



# 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

# 2021 INTERIM REPORT



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# 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  
Ms. GUO Ying

## 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

Ms. CUI Wei  
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

## COMPANY'S WEBSITE

<https://www.jiaxianghudong.com>

## STOCK CODE

3798

## HEADQUARTERS IN THE PRC

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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 2021 (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 China 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 2021, 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 2021, the Group has launched 11 new Mahjong game variations and, 8 new poker game variations.

In terms of financial performance, the Group continued its robust growth during the first half of 2021. The Group’s revenue and gross profit for the six months ended 30 June 2021 were RMB557.4 million and RMB422.7 million, representing an increase of approximately 44.0% and 44.8%, respectively as compared with the revenue and restated gross profit for the corresponding period of last year, primarily due to the significant increase in the Group’s DAUs during the first half of 2021 resulting from the Company’s effort in further developing the Group’s game portfolio and increase in promotion activities to enhance player stickiness and stimulate in-game purchases, increase in revenue generated from casual games due to the Company’s focus on improvements and upgrades to existing versions of its casual games, especially Fishing Strike (捕魚), in order to enhance player experience, and increase in advertising revenue. During the first half of 2021, the Group recognized advertising revenue of RMB71.5 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 RMB4.9 million was approximately RMB315.6 million for the six months ended 30 June 2021, representing an increase of approximately 45.1% from approximately RMB217.6 million for the six months ended 30 June 2020.

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 2021, the Group's DAUs increased to 7,950,871, representing a growth of 32.3% as compared with 30 June 2020. The Group's paying players reached 6,276,333 for the six months ended 30 June 2021, representing a growth of 30.3% as compared with the six months ended 30 June 2020.

### Business Outlook

During the second half of 2021, 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. During the first half of 2021, the Group has launched 11 new Mahjong game variations and 8 new poker game variations. In the second half of 2021, the Group 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. During the first half of 2021, the Company has made significant investment in product research and development. The Group's total expenses for technical employees benefit, server-related fee and outsourced research and development amounted to RMB48.5 million for the six months ended 30 June 2021. 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. During the first half of 2021, the Company has focused on improvements and upgrades to existing versions of its casual games, especially Fishing Strike (捕魚), in order to enhance player experience. Such improvement has resulted in increase in popularity of the Company's casual games and contributed to the Company's increase in revenue.

## Business Overview and Outlook

- 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.
- Expansion of products overseas through cooperations with internationally renowned third-party game distribution channels. In the second half of 2021, the Company will further deploy resources for research and development and promotion of products overseas. The Company will leverage its own experience in game development and operation in the PRC to launch board games and casual games suitable for overseas players. Depending on the product development, the Company plans to launch game products covering areas including Hong Kong, Macau, Taiwan, Europe, America, Southeast Asia and the Middle East. The Company will cooperate with internationally renowned third party game distribution channels to promote game products in the target areas.
- Continue to explore acquisition opportunities. In 2020, Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司), an operating company of the Group which is controlled by the Group through contractual arrangements, completed the acquisition of 40% equity interest in Jilin Xinyue Network Technology Limited\* (吉林省心悦網絡科技有限公司) (“**Jilin Xinyue**”). Following the completion of the acquisition, the Group has begun to realize synergies with Jilin Xinyue to gain access to wider local market, expand its player base and further increase its presence in the PRC market. In the second half of 2021, 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.

# Management Discussion and Analysis

## Financial Review

### Revenue

The Group's revenue for the six months ended 30 June 2021 amounted to approximately RMB557.4 million, representing an increase of 44.0% from approximately RMB387.2 million recorded in the corresponding period in 2020. The increase in revenue was primarily driven by the significant increase in the Group's DAUs during the first half of 2021 resulting from the Company's effort in further developing the Group's game portfolio and increase in promotion activities to enhance player stickiness and stimulate in-game purchases, increase in revenue generated from casual games due to the Company's focus on improvements and upgrades to existing versions of its casual games, especially Fishing Strike (捕魚), in order to enhance player experience, 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 2021, revenue generated from the Group's sale of virtual tokens, private game room cards, distribution of third-party mobile games and advertising revenue accounted for approximately 71.7%, 14.4%, 1.1% and 12.8% of the Group's total revenue, respectively, as compared with approximately 54.0%, 27.6%, 3.7% and 14.7%, respectively, for the six months ended 30 June 2020.

### 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 41.6% to approximately RMB134.8 million in the six months ended 30 June 2021 from approximately RMB95.2 million (restated) in the corresponding period in 2020, 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 RMB35.6 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; and (ii) a RMB4.9 million increase in server-related and technical support fees.

### Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 44.8% to approximately RMB422.7 million for the six months ended 30 June 2021 from approximately RMB292.0 million (restated) for the corresponding period in 2020. The Group's gross profit margin increased slightly to 75.8% for the six months ended 30 June 2021 from 75.4% for the corresponding period in 2020.

### Other Income

Other income decreased by approximately 44.3% from RMB37.0 million for the six months ended 30 June 2020 to RMB20.6 million for the six months ended 30 June 2021. The decrease was primarily due to a decrease in service income of RMB20.9 million during the six months ended 30 June 2021, which was partially offset by an increase in interest income of RMB3.8 million.



## Management Discussion and Analysis

### **Foreign Exchange (Losses)/Gains, Net**

Foreign exchange losses of RMB0.5 million recorded in the six months ended 30 June 2021 were mainly due to the fluctuation of exchange rate of Renminbi (RMB) against HK dollars and US dollars, and depreciation of HK dollars.

### **Selling and Marketing Expenses**

The Group's selling and marketing expenses increased by approximately 40.8% from RMB53.6 million (restated) for the six months ended 30 June 2020 to RMB75.5 million in the corresponding period in 2021. The increase was primarily due to a RMB25.6 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 RMB1.7 million.

### **Administrative Expenses**

The Group's administrative expenses increased by approximately 11.9% from RMB25.1 million (restated) for the six months ended 30 June 2020 to RMB28.1 million in the corresponding period in 2021. The increase was primarily due to an increase of RMB2.1 million in other professional service fees in connection with consulting services the Group engaged for legal compliance, finance and other related matters.

### **Profit Before Income Tax**

The Group's profit before income tax increased by approximately 44.3% from RMB247.4 million for the six months ended 30 June 2020 to RMB357.0 million in the corresponding period in 2021. The Group's profit before income tax as a percentage of total revenue was 63.9% for the six months ended 30 June 2020, which was about the same as the 64.0% for the six months ended 30 June 2021.

### **Income Tax Expenses**

Income tax expenses increased by approximately 2.7% from RMB45.7 million for the six months ended 30 June 2020 to RMB46.9 million in the corresponding period in 2021, primarily due to the increase in taxable profits generated for the six months ended 30 June 2021. The Group's effective tax rates were 18.5% and 13.1% for the six months ended 30 June 2020 and 2021, respectively. The decrease in the Group's effective tax rate was primarily due to (i) the decrease of non-deductible share-based payment expenses; and (ii) the increase of non-taxable share of profit of associates.

### **Profit attributable to owners of the Company**

Profit attributable to owners of the Company increased by approximately 54.0% from approximately RMB201.7 million for the six months ended 30 June 2020 to approximately RMB310.7 million for the six months ended 30 June 2021.

**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 attributable to owners of the Company for the periods indicated:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB’000</b>	RMB’000
Profit for the period attributable to owners of the Company	<b>310,699</b>	201,719
Add:		
Share-based compensation	<b>4,947</b>	15,891
Adjusted net profit	<b>315,646</b>	217,610

The adjusted net profit for the six months ended 30 June 2021, adjusted by excluding the non-cash item of share-based compensation to key employees, was approximately RMB315.6 million, increased by 45.1% as compared to approximately RMB217.6 million for the six months ended 30 June 2020.

**Liquidity and Capital Resources**

For the six months ended 30 June 2021, 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.

## Management Discussion and Analysis

### **Cash and cash equivalents**

The Group primarily operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi. 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 2021, the Group had cash and cash equivalents of approximately RMB955.5 million (31 December 2020: approximately RMB732.7 million), which primarily consisted of cash at bank. Out of the RMB955.5 million, approximately RMB898.9 million is denominated in Renminbi, approximately RMB18.8 million is denominated in HK dollars and approximately RMB37.8 million is denominated in US dollars. The Group currently does not hedge transactions undertaken in foreign currencies.

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 2021, 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 RMB8.7 million in aggregate.

### **Gearing ratio**

The gearing ratio was zero since there was no debt as at 30 June 2021.

### **Charge on assets**

As at 30 June 2021, the Group did not pledge any of its assets.

### **Capital expenditure**

For the six months ended 30 June 2021, the Group's capital expenditure amounted to approximately RMB16.5 million (for the six months ended 30 June 2020: approximately RMB9.7 million), which mainly comprised expenditures on the purchase of office furniture and equipment, the purchase of computer software as well as investment in an associate. 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 2021 was higher primarily due to increased expenditure with respect to the investment in associates.

### **Contingent liabilities and guarantees**

As at 30 June 2021, 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**

In 2020, Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司), an operating company of the Group which is controlled by the Group through contractual arrangements, completed the acquisition of 40% equity interest in Jilin Xinyue. Following the completion of the acquisition, the Group has begun to realize synergies with Jilin Xinyue to gain access to wider local market, expand its player base and further increase its presence in the PRC market. Please see the announcement of the Company dated 3 November 2020 and 29 December 2020, respectively, for details.

During the six months ended 30 June 2021, 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 2021 in line with the Company's business expansion. Taking into account the employees who departed during the first half of 2021, the Group had a total of 527 full time employees, mainly located in mainland China. In particular, 99 employees are responsible for the Group's research and development, 191 for game development, 81 for technical support, 49 for customer service, 62 for marketing and 45 for operations and general administration. The total staff cost incurred by the Group for the six months ended 30 June 2021 was approximately RMB46.8 million compared to approximately RMB50.2 million for the corresponding period in 2020. The decrease was primarily due to the decrease in payment of share-based compensation to key employees of approximately RMB10.9 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 (the "**Share Option Scheme**") and a share award scheme (the "**Share Award Scheme**") on 5 June 2019 and 6 June 2019, respectively 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.



## 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 set out on pages 13 to 37, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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 2021

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited) (restated)
<b>Revenue</b>	3	<b>557,427</b>	387,174
Cost of sales	4	<b>(134,764)</b>	(95,200)
<b>Gross profit</b>		<b>422,663</b>	291,974
Other income	5	<b>20,621</b>	37,049
Selling and marketing expenses		<b>(75,472)</b>	(53,593)
Administrative expenses		<b>(28,092)</b>	(25,115)
Other expenses		<b>(708)</b>	(5,000)
Share of profit of associates		<b>18,764</b>	—
Interest on lease liabilities		<b>(292)</b>	(443)
Foreign exchange (losses) gains, net		<b>(464)</b>	2,545
<b>Profit before income tax</b>		<b>357,020</b>	247,417
Income tax expense	7	<b>(46,931)</b>	(45,698)
<b>Profit for the period</b>	8	<b>310,089</b>	201,719
<b>Other comprehensive expense</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investment in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of income tax		<b>(3,748)</b>	—
Other comprehensive expense for the period		<b>(3,748)</b>	—
<b>Total comprehensive income for the period</b>		<b>306,341</b>	201,719
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		<b>310,699</b>	201,719
Non-controlling interests		<b>(610)</b>	—
		<b>310,089</b>	201,719
<b>Total comprehensive income (expense) attributable to:</b>			
Owners of the Company		<b>306,951</b>	201,719
Non-controlling interests		<b>(610)</b>	—
		<b>306,341</b>	201,719
Earnings per share (in RMB cents)	9		
— Basic		<b>24.92</b>	16.23
— Diluted		<b>24.22</b>	16.07

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	NOTES	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	42,338	43,416
Right-of-use assets	10	7,904	9,728
Intangible assets		1,328	1,610
Investment in associates	11	161,579	149,675
Equity instruments at FVTOCI	19	9,540	13,950
Loan to employees	12	19,949	6,474
Rental and other deposits		5,557	2,525
Deferred tax assets		887	225
		<b>249,082</b>	227,603
<b>Current assets</b>			
Trade receivables	13	112,008	88,473
Prepayments and other receivables	14	86,434	53,972
Loan to employees	12	1,900	1,900
Cash and cash equivalents		955,527	732,724
		<b>1,155,869</b>	877,069
<b>Current liability</b>			
Trade and other payables	15	51,358	54,806
Deferred revenue	16	39,755	39,888
Tax payable		44,119	50,056
Lease liabilities		3,198	3,469
		<b>138,430</b>	148,219
<b>Net current assets</b>		<b>1,017,439</b>	728,850
<b>Total assets less current liabilities</b>		<b>1,266,521</b>	956,453
<b>Non-current liability</b>			
Lease liabilities		5,481	7,101
<b>Net assets</b>		<b>1,261,040</b>	949,352
<b>Capital and reserves</b>			
Share capital	17	41	41
Reserves		1,261,986	950,088
Equity attributable to owners of the Company		1,262,027	950,129
Non-controlling interests		(987)	(777)
<b>Total equity</b>		<b>1,261,040</b>	949,352

# Condensed Consolidated Statement of Changes in Equity

For the six month ended 30 June 2021

	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	FVTOCI reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020 (audited)	41	(2)	139,615	15,027	19,717	57,424	—	384,755	616,577	—	616,577
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	201,719	201,719	—	201,719
Recognition of share-based payment expenses under the Share Award Scheme (defined in Note 18)	—	—	—	—	—	2,877	—	—	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 18)	—	—	—	—	—	13,014	—	—	13,014	—	13,014
Dividends recognized as distribution	—	—	(83,022)	—	—	—	—	—	(83,022)	—	(83,022)
As at 30 June 2020 (unaudited)	41	—*	113,544	15,027	19,717	16,362	—	586,474	751,165	—	751,165
As at 1 January 2021 (audited)	41	—*	113,551	15,027	19,717	27,509	(1,275)	775,559	950,129	(777)	949,352
Profit (loss) for the period	—	—	—	—	—	—	—	310,699	310,699	(610)	310,089
Other comprehensive expense for the period	—	—	—	—	—	—	(3,748)	—	(3,748)	—	(3,748)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	(3,748)	310,699	306,951	(610)	306,341
Recognition of share-based payment expenses under the Share Option Scheme (defined in Note 18)	—	—	—	—	—	4,947	—	—	4,947	—	4,947
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	400	400
As at 30 June 2021 (unaudited)	41	—*	113,551	15,027	19,717	32,456	(5,023)	1,086,258	1,262,027	(987)	1,261,040

\* less than RMB1,000.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Net cash from operating activities</b>	<b>225,605</b>	190,322
<b>Investing activities</b>		
Interest received	10,258	6,434
Purchase of equity instruments at FVTOCI	—	(5,450)
Purchase of property, plant and equipment	(1,388)	(3,559)
Purchase of intangible assets	(71)	(726)
Purchase of investment in an associate	(15,000)	—
Dividend received	21,860	—
Payment of rental deposits	(1,488)	—
Loan to employees	(15,000)	—
<b>Net cash used in investing activities</b>	<b>(829)</b>	(3,301)
<b>Financing activities</b>		
Dividends paid	—	(83,022)
Repayment of lease liabilities	(1,488)	(2,759)
Interest paid on lease liabilities	(292)	(443)
Capital injection from non-controlling interests	400	—
<b>Net cash used in financing activities</b>	<b>(1,380)</b>	(86,224)
Net increase in cash and cash equivalents	223,396	100,797
Cash and cash equivalents at the beginning of the period	732,724	502,367
Effect of foreign exchange rate changes	(593)	—
<b>Cash and cash equivalents at the end of the period, represented by cash and cash equivalents</b>	<b>955,527</b>	603,164

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

### General information

Homeland Interactive Technology Ltd. (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands on 7 May 2018 and its 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 registered office of the Company is Maples Corporate Services Limited, PO Box 309, Umland 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 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**”).

## 2. PRINCIPAL ACCOUNTING POLICES

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

### Application of amendments to IFRSs

In the current interim period, the Group has applied 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16  
Amendments to IFRS 9, IAS 39  
IFRS 7, IFRS 4 and IFRS 16

Covid-19-Related Rent Concessions  
Interest Rate Benchmark Reform — Phase 2

The application of the amendments to IFRSs in the current interim 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents (1) income from sales of virtual tokens and private game room cards on the Group's self-developed mobile games; (2) income from third-party mobile games, 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.

Advertising revenue is recognized at a point in time when the advertisements placed by third-party platforms are displayed in the game interface.

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue from:		
— Self-developed mobile games		
<i>Virtual tokens</i>	399,605	209,155
<i>Private game room cards</i>	80,033	107,010
— Third-party mobile games — virtual diamond	6,282	14,307
	485,920	330,472
Advertising revenue	71,507	56,702
	557,427	387,174

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 was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 4. COST OF SALES

Cost of sales is analyzed as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited) (restated)
Employee benefit expenses	31,177	31,882
Commissions and fees charged by distribution channels and payment vendors	84,910	49,320
Server-related and technical support fees	16,854	11,938
Depreciation and amortization	1,823	2,060
	<b>134,764</b>	95,200

### 5. OTHER INCOME

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Interest income	10,258	6,434
Government subsidies ( <i>note a</i> )	4,934	4,832
Service income ( <i>note b</i> )	4,337	25,263
Others	1,092	520
Total	<b>20,621</b>	37,049

Notes:

- (a) 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.
- (b) 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 6. DIVIDENDS

During the current interim period, a final dividend of RMB0.1593 (equivalent to HK\$0.1892) per share in respect of the year ended 31 December 2020 was rejected by the shareholders of the Group in the annual general meeting which was held on 29 June 2021 and as a result, the final dividend declared was not paid.

During 2020 interim period, a final dividend of RMB0.0661 (equivalent to HK\$0.0728) per share in respect of the year ended 31 December 2019 was declared and paid to owners of the Group. The aggregate amount of the final dividend declared and paid amounted to RMB83,022,000.

### 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**”) was qualified as a “Double Soft Enterprise” (“**DSE**”) under the Enterprise Income Tax Law in 2016. Therefore, according to relevant tax regulations, Jiaxiang Interactive is exempt from Enterprise 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. On the other hand, Jiaxiang Interactive is also qualified as “High and New Technology Enterprises” (“**HNTE**”) under the Enterprise Income Tax Law from 2020 and the valid period is three years. Therefore, the actual income tax rate for Jiaxiang Interactive was 15% based on the “HNTE” preferential rate for current period and 12.5% based on the “DSE” preferential rate for 2020 interim period.

Jilin Xinze Network Technology Company Limited (“**Jilin Xinze**”) was qualified as HNTE under the Enterprise Income Tax Law since 2017 and such qualification has been renewed in 2020 with a valid period of another three years. According to the Enterprise Income Tax Law, Jilin Xinze is entitled to a preferential income tax rate at 15% for both periods.

Jilin Yuke Network Technology Company Limited (“**Jilin Yuke**”) was qualified as a DSE under the Enterprise Income Tax Law in 2019. Therefore, according to relevant tax regulations, Jilin Yuke is exempted from Enterprise 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 2017, the first year of profitable operation. Therefore, the actual income tax rate for Jilin Yuke is 12.5% for both periods.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year (“**Super Deduction**”). Jiaxiang Interactive, Jilin Xinze and Jilin Yuke have claimed such Super Deduction in ascertaining its tax assessable profits for both periods.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 7. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Current tax — PRC Enterprise Income Tax	46,931	47,656
Deferred tax	—	(1,958)
	<b>46,931</b>	<b>45,698</b>

### 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Lease expenses in respect of short-term leases on land and buildings	1,105	510
Depreciation of property, plant and equipment	2,466	2,127
Depreciation of right-of-use assets	1,664	2,273
Amortization of intangible assets	353	701
Auditors' remuneration	887	928
Donation (included in other expenses) (note)	—	5,000
Directors' emoluments	2,008	1,977
Other staff costs:		
Salaries and other benefits in kind	37,956	32,032
Retirement benefit costs	1,855	305
Share-based payments for staff	4,947	15,891
Total staff costs	<b>46,766</b>	<b>50,205</b>

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share:		
— Profit for the period attributable to owners of the Company	<b>310,699</b>	201,719
	Number of shares	
	2021 (unaudited)	2020 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,246,580,000</b>	1,242,564,522
Effect of dilutive potential ordinary shares in respect of Share Award Scheme and Share Option Scheme	<b>36,090,667</b>	12,595,288
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	<b>1,282,670,667</b>	1,255,159,810

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.

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

During the current interim period, the Group acquired and paid RMB1,388,000 (six months ended 30 June 2020: RMB3,559,000) for furniture and equipment.

In addition, during the current interim period, the Group entered into a lease agreement and recognized right-of-use assets of RMB417,000. On the other hand, the Group terminated a lease agreement and resulted a gain on the termination amounted to RMB243,000.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 11. INVESTMENTS IN ASSOCIATES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Cost of investment in associates	168,000	153,000
Share of post-acquisition profits/(losses) and other comprehensive income/(expenses), net of dividends received	(6,421)	(3,325)
Total	161,579	149,675

Details of the Group's associates at 30 June 2021 are as follows:

Name of entity	Place of establishment	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activity
Jilin Xinyue Network Technology Limited ("Jilin Xinyue") (note i)	China mainland	China mainland	40%	40%	Development and operation of card and board games
Guangzhou Leiyun Interactive Technology Limited	China mainland	China mainland	40%	40%	Research and development of online games
Siwen Technology (Tianjin) Limited ("Siwen Technology") (note ii)	China mainland	China mainland	25.8621%	25.8621%	Research and development of online games



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 11. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

(i) On 3 November 2020, Jilin Xinze (a subsidiary of the Company), Jilin Xinbao Technology Partnership (Limited Partnership) ("**Xinbao Technology**") (40% equity shareholder of Jilin Xinyue), and Jilin Xinyue entered into the investment agreement ("**Investment Agreement**") pursuant to which Xinbao Technology agreed to sell and Jilin Xinze agreed to acquire 40% of the equity interest in Jilin Xinyue, at cash consideration of RMB150,000,000. On 29 December 2020, Jilin Xinze, Xinbao Technology and Jilin Xinyue entered into a supplemental agreement to the Investment Agreement pursuant to which all the parties thereto agreed to supplement certain terms of the Investment Agreement as follows:

- Xinbao Technology has undertaken to ensure that the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB70,000,000 and RMB80,000,000, respectively (the "**Guaranteed Net Profit**"), and the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB150,000,000 in aggregate.
- If the actual audited net profit of Jilin Xinyue below the Guaranteed Net Profit for any of the years ending 31 December 2021 or 2022, Xinbao Technology shall pay compensation (the "**Profit Compensation**") to Jilin Xinze in cash. The amount of Profit Compensation payable by Xinbao Technology shall be determined in accordance with the following formula:

$$\text{Profit Compensation} = ((A - B)/\text{RMB}150,000,000) * C * 40\%(\text{note}) - D$$

where:

A = the cumulative Guaranteed Net Profit determined as at the end of the period;

B = the cumulative actual audited net profit of the Jilin Xinyue determined as at the end of the period;

C = the agreed appraised assets value of the Jilin Xinyue, being RMB375,000,000; and

D = the amount of any Profit Compensation which has already been paid by Xinbao Technology to Jilin Xinze.

*note:* it represents the percentage of equity interest in the Jilin Xinyue owned by Jilin Xinze

- It is also agreed that the audited net profit of the Jilin Xinyue for the years ending 31 December 2021 and 2022 will be fully distributed to its shareholders (including Jilin Xinze) as dividends in proportion to their respective equity interest in the Jilin Xinyue (the "**Profit Sharing**"). The aggregate amount of dividends to be received by Jilin Xinze for the years ending 31 December 2021 and 2022 shall not exceed RMB60,000,000.

The equity investment in Jilin Xinyue is accounted for using equity method in accordance with IAS 28 and the derivative financial instrument arising from supplementary agreement is measured at fair value through profit and loss in accordance with IFRS 9.

For the current interim period, the profit and total comprehensive income of Jilin Xinyue is RMB46,625,000 and Jilin Xinyue distributed dividend amounted to RMB54,650,000 to its investors. The Group engaged qualified valuer to perform valuation on the fair value of the derivative financial instrument as at 30 June 2021. The fair value of the derivative financial instrument was assessed to be insignificant as at 30 June 2021 (31 December 2020: insignificant). In the opinion of the directors, the forecasted profits of Jilin Xinyue for the years ending 31 December 2021 and 2022 are expected to be not less than Guaranteed Net Profit as at 30 June 2021 and 31 December 2020.

(ii) On 3 February 2021, Jilin Yuke acquired equity interests of 25.8621% in Siwen Technology at the consideration of RMB15,000,000.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 12. LOAN TO EMPLOYEES

The loan to employees represents the housing loan advanced to employees. The loans are unsecured, interest-free and repayable after 3 years.

	<b>As at 30 June 2021 RMB'000 (unaudited)</b>	As at 31 December 2020 RMB'000 (audited)
Non-current	19,949	6,474
Current	1,900	1,900
Total	<b>21,849</b>	8,374

The housing loan to employees is measured initially at fair value and subsequently at amortized cost, using the effective interest method. RMB1,949,000 (2020 interim period: Nil) being the difference between the principal amount and fair value at initial recognition, was recognized as staff costs during this period.

### 13. TRADE RECEIVABLES

	<b>As at 30 June 2021 RMB'000 (unaudited)</b>	As at 31 December 2020 RMB'000 (audited)
Trade receivables	112,008	88,473
Less: impairment provision	—	—
Total	<b>112,008</b>	88,473

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 13. TRADE RECEIVABLES (Continued)

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

	<b>As at 30 June 2021 RMB'000 (unaudited)</b>	As at 31 December 2020 RMB'000 (audited)
0–30 days	<b>58,391</b>	69,264
31–60 days	<b>32,718</b>	14,797
61–90 days	<b>19,004</b>	3,851
91–180 days	<b>514</b>	253
Over 180 days	<b>1,381</b>	308
Total	<b>112,008</b>	88,473

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. As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB21,235,000 (2020: RMB4,870,000) which are past due. Out of the past due balances, RMB1,873,000 (2020: RMB317,000) has been past due 90 days or more and is not considered as in default due to the history of cooperation and the sound collection history of the debtors.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Prepayment for advertisement and promotion fees	51,649	36,988
Advances to employees ( <i>Note</i> )	19,124	1,553
Receivables for service income	2,881	—
Prepayment for research and development fees	5,660	5,383
Prepayment for server-related fees	1,658	1,597
Prepayment for short term lease	1,130	93
Others	4,332	8,358
Total	<b>86,434</b>	53,972

*Note:* Advances to employees are for the purpose of potential operating and marketing activities. RMB12,720,000 of the outstanding balance as at 30 June 2021 has been subsequently repaid.

### 15. TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Salary and staff welfare payables	19,528	24,088
Selling and marketing expenses accruals	15,224	11,509
Deposit for advertising and game operation	5,525	5,125
Other taxes payable	4,646	8,246
Payable to game developers ( <i>Note</i> )	1,988	2,119
Administrative expenses accruals	650	1,520
Others	3,797	2,199
Total	<b>51,358</b>	54,806

*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 2021

### 16. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the customers for the Group's self-developed mobile games and third-party games in the forms of prepaid virtual tokens/diamonds and private game room cards, for which the related services had not been rendered as at the end of 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/ diamond RMB'000	Private game room cards RMB'000	Total RMB'000
As at 1 January 2021 (audited)	19,332	20,556	39,888
Sales proceeds, net of tax	411,836	73,951	485,787
Revenue recognized during the period	(405,887)	(80,033)	(485,920)
As at 30 June 2021 (unaudited)	25,281	14,474	39,755

### 17. SHARE CAPITAL

	Number of shares	US\$
<b>Authorized</b>		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021		
— Ordinary shares of HK\$0.000005 each	10,000,000,000	50,000
<b>Issued and fully paid</b>		
As at 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021		
— Ordinary shares of HK\$0.000005 each	1,256,000,000	6,280
Show in the condensed consolidated financial statements as		RMB41,000

## 18. SHARE-BASED PAYMENT TRANSACTIONS

### (a) 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 Share Award Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Share Award Scheme does not involve the grant of options by the Company to subscribe for new shares.

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 (“**Share Awards**”) under the Share Award Scheme (the “**Selected Participants**”); (ii) encourage and retain such individuals to work with the Group; and (iii) provide additional incentive for them to achieve performance goals.

The Company shall appoint one or more trustee (“**Trustee**”) to assist with the administration and vesting of the Share Awards to be granted pursuant to the Share Award Scheme. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration and vesting of Share Awards granted pursuant to the Share Award Scheme.

Subject to any termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a period of 10 years commencing on 6 June 2019, being the date on which the Share Award Scheme is adopted by the Company pursuant to the approval by the Board.

There is no limit on (i) the number of shares that can be subscribed for and/or purchased pursuant to the Share Award Scheme or (ii) the amount paid to the Trustee for the purpose of making such a subscription and/or purchase, save that, after Listing, (i) 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 (ii) 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.

A Selected Participant shall not have any contingent interest in the awarded shares which are referable to him until such shares awarded under the Share Award Scheme have been vested as shares in accordance with the rules of the Share Award Scheme. The Trustee shall hold the shares awarded until they are vested to the relevant Selected Participants in accordance with the terms of the Share Awards.

The Company allotted and issued 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### (a) Share Award Scheme (Continued)

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

Notes:

- (i) The shares granted to each of these grantees shall be fully vested on the date ending 6 months after the Listing Date.
- (ii) The shares granted to this grantee shall be vested in accordance with the vesting schedule as follows:
  - (1) as to 50% of the shares on the Listing Date; and
  - (2) 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.
- (iii) The shares granted to this grantee shall be vested in accordance with the vesting schedule as follows:
  - (1) as to 50% of the shares on the Listing Date; and
  - (2) as to the remaining 50% of the shares, on the date ending 6 months after the Listing Date.
- (iv) Save for the above, there are no other vesting conditions for the shares granted under the Share Award Scheme before the Listing Date.

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.

## 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (a) Share Award Scheme (Continued)

The shares held for the Share Award Scheme were regarded as treasury shares before vesting and had been deducted from shareholders' equity, the costs of these shares totaling RMB3,000 were credited to "other reserve" as deemed contribution from shareholders. Except for 9,420,000 of shares awarded forfeited during the year ended 31 December 2019 before vesting, 21,195,000 shares awarded were vested during the year ended 31 December 2019 and all the remaining shares awarded were vested by the year ended 31 December 2020.

The directors of the Company 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 offer price at initial public offer and discount rate of 3.3% for lack of marketability, 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). No share-based compensation expenses in relation to the shares held for the Share Award Scheme granted by the Company was recognized by the Group in current interim period (2020 interim period: RMB2,877,000).

### (b) Share Option Scheme

A share option scheme was approved and adopted by the Company on 5 June 2019 (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 as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company ("**Eligible Persons**").

The purpose of the Share Option Scheme is to incentivize and reward 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.

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, 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**"). 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.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### (b) Share Option Scheme (Continued)

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 Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. The shares allotted and issued on the exercise of an option will rank equally in all respects with the shares in issue on the date of allotment. They will not rank for any rights attaching to shares by reference to a record date preceding the date of allotment.

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

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 six months ended 30 June 2021 and 2020, the Group recognized the share-based payment expense of RMB4,947,000 and RMB13,014,000, respectively in relation to the Share Option Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the highest of: (i) the closing price of HK\$2.07 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 14 November 2019, (ii) the average closing price of HK\$2.09 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of US\$0.000005 per share.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### (b) Share Option Scheme (Continued)

Details of specific categories and movements of Share Options are as follows:

	Outstanding at 1/1/2021	Forfeited during period	Outstanding at 30/06/2021
Employees ( <i>note i</i> )	18,708,000	—	18,708,000
Employees ( <i>note ii</i> )	24,944,000	200,000	24,744,000
Employees ( <i>note iii</i> )	18,708,000	150,000	18,558,000
	<b>62,360,000</b>	<b>350,000</b>	<b>62,010,000</b>
Exercisable at the end of the period			<b>18,708,000</b>
	Outstanding at 1/1/2020	Forfeited during period	Outstanding at 30/06/2020
Employees ( <i>note i</i> )	18,708,000	—	18,708,000
Employees ( <i>note ii</i> )	24,944,000	—	24,944,000
Employees ( <i>note iii</i> )	18,708,000	—	18,708,000
	<b>62,360,000</b>	<b>—</b>	<b>62,360,000</b>
Exercisable at the end of the period			<b>—</b>

The weighted average exercise price for the three categories stated above is HK\$2.09 per share.

Notes:

- (i) The Share Options granted are subject to the vesting period from the date of grant up to 14 November 2020;
- (ii) The Share Options granted are subject to the vesting period from the date of grant up to 14 November 2021;
- (iii) 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### (b) Share Option Scheme (Continued)

The fair values of the Share Options granted on 14 November 2019 were calculated using the Binomial Option-Pricing Model. The inputs into the model were as follows:

Weighted average share price on date of grant	HK\$2.07 per share
Exercise price	HK\$2.09 per share
Expected volatility	57.59%
Expected life	5 years
Risk-free rate	1.65%
Dividend yield	5.03%
Exit rate	0%

The number of the Share Options granted expected to vest is based on the directors' best estimate that 95% of the 58 eligible employees will remain in employment with the Group at the end of the vesting period.

### 19. 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)

**19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS** (Continued)

Fair value of the Group's main 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	Significant unobservable input
	30/06/2021	31/12/2020			
Equity instruments at FVTOCI	<b>19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB8,637,000</b>	19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB11,500,000	Level 3 (31/12/2020 : Level 3)	Asset-based approach except for the intangible asset — A type of valuation that focuses on a company's net asset value.  Income approach for the intangible asset — In this approach, the multi-period excess earning method was used to capture the present value of the expected future economic benefits to be derived from the intangible asset, based on an appropriate discount rate (31/12/2020: Asset-based approach except for the intangible asset and income approach for the intangible asset).	Average monthly revenue growth rate is -7.13 percent. Discount rate is 16.13 percent (31/12/2020: Average monthly revenue growth rate is 17 percent. Discount rate is 16.23 percent).
	<b>40 percent equity interest in Shenzhen Shangshou Technology Ltd. engaged in research and development of online games — RMB453,000</b>	40 percent equity interest in Shenzhen Shangshou Technology Ltd. engaged in research and development of online games — RMB2,000,000		Asset-based approach — A type of valuation that focuses on a company's net asset value (31/12/2020: Income approach).	None (31/12/2020: Compound annual revenue growth rate is 2 percent. Discount rate, taking into account weighted average cost of capital is 16.65 percent).
	<b>30 percent equity interest in Xiamen Blackjack Entertainment &amp; Technology Ltd. engaged in research and development of online games — RMB450,000</b>	30 percent equity interest in Xiamen Blackjack Entertainment & Technology Ltd. engaged in research and development of online games — RMB450,000		Asset-based approach — A type of valuation that focuses on a company's net asset value (31/12/2020: Asset-based approach).	None (31/12/2020: None).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

#### Reconciliation of Level 3 fair value measurements of financial assets

	<b>Financial assets at FVTOCI RMB'000</b>
At 1 January 2021 (audited)	13,950
Total losses:	
— in other comprehensive income	(4,410)
At 30 June 2021 (unaudited)	9,540

### 20. 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:

	<b>Six months ended 30 June</b>	
	<b>2021 RMB'000 (unaudited)</b>	<b>2020 RMB'000 (unaudited)</b>
Salaries, bonuses, allowances and benefits in kind	6,092	4,671
Share-based payments	2,000	15,891
Total	8,092	20,562

#### Providing game publishing services

	<b>Six months ended 30 June</b>	
	<b>2021 RMB'000 (unaudited)</b>	<b>2020 RMB'000 (unaudited)</b>
Siwen Technology	652	—

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 20. RELATED PARTY TRANSACTIONS (Continued)

#### Providing technical support services

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Jilin Xinyue	3,174	—

### 21. COMPARATIVE FIGURES

Share-based payment expenses of RMB15,891,000 have been reclassified to cost of sales of RMB7,816,000, administrative expenses of RMB5,164,000 and selling and marketing expenses of RMB2,911,000 respectively so as to conform with the current period's presentation.

## Other Information

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

As at 30 June 2021, the interests and short positions of the directors of the Company (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") <sup>(2)</sup>	Interest in controlled corporation	433,842,000	34.54%
Mr. Jiang Mingkuan ("Mr. Jiang") <sup>(3)</sup>	Interest in controlled corporation	125,146,000	9.96%
Mr. Su Bo ("Mr. Su") <sup>(4)</sup>	Interest in controlled corporation	144,614,000	11.51%
Mr. Guo Shunshun ("Mr. Guo") <sup>(5)</sup>	Interest in controlled corporation	69,018,000	5.50%
Mr. Men Geng ("Mr. Men") <sup>(6)</sup>	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**

<b>Name of Director/ Chief Executive</b>	<b>Nature of Interest</b>	<b>Registered capital</b>	<b>Percentage of interest</b>
Mr. Wu <sup>(1)</sup>	Interest in controlled corporation	RMB10,000,000 registered capital	100%
Mr. Jiang <sup>(1)</sup>	Other	RMB10,000,000 registered capital	100%
Mr. Su <sup>(1)</sup>	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 2021, 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:

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Registered capital</b>	<b>Percentage of interest</b>
Jiayang Interactive (Xiamen) Network Technology Company Limited	Jilin Yutai Network Technology Company Limited <sup>(1)</sup>	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 2021, 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 <sup>(2)</sup>	Beneficial owner	72,312,000	5.76%
Mr. Li Bo <sup>(2)</sup>	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) (“ <b>Yizhou Investment Management</b> ”) <sup>(2)</sup>	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) (“ <b>Xingchen Investment Management</b> ”) <sup>(2)</sup>	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)) (“ <b>Xiamen Challenger</b> ”) <sup>(2)</sup>	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 2021, 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 62,010,000, representing approximately 4.94% 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.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

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. Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of the Company, his associates) abstaining from voting.

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.

## Other Information

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 highest 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 2021, the remaining life of the Share Option Scheme is approximately eight years.

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

No share options (the “**Share Options**”) were granted under the Share Option Scheme during the six months ended 30 June 2021. Particulars of the outstanding options granted under the Share Option Scheme are set out below:

Name/ Category of participants	Date of grant <sup>(1)</sup>	No. of Shares involved in the options outstanding				Lapsed during the period	No. of Shares involved in the options outstanding		Exercise price (HK\$ per Share)	Exercise period
		as at 1 January 2021	Granted during the period	Exercised during the period	Cancelled during the period		as at 30 June 2021			
Employees	14 November 2019	62,360,000	-	-	-	350,000	62,010,000	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) have been vested on 14 November 2020, 40% of the total number of Share Options granted, and after taking into account options lapsed during the period (i.e. 24,744,000 Share Options) shall be vested on 14 November 2021, and the remaining 30% of the total number of Share Options granted, and after taking into account options lapsed during the period (i.e. 18,558,000 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.

## Details of Share Awards granted under the Share Award Scheme

In May 2019, the Company appointed The Core Trust Company Limited (the “**Trustee**”) as a trustee for the administration of the Share Award Scheme pursuant to the Share Award Scheme Rules. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Trustee and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. The Company had entered into trust deed with the Trustee in relation to its appointment as the trustee of the Share Award Scheme (the “**Trust Deed**”). The Trustee shall administer the Share Award Scheme in accordance with the Share Award Scheme Rules and the Trust Deed.

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. 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 been vested and 9,420,000 Share Awards have lapsed due to the departure of a grantee. During the six months ended 30 June 2021, 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 2021 (six months ended 30 June 2020: nil).

## **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**") and the 2020 annual report of the Company published on 21 April 2021.

## 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 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**

Mr. Yu Ronald Patrick Lup Man has tendered his resignation as an independent non-executive director, chairman of the audit committee, chairman of the nomination committee and a member of the remuneration committee of Simplicity Holding Limited (a company listed on the GEM of the Stock Exchange, stock code: 8367), with effect from 19 August 2021. 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 of the Company 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 Reporting Period, 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\$107.5 million as at 30 June 2021. The balance of proceeds from the global offering will continue to be utilized according to the manner and proportions as disclosed in the Prospectus. The following table shows a summary of the intended use of the net proceeds and the utilization as at 30 June 2021:

Intended use of the net proceeds	Utilization from 1 January 2021 to 30 June 2021	Amount utilized as at 30 June 2021	Remaining balance as at 30 June 2021	Expected time of full utilization of remaining balance of net proceeds
<b>1. Approximately HK\$89.1 million for further expanding and developing game portfolio, of which:</b>	<b>HK\$18.8 million</b>	<b>HK\$65.8 million</b>	<b>HK\$23.3 million</b>	<b>30 June 2022</b>
• HK\$43.4 million is intended to be used to develop additional Mahjong game variations	HK\$8.4 million	HK\$31.0 million	HK\$12.4 million	30 June 2022
• HK\$20.9 million is intended to be used to develop new poker game variations	HK\$4.1 million	HK\$15.0 million	HK\$5.9 million	30 June 2022
• HK\$24.8 million is intended to be used to develop new casual games	HK\$6.3 million	HK\$19.8 million	HK\$5.0 million	30 June 2022
<b>2. Approximately HK\$105.9 million for introducing and enhancing game features or functions and for improving technology infrastructure, of which:</b>	<b>HK\$24.5 million</b>	<b>HK\$81.5 million</b>	<b>HK\$24.4 million</b>	<b>30 June 2022</b>
• 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\$10.3 million	HK\$32.0 million	HK\$7.8 million	30 June 2022
• HK\$18.5 million is intended to be used to improve user interface	HK\$3.5 million	HK\$13.5 million	HK\$5.0 million	30 June 2022
• HK\$19.1 million is intended to be used to improve backend system	HK\$3.8 million	HK\$14.5 million	HK\$4.6 million	30 June 2022
• HK\$16.5 million is intended to be used to develop new features of game products	HK\$3.4 million	HK\$12.6 million	HK\$4.0 million	30 June 2022
• HK\$12.0 million is intended to be used on cybersecurity needs	HK\$3.5 million	HK\$8.9 million	HK\$3.0 million	30 June 2022



## Other Information

Intended use of the net proceeds	Utilization from 1 January 2021 to 30 June 2021	Amount utilized as at 30 June 2021	Remaining balance as at 30 June 2021	Expected time of full utilization of remaining balance of net proceeds
<b>3. Approximately HK\$65.5 million for enhancing marketing capabilities and improving brand image, of which:</b>	<b>HK\$10.9 million</b>	<b>HK\$42.9 million</b>	<b>HK\$22.6 million</b>	<b>30 June 2022</b>
<ul style="list-style-type: none"> <li>• 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</li> <li>• HK\$30.6 million is intended to be used as advertising expenses</li> <li>• HK\$4.2 million is intended to be used to build a PR team to strengthen overall marketing capability</li> </ul>	HK\$3.0 million	HK\$15.9 million	HK\$14.8 million	30 June 2022
<b>4. Approximately HK\$38.6 million for external growth by strategically pursuing partnership and acquisition opportunities</b>	<b>HK\$6.0 million</b>	<b>HK\$22.9 million</b>	<b>HK\$15.6 million</b>	<b>30 June 2022</b>
<b>5. Approximately HK\$28.4 million for international expansion</b>	<b>HK\$3.9 million</b>	<b>HK\$16.3 million</b>	<b>HK\$12.1 million</b>	<b>30 June 2022</b>
<b>6. Approximately HK\$36.3 million for providing funding for working capital and general corporate purposes</b>	<b>HK\$6.7 million</b>	<b>HK\$26.9 million</b>	<b>HK\$9.5 million</b>	<b>30 June 2022</b>
<b>Total</b>	<b>HK\$70.8 million</b>	<b>HK\$256.3 million</b>	<b>HK\$107.5 million</b>	

There was a delay in the utilization of the net proceeds relating to marketing and promotion activities during the six months ended 30 June 2021 since the Company has reduced offline promotion activities due to the continued effect of the COVID-19 virus and the development of COVID-19 variant. In addition, the Company benefited from lower cost of promotion of its games through online social media platforms as the active users for these social media platforms increased following the outbreak of the COVID-19 virus during which the general public spent more time at home. There was also a delay in the utilization of the net proceeds relating to (i) further expansion and development of game portfolio; and (ii) introduction and enhancement of game features or functions as the recruitment of game developers and engineers has slowed down due to the continued effect of the COVID-19 virus and the development of COVID-19 variant.

## 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.