



家鄉互動科技有限公司

Homeland Interactive Technology Ltd.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 3798

INTERIM
REPORT
2020



CONTENTS

Corporate Information	2
Business Overview and Outlook	4
Management Discussion and Analysis	7
Report on Review of Condensed Consolidated Financial Statements	13
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Condensed Consolidated Statement of Financial Position	15
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	17
Notes to the Condensed Consolidated Financial Statements	18
Other Information	35

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WU Chengze (*Chairman and Chief Executive Officer*)
Mr. JIANG Mingkuan
Mr. SU Bo
Mr. GUO Shunshun
Mr. MEN Geng

Independent Non-Executive Directors

Mr. YU Ronald Patrick Lup Man
Mr. ZHANG Yuguo
Mr. HU Yangyang

AUDIT COMMITTEE

Mr. YU Ronald Patrick Lup Man (*Chairman*)
Mr. ZHANG Yuguo
Mr. HU Yangyang

NOMINATION COMMITTEE

Mr. WU Chengze (*Chairman*)
Mr. YU Ronald Patrick Lup Man
Mr. HU Yangyang

REMUNERATION COMMITTEE

Mr. YU Ronald Patrick Lup Man (*Chairman*)
Mr. ZHANG Yuguo
Mr. HU Yangyang

JOINT COMPANY SECRETARIES

Mr. GAO Junfeng
Ms. LEUNG Suet Lun

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 309
Ugland House
Grand Cayman
KY1–1104
Cayman Islands

AUTHORIZED REPRESENTATIVES

Mr. SU Bo
Ms. LEUNG Suet Lun

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

China Everbright Capital Limited
12/F Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

<https://www.jiaxianghudong.com>

STOCK CODE

3798

HEADQUARTERS IN THE PRC

7A Floor, Huijin Building
77 Tainan Road
Siming District
Xiamen
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Hong Kong

PRINCIPAL BANKS

Bank of China, Xiamen Taiwan Road Branch
Bank of China, Changchun Weifeng International
Branch

Business Overview and Outlook

The board of directors (the “**Board**”) of Homeland Interactive Technology Ltd. (the “**Company**”) is pleased to present the unaudited consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”). The Interim Results have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, and the audit committee of the Company (the “**Audit Committee**”).

Business Review

The Group is a leading localized mobile card and board game developer and operator in the People’s Republic of China (“**China**” or the “**PRC**”) with a special focus on localized Mahjong and poker games. The Group also develops and operates casual games and beginning in August 2018, leveraging its large player base, the Group commenced the distribution of third-party mobile games. In 2017, the Group recognized the increasing need for socialising functions in mobile games and introduced private game room function to some of its Mahjong and poker game products.

Most of the Group’s games, including the most popular game categories of Mahjong and Fight the Landlord (鬥地主), are the recreation of classic games. The Group has developed different Mahjong and poker game variations featured with localized and regional game rules, scoring rules and slang terms, appealing to various traditions and preferences of players from different locations. During the six months ended 30 June 2020, the Group has successfully expanded the geographic coverage of its games in China. The Group currently offers Mahjong game variations that are localized to cover at least some counties in 28 provinces and municipalities in China. In the first half of 2020, the Group has launched 53 new Mahjong game variations, 12 new poker game variations and two new casual games.

In terms of financial performance, the Group continued its robust growth during the first half of 2020. The Group’s revenue and gross profit for the six months ended 30 June 2020 were RMB387.2 million and RMB299.8 million, representing an increase of approximately 45.3% and 46.1%, respectively as compared with the corresponding period of last year, primarily due to significant increase in the Group’s cumulative registered players and DAUs during the first half of 2020 resulting from the Company’s effort in further developing the Group’s game portfolio, increase in promotion activities to enhance player stickiness and stimulate in-game purchases, and increase in advertising revenue. During the first half of 2020, the Group recognized advertising revenue of RMB56.7 million as it incentivized players by giving free private game room cards and virtual tokens through clicks on advertisements thereby increasing its advertising revenue. The Group’s adjusted net profit, which does not take into account share-based compensation of RMB15.9 million was approximately RMB217.6 million for the six months ended 30 June 2020, representing an increase of approximately 50.5% from approximately RMB144.6 million for the six months ended 30 June 2019.

In terms of business development, the Group continued to expand its game portfolio, and enhance its marketing capabilities and technology infrastructure to grow its player base, increase their stickiness and stimulate their in-game purchases. As at 30 June 2020, the Group’s cumulative registered players reached 199,812,476, representing an increase of 62.0% as compared with 30 June 2019. The Group’s DAUs increased to 6,009,622 as at 30 June 2020, representing a growth of 9.2%, as compared with 30 June 2019. The Group’s paying players reached 4,815,023 for the six months ended 30 June 2020, representing a growth of 21.8% as compared with the six months ended 30 June 2019.

Following the outbreak of the COVID-19 virus in December 2019, the PRC government has implemented various measures including travel restrictions to prevent the spread of the COVID-19 virus. Such measures have resulted in significant increase in the Group's cumulative registered players, DAUs and sales in virtual tokens and private game room cards in the first half of 2020 as the general public spent more time at home. The Company also benefitted from lower cost of promotion of its games through online social media platforms as the active users for these social media platforms increased. Although the measures relating to travel restrictions have a large extent impeded the Group's offline game promotion activities, there was limited negative impact on the Company's business considering the significant increase in player base in the first half of 2020. The Company believes that the effects of the COVID-19 virus on its business are temporary and will closely monitor any further development.

Business Outlook

During the second half of 2020, the Group will continue its efforts to further solidify its leading position in the localized card and board game industry in China by continuing the following strategies:

- Further develop the Group's advertising revenue. The Group will continue to cooperate with other platform operators to insert in-game advertisement slots. In addition, leveraging its user traffic, the Group will continue to offer advertisement slots on its integrated game platform. Utilizing its data analytical capabilities, the Group will continue to develop strategies including analysing the frequency and timing of advertisements shown to players in order to optimise advertising revenue.
- Further develop and optimize the Group's game portfolio to boost player stickiness. The Group plans to expand its geographic coverage in China by leveraging its established brand name and developing additional localized regional game variations. The Group aims to expand the coverage of its localized game variations to the entire country, excluding Taiwan, Tibet, Qinghai, Xinjiang and Shenzhen. Moreover, the Group also intends to introduce more casual games to amplify its overall game portfolio and attract players with different interests.
- Continue to strengthen research and development and technology infrastructure. The Group will increase its investments in technologies to further strengthen its game development capability and infrastructure, with a particular focus on enhancing game features and improving player experience, which in turn helps retain players and increase player stickiness. The Group will continue to develop HTML5 versions and other potential mini-programs for its game products which are connected to various HTML5-enabled social platforms and websites.
- Enhance marketing capabilities and improve brand image. The Group plans to invest in promotion activities, placing advertisements on social media platforms, third party websites, Apps and TV, as well as sponsoring various online and offline game tournaments to increase its presence and promote its brand.

- Continue to explore acquisition opportunities. On 29 October 2019, the Company entered into a non legally-binding memorandum of understanding pursuant to which the Company expressed an interest to purchase the entire equity interest in a company which is principally engaged in the development and operation of card and board games, with a focus on localized Mahjong games and private game room cards business in a number of provinces in the northern part of the PRC. As at the date of this interim report, due to travel restrictions implemented to prevent the spread of the COVID-19 virus, the negotiation is still on-going and no definitive agreement has been entered into with respect to the potential acquisition. As the parties intend to continue with the negotiation on an exclusive basis with respect to the potential acquisition notwithstanding the expiry of the exclusivity period as stipulated in the memorandum of understanding, the parties have agreed to maintain the current arrangement for the joint custody of the earnest money pursuant to the memorandum of understanding. The Company will continue with the negotiation, due diligence and assessment of such potential acquisition. For further details, please refer to the paragraph headed “Management Discussion and Analysis — Material acquisitions and future plans for major investment” in this interim report. In the second half of 2020, other than the potential acquisition as disclosed above, the Group will continue to explore complementary partnership or acquisition opportunities of small to medium-sized mobile games developers and operators which can enhance its game-related sourcing, development and operation capabilities and complement its experience in the gaming market.

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2020 amounted to approximately RMB387.2 million, representing an increase of 45.3% from approximately RMB266.5 million recorded in the corresponding period in 2019. The increase in revenue was primarily driven by significant increase in the Group's cumulative registered players and DAUs during the first half of 2020 resulting from the Company's effort in further developing the Group's game portfolio, increase in promotion activities to enhance player stickiness and stimulate in-game purchases, and increase in advertising revenue. Advertising revenue represents revenue generated from in-game advertisement slots the Group inserted in its mini-programs, typically measured by user clicks. For the six months ended 30 June 2020, revenue generated from the Group's sale of virtual tokens, private game room cards and distribution of third-party mobile games accounted for approximately 54.0%, 27.6% and 3.7% of the Group's total revenue, respectively, as compared with approximately 53.7%, 36.3% and 10.1%, respectively, for the six months ended 30 June 2019. For the six months ended 30 June 2020, advertising revenue accounted for approximately 14.6% of the Group's total revenue.

Cost of sales

The Group's cost of sales primarily includes (i) employee benefit expenses; (ii) commissions and fees charged by third-party game distribution channels and payment vendors; (iii) server-related and technical support fees; and (iv) depreciation and amortization. The Group's cost of sales increased by approximately 42.4% to approximately RMB87.4 million in the six months ended 30 June 2020 from approximately RMB61.4 million in the corresponding period in 2019, primarily due to the growth in the Group's business in line with the expansion of the Group's game portfolio. More specifically, the increase in cost of sales was primarily due to (i) a RMB19.4 million increase in commissions and fees paid to third-party distribution channels and payment vendors in line with the Group's rapid business growth and also due to the increased use of third-party distribution channels to distribute its games; (ii) a RMB5.6 million increase in server-related and technical support fees; and (iii) a RMB0.6 million increase in employee benefit expenses to support rapid growth of the Group.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 46.1% to approximately RMB299.8 million for the six months ended 30 June 2020 from approximately RMB205.1 million for the corresponding period in 2019. The Group's gross profit margin remained stable at 77% for the six months ended 30 June 2020 and for the corresponding period in 2019.

Other Income

Other income increased significantly by approximately 61.5% from RMB22.9 million for the six months ended 30 June 2019 to RMB37.0 million for the six months ended 30 June 2020. The increase was primarily due to the service income of RMB25.3 million recognized in the six months ended 30 June 2020 as the Group carried out offline promotion marketing activities for other game operators of smaller scale as well as provided technical support services. The increase was also partially due to an increase of RMB4.3 million in interest income and RMB2.4 million in government subsidies which are industry-specific subsidies obtained from local governments.

Foreign Exchange Gains, Net

Foreign exchange gains recorded in the six months ended 30 June 2020 were mainly due to the fluctuation of exchange rate of Renminbi (“**RMB**”) against HK dollars.

Selling and Marketing Expenses

The Group’s selling and marketing expenses increased by approximately 8.1% from RMB46.9 million for the six months ended 30 June 2019 to RMB50.7 million in the corresponding period in 2020. The increase was primarily due to a RMB20.2 million increase in advertising expenses resulting from the Group’s enhanced marketing efforts to acquire and retain players, and offset by a decrease in in-game promotion expenses of RMB16.0 million.

Administrative Expenses

The Group’s administrative expenses increased by approximately 42.1% from RMB14.0 million for the six months ended 30 June 2019 to RMB20.0 million in the corresponding period in 2020. The increase was primarily due to (i) an increase of RMB1.5 million in other professional service fees in connection with consulting services the Group engaged for legal compliance, finance and other related matters; (ii) an increase of RMB1.3 million in office rental, utilities and property management for the Group’s leasehold and buildings; and (iii) an increase of RMB1.2 million in depreciation, as well as the overall increases in office allowance, travelling, transportation and entertainment expenses, each resulted from the Group’s business growth in the first half of 2020.

Profit Before Income Tax

The Group’s profit before income tax increased by approximately 95.7% from RMB126.4 million for the six months ended 30 June 2019 to RMB247.4 million in the corresponding period in 2020. The Group’s profit before income tax as a percentage of total revenue increased from 47.4% for the six months ended 30 June 2019 to 63.9% for the six months ended 30 June 2020, primarily due to the Group’s significant business growth.

Income Tax Expenses

Income tax expenses increased by approximately 105.2% from RMB22.3 million for the six months ended 30 June 2019 to RMB45.7 million in the corresponding period in 2020, primarily due to the increase in taxable profits generated for the six months ended 30 June 2020. The Group’s effective tax rates were 17.6% and 18.5% for the six months ended 30 June 2019 and 2020, respectively. The increase in the Group’s effective tax rates was primarily due to the reduction in the effect of preferential tax rate after listing and increase in non-deductible expenses.

Profit and Total Comprehensive Income for the Period

The Group’s profit and total comprehensive income for the period increased significantly by approximately 93.7% from RMB104.1 million for the six months ended 30 June 2019 to RMB201.7 million in the corresponding period in 2020. The Group’s profit margin was 39.1% and 52.1% for the six months ended 30 June 2019 and 2020, respectively. The increase in profit margin was primarily due to the Group’s significant business growth. Profit and total comprehensive income attributable to owners of the Company increased by approximately 93.7% from RMB104.1 million for the six months ended 30 June 2019 to RMB201.7 million for the six months ended 30 June 2020.

Non-IFRS Measures – Adjusted Net Profit

To supplement the Group's consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("IFRS"), the Company also used unaudited non-IFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of non-recurring and non-cash items that it does not consider indicative of the performance of its business. The Company's management believes that the presentation of non-IFRS measures, in conjunction with the corresponding IFRS measures, provides useful information to investors relating to the Group's financial condition and results of operations. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

The following table sets out the calculation of adjusted net profit for the periods indicated:

	For the six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the period	201,719	104,134
Add:		
Listing-related expenses	—	14,019
Share-based compensation	15,891	26,457
Adjusted net profit	217,610	144,610

The adjusted net profit for the six months ended 30 June 2020, adjusted by excluding the non-cash item of share-based compensation to key employees, was approximately RMB217.6 million, increased by 50.5% as compared to approximately RMB144.6 million for the first half of 2019.

Liquidity and Capital Resources

For the six months ended 30 June 2020, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements from time to time.

Cash and cash equivalents

The Group primarily operates its business in the PRC and its transactions and revenue were primarily denominated in RMB. The Group has certain cash and cash equivalents and trade receivables denominated in HK dollars and US dollars, and is exposed to foreign exchange risk arising from exchange rate fluctuation of RMB against HK dollars and US dollars. As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB603.2 million (31 December 2019: approximately RMB502.4 million), which primarily consisted of cash at bank. Out of the RMB603.2 million, approximately RMB567.2 million is denominated in RMB, approximately RMB24.8 million is denominated in HK dollars and approximately RMB11.2 million is denominated in US dollars. The Group currently does not hedge transactions undertaken in foreign currencies. The Group paid a final dividend of approximately RMB83.0 million in respect of the year ended 31 December 2019 to its shareholders in June 2020.

The Group currently does not have any hedging policy for foreign currencies in place. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

Borrowings

During the six months ended 30 June 2020, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to RMB11.6 million in aggregate.

Gearing ratio

The gearing ratio was zero since there was no debt as at 30 June 2020.

Charge on assets

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

Capital expenditure

For the six months ended 30 June 2020, the Group's capital expenditure amounted to approximately RMB9.7 million (for the six months ended 30 June 2019: approximately RMB3.2 million), which mainly comprised expenditures on the purchase of office furniture and equipment, motor vehicles, leasehold improvements as well as the purchase of the copyright of game software and trademark. The Group funded its capital expenditure by using the cash flow generated from its operations and proceeds from the global offering. The capital expenditure for the six months ended 30 June 2020 was higher due to the increase in the purchase of copyright of game software and trademark in line with the Group's business growth.

Contingent liabilities and guarantees

As at 30 June 2020, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Material acquisitions and future plans for major investment

On 29 October 2019, the Company entered into a non legally-binding memorandum of understanding pursuant to which the Company expressed an interest to purchase the entire equity interest in Jilin Xinyue Network Technology Limited (吉林省心悦網絡科技有限公司) (the “**Target Company**”). The Target Company is a company incorporated in the PRC and is principally engaged in the development and operation of card and board games, with a focus on localized Mahjong games and private game room cards business in a number of provinces in the northern part of the PRC, including Heilongjiang, Jilin, Liaoning, Shanxi, Hebei and Gansu provinces. Further details on the potential acquisition is set out in the announcement of the Company dated 29 October 2019. As at the date of this interim report, due to travel restrictions implemented to prevent the spread of the COVID-19 virus, the negotiation is still on-going and no definitive agreement has been entered into with respect to the potential acquisition. As the parties intend to continue with the negotiation on an exclusive basis with respect to the potential acquisition notwithstanding the expiry of the exclusivity period as stipulated in the memorandum of understanding, the parties have agreed to maintain the current arrangement for the joint custody of the earnest money pursuant to the memorandum of understanding. The Company will continue with the negotiation, due diligence and assessment of such potential acquisition. Should the Company decide to proceed with this acquisition, the acquisition will be funded by the Company’s internal resources, including cash generated from its operations and the proceeds from the global offering, subject to negotiation of the terms of the acquisition with the vendors.

During the six months ended 30 June 2020, the Group has not conducted any material acquisitions or disposals. However, the Group plans to explore opportunities, through potential partnership with or strategic acquisitions of local small to medium-sized mobile game developers and operators which can enhance its game-related sourcing, development and operation capabilities and complement its experience in the gaming market. The Group will utilize proceeds from the Global Offering for the purpose of any such acquisition.

Employees and Staff Costs

The Company has hired additional game developers, engineers and marketing personnel during the first half of 2020 in line with the Company's business expansion. Taking into account the employees who departed during the first half of 2020, the Group had a total of 475 full time employees, mainly located in mainland China. In particular, 80 employees are responsible for the Group's research and development, 175 for game development, 75 for technical support, 55 for customer service, 40 for marketing and 50 for operations and general administration. The total staff cost incurred by the Group for the six months ended 30 June 2020 was approximately RMB50.2 million compared to approximately RMB60.9 million for the corresponding period in 2019. The decrease was primarily due to the decrease in payment of share-based compensation to key employees of approximately RMB10.6 million.

The Group provides orientation and training to new recruits as well as ongoing in-house training for junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates employees with base salaries and performance-based bonuses. The Company has also adopted a share option scheme and a share award scheme to incentivize employees and senior management and to align their interests with that of the Company.

Further details of the principal terms of the share option scheme and the share award scheme are set out in the section headed "Other Information" in this interim report.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF HOMELAND INTERACTIVE TECHNOLOGY LTD.

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Homeland Interactive Technology Ltd. (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 14 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 International 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	387,174	266,493
Cost of sales	4	(87,384)	(61,364)
Gross profit		299,790	205,129
Other income	5	37,049	22,940
Selling and marketing expenses		(50,682)	(46,892)
Administrative expenses		(19,951)	(14,036)
Other expenses		(5,000)	—
Listing expenses		—	(14,019)
Interest on lease liabilities		(443)	(284)
Share-based payment expenses		(15,891)	(26,457)
Foreign exchange gains, net		2,545	23
Profit before income tax		247,417	126,404
Income tax expense	7	(45,698)	(22,270)
Profit and total comprehensive income for the period	8	201,719	104,134
Earnings per share (in RMB cents)			
— Basic	9	16.23	12.07
— Diluted		16.07	12.02

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	NOTES	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	45,455	43,473
Right-of-use assets	10	11,864	14,350
Intangible assets		2,655	2,630
Equity instruments at fair value through other comprehensive income ("FVTOCI")		18,450	14,000
Loan to employees		8,886	1,900
Rental and other deposits		2,316	2,178
Deferred tax assets		2,462	504
		92,088	79,035
Current assets			
Trade receivables	11	50,665	49,326
Prepayments and other receivables	12	141,098	98,008
Cash and cash equivalents		603,164	502,367
		794,927	649,701
Current liabilities			
Trade and other payables	13	42,728	47,337
Deferred revenue	14	38,991	24,771
Tax payable		42,489	25,650
Lease liabilities		2,951	4,427
		127,159	102,185
Net current assets		667,768	547,516
Total assets less current liabilities		759,856	626,551
Non-current liabilities			
Lease liabilities		8,691	9,974
Net assets		751,165	616,577
Capital and reserves			
Share capital	15	41	41
Shares held for Share Award Scheme		—	(2)
Reserves		751,124	616,538
Total equity		751,165	616,577

Condensed Consolidated Statement of Changes in Equity

For the six month ended 30 June 2020

	Attributable to owners of the Company							
	Paid-in capital/ Share capital	Shares held for Share Award Scheme	Share premium	Statutory reserve	Other reserve	Share-based payments reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019 (audited)	27	—	—	15,027	19,714	—	177,967	212,735
Profit and total comprehensive income for the period	—	—	—	—	—	—	104,134	104,134
Dividends recognized as distribution	—	—	(177,000)	—	—	—	—	(177,000)
Recognition of share-based payment expenses under the Share Award Scheme (defined in Note 16)	—	—	—	—	—	26,457	—	26,457
Issuance of shares held for Share Award Scheme (defined in Note 16)	3	(3)	—	—	3	—	—	3
As at 30 June 2019 (unaudited)	30	(3)	(177,000)	15,027	19,717	26,457	282,101	166,329
As at 1 January 2020 (audited)	41	(2)	139,615	15,027	19,717	57,424	384,755	616,577
Profit and total comprehensive income for the period	—	—	—	—	—	—	201,719	201,719
Recognition of share-based payment expenses under the Share Award Scheme (defined in Note 16)	—	—	—	—	—	2,877	—	2,877
Vesting of award shares under the Share Award Scheme	—	2	56,951	—	—	(56,953)	—	—
Recognition of share-based payment expenses under the Share Option Scheme (defined in Note 16)	—	—	—	—	—	13,014	—	13,014
Dividends recognized as distribution	—	—	(83,022)	—	—	—	—	(83,022)
As at 30 June 2020 (unaudited)	41	—	113,544	15,027	19,717	16,362	586,474	751,165

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	NOTE	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Net cash from operating activities		190,322	127,675
Investing activities			
Interest received		6,434	2,104
Purchase of equity instruments at fair value through other comprehensive income		(5,450)	—
Purchase of property, plant and equipment		(3,559)	(277)
Purchase of intangible assets		(726)	(1,877)
Refund of rental deposits		—	10
Net cash used in investing activities		(3,301)	(40)
Financing activities			
Dividends paid		(83,022)	—
Repayment of lease liabilities		(3,202)	(1,225)
Issue costs paid		—	(4,148)
Net cash used in financing activities		(86,224)	(5,373)
Net increase in cash and cash equivalents		100,797	122,262
Cash and cash equivalents at the beginning of the period		502,367	218,195
Cash and cash equivalents at the end of the period, represented by Cash and cash equivalents		603,164	340,457

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

Homeland Interactive Technology Ltd. (the “**Company**”) is an exempted company with limited liability incorporated in Cayman Islands on 7 May 2018. The registered office of the Company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Grand Cayman Islands. The address of principal place of business of the Company is 7A Floor, Huijin Building, 77 Tainan Road, Siming District, Xiamen, the People’s Republic of China (the “**PRC**”). The Company is controlled by Mr. Wu Chengze, Mr. Jiang Mingkuan and Mr. Su Bo (collectively referred to as the “**Founders**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are primarily engaged in the development, publication and operation of mobile games in the PRC.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 4 July 2019 (the “**Listing Date**”) (the “**Listing**”).

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company and its subsidiaries.

Basis of preparation and presentation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Significant events in the current interim period

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operation of the Group. As the Group’s services are performed through online platform, customers spent more time on mobile games during the interim period which resulted in the expansion of the Group’s mobile game business.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents (1) income from sales of virtual tokens and private game room cards on their self-developed mobile games; (2) income from third-party mobile game, and; (3) advertising income. The Group’s operating activities are attributable to a single operating segment focusing on development and operation of mobile games in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC which materially conform with IFRSs, that are regularly reviewed by the chief operating decision maker (“**CODM**”), Mr. Wu, the chief executive officer of the Group, for the purpose of allocating resources and assessing its performance. The CODM reviews the financial results of the Group as a whole for performance assessments. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from self-developed mobile games and third-party mobile games is recognized at a point in time when the customers obtain control of the services, being at the point the customers consume the virtual tokens and private game room cards in self-developed mobile games or the customers converted the virtual diamonds in the platform to the virtual tokens in the relevant third-party mobile games.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

Advertising revenue is recognized at a point in time when the advertisements placed by third-party platforms are displayed in the game interface. It was considered as other income by the management for last interim period. During the second half of the year ended 31 December 2019, by realizing the potential of such income, the management changed its operation strategies and placed more focus on developing this revenue stream and considered such income as part of the revenue of the Group for the current interim period.

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue from:		
— Self-developed mobile games		
<i>Virtual tokens</i>	209,155	143,049
<i>Private game room cards</i>	107,010	96,628
— Third-party mobile games — virtual diamond	14,307	26,816
	330,472	266,493
Advertising revenue	56,702	—
	387,174	266,493

The Group has a large number of customers, no revenue from any individual customer exceeded 10% or more of the Group's revenue during both periods.

Geographical information

The Group operated within one geographical segment in both periods because all of its revenue from continuing operation was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

4. COST OF SALES

Cost of sales is analyzed as follows:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Employee benefit expenses	24,066	23,508
Commissions and fees charged by distribution channels and payment vendors	49,320	29,918
Server-related and technical support fees	10,912	5,281
Depreciation and amortization	2,060	2,190
Others	1,026	467
	87,384	61,364

5. OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Service income (<i>note a</i>)	25,263	8,536
Government subsidies (<i>note b</i>)	4,832	2,420
Interest income	6,434	2,104
Advertising income	—	9,769
Others	520	111
Total	37,049	22,940

Notes:

- Service income represents the amounts received from contracted clients for offline promotion marketing activities as well as providing technical support services and is recognized when the services are performed.
- Government subsidies mainly represent various industry-specific subsidies granted by the government authorities to subsidize the research and development costs already incurred by the Group during the course of its business, as well as government incentives to reward the Group's effort for the technological innovation and support to the local economy with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. DIVIDENDS

During the current interim period, a final dividend of RMB0.0661 (equivalent to HK\$0.0728) per share in respect of the year ended 31 December 2019 (2019: Nil) was declared and paid to owners of the Group. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB83,022,000 (2019: Nil).

7. INCOME TAX EXPENSE

The income tax provision of the subsidiaries operating in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for both interim periods, based on the existing legislation, interpretations and practices in respect thereof.

Jiaxiang Interactive (Xiamen) Network Technology Company Limited (“**Jiaxiang Interactive**”) qualified as a “Double Soft Enterprise” (“**DSE**”) under the Corporate Income Tax Law in 2016. Therefore, according to relevant tax regulations, Jiaxiang Interactive is exempt from Corporate Income Tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2016, the first year of profitable operation. Therefore, the actual income tax rate for Jiaxiang Interactive was 12.5% for both interim periods.

Jilin Xinze Network Technology Company Limited (“**Jilin Xinze**”) and Jilin Yuke Network Technology Company Limited (“**Jilin Yuke**”) qualified as “High and New Technology Enterprises” (“**HNTE**”) under the Corporate Income Tax Law in 2017 and 2018, respectively and the valid period is three years. Jilin Xinze qualified as HNTE in 2020 again and the valid period is also three years. According to the CIT law, Jilin Xinze and Jilin Yuke will be both entitled to a preferential income tax rate at 15% for both interim periods if the criteria of HNTE are met.

The income tax expense of the Group is analysed as follows:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax — PRC Enterprise Income Tax	47,656	22,270
Deferred tax	(1,958)	—
	45,698	22,270

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Lease expenses in respect of short-term leases on land and buildings	510	563
Depreciation and amortization	2,828	2,299
Auditors' remuneration	928	500
Depreciation of right-of-use assets	2,273	1,361
Donation (included in other expenses) (<i>note</i>)	5,000	—
Directors' emoluments	1,977	1,180
Other staff costs:		
Salaries and other benefits in kind	32,032	30,313
Retirement benefit costs	305	2,928
Share-based payments for staff	15,891	26,457
Total staff costs	<u>50,205</u>	<u>60,878</u>

Note: During the current interim period, the Group donated RMB5,000,000 to Wuhan Charity Federation for Covid-19.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share:		
— Profit attributable to owners of the Company	<u>201,719</u>	<u>104,134</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

9. EARNINGS PER SHARE (Continued)

	Number of shares	
	2020 (unaudited)	2019 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,242,564,522	862,724,000
Effect of dilutive potential ordinary shares in respect of Share Award Scheme and Share Option Scheme	12,595,288	3,434,934
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	1,255,159,810	866,158,934

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of the Company, taking into account the shares issued and outstanding during the period and on the assumption that the reorganization and the share sub-division (as disclosed in note 15) have been effective on 1 January 2019, excluding ordinary shares held for the Share Award Scheme which are treated as treasury shares.

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group paid RMB3,559,000 (six months ended 30 June 2019: RMB277,000) on leasehold improvement and motor vehicles.

In addition, during the current interim period, the Group terminated a lease agreement and resulted a loss on the termination amounted to RMB32,000.

11. TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade receivables	50,665	49,326
Less: impairment provision	—	—
Total	50,665	49,326

Trade receivables were composed of the receivables from distribution channels or payment vendors and advertisement agents. The credit terms of trade receivables granted to the distribution channels or payment vendors are usually 0 to 60 days. Ageing analysis of trade receivables presented based on date of invoices is as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
0–30 days	32,679	44,061
31–60 days	16,079	3,209
61–90 days	1,622	1,390
91–180 days	—	411
Over 180 days	285	255
Total	50,665	49,326

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Deposit for a potential acquisition (<i>note a</i>)	75,000	75,000
Prepayment for advertisement and promotion fees	2,123	6,195
Prepaid advertising fee (<i>note b</i>)	22,746	—
Advances to employees	4,167	2,469
Receivables for service income	26,508	8,486
Prepayment for research and development fees	5,644	3,260
Prepayment for server-related fees	1,345	298
Account balance on Alipay (<i>note c</i>)	414	250
Prepayment for rental fees	60	121
Prepayment for professional fees	49	—
Others	3,042	1,929
Total	141,098	98,008

Notes:

- (a) On 29 October 2019, the Company, Jilin Xinbao Technology Partnership (Limited Partnership) (“**Xinbao Technology**”) and Mr. Luo Wei (collectively referred to as the “**Vendors**”) entered into a non legally-binding memorandum of understanding (the “**MOU**”) pursuant to which the Company expressed an interest to purchase the entire equity interest in the Jilin Xinyue Network Technology Limited (“**Jilin Xinyue**”) from the Vendors. Jilin Xinyue is principally engaged in development and operation of card and board games, with a focus on localized Mahjong games, and sale of private game room cards business in a number of provinces in the northern part of the PRC, including Heilongjiang, Jilin, Liaoning, Shanxi, Hebei and Gansu provinces. Pursuant to the MOU, a total of RMB75,000,000 as fully refundable earnest money was transferred into a bank account under the joint custody of Jilin Xinze and Xinbao Technology within 5 business days after the signing of the MOU, and the agreement was entered into between Jilin Xinze and the Vendors on the same day with respect to arrangements for the holding and release of the earnest money. The earnest money in full with interest should be refunded to Jilin Xinze if the possible acquisition did not complete within 6 month from the signing of the MOU. However, due to the outbreak of Covid-19, the acquisition was suspended and the Company and the Vendors signed a supplementary agreement to extend the expiry date of the MOU to 31 December 2020. The earnest money in full with interest should be refunded to Jilin Xinze if the possible acquisition is not completed before 31 December 2020.
- (b) Starting from 1 January 2020, Wechat mini game platform has begun to charge channel fee but at the same time awarded a certain ratio of top up amounts to game developers as an advertising credit which can only be used to purchase advertising service on Wechat mini game platform. This balance represents the unutilized advertising credit at the period end.
- (c) Account balance on Alipay represents sales proceeds paid by players to the Group through Alipay which have been settled but yet transferred from the Group's Alipay account to bank accounts. The Group is of the opinion that the credit risks of the account balance on Alipay are minimal as Alipay is a creditworthy payment vendor with no history of defaults. No impairment is made for account balance on Alipay during the periods.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Salary and staff welfare payables	15,322	20,520
Selling and marketing expenses accruals	13,656	10,479
Other taxes payable	8,017	7,434
Payable to game developers (<i>note</i>)	2,474	2,607
Payable to a distribution channel	909	—
Administrative expenses accruals	570	4,137
Payable for leasehold improvement	550	—
Consideration payable for acquisition of equity instruments at FVTOCI	—	1,000
Others	1,230	1,160
Total	42,728	47,337

Note: The balance represents sale proceeds received from players of games for which the Group acts as distributor to be reimbursed to game developers, after deducting the commission income entitled by the Group calculated at a pre-determined rate, and refundable deposits received from game developers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. TRADE AND OTHER PAYABLES (Continued)

The following is an analysis of trade payables by age, presented based on the invoice date.

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
0–30 days	909	—

14. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the customers for the Group's mobile games in the forms of prepaid virtual tokens and private game room cards, for which the related services had not been rendered as at each period as the unsatisfied performance obligations will be recognized as revenue within one year, therefore, the deferred revenue is recognized as current liability.

	Virtual tokens RMB'000	Private game room cards RMB'000	Total RMB'000
As at 1 January 2020 (audited)	9,943	14,828	24,771
Sales proceeds, net of tax	228,092	116,600	344,692
Revenue recognized during the period	(223,462)	(107,010)	(330,472)
As at 30 June 2020 (unaudited)	14,573	24,418	38,991

15. SHARE CAPITAL

	Number of shares	US\$
Authorized		
At 1 January 2019	5,000,000,000	50,000
Effect of sub-division (<i>note a</i>)	5,000,000,000	—
	<u>10,000,000,000</u>	<u>50,000</u>
At 30 June 2019, 1 January 2020 and 30 June 2020	<u>10,000,000,000</u>	<u>50,000</u>
Issued and fully paid		
As at 1 January 2019	431,362,000	4,314
Effect of subdivision completed on 24 May 2019 (<i>note a</i>)	431,362,000	—
Issuance of shares on 6 June 2019 (<i>note b</i>)	79,276,000	396
	<u>942,000,000</u>	<u>4,710</u>
As at 30 June 2019	<u>942,000,000</u>	<u>4,710</u>
As at 1 January 2020 and 30 June 2020	<u>1,256,000,000</u>	<u>6,280</u>
Show in the condensed consolidated financial statements as		<u>RMB41,000</u>

Notes:

- (a) On 24 May 2019, the Company sub-divided all its issued and unissued ordinary shares with par value of US\$0.00001 each into two ordinary shares with par value of US\$0.000005 each. Following the completion of the share sub-division, the authorized share capital was altered to US\$50,000, divided into 10,000,000,000 shares of US\$0.000005 each and the issued shares was altered to US\$4,314, divided into 862,724,000 shares of US\$0.000005 each. The new shares rank pari passu with the existing shares in all aspects.
- (b) On 6 June 2019, a total of 79,276,000 shares were allotted and issued at par to an independent nominee appointed by the trustee of Share Award Scheme. Details are set out in note 16. The new shares rank pari passu with the existing shares in all aspects.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

16. SHARE-BASED PAYMENTS

Share Award Scheme

Pursuant to a resolution passed by the Board on 6 June 2019, the Company set up a share award scheme for the primary purpose of providing incentives to directors and eligible employees (the "**Share Award Scheme**"). The Company allotted and issue 79,276,000 new shares to WL Universe Limited, an independent nominee appointed by The Core Trust Company Limited, the trustee of the Share Award Scheme, at par value of US\$0.000005 each with the consideration amounting to RMB3,000 being funded by the Founders. Details of the shares granted and their vesting period under the Share Award Scheme are set out in the table below.

	Date of grant	Number of shares granted	Approximate percentage of shareholding immediately after listing
Director of a subsidiary (<i>note a</i>)	6 June 2019	18,086,000	1.44%
Senior management members of the Group			
Employee A (<i>note b</i>)	6 June 2019	18,840,000	1.50%
Employee B (<i>note c</i>)	6 June 2019	18,840,000	1.50%
Employee C (<i>note a</i>)	6 June 2019	9,042,000	0.72%
Other employees			
Employee D (<i>note a</i>)	6 June 2019	14,468,000	1.15%
Grand total of all grantees		79,276,000	6.31%

Notes:

- (a) The shares granted to each of these grantees shall be fully vested on the date ending 6 months after the Listing Date.
- (b) The shares granted to this grantee shall be vested in accordance with the vesting schedule as follows:
 - (i) as to 50% of the shares on the Listing Date; and
 - (ii) as to the remaining 50% of the shares, on a quarterly basis starting from the first quarter after the Listing Date in four equal lots.
- (c) The shares granted to this grantee shall be vested in accordance with the vesting schedule as follows:
 - (i) as to 50% of the shares on the Listing Date; and
 - (ii) as to the remaining 50% of the shares, on the date ending 6 months after the Listing Date.
- (d) Save for the above, there are no other vesting conditions for the shares granted under the Share Award Scheme before the Listing.

The grantees of shares as referred to in the table above are not required to pay for the grant of any share under the Share Award Scheme, nor are they required to pay upon vesting of any shares.

16. SHARE-BASED PAYMENTS (Continued)**Share Award Scheme** (Continued)

The shares held for the Share Award Scheme were regarded as treasury shares and had been deducted from shareholders' equity, the costs of these shares totaling RMB3,000 were credited to "other reserves" as deemed contribution from shareholders. During the current interim period, 46,306,000 of shares awarded were vested and as a result, RMB2,000 of shares held for the Share Award Scheme was transferred to share premium. The remaining 2,355,000 of shares awarded are not yet vested at the end of the period.

The directors estimated the fair values of the above shares as at the respective grant date. The fair value of the shares held for the Share Award Scheme was determined using the market method with reference to offering price at initial public offer and marketability discount and the aggregate fair value of the shares held for the Share Award Scheme granted on 6 June 2019 was assessed to be HK\$103,491,000 (equivalent to RMB91,041,000). During the six months ended 30 June 2020, the Group recognized the share-based compensation expenses of RMB2,877,000 in relation to the shares held for the Share Award Scheme granted by the Company.

Share Option Scheme

A share option scheme was approved and adopted by the Company on the Listing Date (the "Share Option Scheme"). On 14 November 2019, the Company granted share options (the "Share Options") under the Share Option Scheme to 58 eligible employees to subscribe for a total of 62,360,000 ordinary shares of US\$0.000005 each in the Company. The estimated fair value of the options granted was HK\$47,452,000 (equivalent to RMB42,508,000). During the period ended 30 June 2020, the Group recognized the share-based payment expense of RMB13,014,000 in relation to the Share Option Scheme.

Details of specific categories of Share Options are as follows:

	As at 1 January 2020	Granted during the period	As at 30 June 2020
Employees (note a)	18,708,000	—	18,708,000
Employees (note b)	24,944,000	—	24,944,000
Employees (note c)	18,708,000	—	18,708,000
	62,360,000	—	62,360,000
Exercisable at the end of the period			—

The weighted average exercise price for the three categories stated above is HK\$2.09 per share. There were no outstanding exercisable Share Options at the end of the year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

16. SHARE-BASED PAYMENTS (Continued)

Share Option Scheme (Continued)

Notes:

- (a) The Share Options granted are subject to the vesting period from the date of grant up to 14 November 2020;
- (b) The Share Options granted are subject to the vesting period from the date of grant up to 14 November 2021;
- (c) The Share Options granted are subject to the vesting period from the date of grant up to 14 November 2022;

The Share Options granted shall be valid for the period of 5 years from the date of grant. Any Share Options not exercised by 14 November 2024 shall lapse.

The number of the Share Options granted expected to vest is based on the directors' best estimate on the expected percentage of the 58 eligible employees that will remain in employment with the Group at the end of the vesting period.

At the end of the interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognized in profit and loss, with a corresponding adjustment to the share-based payments reserve.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2020	31 December 2019		
Equity instruments at FVTOCI	Equity investment in companies engaged in game developing — RMB14,500,000	Equity investment in companies engaged in game developing — RMB10,500,000	Level 3	Adjusted net asset value approach — in this approach, the book values of the assets and liabilities were adjusted to their respective assets/liabilities' fair values
	Equity investment in companies engaged in game developing and programmer training — RMB3,500,000	Equity investment in companies engaged in game developing and programmer training — RMB3,500,000		Income approach — in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate
	Equity investment in company engaged in game developing — RMB450,000	Nil	Level 2	Cost of investment as it is equity investments in private game companies at start-up stage and the investment date is close to the period end

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTOCI RMB'000
At 1 January 2020 (audited)	—
Total gains (losses):	
— in other comprehensive income	—
Transfers into of Level 3 (<i>note</i>)	18,000
At 30 June 2020 (unaudited)	18,000

Note: The fair value of the FVTOCI is categorized into Level 2 on 1 January 2020 as the fair value is determined by recent transaction prices which is market-observable data. The fair value of the FVTOCI is transferred into Level 3 as market-observable data is not available at the end of current interim period.

18. RELATED PARTY TRANSACTIONS

Save as disclosed below and in other notes, there are no other significant related party transactions.

Key management personnel compensations

The compensations paid or payable to key management personnel (including directors, chief executive officers and other senior executives) are shown below:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Salaries, bonuses, allowances and benefits in kind	4,671	5,595
Share-based payments	15,891	26,457
Total	20,562	32,052

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

As at 30 June 2020, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(i) Interests of Directors and Chief Executive of the Company

Name of Director/ Chief Executive	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding interest
Mr. Wu Chengze ("Mr. Wu") ⁽²⁾	Interest in controlled corporation	433,842,000	34.54%
Mr. Jiang Mingkuan ("Mr. Jiang") ⁽³⁾	Interest in controlled corporation	125,146,000	9.96%
Mr. Su Bo ("Mr. Su") ⁽⁴⁾	Interest in controlled corporation	144,614,000	11.51%
Mr. Guo Shunshun ("Mr. Guo") ⁽⁵⁾	Interest in controlled corporation	69,018,000	5.50%
Mr. Men Geng ("Mr. Men") ⁽⁶⁾	Interest in controlled corporation	17,662,000	1.41%

(1) All interests stated are long positions.

(2) Mr. Wu holds the entire share capital of Wu Chengze Network Limited, which in turn directly holds 433,842,000 Shares. Accordingly, Mr. Wu is deemed to be interested in the 433,842,000 Shares held by Wu Chengze Network Limited.

(3) Mr. Jiang holds the entire share capital of Jiang Ming Kuan Network Limited, which in turn directly holds 125,146,000 Shares. Accordingly, Mr. Jiang is deemed to be interested in the 125,146,000 Shares held by Jiang Ming Kuan Network Limited.

(4) Mr. Su holds the entire share capital of Su Bo Network Limited, which in turn directly holds 144,614,000 Shares. Accordingly, Mr. Su is deemed to be interested in the 144,614,000 Shares held by Su Bo Network Limited.

(5) Mr. Guo holds the entire share capital of Guo Shun Shun Network Limited, which in turn directly holds 69,018,000 Shares. Accordingly, Mr. Guo is deemed to be interested in the 69,018,000 Shares held by Guo Shun Shun Network Limited.

(6) Mr. Men holds the entire share capital of Men Geng Network Limited, which in turn directly holds 17,662,000 Shares. Accordingly, Mr. Men is deemed to be interested in the 17,662,000 Shares held by Men Geng Network Limited.

(ii) Interest in the Company's subsidiary, Jiayang Interactive (Xiamen) Network Technology Company Limited

Name of Director/ Chief Executive	Nature of Interest	Registered capital	Percentage of interest
Mr. Wu ⁽¹⁾	Interest in controlled corporation	RMB10,000,000 registered capital	100%
Mr. Jiang ⁽¹⁾	Other	RMB10,000,000 registered capital	100%
Mr. Su ⁽¹⁾	Other	RMB10,000,000 registered capital	100%

Note:

- (1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiayang Interactive (Xiamen) Network Technology Company Limited. Jilin Yutai Network Technology Company Limited is held as to 92% by Mr. Wu and 8% by Mr. Guo. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiayang Interactive (Xiamen) Network Technology Company Limited. Of the 92% interests held by Mr. Wu in Jilin Yutai Network Technology Company Limited, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

(iii) Interests in Other Members of the Group

So far as the Directors are aware, as at 30 June 2020, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Registered capital	Percentage of interest
Jiayang Interactive (Xiamen) Network Technology Company Limited	Jilin Yutai Network Technology Company Limited ⁽¹⁾	RMB10,000,000	100%

Note:

- (1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiayang Interactive (Xiamen) Network Technology Company Limited. Jilin Yutai Network Technology Company Limited is held as to 92% by Mr. Wu and 8% by Mr. Guo. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiayang Interactive (Xiamen) Network Technology Company Limited. Of the 92% interests held by Mr. Wu in Jilin Yutai Network Technology Company Limited, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

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

As at 30 June 2020, so far as is known to the Directors, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding interest
Co-challengers Growth Limited ⁽²⁾	Beneficial owner	72,312,000	5.76%
Mr. Li Bo ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%
Beijing Chuangxin Yizhou Investment Management Limited (北京創新壹舟投資管理有限公司) (“ Yizhou Investment Management ”) ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%
Xiamen Yizhou Xingchen Investment Management Limited (廈門壹舟星辰投資管理有限公司) (“ Xingchen Investment Management ”) ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%
Xiamen Challenger Venture Capital Partnership (Limited Partnership) (廈門挑戰者創業投資合夥企業(有限合夥)) (“ Xiamen Challenger ”) ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%

Notes:

- (1) All interests stated are long positions.
- (2) Co-challengers Growth Limited is wholly-owned by Xiamen Challenger, a limited partnership, and is ultimately controlled by Mr. Li Bo, who has approximately 99.9% interest in Yizhou Investment Management, which has approximately 90% interest in Xingchen Investment Management, the sole general partner of Xiamen Challenger. Accordingly, each of Xiamen Challenger, Mr. Li Bo, Yizhou Investment Management and Xingchen Investment Management is deemed to be interested in the Shares held by Co-challengers Growth Limited.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

SHARE INCENTIVE SCHEMES

Share Option Scheme

On 5 June 2019, a share option scheme (the “**Share Option Scheme**”) of the Company was approved and adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to incentivize and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the “**Eligible Persons**”) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares of the Company (the “**Share(s)**”) as the Board may determine to an Eligible Person.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the “**Other Schemes**”) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the listing date of the Company (the “**Listing Date**”), being 125,600,000 Shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion (the “**Scheme Mandate Limit**”)

The total number of Shares which may be issued on the exercise of options granted and to be granted under the Share Option Scheme and any Other Schemes is 62,360,000, representing approximately 4.96% of the issued share capital of the Company as at the date of this interim report. Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion.

The Share Options granted shall be open for acceptance for a period of not exceeding 30 days inclusive of, and from, the date of offer of the Share Options. An offer of Share Options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of the Share Options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. Accordingly, as at 30 June 2020, the remaining life of the Share Option Scheme is approximately nine years.

Further details of the principal terms of the Share Option Scheme are set out in the Company's 2019 Annual Report.

No share options (the "**Share Options**") were granted under the Share Option Scheme during the six months ended 30 June 2020. Particulars of the outstanding options granted under the Share Option Scheme are set out below:

Name/ Category of participants	Date of grant ⁽¹⁾	No. of Shares involved in the options outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	No. of Shares involved in the options outstanding as at 30 June 2020	Exercise price (HK\$ per Share)	Exercise period
Employees	14 November 2019	62,360,000	-	-	-	-	62,360,000	2.09	14 November 2019– 14 November 2024

- (1) 30% of the total number of Share Options granted (i.e. 18,708,000 Share Options) shall be vested on 14 November 2020, 40% of the total number of Share Options granted (i.e. 24,944,000 Share Options) shall be vested on 14 November 2021, and the remaining 30% of the total number of Share Options granted (i.e. 18,708,000 Share Options) shall be vested on 14 November 2022.

Share Award Scheme

The Share Award Scheme was approved and adopted by the Board on 6 June 2019, under which the Board may, from time to time at its absolute discretion select any individual who is an employee, officer, agent or consultant of the Company or any of its subsidiaries (the “**Subsidiaries**” and for the avoidance of doubt, including Jiaxiang Interactive (Xiamen) Network Technology Company Limited and its subsidiaries) who is not a connected person (as defined or deemed to be the case under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) of the Company; and if the Board or any committee of the Board delegated with the power and authority to administer the Share Award Scheme so determines in its absolute discretion, any director (including executive and non-executive director) of the Company or any Subsidiary to be a selected participant and grant Share Awards to such selected participant.

The purpose of the Share Award Scheme is to (i) encourage or facilitate the holding of Shares by the participants selected by the Board in accordance with the terms of and entitled to receive a grant of share awards (the “**Share Awards**”) under the Share Award Scheme (the “**Selected Participant**”); (ii) encourage and retain such individuals to work with the Group; and (iii) provide additional incentive for them to achieve performance goals. The Share Award Scheme shall be valid for ten years commencing from the adoption date.

The maximum number of new Shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued Shares at the relevant time; and the maximum number of new Shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued Shares at the relevant time.

Further details of the principal terms of the Share Award Scheme are set out in the Company’s 2019 Annual Report.

Details of Share Awards granted under the Share Award Scheme

As at the date of this interim report, a total number of 79,276,000 Shares, representing approximately 6.31% of the Shares in issue as at the date of this interim report, had been allotted and issued to five employees pursuant to the Share Award Scheme. No Shares were awarded to the directors of the Company. The Selected Participants are not required to pay any exercise price to receive the Share Awards or the Shares granted under the Share Award Scheme. As at the date of this interim report, 69,856,000 Share Awards have vested and 9,420,000 Share Awards have lapsed due to the departure of a grantee. During the six months ended 30 June 2020, no Share Award has been granted or agreed to be granted under the Share Award Scheme, nor has any Share Award been cancelled.

Save as disclosed above, there has been no Share Options granted and outstanding under the Share Option Scheme or Share Awards granted under the Share Award Scheme.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB0.0438 (equivalent to HK\$0.0485) per ordinary share).

CONTRACTUAL ARRANGEMENTS

The Group is primarily engaged in the development and operation of online card and board games business and is considered to be engaged in the provision of value-added telecommunications services (which includes information services provided via mobile network) and Internet cultural business (which includes the production or operation of mobile games operated through wireless telecommunication networks), sectors where foreign investment is subject to prohibitions and significant restrictions under the PRC laws and regulations.

Each of Jiaxiang Interactive (Xiamen) Network Technology Company Limited, Jilin Xinze Network Technology Company Limited and Jilin Yuke Network Technology Company Limited holds an ICP License and an Internet Cultural Business License required for the conduct of the Group's business. The Group has, through its wholly-owned subsidiary, Beijing Kexin Network Technology Company Limited, entered into a series of contractual arrangements with Jiaxiang Interactive (Xiamen) Network Technology Company Limited, Jilin Yutai Network Technology Company Limited, Mr. Wu and Mr. Guo to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Interactive (Xiamen) Network Technology Company Limited and its subsidiaries. For details of the contractual arrangements, please refer to the section headed "Contractual Arrangements" in the prospectus of the Company (the "**Prospectus**").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the applicable code provisions as set forth in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), except for a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wu Chengze ("**Mr. Wu**") is the chairman and the chief executive officer of the Company. With extensive experience in the game industry, Mr. Wu is responsible for formulating and implementing the overall development strategies and business plans of the Group and is instrumental to the Company's growth and business expansion since its establishment in 2009. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises five executive directors (including Mr. Wu) and three independent non-executive directors and therefore, in the Company's view, has an appropriate level of independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining a high standard of corporate governance practices of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. As at the date of this interim report, the Audit Committee comprises three independent non-executive Directors of the Company, namely, Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo and Mr. Hu Yangyang. Mr. Yu Ronald Patrick Lup Man is the chairman of the Audit Committee.

The Audit Committee has reviewed the Company’s unaudited consolidated interim results for the Reporting Period, 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 Reporting Period is unaudited, but has been reviewed by the auditor, 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 Hong Kong Institute of Certified Public Accountants.

CHANGE IN DIRECTORS’ BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

In August 2020, Mr. Yu Ronald Patrick Lup Man was approved as a responsible officer of HAB Management Limited licensed to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance. Save as disclosed above, there has been no change in the Directors’ biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 4 July 2019. The net proceeds from the global offering was approximately HK\$363.8 million. During the six months ended 30 June 2020, the proceeds from the global offering were utilized in accordance with the intended purposes as set out in the Prospectus, with an unused balance of approximately HK\$256.2 million as at 30 June 2020. The balance of proceeds from the global offering will continue to be utilized according to the manner and proportions as disclosed in the prospectus of the Company dated 18 June 2019. Based on the best estimation made by the Board, it was expected that the unutilized proceeds would be fully utilized in accordance with the intended usage on or before 30 June 2022. The following table shows a summary of the intended use of the net proceeds and the utilization as at 30 June 2020:

Intended use of the net proceeds	Utilization as at 30 June 2020	Remaining balance as at 30 June 2020
1. Approximately HK\$89.1 million for further expanding and developing game portfolio, of which:	HK\$29.6 million	HK\$59.5 million
• HK\$43.4 million is intended to be used to develop additional Mahjong game variations	HK\$14.4 million	HK\$29.0 million
• HK\$20.9 million is intended to be used to develop new poker game variations	HK\$6.9 million	HK\$14.0 million
• HK\$24.8 million is intended to be used to develop new casual games	HK\$8.3 million	HK\$16.5 million
2. Approximately HK\$105.9 million for introducing and enhancing game features or functions and for improving technology infrastructure, of which:	HK\$36.0 million	HK\$69.9 million
• HK\$39.8 million is intended to be used to develop HTML5 versions and other potential mini-programs for most of the existing game products	HK\$13.7 million	HK\$26.1 million
• HK\$18.5 million is intended to be used to improve user interface	HK\$6.5 million	HK\$12.0 million
• HK\$19.1 million is intended to be used to improve backend system	HK\$7.0 million	HK\$12.1 million
• HK\$16.5 million is intended to be used to develop new features of game products	HK\$6.1 million	HK\$10.4 million
• HK\$12.0 million is intended to be used on cybersecurity needs	HK\$2.7 million	HK\$9.3 million

Intended use of the net proceeds	Utilization as at 30 June 2020	Remaining balance as at 30 June 2020
3. Approximately HK\$65.5 million for enhancing marketing capabilities and improving brand image, of which:	HK\$21.4 million	HK\$44.1 million
• HK\$16.4 million is intended to be used on offline promotion activities in respect of new game variations and HK\$14.3 million on offline promotion activities in respect of existing games	HK\$4.4 million	HK\$12.0 million
• HK\$30.6 million is intended to be used as advertising expenses	HK\$4.2 million	HK\$10.1 million
• HK\$4.2 million is intended to be used to build a PR team to strengthen overall marketing capability	HK\$12.4 million	HK\$18.2 million
	HK\$0.4 million	HK\$3.8 million
4. Approximately HK\$38.6 million for external growth by strategically pursuing partnership and acquisition opportunities	HK\$0 million	HK\$38.6 million
5. Approximately HK\$28.4 million for international expansion	HK\$7.9 million	HK\$20.5 million
6. Approximately HK\$36.3 million for providing funding for working capital and general corporate purposes	HK\$12.7 million	HK\$23.6 million
Total	HK\$107.6 million	HK\$256.2 million

EVENTS AFTER THE REPORTING PERIOD

There was no important event affecting the Group which occurred after the end of the Reporting Period up to the date of this interim report.