disputes during the six months ended 30 June 2024.

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

As at 30 June 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have 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 C3 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	Interest in controlled corporation ⁽¹⁾	231,712,000	22.46%
	Beneficial owner ⁽²⁾	7,650,000	0.74%
Mr. Yang Min	Interest in controlled corporation ⁽³⁾	197,604,100	19.15%
	Beneficial owner ⁽⁴⁾	7,650,000	0.74%
Ms. Xiong Mi	Beneficial owner ⁽⁵⁾	3,154,021	0.31%

Notes:

- (1) Sky-zen Capital Limited is ultimately wholly owned 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.
- On 6 October 2022, 4,500,000 Shares were granted to Mr. Ye Sheng under the 2021 Share Award Scheme. Upon full exercise of such Shares granted, Mr. Ye Sheng will be beneficially interested in 4,500,000 Shares.
- On 4 December 2023, 1,150,000 Shares were granted to Mr. Ye Sheng under the 2021 Share Award Scheme. Upon full exercise of such Shares granted, Mr. Ye Sheng will be beneficially interested in 1,150,000 Shares.
- (3) J&L Y Limited is ultimately wholly owned 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.
- On 6 October 2022, 4,500,000 Shares were granted to Mr. Yang Min under the 2021 Share Award Scheme. Upon full exercise of such Shares granted, Mr. Yang Min will be beneficially interested in 4,500,000 Shares.
- On 4 December 2023, 1,150,000 Shares were granted to Mr. Yang Min under the 2021 Share Award Scheme. Upon full exercise of such Shares granted, Mr. Yang Min will be beneficially interested in 1,150,000 Shares.

Corporate Governance and Other Information

- (5) On 9 October 2018, 3,037,021 RSUs were granted to Ms. Xiong Mi under the RSU Scheme. Ms. Xiong Mi has fully exercised all the RSUs granted to her and is beneficially interested in 3,037,021 Shares.

On 3 June 2021, 200,000 options were granted to Ms. Xiong Mi under the Share Option Scheme. Upon full exercise of such options, Ms. Xiong Mi will be beneficially interested in 200,000 Shares.

On 6 October 2022, 200,000 Shares were granted to Ms. Xiong Mi under the 2021 Share Award Scheme. Upon full exercise of such Shares granted, Ms. Xiong Mi will be beneficially interested in 200,000 Shares.

On 4 December 2023, 53,000 Shares were granted to Ms. Xiong Mi under the 2021 Share Award Scheme. Upon full exercise of such Shares granted, Ms. Xiong Mi will be beneficially interested in 53,000 Shares.

- (6) The percentage is calculated based on the total number of 1,031,788,687 Shares in issue as at 30 June 2024.

(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 in a controlled corporation ⁽¹⁾	13,326,923	24.68%
Mr. Yang Min	Interest in a controlled corporation ⁽²⁾	11,695,054	21.65%

Notes:

- (1) Mr. Ye Sheng holds 51% equity interest of Tianchan and Mr. Ye Sheng is thus deemed to be interested in the shares directly held by Tianchan.
- (2) Mr. Yang Min holds 51% equity interest of Dingyi and Mr. Yang Min is thus deemed to be interested in the shares directly held by Dingyi in Zen-Game Shenzhen.

Save as disclosed above, as at 30 June 2024, 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 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 2024, 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 ⁽⁸⁾
Sky-zen Capital Limited ⁽¹⁾	Beneficial owner	231,712,000	22.46%
Ms. Xie Yingying ⁽²⁾	Interest of spouse	239,362,000	23.20%
J&L Y Limited ⁽³⁾	Beneficial owner	197,604,100	19.15%
Ms. Jiang Qian ⁽⁴⁾	Interest of spouse	205,254,100	19.89%
D Fun Limited ⁽⁵⁾	Beneficial owner	160,143,300	15.52%
Ms. Zhang Wei ⁽⁵⁾	Founder of a discretionary trust	160,143,300	15.52%
Mr. Zeng Liqing ⁽⁶⁾	Interest of spouse	160,143,300	15.52%
Bonaza Limited ⁽⁶⁾	Nominee for another person (other than a bare trustee)	160,143,300	15.52%
Infiniti Trust (Hong Kong) Limited	Trustee ⁽⁵⁾	160,143,300	15.52%
Playa Technology Limited ⁽⁷⁾	Beneficial owner	90,860,920	8.81%
Mr. Bao Zhoujia ⁽⁷⁾	Founder of a discretionary trust	90,860,920	8.81%
BAO TRUST ⁽⁷⁾	Nominee for another person (other than a bare trustee)	90,860,920	8.81%

Corporate Governance and Other Information

Notes:

- (1) Sky-zen Capital Limited is ultimately wholly owned by Mr. Ye Sheng. Accordingly, Mr. Ye Sheng 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 interest of corporation controlling by Mr. Ye Sheng; and (ii) interest in 7,650,000 Shares in the capacity of the beneficial owner, under the SFO.
- (3) J&L Y Limited is ultimately wholly owned by Mr. Yang Min. Accordingly, Mr. Yang Min 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 interest of corporation controlling by Mr. Yang Min; and (ii) interest in 7,650,000 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 Infiniti Trust (Hong Kong) Limited, the trustee of a discretionary trust established by Ms. Zhang Wei as the settlor and Mr. Zeng Liqing as the beneficiary; and (ii) 20% by D Zen Limited, a company wholly owned by Mr. Zeng Liqing. Accordingly, each of Bonaza Limited and Ms. Zhang Wei is deemed to be interested in all the Shares held by D Fun Limited.
- (6) Mr. Zeng Liqing is the spouse of Ms. Zhang Wei and he is thus deemed to be interested in all the Shares held by Ms. Zhang Wei under the SFO.
- (7) Playa Technology Limited is owned as to (i) 80% by BAO TRUST, a trust established by Mr. Bao Zhoujia as the settlor and trustee; and (ii) 20% by Mr. Bao Zhoujia. Accordingly, each of BAO TRUST and Mr. Bao Zhoujia is deemed to be interested in all the Shares held by Playa Technology Limited.
- (8) The percentage is calculated based on the total number of 1,031,788,687 Shares in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, 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

On 9 October 2018, the Group 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 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.

On 19 April 2024, the Board has resolved to terminate the RSU Scheme. As at the date of this interim report, no RSUs were available for grant, exercise, cancellation, lapse or expiration, and no Shares were available for issuance under the RSU Scheme, as all RSUs had already been granted and vested to eligible participants by 31 December 2021.

SHARE OPTION SCHEME

On 28 March 2019, the Company adopted the Share Option Scheme 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. Further details of the Share Option 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.

There were 84,000,000 options available for grant under the Share Option Scheme at the beginning of the six months ended 30 June 2024. On 31 May 2024, an ordinary resolution of the Shareholders was passed at the Company’s annual general meeting to approve the termination of the Share Option Scheme. No further options will be granted under the Share Option Scheme thereafter. However, any options that were granted and remain unexercised immediately before the termination shall continue to be valid and exercisable in accordance with the terms of the grant and the original rules of the Share Option Scheme. As at the date of this interim report, the total number of shares available for issue under the Share Option Scheme is 8,390,750 Shares, representing approximately 0.81% of the total issued shares.

The table below shows details of particulars and movements of share options under the Share Option Scheme during the six months ended 30 June 2024. For further details on the movement of the options during the six months ended 30 June 2024, please see note 14 to the interim condensed consolidated financial information.

Name of Grantee	Date of Grant	Exercise Price per Share	Closing Price Immediately Before the Date of Grant	Performance Target ⁽⁴⁾	Number of Shares under the Share Option Scheme				
					Outstanding at 1 January 2024	Granted During the Six Months Ended 30 June 2024	Exercised During the Six Months Ended 30 June 2024	Expired/Lapsed/Cancelled During the Six Months Ended 30 June 2024 ⁽²⁾	Outstanding at 30 June 2024
Directors									
Mr. Ye Sheng	3 June 2021	HK\$1.29	HK\$1.24	N/A	1,000,000	–	500,000	–	500,000
Mr. Yang Min	3 June 2021	HK\$1.29	HK\$1.24	N/A	1,000,000	–	500,000	–	500,000
Ms. Xiong Mi	3 June 2021	HK\$1.29	HK\$1.24	N/A	200,000	–	–	–	200,000
Employees									
Employees of the Group	3 June 2021	HK\$1.29	HK\$1.24	N/A	7,990,750	–	183,750	72,000	7,735,000
Total⁽¹⁾					10,190,750	–	1,183,750	72,000⁽³⁾	8,935,000

Corporate Governance and Other Information

Notes:

- (1) No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares (excluding the treasury shares (as defined in the Listing Rules), if any) over the 12-month period, and (ii) any other participant with options and awards granted excess of the 1% individual limit, as such terms are used in the Listing Rules.
- (2) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$3.39 per Share.
- (3) During the six months ended 30 June 2024, all of the 72,000 options were lapsed.
- (4) Considering their positions, long period of services with the Group, performance and future long-term contribution to the Group, the Remuneration Committee of the Company believes the grant of options to the Directors without performance targets are align with the purpose of the Share Option Scheme.

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 2024.

2021 SHARE AWARD SCHEME

The Company adopted a 2021 Share Award Scheme on 24 June 2021 (the “**Adoption Date**”), which was before the effective date of the new Chapter 17 of the Listing Rules. The Company will comply with the new Chapter 17 in accordance with the transitional arrangements for the existing share scheme. The 2021 Share Award Scheme was established 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 2021 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 2021 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 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.

There were 16,261,200 shares and 16,261,200 shares available for grant under the 2021 Share Award Scheme at the beginning and the end of the six months ended 30 June 2024, respectively. To comply with the transitional arrangements for the existing share scheme under the New Chapter 17, any awards granted under the 2021 Share Award Scheme shall be satisfied by existing shares purchased by The Core Trust Company Limited and not by allotment and issuance of new Shares. Therefore, no Shares are available for issuance under the 2021 Share Award Scheme as at the date of this interim report.

It is intended that the restricted shares under the 2021 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 2021 Share Award Scheme.

The maximum total number of restricted shares which may be granted under the 2021 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 (excluding the treasury shares (as defined in the Listing Rules), if any) as at the Adoption Date.

Subject to any early termination of the terms of the 2021 Share Award Scheme, the 2021 Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

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

The table below shows details of the outstanding awards granted to all grantees under the Share Award Scheme as of 30 June 2024. As at 30 June 2024, a total of 34,611,000 Shares had been granted under the Share Award Scheme.

Name of Grantee	Date of Grant	Purchase Price	Performance Target ⁽²⁾	Closing Price of Shares Immediately Before the Date of Grant		Fair Value of Awards on the Date of Grant ⁽¹⁾	Unvested Awards at 1 January 2024	Number of Shares Under the 2021 Share Award Scheme		Weighted Average Closing Price of Shares Immediately Before the Vesting Date	Expired/Lapsed/Cancelled During the Six Months Ended 30 June 2024	Unvested at 30 June 2024
				HK\$1.30	HK\$4.01			Granted During the Six Months Ended 30 June 2024	Vested During the Six Months Ended 30 June 2024			
Directors												
Mr. Ye Sheng	6 October 2022	–	N/A	HK\$1.30	HK\$6.0 million	2,250,000	–	–	–	–	–	2,250,000
	4 December 2023	–	N/A	HK\$4.01	HK\$4.5 million	1,150,000	–	–	–	–	–	1,150,000
Mr. Yang Min	6 October 2022	–	N/A	HK\$1.30	HK\$6.0 million	2,250,000	–	–	–	–	–	2,250,000
	4 December 2023	–	N/A	HK\$4.01	HK\$4.5 million	1,150,000	–	–	–	–	–	1,150,000
Ms. Xiong Mi	6 October 2022	–	N/A	HK\$1.30	HK\$0.3 million	100,000	–	–	–	–	–	100,000
	4 December 2023	–	N/A	HK\$4.01	HK\$0.2 million	53,000	–	–	–	–	–	53,000
Employees of the Group												
101 Employees of the Group	6 October 2022	–	N/A	HK\$1.30	HK\$24.3 million	8,638,000	–	–	–	–	135,000	8,503,000
122 Employees of the Group	4 December 2023	–	N/A	HK\$4.01	HK\$18.3 million	4,665,000	–	–	–	–	84,000	4,581,000
Total						20,256,000	–	–	–	–	219,000 ⁽³⁾	20,037,000

Corporate Governance and Other Information

Note:

- (1) The fair value of awards is determined by the total Shares awarded and exercised multiplied by the closing price of the Shares on the grant date (being HK\$1.32 on 6 October 2022 and HK\$3.89 on 4 December 2023), in accordance with the accounting standards and policies adopted for preparing the Company's financial statements.
- (2) Considering their positions, long period of services with the Group, performance and future long-term contribution to the Group, the remuneration committee of the Company believes the grant of restricted Shares to the Directors without performance targets are align with the purpose of the 2021 Share Award Scheme.
- (3) During the six months ended 30 June 2024, all of the 219,000 Shares were lapsed.

The restricted Shares granted on 6 October 2022 shall vest in the selected participants in accordance with the schedule below:

Vesting Date	Percentage of Restricted Shares to Vest
8 October 2022	25% of the total number of restricted Shares granted
18 August 2023	25% of the total number of restricted Shares granted
18 August 2024	25% of the total number of restricted Shares granted
18 August 2025	25% of the total number of restricted Shares granted

The restricted Shares granted on 4 December 2023 shall vest in the selected participants in accordance with the schedule below:

Vesting Date	Percentage of Restricted Shares to Vest
30 September 2024	50% of the total number of restricted Shares granted
30 September 2025	50% of the total number of restricted Shares granted

Save as disclosed above, no restricted Share was granted, exercised, lapsed or cancelled during the six months ended 30 June 2024.

2024 Share Scheme

The Company adopted a 2024 Share Scheme on 31 May 2024 (the "**Adoption Date**"), which shall be in compliance with the New Chapter 17 requirements. The 2024 Share Award Scheme was established to recognize the contributions by certain employees of the Group, to recognize the contributions by certain eligible participants and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

The Board shall be responsible and have full authority for administering the 2024 Share Scheme and the authority to administer the 2024 Share Scheme may be delegated by the Board to the administration committee. The awards under the 2024 Share Scheme may take the form of a Share option, which shall be funded by issuance of new Shares, or a Share award, which shall be funded either by issuance of new Shares or purchase of existing Shares from a third party.

On 17 June 2024, Futu Trustee Limited (the “**Trustee**”) has been appointed to administer and implement the 2024 Share Scheme. The Trustee is independent of the Company and its connected persons, and the Trustee will not exercise any voting rights on matters that require the Shareholders’ approval under the Listing Rules with respect to any unvested Shares held, unless otherwise required by law to vote in accordance with the beneficial owners’ direction and such a direction is given.

There were 87,178,867 awards available for grant under the 2024 Share Scheme in the form of Share awards and/or Share options, at the Adoption Date of the 2024 Share Scheme and the end of the six months ended 30 June 2024.

The total number of Shares which may be issued pursuant to all awards to be granted under the 2024 Share Scheme and awards to be granted under any other share schemes of the Company that are funded by the issuance of new Shares is (a) initially set at 10% of the Shares in issue (excluding the treasury shares (as defined in the Listing Rules), if any) as at the Adoption Date, being 103,062,743 Shares; and (b) may be subsequently refreshed in accordance with the 2024 Scheme Rules and the Listing Rules, as further approved by Shareholders at general meeting.

Subject to any early termination of the terms of the 2024 Share Scheme, the 2024 Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

The principal terms of the 2024 Share Scheme are set forth in the circular made by the Company dated 29 April 2024.

During the six months ended 30 June 2024, no Share awards or Share options were granted, vested or exercised, cancelled or lapsed under the 2024 Share Scheme.

The number of Shares that may be issued in respect of options and awards granted under the Share Option Scheme and the 2024 Share Scheme during the six months ended 30 June 2024 divided by the weighted average number of Shares for such period is 0%.

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 25 to 51, 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 2024 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 requires 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 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
	<i>Notes</i>	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	934,315	1,017,834
Cost of sales		(441,414)	(382,120)
Gross profit		492,901	635,714
Other income and gains		47,188	46,338
Selling and distribution expenses		(41,332)	(73,410)
Administrative expenses		(56,164)	(60,690)
Research and development costs		(67,229)	(73,840)
Other expenses		(5,426)	(10,126)
Finance costs		(159)	(424)
Share of profits and losses of:			
Joint ventures		(180)	(569)
Associates		(3,019)	(1,077)
PROFIT BEFORE TAX	5	366,580	461,916
Income tax expense	6	(56,736)	(57,655)
PROFIT FOR THE PERIOD		309,844	404,261
Attributable to:			
Owners of the parent		309,844	404,845
Non-controlling interests		—	(584)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	RMB30.72 cents	RMB40.51 cents
Diluted		RMB30.07 cents	RMB39.56 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	309,844	404,261
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	3,065	15,251
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	3,065	15,251
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	(9,322)	(9,788)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(6,257)	5,463
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	303,587	409,724
Attributable to:		
Owners of the parent	303,587	410,308
Non-controlling interests	—	(584)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	9	14,832	7,653
Right-of-use asset		27,332	5,086
Intangible assets		1,582	541
Investments in associates		24,088	28,471
Investments in joint ventures		2,744	4,136
Equity investments designated at fair value through other comprehensive income ("FVOCI")		18,897	29,772
Long-term prepayments, deposits and other receivables		15,516	20,059
Deferred tax assets		6,094	4,551
Time deposits with original maturity of over one year		689,973	374,079
Total non-current assets		801,058	474,348
CURRENT ASSETS			
Trade receivables	10	115,753	168,691
Contract costs		24,287	38,717
Financial assets at fair value through profit or loss ("FVPL")	11	258,469	15,521
Prepayments, deposits and other receivables		33,770	36,283
Time deposits with original maturity of over three months		585,078	575,278
Cash and cash equivalents		1,076,389	1,331,652
Total current assets		2,093,746	2,166,142
CURRENT LIABILITIES			
Trade payables	12	14,477	17,174
Contract liabilities		69,593	112,468
Other payables and accruals	13	293,727	130,247
Lease liabilities		6,096	3,465
Tax payable		24,390	26,770
Total current liabilities		408,283	290,124
NET CURRENT ASSETS		1,685,463	1,876,018
TOTAL ASSETS LESS CURRENT LIABILITIES		2,486,521	2,350,366
NON-CURRENT LIABILITIES			
Lease liabilities		21,348	1,632
Deferred tax liabilities		31,087	19,516
Deferred income		9,244	9,244
Total non-current liabilities		61,679	30,392
Net assets		2,424,842	2,319,974
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	9,082	9,070
Treasury shares		(18,817)	(18,817)
Other reserves		2,434,577	2,329,721
Non-controlling interests		—	—
Total equity		2,424,842	2,319,974

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	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	Total equity
At 31 December 2023 (audited)	9,070	(18,817)	56,933	48,296	14,747	(11,645)	(2,769)	2,224,149	2,319,974	-	2,319,974
Profit for the period	-	-	-	-	-	-	-	309,844	309,844	-	309,844
Other comprehensive income for the period:											
Change in fair value of equity investments designated at FVOCI	-	-	-	-	-	(9,322)	-	-	(9,322)	-	(9,322)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,065	-	3,065	-	3,065
Total comprehensive income for the period	-	-	-	-	-	(9,322)	3,065	309,844	303,587	-	303,587
Annual 2023 dividend declared	-	-	-	-	-	-	-	(215,055)	(215,055)	-	(215,055)
Equity-settled share-based payment	-	-	-	-	14,889	-	-	-	14,889	-	14,889
Shares issued upon exercise of share options	12	-	1,970	-	(535)	-	-	-	1,447	-	1,447
At 30 June 2024 (unaudited)	9,082	(18,817)	58,933*	48,296*	29,101*	(20,967)*	276*	2,318,938*	2,424,842	-	2,424,842

continued/...

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent								Non-controlling interests	Total equity	
	Share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Share-based payment reserve	Fair value reserve of financial assets at FVOCI	Exchange fluctuation reserve	Retained profits			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2022 (audited)	9,044	(22,767)	48,445	67,786	7,847	(5,544)	(8,625)	1,668,865	1,765,051	709	1,765,760
Profit for the period	–	–	–	–	–	–	–	404,845	404,845	(584)	404,261
Other comprehensive income for the period:											
Change in fair value of equity investments designated at FVOCI	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	(9,788)	–	–	(9,788)	–	(9,788)
	–	–	–	–	–	–	15,251	–	15,251	–	15,251
Total comprehensive income for the period	–	–	–	–	–	(9,788)	15,251	404,845	410,308	(584)	409,724
Annual 2022 dividend declared	–	–	–	–	–	–	–	(199,448)	(199,448)	–	(199,448)
Transfer to statutory surplus reserve	–	–	–	189	–	–	–	(189)	–	–	–
Equity-settled share-based payment	–	–	–	–	8,893	–	–	–	8,893	–	8,893
Shares issued upon exercise of share options	22	–	3,832	–	(954)	–	–	–	2,900	–	2,900
Dividend received for shares held for the Share Award Scheme	–	–	3,681	–	–	–	–	–	3,681	–	3,681
At 30 June 2023 (unaudited)	9,066	(22,767)	55,958*	67,975*	15,786*	(15,332)*	6,626*	1,874,073*	1,991,385	125	1,991,510

* These reserve accounts comprise the consolidated reserves of RMB2,434,577,000 and RMB2,005,086,000 in the consolidated statement of financial position as at 30 June 2024 and 30 June 2023, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		366,580	461,916
Adjustments for:			
Finance costs		159	424
Interest income		(44,279)	(25,828)
Dividend income		(150)	—
Fair value gains on financial assets at FVPL		(2,084)	(5,459)
Depreciation of property and equipment	5	1,976	2,362
Share of losses of joint ventures		180	569
Share of losses of associates		3,019	1,077
Depreciation of right-of-use assets	5	4,141	4,152
Amortisation of other intangible assets	5	619	452
Equity-settled share-based payment expenses	5	14,889	8,893
Impairment of prepayments, deposits and other receivables	5	—	10,000
Impairment of trade receivables	5	38	28
Impairment of investments in a joint venture and associates	5	3,912	—
		349,000	458,586
Decrease/(increase) in trade receivables		52,900	(17,597)
Decrease/(increase) in contract costs		14,430	(16,384)
Decrease in prepayments, deposits and other receivables		2,513	2,910
Decrease in long term prepayments, deposits and other receivables		4,543	910
(Decrease)/increase in trade payables		(2,697)	1,546
(Decrease)/increase in contract liability		(42,875)	24,840
Decrease in other payables and accruals		(51,580)	(27,411)
Cash generated from operations		326,234	427,400
Income tax paid		(47,535)	(69,185)
Net cash flows generated from operating activities		278,699	358,215

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		44,279	15,638
Dividend income		150	—
Purchases of items of property and equipment	9	(9,162)	(321)
Proceeds from disposal of items of property and equipment		6	—
Additions to other intangible assets		(1,661)	—
Purchases of investments in associates		(1,335)	(19,500)
Purchases of equity investments designated at FVOCI		—	(2,000)
Placement of time deposits		(2,472,965)	(773,853)
Maturity of time deposits		2,147,271	675,945
Purchases of financial assets at FVPL		(413,165)	(153,354)
Receipt from maturity of financial assets at FVPL		172,302	116,489
Net cash flows used in investing activities		(534,280)	(140,956)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from issue of shares		1,447	2,025
Principal portion of lease payments		(4,039)	(4,211)
Repayment of bank loans		—	(1,500)
Dividend received for shares held for the Share Award Scheme		—	3,681
Interest paid		(155)	(424)
Net cash flows used in financing activities		(2,747)	(429)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(258,328)	216,830
Cash and cash equivalents at beginning of period		1,331,652	977,230
Effect of foreign exchange rate changes, net		3,065	15,251
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,076,389	1,209,311
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Unrestricted bank balances and cash		1,076,389	1,209,311
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		1,076,389	1,209,311

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> <i>(the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

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2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

30 June 2024

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

There is no individual customer with revenue individually account for 10% or more of the Group's revenue for the six months ended 30 June 2024 (No for 30 June 2023).

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4. REVENUE

Revenue from contracts with customers

(a) Disaggregated revenue information

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue:		
Types of goods or services		
Self-developed games	889,134	960,029
Third-party games	5,261	3,894
In-game information service	39,920	53,911
Total	934,315	1,017,834
Timing of revenue recognition		
Services transferred at a point in time	45,181	57,805
Services transferred over time	889,134	960,029
Total	934,315	1,017,834

The following table shows the amounts of revenue recognised in the current reporting period that was 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Self-developed games	112,468	83,284

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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 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 Group net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and distribution platforms or third-party payment vendors. The payment is generally due within 30 to 90 days from the date of collecting the payment from the Paying Players.

Publishing service for third party games

The performance obligation is recognised at a point in time when the third-party game's developer receives publishing services provided by the entity. The payment is generally due within 30 to 90 days from the date of billing.

In-game information service

The performance obligation is recognised at a point in time when the advertisements placed by third-party platforms are displayed in the game interface. The payment is generally due within 30 to 90 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2024 and 31 December 2023 are as follows:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Year ended 31 December 2023 RMB'000 (Audited)
Within one year	69,593	112,468

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.

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5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Services fee charged by distribution platforms and payment vendors		264,142	278,109
Information service costs		89,406	2,912
New media costs		78,395	91,721
Promotion expenses		14,024	45,378
Depreciation of property and equipment	9	1,976	2,362
Depreciation of right-of-use assets		4,141	4,152
Amortisation of intangible assets		619	452
Research and development costs		6,142	6,802
Impairment of trade receivables*	10	38	28
Impairment of prepayments, deposits and other receivables*		—	10,000
Auditors' remuneration		600	600
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		110,349	131,272
Pension scheme contributions (defined contribution scheme)		2,966	2,886
Equity-settled share-based payment expenses		14,889	8,893
Foreign exchange differences, net*		1,462	(7,952)
Impairment of investments in a joint venture and associates*		3,912	—

* The provision of impairment for trade receivables, impairment of financial assets included in prepayments, other receivables and other assets, foreign exchange differences and impairment of investments in an associate and joint ventures are included in "other expenses" in the consolidated statement of profit or loss.

6. INCOME TAX

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

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.

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6. INCOME TAX (Continued)

The Group's subsidiary Shenzhen Zen-Game Technology Co. Ltd. (hereafter, "**Zen-Game Shenzhen**") was registered in the Shenzhen-Hong Kong modern service industry cooperation zone in Qianhai, Shenzhen. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Zen-Game Shenzhen was 15% for the six months ended 30 June 2024.

The Group's subsidiary Shenzhen Tiantianlaiwan Technology Co., Ltd. (hereafter, "**Tiantianlaiwan**") was qualified as "High and New Technology Enterprises" under the PRC Enterprise Income Tax ("**EIT**") Law since year 2022. Accordingly, Tiantianlaiwan was entitled to a preferential income tax rate of 15% for a 3-year period since year 2022. The Company expected the applicable tax rate to be 15% for the six months ended 30 June 2024.

The Group's subsidiary 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 2024.

The Group's subsidiary 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 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	45,155	76,097
Deferred tax	11,581	(18,442)
Total tax charge for the period	56,736	57,655

30 June 2024

7. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2024 (for six months ended 30 June 2023: nil).

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 2024 and 2023.

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	309,844	404,845
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,008,762,680	999,284,570
Effect of dilution — weighted average number of ordinary shares:		
Share Option Scheme	5,790,846	7,909,374
Share Award Scheme	15,897,215	16,159,121
	1,030,450,741*	1,023,353,065

* The diluted earnings per share amounts are based on the profit for the period of RMB309,844,000 and the weighted average number of ordinary shares of 1,030,450,741 in issue during the period.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

9. PROPERTY AND EQUIPMENT

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Property RMB'000	Total RMB'000
30 June 2024 (Unaudited)					
At 31 December 2023:					
Cost	8,915	13,424	1,822	—	24,161
Accumulated depreciation	(6,496)	(8,286)	(1,726)	—	(16,508)
Net carrying amount	2,419	5,138	96	—	7,653
At 1 January 2023, net of accumulated depreciation					
Additions	249	—	—	8,913	9,162
Disposal	(22)	—	—	—	(22)
Depreciation provided during the year (note 5)	(1,037)	(773)	(96)	(70)	(1,976)
Exchange realignment	—	15	—	—	15
At 30 June 2024, net of accumulated depreciation	1,609	4,380	—	8,843	14,832
At 30 June 2024:					
Cost	9,114	13,282	1,822	8,913	33,131
Accumulated depreciation	(7,505)	(8,902)	(1,822)	(70)	(18,299)
Net carrying amount	1,609	4,380	—	8,843	14,832

30 June 2024

9. PROPERTY AND EQUIPMENT (Continued)

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023(audited)				
At 1 January 2023:				
Cost	8,370	11,734	1,822	21,926
Accumulated depreciation	(4,516)	(6,045)	(1,532)	(12,093)
Net carrying amount	3,854	5,689	290	9,833
At 1 January 2023, net of accumulated depreciation	3,854	5,689	290	9,833
Additions	774	1,676	—	2,450
Disposal	(72)	—	—	(72)
Depreciation provided during the year (note 5)	(2,138)	(2,237)	(194)	(4,569)
Exchange realignment	1	10	—	11
At 31 December 2023, net of accumulated depreciation	2,419	5,138	96	7,653
At 31 December 2023:				
Cost	8,915	13,424	1,822	24,161
Accumulated depreciation	(6,496)	(8,286)	(1,726)	(16,508)
Net carrying amount	2,419	5,138	96	7,653

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 90 days	110,332	165,900
91 to 180 days	2,680	1,629
181 days to 1 year	1,813	528
1 year to 2 years	928	634
Total	115,753	168,691

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Wealth management products issued by licensed banks, at fair value	258,469	15,521

Wealth management products were denominated in RMB, with an expected rate of return ranging from 1.92% to 2.70% and 1.00% to 3.00% per annum for the six months ended 30 June 2024 and year ended 31 December 2023, 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 categorised within Level 2 of the fair value hierarchy.

30 June 2024

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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 3 months	12,724	16,543
3 to 6 months	1,330	330
6 months to 1 year	288	186
1 year to 2 years	135	115
Total	14,477	17,174

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

13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Analysed into:		
Salary and welfare payables	65,534	98,365
Other tax payables	9,767	30,157
Dividend payable	216,592	—
Other payables	1,834	1,725
Total	293,727	130,247

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

14. SHARE CAPITAL

Shares

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Authorised: 50,000,000,000 ordinary shares of HK\$0.01 each as at 30 June 2024 (2023: 50,000,000,000 ordinary shares)	440,000	440,000
Issued and fully paid: 1,031,788,687 ordinary shares as at 30 June 2024 (2023: 1,030,604,937 ordinary shares)	9,082	9,070

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

	<i>Notes</i>	Number of shares in issue	Share capital RMB'000
At 31 December 2023 (Audited) and 1 January 2024		1,030,604,937	9,070
Share options exercised	(a)	1,183,750	12
At 30 June 2024 (Unaudited)		1,031,788,687	9,082

- (a) The subscription rights attaching to 1,183,750 share options were exercised at the subscription price of HK\$1.29 per share, resulting in the issue of 1,183,750 shares for a total cash consideration, before expenses, of HK\$1,527,000 (equivalent to RMB1,447,000). An amount of RMB535,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

15. COMMITMENTS

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

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16. RELATED PARTY TRANSACTIONS

Name of related party	Relationship with the Group
Guangzhou Guaidian Internet Technology Company Limited ("Guaidian")	Joint venture
Chengdu Zhaoyou Technology Co., Ltd. ("Zhaoyou")	Associate
Beijing Lefei Interactive Entertainment Technology Co., Ltd. ("Lefei")	Associate
Changsha Huiwan Interactive Entertainment Technology Co., Ltd ("Huiwan")	Associate

The Group had the following transactions with related parties during the period:

i. Transactions with related parties

	2024	2023
	RMB'000	RMB'000
A joint venture:		
Promotion service fee	44	—
An associate:		
Promotion service fee	91	—
Other income	—	55

ii. Outstanding balance with a related party:

The Group had no outstanding balance due from its joint ventures and associates (31 December 2023: RMB47,000) and due to its joint venture and associates of RMB91,000 (31 December 2023: RMB98,000) as at the end of the reporting period. The balances are unsecured, interest-free and has no fixed terms of repayment.

iii. Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	5,263	6,314
Equity-settled share-based payment expense	8,699	5,041
Pension scheme contributions	122	136
Total	14,084	11,491

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

17. 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 follow:

30 June 2024 (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	—	—	18,897	18,897
Trade receivables	115,753	—	—	115,753
Financial assets included in prepayments, deposits and other receivables	5,411	—	—	5,411
Financial assets at FVPL	—	258,469	—	258,469
Time deposits with original maturity of over three months	585,078	—	—	585,078
Time deposits with original maturity of over one year	689,973	—	—	689,973
Cash and cash equivalents	1,076,389	—	—	1,076,389
Total	2,472,604	258,469	18,897	2,749,970
Financial liabilities				Financial liabilities at amortised cost RMB'000
Trade payables				14,477
Financial liabilities included in other payables and accruals				1,834
Financial liabilities included in lease liabilities				27,444
Total				43,755

30 June 2024

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

31 December 2023 (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	—	—	29,772	29,772
Trade receivables	168,691	—	—	168,691
Financial assets included in prepayments, deposits and other receivables	6,820	—	—	6,820
Financial assets at FVPL	—	15,521	—	15,521
Time deposits with original maturity of over three months	575,278	—	—	575,278
Time deposits with original maturity of over one year	374,079	—	—	374,079
Cash and cash equivalents	1,331,652	—	—	1,331,652
Total	2,456,520	15,521	29,772	2,501,813
Financial liabilities				Financial liabilities at amortised cost RMB'000
Trade payables				17,174
Financial liabilities included in other payables and accruals				1,725
Financial liabilities included in lease liabilities				5,097
Total				23,996

30 June 2024

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

As at 30 June 2024 and 31 December 2023 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.

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17. 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 2024 (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	—	—	18,897	18,897
Financial assets at FVPL	—	258,469	—	258,469
Total	—	258,469	18,897	277,366

As at 31 December 2023 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at FVOCI:				
Non-listed equity investment	—	—	29,772	29,772
Financial assets at FVPL	—	15,521	—	15,521
Total	—	15,521	29,772	45,293

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Equity investments designated at FVOCI:		
At 1 January	29,772	26,610
Total losses recognised in other comprehensive income	(10,875)	(3,838)
Purchases	—	7,000
At 30 June & 31 December	18,897	29,772

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2024:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity instruments designated at FVOCI:		Average P/E multiple of peers	3.7 to 44.7	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,538,632
		Average P/S multiple of peers	0.9 to 2.5	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB74,028
Non-listed equity investments	Market approach	Average EV/Sales multiple of peers	2.7 to 8.8	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB113,000
		Discount for lack of marketability	30%	10% increase/decrease in multiple would result in decrease/increase in fair value by RMB1,725,660

30 June 2024

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity instruments designated at FVOCI:		Average P/E multiple of peers	13.5 to 36.7	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,397,050
Non-listed equity investments	Market approach	Average P/S multiple of peers	0.8 to 2.6	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB22,688
		Discount for lack of marketability	30%	10% increase/decrease in multiple would result in decrease/increase in fair value by RMB1,605,209

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 August 2024.

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”	the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules
“DAU”	daily active users
“Dingyi”	Shenzhen Dingyi Technology Co., Ltd.* (深圳市鼎翌科技有限公司), a limited liability company established under the laws of the PRC on 29 May 2012 and a direct shareholder of Zen-Game Shenzhen
“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

“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPU”	monthly playing users
“New Chapter 17”	the amended Chapter 17 of the Listing Rules which came into effect on 1 January 2023
“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 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), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“2021 Share Award Scheme”	the 2021 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
“2024 Share Scheme”	the 2024 Share Scheme adopted by the Company on 31 May 2024, the principal terms of which are summarized in Appendix III to the circular made by the Company dated 29 April 2024
“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
“State Council”	the State Council of the PRC (中華人民共和國國務院)

Definitions

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Exclusive Consultancy and Technical Service Agreement, the IP License Agreement, the Exclusive Call Option Agreement, the Share Pledge Agreement, the Shareholders’ Rights Entrustment Agreement, the Shareholders’ Powers of Attorney, the Spouse Undertakings and the Loan Agreement, details of which are set out in the section headed “Structured Contracts” in the Prospectus
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Tianchan”	Shenzhen Tianchan Technology Co., Ltd.* (深圳市天禪科技有限公司), a limited liability company established under the laws of the PRC on 25 May 2012 and a direct shareholder of Zen-Game Shenzhen
“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.