家乡互动
HOMELAND INTERACTIVE

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

ANNUAL REPORT 2019

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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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. GAO Junfeng
Ms. LEUNG Suet Lun

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

AUTHORIZED REPRESENTATIVES

Mr. SU Bo
Ms. LEUNG Suet Lun

AUDITOR

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

COMPLIANCE ADVISOR

China Everbright Capital Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

https://www.jiaxianghudong.com

STOCK CODE

3798

HEADQUARTERS IN THE PRC

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**564,991**	439,530	261,751	51,946
Cost of sales	**(122,708)**	(103,308)	(51,693)	(9,315)
Gross profit	**442,283**	336,222	210,058	42,631
Other income	**39,231**	5,109	812	41
Foreign exchange gains (losses), net	**899**	208	(194)	48
Selling and marketing expenses	**(98,185)**	(46,646)	(38,888)	(8,790)
Administrative expenses	**(36,780)**	(26,052)	(17,111)	(3,827)
Listing expenses	**(17,806)**	(15,702)	—	—
Share-based payment expenses	**(82,210)**	—	—	—
Interest on lease liabilities	**(758)**	—	—	—
Profit before income tax	**246,674**	253,139	154,677	30,103
Income tax expense	**(39,886)**	(36,606)	(21,933)	(5,866)
Profit and total comprehensive income for the year	**206,788**	216,533	132,744	24,237
Profit and total comprehensive income for the year attributable to:				
Owners of the Company	**206,788**	204,091	118,569	23,256
Non-controlling interests	**—**	12,442	14,175	981
	206,788	216,533	132,744	24,237

* The data of 2016 and 2017 are extracted from the Company's prospectus dated 18 June 2019.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**79,035**	17,257	15,779	12,343
Current assets	**649,701**	279,460	201,842	54,958
Current liabilities	**102,185**	83,982	92,446	24,504
Net current assets	**547,516**	195,478	109,396	30,454
Total assets less current liabilities	**626,551**	212,735	125,175	42,797
Non-current liabilities				
Lease liabilities	**9,974**	—	—	—
Net assets	**616,577**	212,735	125,175	42,797
Capital and reserves				
Paid-in capital/Share capital	**41**	27	—	10,000
Share held for Share Award Scheme	**(2)**	—	—	—
Reserves	**616,538**	212,708	115,625	31,817
Equity attributable to owners of the Company	**—**	212,735	115,625	41,817
Non-controlling interests	**—**	—	9,550	980
Total equity	**616,577**	212,735	125,175	42,797

* The data of 2016 and 2017 are extracted from the Company's prospectus dated 18 June 2019.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Homeland Interactive Technology Ltd. (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**").

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 4 July 2019, which is an important milestone for the Company's development. The Company's successful listing reflected the recognition of the Company's development strategy and corporate governance, and laid a solid foundation for the development of the Company in the future.

In terms of financial performance, the Group continued its robust growth in 2019. The Group's revenue and gross profit for the year ended 31 December 2019 were approximately RMB565.0 million and RMB442.3 million, representing an increase of approximately 28.5% and 31.5%, respectively as compared with last year. The Group's adjusted net profit, which does not take into account share-based payment expenses of approximately RMB82.2 million and listing expenses of RMB17.8 million was approximately RMB306.8 million for the year ended 31 December 2019, representing an increase of approximately 32.1% from approximately RMB232.2 million for the year ended 31 December 2018.

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 31 December 2019, the Group's cumulative registered players reached 163,403,629, representing an increase of approximately 68.3% compared with 31 December 2018. The Group's DAUs increased to 5,644,751 as at 31 December 2019, representing a growth of approximately 8.4%, as compared with 31 December 2018. The Group's paying players reached 4,142,772 for the year ended 31 December 2019, representing a growth of approximately 28.4% as compared with the year ended 31 December 2018.

Since 2018, the Group broadened its income stream by inserting certain in-game advertisement slots in its mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat. During 2020, the Group will continue to further develop its 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 plans 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. The Group will also continue to maintain and solidify its leadership in the localized mobile card and board games market. Driven by technology advancement and penetration of smartphones and other mobile devices and high-speed wireless internet connection, the online card and board game industry is expected to continue to grow rapidly. The Group plans to continue to devote resources to further develop and optimize the Group's game portfolio to boost player stickiness and further enhance market penetration. In addition, 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.

I would like to take this opportunity to express my sincere gratitude to the management and staff of the Group for their dedication in the past year in achieving the successful listing of the Company in Hong Kong and the continuous development of the Group, and to the shareholders and business partners of the Company for their support and confidence in the Group.

Wu Chengze
Chairman and Executive Director

Hong Kong, 30 March 2020

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. In 2018, the Group broadened its income stream by inserting certain in-game advertisement slots in its mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat.

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 2019, 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 26 provinces and municipalities in China. In 2019, the Group has launched 38 new Mahjong game variations and 14 new poker game variations.

In terms of financial performance, the Group continued its robust growth in 2019. The Group's revenue and gross profit for the year ended 31 December 2019 were approximately RMB565.0 million and RMB442.3 million, representing an increase of approximately 28.5% and 31.5%, respectively as compared with last year, primarily due to increase in advertising revenue, the expansion of game portfolio and the distribution of third-party mobile games. During 2019, the Group recognized advertising revenue of approximately RMB61.8 million as it incentivized players by giving free private game room cards and virtual tokens through clicks on advertisements thereby increasing its advertising revenue. Such measure has led to an approximately 8.8% drop in revenue from private game room cards compared to 2018. The Group's adjusted net profit, which does not take into account share-based payment expenses of approximately RMB82.2 million and listing expenses of RMB17.8 million was approximately RMB306.8 million for the year ended 31 December 2019, representing an increase of approximately 32.1% from approximately RMB232.2 million for the year ended 31 December 2018.

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 31 December 2019, the Group's cumulative registered players reached 163,403,629, representing an increase of approximately 68.3% compared with 31 December 2018. The Group's DAUs increased to 5,644,751 as at 31 December 2019, representing a growth of approximately 8.4%, as compared with 31 December 2018. The Group's paying players reached 4,142,772 for the year ended 31 December 2019, representing a growth of approximately 28.4% as compared with the year ended 31 December 2018.

In addition, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 4 July 2019 (the "**Listing Date**"), marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group's future development.

Business Outlook

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

During 2020, the Group will continue its efforts to further solidify its leading position in the localized mobile 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 plans to offer advertisement slots on its integrated game platform. Utilizing its data analytical capabilities, the Group will continue to develop strategies including analysing the frequency and timing of advertisements shown to players in order to optimise advertising revenue.

- Further develop and optimize the Group's game portfolio to boost player stickiness. The Group plans to expand its geographic coverage in China by leveraging its established brand name and developing additional localized regional game variations. The Group aims to expand the coverage of its localized game variations to the entire country, excluding Taiwan, Tibet, Qinghai, Xinjiang, Shanghai, Guangzhou and Shenzhen. Moreover, the Group also intends to introduce more casual games to amplify its overall game portfolio and attract players with different interests.

- Continue to strengthen research and development and technology infrastructure. The Group will increase its investments in technologies to further strengthen its game development capability and infrastructure, with a particular focus on enhancing game features and improving player experience, which in turn helps retain players and increase player stickiness. The Group will continue to develop HTML5 versions and other potential mini-programs for its game products which are connected to various HTML5-enabled social platforms and websites.

- Enhance marketing capabilities and improve brand image. The Group plans to invest in promotion activities, placing advertisements on social media platforms, third party websites, Apps and TV, as well as sponsoring various online and offline game tournaments to increase its presence and promote its brand.

- Continue to explore acquisition opportunities. On 29 October 2019, the Company entered into a non legally-binding memorandum of understanding pursuant to which the Company expressed an interest to purchase the entire equity interest in a company which is principally engaged in the development and operation of card and board games, with a focus on localized Mahjong games and private game room cards business in a number of provinces in the northern part of the PRC. As at the date of this annual report, the Company is conducting due diligence on the such company and no definitive agreement has been entered into with respect to the potential acquisition. The Company will continue with the due diligence and assessment of such potential acquisition. For further details, please refer to the paragraph headed "Management Discussion and Analysis — Material acquisitions and future plans for major investment". In 2020, other than the potential acquisition as disclosed above, the Group will continue to explore complementary partnership or acquisition opportunities of small to medium-sized mobile games developers and operators which can enhance its game-related sourcing, development and operation capabilities and complement its experience in the gaming market.

Financial Review

Revenue

The Group's revenue for the year ended 31 December 2019 amounted to approximately RMB565.0 million, representing an increase of approximately 28.5% from approximately RMB439.5 million recorded in 2018. The increase in revenue was primarily driven by the increase in advertising revenue, the expansion of game portfolio and the distribution of third-party mobile games. Advertising revenue represents revenue generated from in-game advertisement slots the Group inserted in its mini-programs, typically measured by user clicks. For the year ended 31 December 2019, advertising revenue accounted for approximately 10.9% of the Group's total revenue. During the same year, revenue generated from the Group's sale of virtual tokens, private game room cards and distribution of third-party mobile games accounted for approximately 47.0%, 34.7% and 7.4% of the Group's total revenue, respectively, as compared with approximately 45.3%, 48.5% and 6.2%, respectively, for the year ended 31 December 2018.

In 2019, the Group has launched 38 new Mahjong game variations and 14 new poker game variations. While the number of new poker game variations developed in 2019 is largely in line with the Group's expectation, the number of new Mahjong game variations and casual games developed is less than originally planned as the Group has focused its resources on enhancing player stickiness for its existing and new Mahjong game variations and casual games generally take longer to develop. In 2020, the Group expects to develop about 100 different localized Mahjong game variations to extend the Group's coverage to 32 provinces and municipalities, 35 new poker game variations and 13 new casual games.

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 18.8% to approximately RMB122.7 million in 2019 from approximately RMB103.3 million in 2018, 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) an increase of RMB14.7 million 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) an increase of RMB8.5 million in employee benefit expenses to support rapid growth of the Group. The increase was partially offset by a decrease of RMB4.7 million in server-related and technical support fees due to decreased use of professional cyber security service providers. As at 31 December 2019, the Group does not have any trade payables.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 31.5% to approximately RMB442.3 million for the year ended 31 December 2019 from approximately RMB336.2 million in 2018, and the Group's gross profit margin increased to approximately 78.3% for the year ended 31 December 2019 from approximately 76.5% in 2018, primarily due to an increase in contribution from advertising revenue which has a higher gross profit margin, as well as the continuous strong growth of the Group's business.

Other Income

Other income increased significantly by approximately 7.7 times from approximately RMB5.1 million for the year ended 31 December 2018 to approximately RMB39.2 million for the year ended 31 December 2019. The increase was primarily due to (i) the service income of approximately RMB26.4 million recognized in the year ended 31 December 2019 as the Group carried out offline promotion marketing activities for other game operators of smaller scale; (ii) an increase of approximately RMB6.1 million in interest income and approximately RMB1.7 million in government subsidies which are industry-specific subsidies obtained from local governments.

Foreign Exchange Gains, Net

Foreign exchange gains recorded a slight increase of approximately RMB0.7 million from approximately RMB0.2 million for the year ended 31 December 2018 to approximately RMB0.9 million for the year ended 31 December 2019, mainly due to the fluctuation of exchange rate of Renminbi against HK dollars.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 110.5% from approximately RMB46.6 million for the year ended 31 December 2018 to approximately RMB98.2 million in 2019. The increase was primarily due to a RMB23.3 million increase in advertising expenses resulting from the Group's enhanced marketing efforts to acquire and retain players, and an increase in in-game promotion expenses of RMB23.7 million.

Administrative Expenses

The Group's administrative expenses increased by approximately 41.2% from approximately RMB26.1 million for the year ended 31 December 2018 to approximately RMB36.8 million in 2019. The increase was primarily due to (i) an increase of RMB3.9 million in administrative employee benefit expenses as a result of the increase in the number of general and administrative staff; (ii) an increase of RMB2.4 million in auditor's remuneration for the Group's audit; and (iii) an increase of RMB2.5 million in other professional service fees in connection with consulting services the Group engaged for legal compliance, finance and other related matters, as well as the overall increases in office allowance, travelling, transportation and entertainment expenses, each a result of the Group's business growth in 2019.

Listing Expenses

In connection with the Company's listing on the Stock Exchange, the Group recognized listing expenses of approximately RMB17.8 million for the year ended 31 December 2019.

Profit Before Income Tax

The Group's profit before income tax decreased by approximately 2.6% from approximately RMB253.1 million for the year ended 31 December 2018 to approximately RMB246.7 million in 2019. The Group's profit before income tax as a percentage of total revenue decreased from approximately 57.6% for the year ended 31 December 2018 to approximately 43.7% for the year ended 31 December 2019, primarily due to payment of share-based payment expenses and the Group's significant business growth which resulted in the increases in costs and expenses.

Income Tax Expenses

Income tax expenses increased by approximately 9.0% from RMB36.6 million for the year ended 31 December 2018 to RMB39.9 million in 2019, primarily due to reduction in the effect of preferential tax rate after listing and increase in non-deductible expenses. The Group's effective tax rates were 14.5% and 16.2% for the years ended 31 December 2018 and 2019, respectively.

Profit and Total Comprehensive Income for the Year

The Group's profit and total comprehensive income for the year decreased by approximately 4.5% from approximately RMB216.5 million for the year ended 31 December 2018 to approximately RMB206.8 million in 2019. The Group's profit margin was approximately 49.3% and 36.6% for the years ended 31 December 2018 and 2019, respectively. The decrease in profit margin was primarily due to share-based payment expenses and the Group's significant business growth which resulted in the increases in costs and expenses. Profit and total comprehensive income attributable to owners of the Company increased by approximately 1.3% from approximately RMB204.1 million for the year ended 31 December 2018 to approximately RMB206.8 million for the year ended 31 December 2019.

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 certain non-recurring and non-cash items that it does not consider indicative of the performance of its business. The Company's management believes that the presentation of non-IFRS measures, in conjunction with the corresponding IFRS measures, provides useful information to investors relating to the Group's financial condition and results of operations. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**206,788**	216,533
Add:		
Listing-related expenses	**17,806**	15,702
Share-based payment expenses	**82,210**	—
Adjusted net profit	**306,804**	232,235

The adjusted net profit for the year ended 31 December 2019, adjusted by excluding the non-recurring listing-related expenses and non-cash item of share-based payment expenses, was approximately RMB306.8 million, increased by approximately 32.1% as compared to approximately RMB232.2 million for 2018.

Liquidity and Capital Resources

For the year ended 31 December 2019, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

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

Cash and cash equivalents

The Group primarily operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi. The Group has certain cash and cash equivalents and trade receivables denominated in HK dollars, and is exposed to foreign exchange risk arising from exchange rate fluctuation of RMB against HK dollars. As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB502.4 million (31 December 2018: approximately RMB218.2 million), which primarily consisted of cash at bank. Out of the RMB502.4 million, approximately RMB392.9 million is denominated in Renminbi and approximately RMB109.5 million is denominated in HK dollars. The Group currently does not hedge transactions undertaken in foreign currencies. The Group paid a special interim dividend of RMB177.0 million in respect of the year ended 31 December 2018 to its Founders, Mr. WU Chengze, Mr. SU Bo and Mr. JIANG Mingkuan in July 2019 and an interim dividend of RMB55.0 million for the six months ended 30 June 2019 to the Company's shareholders on 18 October 2019.

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.

Indebtedness

During the year ended 31 December 2019, 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 RMB14.4 million in aggregate.

Gearing ratio

The gearing ratio was zero since there was no debt as at 31 December 2019.

Charge on assets

As at 31 December 2019, the Group did not pledge any of its assets.

Capital expenditures

For the year ended 31 December 2019, the Group's capital expenditure amounted to approximately RMB48.2 million (for the year ended 31 December 2018: approximately RMB3.1 million), which mainly comprised expenditures on leasehold land and buildings, the purchase of office furniture and equipment, motor vehicles, leasehold improvements, the purchase of the copyright of game software and trademark as well as the purchase of equity instruments at fair value through other comprehensive income. 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 year ended 31 December 2019 was higher due to the purchase of office premises which incurred capital expenditure of approximately RMB29.2 million and the increase in the purchase of copyright of game software and trademark in line with the Group's business growth.

Contingent liabilities and guarantees

As at 31 December 2019, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Material acquisitions and future plans for major investment

On 29 October 2019, the Company entered into a non legally-binding memorandum of understanding pursuant to which the Company expressed an interest to purchase the entire equity interest in Jilin Xinyue Network Technology Limited (吉林省心悦網絡科技有限公司) (the "**Target Company**"). The Target Company is a company incorporated in the PRC and is principally engaged in the development and operation of card and board games, with a focus on localized Mahjong games and private game room cards business in a number of provinces in the northern part of the PRC, including Heilongjiang, Jilin, Liaoning, Shanxi, Hebei and Gansu provinces. Further details on the potential acquisition is set out in the announcement of the Company dated 29 October 2019. As at the date of this annual report, the Company is conducting due diligence on the Target Company and no definitive agreement has been entered into with respect to the potential acquisition. Should the Company decide to proceed with this acquisition, the acquisition will be funded by the Company's internal resources, including cash generated from its operations and the proceeds from the global offering, subject to negotiation of the terms of the acquisition with the vendors.

Save as disclosed above, during the year ended 31 December 2019, 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 in 2019 in line with the Company's business expansion. Taking into account the employees who departed during 2019, as at 31 December 2019, the Group had a total of 448 full time employees, mainly located in mainland China. In particular, 73 employees are responsible for the Group's research and development, 160 for game development, 70 for technical support, 55 for customer service, 40 for marketing and 50 for operations and general administration. The total staff cost incurred by the Group for the year ended 31 December 2019 was approximately RMB159.1 million compared to approximately RMB60.2 million in 2018. The increase was primarily due to the payment of approximately RMB82.2 million share-based payment expenses.

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**") to incentivize employees and senior management and to align their interests with that of the Company. For further details of the Share Option Scheme and the Share Award Scheme, please refer to the paragraph headed "Report of Directors — Share Incentive Schemes" on pages 25 to 27 of this annual report.

Directors

Executive Directors

Mr. WU Chengze (吳承澤), aged 35, is a Founder, the Chairman and the Chief Executive Officer of the Group and an executive Director of the Company. Mr. Wu is primarily responsible for formulating and implementing the overall development strategies and business plans of the Group and overseeing the overall development and operations of our Group. He was appointed as a Director on 7 May 2018 and his position as Chairman and Chief Executive Officer took effect on 20 September 2018. He has held various other positions in the Group, including chief operating officer of the Group prior to 2014 and the general manager of Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網絡科技有限公司) ("**Jiaxiang Interactive**") since September 2015. Mr. Wu has over nine years of experience in the game industry. Prior to founding the Group, Mr. Wu worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from August 2006 to September 2009.

Mr. Wu completed his master's degree in law in July 2009 at Jilin University (吉林大學) in the PRC.

Mr. JIANG Mingkuan (蔣明寬), aged 38, is a Founder and the Chief Operating Officer of the Group and an executive Director of the Company. Mr. Jiang is primarily responsible for overseeing and managing the operations of the Group. He was appointed as a Director on 7 May 2018 and his position as Chief Operating Officer took effect on 20 September 2018. He has held various other positions in the Group, including general manager of Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司) ("**Jilin Xinze**") since November 2009, chief technology officer of the Group prior to 2014 and chief operating officer of the Group since 2014. Mr. Jiang has over ten years of experience in the game industry. Prior to founding the Group, Mr. Jiang worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to January 2009.

Mr. Jiang completed his bachelor's studies in computer software (through distance learning) from Jilin University (吉林大學) in the PRC in June 2008.

Mr. SU Bo (蘇波), aged 35, is a Founder and the Chief Investment Officer of the Group and an executive Director of the Company. Mr. Su is primarily responsible for overseeing and managing the strategic development and expansion plan of the Group. He was appointed as a Director on 7 May 2018 and his position as Chief Investment Officer took effect on 20 September 2018. He has held various other positions in the Group, including officer responsible for overseeing the financial, legal and administrative matters of the Group and chief investment officer of the Group since February 2018. Mr. Su has over nine years of experience in the game industry. Prior to founding the Group, Mr. Su worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to November 2009. Since September 2017, Mr. Su has also been a mentor of post-graduate students at Changchun University of Technology (長春工業大學).

Mr. Su completed his bachelor's studies in computer software (through distance learning) from Jilin University (吉林大學) in the PRC in June 2007.

Mr. GUO Shunshun (郭順順), aged 31, is the Chief Product Officer of the Group and an executive Director of the Company. Mr. Guo is primarily responsible for overseeing the development and production of the Group's games. He joined the Group in December 2012 and has held various positions in the Group, including head of game design and development of Jilin Xinze since December 2012 and director of the board and card game business department of Jiaxiang Interactive since September 2015. He was appointed as a Director on 20 September 2018 and his position as Chief Product Officer took effect on the same date. Mr. Guo has over nine years of experience in the game industry. Prior to joining the Group, Mr. Guo worked at Jilin Reawin Technology Co., Ltd. (吉林省睿網科技股份有限公司) as a programmer from November 2009 to April 2010. Mr. Guo completed his senior secondary education in July 2007.

Mr. MEN Geng (門耕), aged 31, is an executive Director of the Company. Mr. Men is primarily responsible for overseeing the private game room business of the Group. He joined the Group in February 2014 and has held various positions in the Group, including technical consultant of Jilin Xinze from February 2014 to June 2017 and general manager of Beijing Yuke since March 2017. He was appointed as a Director on 20 September 2018. Mr. Men has over five years of experience in the game industry. Prior to joining the Group, he was an engine development software engineer of ChangYou.com Limited, a company listed on the NASDAQ Stock Market (NASDAQ: CYOU), from February 2012 to April 2013. From May 2013 to August 2013, Mr. Men served at Beijing Handloft Technology Co., Ltd. (北京掌順科技有限公司) as a game development engineer.

Mr. Men received his bachelor's degree in software engineering from Changchun University of Science and Technology (長春理工大學) in the PRC in June 2012.

Independent non-executive Directors

Mr. YU Ronald Patrick Lup Man (余立文), aged 49, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. He has over 20 years of experience in accounting, finance and investment. Mr. Yu worked at PricewaterhouseCoopers and held various positions, ranging from associate in assurance department to senior manager, from April 1997 to February 2006. From April 2006 to May 2007, he served at Citigroup Global Markets Asia Limited, where his last position was vice president in Asia-Pacific international operations department. From May 2007 to March 2009, he worked with Starr International Company (Asia), Limited as an Associate Director and was responsible for monitoring direct investments, fund investments and listed equity investments. From May 2010 to January 2017, he worked at Sinocap Investment Holdings Limited and held various positions, including executive director and responsible officer. Mr. Yu was a director of investment of WK Fund Management Limited from January 2017 to October 2018. He has been an independent non-executive director at Simplicity Holding Limited, a company listed on the Stock Exchange (stock code: 8367), since February 2018.

Mr. Yu received his bachelor's degree in informatics from Griffith University in Australia in March 1993 and graduated from The University of Queensland in Australia with a master's degree in professional accounting in December 1995. Mr. Yu was designated as a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) in December 2008. He has also been a member of CPA Australia since June 1996 and a fellow since March 2016.

Mr. ZHANG Yuguo (張玉國), aged 49, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Zhang has worked in Jilin University since March 1996 and currently serves an Associate Professor of the Northeast Asian Studies College of Jilin University (吉林大學東北亞研究院) in the PRC.

Mr. Zhang obtained his doctor of law degree from the College of Administration of Jilin University (吉林大學行政學院) in June 2008.

Mr. HU Yangyang (胡洋洋), aged 30, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Hu serves as an associate of the Investment Banking Division of Ping An Securities Co., Ltd. since July 2015, primarily advising on initial public offerings and other corporate finance related matters. Prior to joining Ping An Securities Co., Ltd., Mr. Hu worked at the Financial Services Organization of Ernst & Young Hua Ming LLP Shanghai Branch from October 2012 to March 2015 and was mainly responsible for conducting financial audits.

Mr. Hu received his bachelor's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2012 and obtained his master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in June 2018. Mr. Hu has been a non-practising member of The Chinese Institute of Certified Public Accountants (CICPA) since March 2017 and became a member of The Association of Chartered Certified Accountants (ACCA) since March 2017.

Senior Management

Mr. GAO Junfeng (高峻峰), aged 46, is the Chief Financial Officer and a Joint Company Secretary of the Group. He joined the Group in January 2018 and is responsible for overseeing the financial and accounting and company secretarial matters of the Group. Mr. Gao has over 21 years of accounting and finance experience. Prior to joining the Group, he held senior positions in accounting and finance in China-based public companies. From July 2004 to October 2007, Mr. Gao served as a senior manager of the Internal Control and Risk Management Department at the Beijing office of PricewaterhouseCoopers. From July 2008 to February 2010, he was the Director of Finance of ATA Inc., a company listed on the NASDAQ Stock Market (NASDAQ: ATAI), and from March 2010 to November 2012, the chief financial officer of Xueda Education Group, a company formerly listed on the New York Stock Exchange (NYSE: XUE) which has been privatized and delisted in 2016. From October 2013 to June 2015, Mr. Gao was an executive director and the chief financial officer of Boyaa Interactive International Limited, a company listed on the Stock Exchange (stock code: 434).

Mr. Gao received his bachelor's degree in accounting from the Shanghai University of Finance and Economy (上海財經大學) in the PRC in July 1996. Mr. Gao is a member of the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. LI Wei (李偉), aged 36, is the advisor to the Chief Executive Officer of the Group. He is responsible for assisting the Chief Executive Officer of the Group in executing the overall development strategies and business plans of our Group. Mr. Li joined the Group in August 2013 and has held various positions in the Group, including marketing director at Jilin Xinze. He has over 13 years of experience in sales management. Prior to joining the Group, Mr. Li served as sales manager at Beijing Yicai Internet Technology Co., Ltd. (北京易彩互聯科技有限公司) from May 2005 to December 2006. From January 2007 to March 2008, he was the sales development director of Asian Financial (Beijing) Investment Co. Ltd. (亞洲金控 (北京) 投資有限公司). From December 2010 to July 2013, Mr. Li worked at Netconcepts Internet Technology (Beijing) Co., Ltd. (耐特康賽網絡技術(北京)有限公司) as business development director.

Mr. Li received a diploma in e-commerce from Beijing Wuzi University (北京物資學院) in the PRC in January 2007.

Joint Company Secretaries

Mr. GAO Junfeng (高峻峰) was appointed as the joint company secretary of the Company on 20 September 2018 and with effect from 12 June 2019. For details of Mr. Gao's biography, please see the paragraph headed "Senior Management" above.

Ms. LEUNG Suet Lun (梁雪綸) is another joint company secretary of the Company and was appointed on 20 September 2018 and with effect from 12 June 2019. Ms. Leung is a senior manager of the Listing Services Department of TMF Hong Kong Limited. Ms. Leung has over 11 years of professional experience in legal, company secretarial and tax consulting fields. She currently serves as the joint company secretary for various public companies listed on the Stock Exchange, including Poly Culture Group Corporation Limited (stock code: 3636), China Traditional Chinese Medicine Holdings Co. Limited (stock code: 570) and Tsaker Chemical Group Limited (stock code: 1986). From September 2006 to September 2009, Ms. Leung worked at KPMG Tax Limited. From January 2012 to December 2014, Ms. Leung worked in a law firm in Hong Kong. She obtained a Bachelor's Degree in Social Sciences and a Bachelor's Degree of Laws from the University of Hong Kong in 2005 and 2006 respectively. She is a member of the Hong Kong Institute of Certified Public Accountants and a solicitor of Hong Kong.

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal Activities

The Group is principally engaged in the development and operation of localized mobile card and board games 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. In 2018, the Group broadened its income stream by inserting certain in-game advertisement slots in its mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 32 to the consolidated financial statements in this annual report.

Business Review

Overview and Performance of the Year

A review of the business of the Group during the year ended 31 December 2019, a discussion and analysis on the Group's future business development and the key financial and operational performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 11 to 16 of this annual report.

Environmental Policies and Performance

The Group is not subject to any significant health, safety or environmental risks. The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the Environmental, Social and Governance Report in this annual report.

Compliance with Relevant Laws and Regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, customers, suppliers and shareholders. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and performance-based bonus. Moreover, the Group has also adopted a Share Option Scheme and a Share Award Scheme. The remuneration policy of the Directors is reviewed and determined by the remuneration committee having regard to the Directors' experience, responsibilities, workload and time devoted to the Group and performance of the Group.

The Company's major suppliers include third-party game distribution channels, payment vendors, cloud service providers, internet data center providers and online and offline advertising partners. On average, the Company has 3 years of business dealings with its major suppliers. All of the Company's five largest suppliers are independent third parties.

The Company's ultimate customers are individual game players, who purchase virtual tokens and private game room cards for consumption in the Group's self-developed mobile game products.

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on its core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

During the year ended 31 December 2019, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Key Risks and Uncertainties and Risk Management

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

- two game categories, namely Mahjong and poker game variations have accounted for substantially all of the Group's revenue; any failure to maintain or enhance the performance of games in these game categories could materially and adversely affect the Group's business and results of operations;

- the growth of the Group depends on its ability to attract new players and retain existing players. If the Group fails to strengthen its existing game portfolio, launch high-quality new games or game variations and enhance player experience, its ability to continue to retain existing players and attract new players will be materially and adversely affected;

- the Group primarily distributes its mobile game products through its proprietary channel; any disruption of its proprietary channel could materially and adversely affect the Group's business, financial condition and results of operation;

- only a small portion of the Group's registered players were paying players. To sustain growth of the Group, it must continue to monetize its players more effectively. If the Group is unable to retain its paying players, attract new paying players, convert non-paying players to paying players or increase or maintain the in-game purchases by its players, the Group's revenue and profit margin may be adversely affected;

- the Group utilizes third party payment vendors, mainly WeChat Pay and Alipay, to facilitate players' in-game purchases. The Group relies on the stability of such payment transmissions to ensure the continued payment services to be available to its players and is subject to risks and uncertainties associated with the use of third party payment vendors;

- the Group primarily relies on its self-generated user traffic. However, it also from time to time utilize various third-party game distribution channels, including cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc.'s App Store, for the distribution and promotion of its game products. If the Group is unable to maintain good relationships with these third-party distribution channels, its business and results of operations will be adversely affected; and

- the mobile game industry in the PRC is under increased public scrutiny and is subject to complex and evolving domestic and international laws and regulations and the Group's games and operations are subject to laws and regulations of the PRC. There is no assurance that such laws and regulations would not be interpreted in ways that could affect the Group's business.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc. and proactively setting up appropriate risk management and internal control mechanism which is embedded in daily operation management.

Events after Reporting Period

Following the outbreak of the COVID-19 virus in December 2019, the PRC government has implemented various measures including travel restrictions to prevent the spread of the COVID-19 virus. Up to the date of this annual report, the Company is not aware any instance of COVID-19 virus infection among its staff. The Group offers its game products through its integrated online game platforms and there has been no material adverse impact on the delivery of services to game players.

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

Save as disclosed above, there has been no significant events that have an effect on the Group subsequent to the financial year ended 31 December 2019.

Outlook for 2020

In 2020, the Group will continue its efforts to further solidify its leading position in the localized mobile card and board game industry in China by continuing the growth strategies set out in pages 9 and 10 of this annual report.

Directors

The Directors during the Reporting Period and up to the date of this Directors' Report were:

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

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 17 to 20 of this annual report.

Service Contracts of the Directors

Each of the Company's executive Directors has entered into a service contract with the Company on 5 June 2019, and the Company's independent non-executive Directors have signed letters of appointments with the Company. The service contracts with each of the executive Directors and the letter of appointment with the independent non-executive director are for an initial fixed term of three years commencing from 4 July 2019. The service contracts and letters of appointment may be terminated in accordance with the respective terms thereof. The service contracts may be renewed in accordance with the Company's articles of association and the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

In accordance with article 16.19 of the Articles, Mr. JIANG Mingkuan, Mr. MEN Geng and Mr. HU Yangyang shall retire by rotation at the AGM and they being eligible, offer themselves for re- election at the AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Remuneration of the Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements in this annual report.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

Other than the resignation of Mr. YU Ronald Patrick Lup Man as the responsible officer of Zeus Asset Management Limited on 31 December 2019, 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.

Employees and Remuneration Policies

The Directors believe that effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent. 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 Group has designed an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, bonuses and promotion. The Directors believe the salaries and benefits that the Group's employees receive are competitive with market standards in each geographic location where the Group conducts business. In addition, the Company has adopted the Share Option Scheme and a Share Award Scheme to incentivize employees and senior management and to align their interests with that of the Company.

Share Incentive Schemes

Share option scheme

On 5 June 2019, the Share Option Scheme 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 as the Board may determine to an Eligible Person. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations.

Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Post-IPO Share Option Scheme" in Appendix IV to the prospectus of the Company dated 18 June 2019 (the "**Prospectus**").

During 2019, the Company granted share options (the "**Share Options**") pursuant to the Share Option Scheme to 58 eligible employees (the "**Grantees**") to subscribe for a total of 62,360,000 ordinary shares of US$0.000005 each in the Company (the "**Share(s)**"), representing approximately 4.96% of the total issued share capital of the Company as of 31 December 2019. None of the Grantees is a director, chief executives or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

Details of the movements in the Company's share options outstanding under the Share Option Scheme during the year ended 31 December 2019 are set out below:

		Number of Share Options								
Name/ Category of participants	Date of grant[(1)]	As at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2019	Exercise price (HK$ per Share)	Closing price immediately before the date of grant (HK$ per Share)	Exercise period
Employees	14 November 2019	—	62,360,000	—	—	—	62,360,000	2.09	2.11	14 November 2019 — 14 November 2024

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

Please refer to note 28 to the financial statements for further information of the Share Option Scheme and the value of Share Options granted.

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 Listing Rules) of the Company; and if the Board or any committee of the Board delegated with the power and authority to administer the Share Award Scheme so determines in its absolute discretion, any director (including executive and non-executive director) of the Company or any Subsidiary to be a selected participant and grant Share Awards to such selected participant. The purpose of the Share Award Scheme is to (i) encourage or facilitate the holding of Shares by the participants selected by the Board in accordance with the terms of and entitled to receive a grant of share awards (the "**Share Awards**") under the Share Award Scheme (the "**Selected Participant**"); (ii) encourage and retain such individuals to work with the Group; and (iii) provide additional incentive for them to achieve performance goals. The Share Award Scheme shall be valid for ten years commencing from the adoption date. The maximum number of new Shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued Shares at the relevant time; and the maximum number of new Shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued Shares at the relevant time.

Further details of the Share Award Scheme are set forth in the section headed "Statutory and General Information — D. Share Incentive Schemes — 2. Share Award Scheme" in Appendix IV to the Prospectus.

Details of the Share Awards granted under the Share Award Scheme

In May 2019, the Company has appointed The Core Trust Company Limited (the "**Trustee**") as the 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.

During the year ended 31 December 2019, a total number of 79,276,000 Shares, representing approximately 6.31% of the Shares in issue as at 31 December 2019, had been allotted and issued to five employees pursuant to the Share Award Scheme. No Shares were awarded to the directors of the Company. During the period from the adoption date to 31 December 2019, Share Awards in respect of 21,195,000 Shares have vested. As at 31 December 2019, 9,420,000 Share Awards have lapsed due to the departure of a grantee and Share Awards in respect of 48,661,000 Shares were unvested, of which 43,951,000 Shares would be fully vested on 4 January 2020, being the date ending 6 months after the date of listing of the Company and 2,355,000 Shares will be vested in two equal lots on 4 April 2020 and 4 July 2020. 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. Save as disclosed above, there has been no options granted and outstanding under the Share Option Scheme or Share Awards granted under the Share Award Scheme. Further details of the Share Award Scheme are set out in note 28 to the financial statements.

Directors' Interests in Competing Businesses

Saved as disclosed in this annual report, as at 31 December 2019, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Directors' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of the Reporting Period.

Continuing Connected Transactions

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Group for the year ended 31 December 2019. All capitalized terms used in this section shall have the same meaning defined in the Prospectus, unless otherwise specified.

Non-Exempt Continuing Connected Transactions

Contractual Arrangements

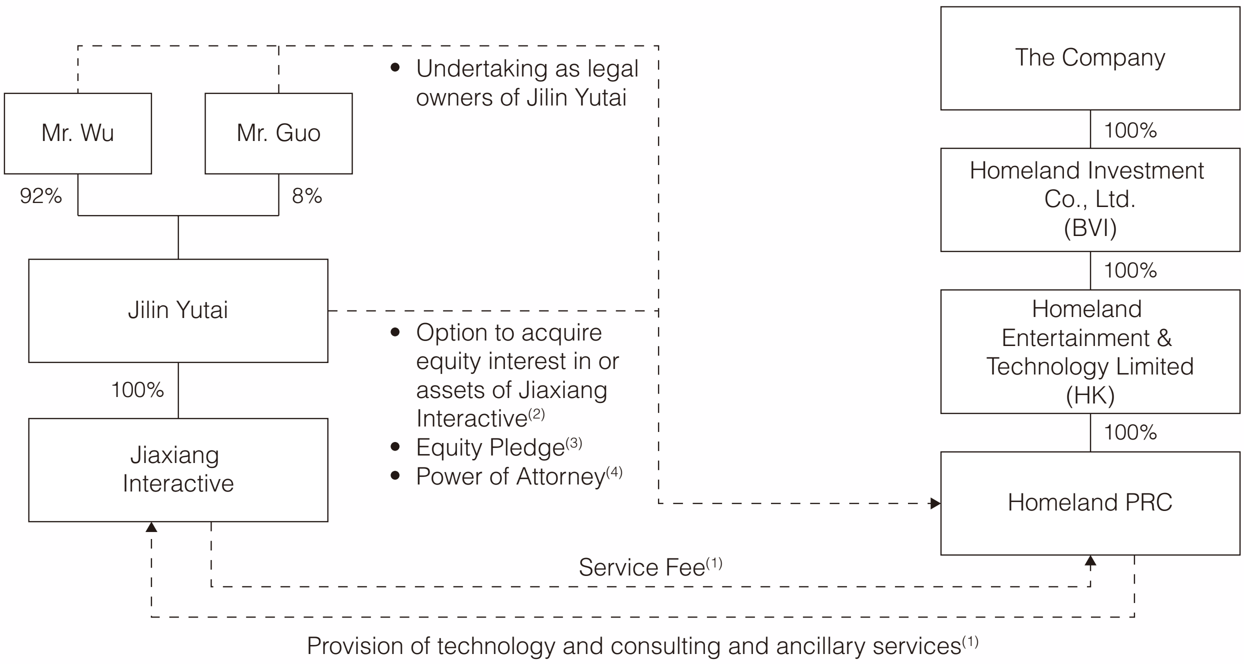
The Group is primarily engaged in the development and operation of localised mobile card and board games business (the "**Principal Business**") and is considered to be engaged in the provision of value-added telecommunications services (which includes information services provided via mobile network) 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, Jilin Xinze and Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) ("**Jilin Yuke**"), 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 (北京柯鑫網絡科技有限公司) ("**Homeland PRC**"), entered into a series of contractual arrangements with Jiaxiang Interactive, Jilin Yutai Network Technology Company Limited (吉林省豫泰網絡科技有限公司) ("**Jilin Yutai**"), Mr. WU Chengze ("**Mr. Wu**") and Mr. GUO Shunshun ("**Mr. Guo**") to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Interactive and its subsidiaries (the "**PRC Operating Entities**"). The agreements underlying such contractual arrangements with Jiaxiang Interactive and Jilin Yutai include: (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement (the "**Contractual Arrangements**"). Moreover, Jilin Yutai had also executed an irrevocable Power of Attorney appointing Homeland PRC as its proxy to exercise on its behalf of shareholder rights in Jiaxiang Interactive. The total revenue of the Group's PRC Operating Entities during the year ended 31 December 2019 was approximately RMB565.0 million, and the total assets of the Group's PRC Operating Entities as at 31 December 2019 was approximately RMB559.0 million.

Each of Mr. Wu, Mr. JIANG Mingkuan and Mr. SU Bo (together, the "**Founders**") is a controlling shareholder of the Company and an executive Director of the Company and is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. In addition, the Founders together and as parties acting in concert beneficially held 92% of the interest in Jiaxiang Interactive. Each of Jiaxiang Interactive and its subsidiaries is therefore an associate of each of the Founders and a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules.

The following simplified diagram illustrates the flow of economic benefits from Jiaxiang Interactive to our Group stipulated under the Contractual Arrangements:



Notes:

(1) Please refer to the section headed "Exclusive Business Cooperation Agreement" below.

(2) Please refer to the section headed "Exclusive Call Option Agreement" below.

(3) Please refer to the section headed "Equity Pledge Agreement" below.

(4) Please refer to the section headed "Power of Attorney" below.

A Brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

(a) Exclusive Business Cooperation Agreement

Homeland PRC and Jiaxiang Interactive entered into an Exclusive Business Cooperation Agreement on 24 September 2018, pursuant to which Jiaxiang Interactive agreed to engage Homeland PRC as its exclusive consultant and service provider. The advice and services which Homeland PRC shall provide to Jiaxiang Interactive and its subsidiaries include, but are not limited to, (i) permission to use certain software, (ii) design, development, maintenance and updating of software and network technology and provision of related technical consultation and technical services, (iii) design, installation, daily management, maintenance and updating of network system, hardware and database design, (iv) technical support and training to employees, (v) consultancy, collection and research of technology and market information (excluding market research business that wholly-foreign-owned enterprises are prohibited from conducting under PRC law), (vi) business management consultation, (vii) marketing and promotion services, (viii) customer management and customer services, (ix) leasing of equipment or properties, (x) other service areas. In addition, Homeland PRC shall have the exclusive and proprietary rights to all intellectual properties arising from and developed during and as a result of the performance of the consulting and advisory services. Homeland PRC shall have the exclusive and proprietary rights to use all such intellectual properties which Homeland PRC, Jiaxiang Interactive or any of its subsidiaries (as the case may be) has developed during the term of the Exclusive Business Cooperation Agreement.

Pursuant to the Exclusive Business Cooperation Agreement and subject to compliance with applicable PRC laws, Jiaxiang Interactive shall pay to Homeland PRC a service fee that equals to 100% of the total consolidated profit of Jiaxiang Interactive and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, operating costs, expenses, tax and other statutory contributions of Jiaxiang Interactive and its subsidiaries in any given year. Homeland PRC is also entitled to adjust the service fee payable by Jiaxiang Interactive based on the actual business conditions, operations and development needs of Jiaxiang Interactive.

It is also stipulated in the Exclusive Business Cooperation Agreement that Homeland PRC shall enjoy all economic benefits of, and bear all risks arising from, the conduct of business by Jiaxiang Interactive and its subsidiaries. In the event that Jiaxiang Interactive incurs any operating loss or experiences serious difficulties in its operations, Homeland PRC shall provide financial support to Jiaxiang Interactive, to the extent permitted under PRC laws, to ensure that Jiaxiang Interactive could meet its daily operating cash flow requirements and/or for the purpose of offsetting any operating loss incurred. Homeland PRC shall have the right to request Jiaxiang Interactive to cease its operations, and Jiaxiang Interactive shall unconditionally accept the requests of Homeland PRC. On the other hand, pursuant to the Exclusive Business Cooperation Agreement, without the prior written consent from Homeland PRC, Jiaxiang Interactive shall not accept the same or similar consulting and services provided by any other third parties during the term of the Exclusive Business Cooperation Agreement. Homeland PRC may appoint other parties, who may enter into certain agreements with the PRC Operating Entities, to provide the PRC Operating Entities with the services under the Exclusive Business Cooperation Agreement.

Jiaxiang Interactive shall procure each of its subsidiaries to strictly comply with the terms of the Exclusive Business Cooperation Agreement as if it were a party to such agreements.

The Exclusive Business Cooperation Agreement is effective from the date of agreement. The Exclusive Business Cooperation Agreement may be terminated by Homeland PRC by giving Jiaxiang Interactive prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Jiaxiang Interactive to Homeland PRC or its designated person(s) pursuant to the applicable PRC laws and regulations. Jiaxiang Interactive is not contractually entitled to terminate the Exclusive Business Cooperation Agreement with Homeland PRC.

The Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Jiaxiang Interactive to flow to Homeland PRC and hence, the Group as a whole. As of 31 December 2019, Homeland PRC has deployed appropriate facilities and personnel to oversee the operation and management of Jiaxiang Interactive, drive the key business decision-making processes and provide overall business advice and consulting services as required to be provided to Jiaxiang Interactive and its subsidiaries pursuant to the Exclusive Business Cooperation Agreement, whilst Jiaxiang Interactive and its subsidiaries are mainly responsible for the operations of the integrated mobile game platform and to hold all operating assets for the purpose of operating the Principal Business to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity operating integrated mobile game platform and the conditions of the relevant ICP and operating licenses granted to Jiaxiang Interactive and its subsidiaries. The Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Homeland PRC and Jiaxiang Interactive under the Contractual Arrangements and also ensure sound and effective operation of the Group in compliance with the Contractual Arrangements and applicable laws and regulations.

(b) Exclusive Call Option Agreement

Homeland PRC, Jilin Yutai and Jiaxiang Interactive entered into an Exclusive Call Option Agreement on 24 September 2018, pursuant to which Jilin Yutai and Jiaxiang Interactive jointly and severally granted to Homeland PRC (exercisable by itself or its designated person(s)) irrevocable options to (i) purchase, to the extent permitted by PRC laws and regulations, the equity interests in Jiaxiang Interactive, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations, and where PRC laws and regulations require valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations, or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Jiaxiang Interactive at the minimum purchase price permitted under PRC laws and regulations, and where PRC laws and regulations require valuation of the assets, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. Homeland PRC (by itself or any of its designee as specified above) may exercise such options, fully or partially, at any time, subject to applicable PRC laws and regulations. It was also agreed that Homeland PRC shall have the right to forthwith exercise the option granted under the Exclusive Call Option Agreement when relevant PRC laws and regulations permit the equity interests of Jiaxiang Interactive to be directly held by Homeland PRC while Jiaxiang Interactive continues to legally operate the Principal Business. In addition, Jilin Yutai and/or Jiaxiang Interactive have agreed to return any proceeds it/they will receive in the event that the call option to acquire the equity interests in and/or assets of Jiaxiang Interactive is exercised to Homeland PRC.

Pursuant to the Exclusive Call Option Agreement, Jiaxiang Interactive has undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

(i) not to supplement, modify or amend its constitutional documents, alter the registered capital or change the registered capital structure of Jiaxiang Interactive without the prior written approval from Homeland PRC;

(ii) prudently and effectively operate and manage the business and corporate matters of Jiaxiang Interactive, and to ensure their existence, in accordance with the good business standards and practice, and maintain all necessary licenses and permits;

(iii) not to sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of the income of Jiaxiang Interactive (save for assets with value less than RMB500,000 and as required in the ordinary course of business) or allow any security interest to be created on its assets of Jiaxiang Interactive without the prior written approval from Homeland PRC;

(iv) not to incur, take up, guarantee or allow any indebtedness without the prior written approval from Homeland PRC (save for those in the ordinary course of business and having been disclosed to and consented by Homeland PRC in writing);

(v) to operate the business of Jiaxiang Interactive within the normal business scope in order to maintain its asset value, and refrain from any acts or omission which may adversely affect its business or assets value;

(vi) not to enter into any material contracts with an amount of over RMB500,000 (other than those entered in the ordinary course of business) without the prior written approval from Homeland PRC;

(vii) not to lend or provide any financing to any other third party without the prior written approval from Homeland PRC;

(viii) to provide all operating and financial information of Jiaxiang Interactive to Homeland PRC upon request;

(ix) where possible, Jiaxiang Interactive shall purchase and maintain such insurance with insurers acceptable by Homeland PRC, with insurance coverage in line with insurance generally maintained by companies within the same region and engaging in similar business and owning similar properties or assets as Jiaxiang Interactive;

(x) not to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Homeland PRC;

(xi) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to the assets, business or income of Jiaxiang Interactive;

(xii) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of all of its assets by Jiaxiang Interactive;

(xiii) not to distribute any dividend, distributable profits and/or any assets to any shareholder without the prior written approval from Homeland PRC. If the relevant shareholder receives any such dividends, distributable profits and/or other assets with approval from Homeland PRC, such shareholder shall transfer such benefits received by him/her/it to Homeland PRC in ten business days upon receipt of the same at nil consideration;

(xiv) upon request of Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jiaxiang Interactive;

(xv) unless otherwise required by PRC law, Jiaxiang Interactive shall not be dissolved or liquidated without the prior written consent from Homeland PRC;

(xvi) in the event that Jilin Yutai or Jiaxiang Interactive fails to comply with its tax obligations under applicable PRC laws which hinders the exercise of the options under the Exclusive Call Option Agreement, Homeland PRC is entitled to demand Jiaxiang Interactive and Jilin Yutai to pay all relevant taxes and comply with all tax obligations; and

(xvii) Jiaxiang Interactive shall procure each of its subsidiaries to strictly comply with the terms of the Exclusive Business Cooperation Agreement as if it were a party to such agreements.

Jilin Yutai has further undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

(i) save for the equity pledge in favor of Homeland PRC created under the Equity Pledge Agreement, Jilin Yutai shall not allow any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any of their legal or beneficial equity interests held in Jiaxiang Interactive without the prior written approval from Homeland PRC;

(ii) save for the equity pledge in favor of Homeland PRC created under the Equity Pledge Agreement, Jilin Yutai shall not approve at the shareholders' meeting of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive not to approve any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any legal and beneficial equity interests in or assets of Jiaxiang Interactive without the prior written approval from Homeland PRC;

(iii) not to approve at the shareholders' meeting of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive not to approve, any mergers or acquisitions or make investment in any entities by Jiaxiang Interactive, without the prior written approval from Homeland PRC;

(iv) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to its equity interest in Jiaxiang Interactive;

(v) approve and vote in favor of the shareholders' resolutions of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive to approve and vote in favor of any resolutions of Jiaxiang Interactive, concerning the transfer of equity interests and assets pursuant to the Exclusive Call Option Agreement, and take any other action upon the request of Homeland PRC;

(vi) Jilin Yutai shall execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary appropriate defenses against any charges or claims in order to safeguard the equity interests held by it;

(vii) upon request from Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jiaxiang Interactive;

(viii) if Jilin Yutai receives any dividends, distributable profits and/or other assets from Jiaxiang Interactive, Jilin Yutai shall transfer such benefits received by it at nil consideration to Homeland PRC or any of its designated persons;

(ix) not to engage in any business which competes, or likely competes, with the business of our Group; and

(x) to strictly comply with the terms of the Exclusive Call Option Agreement and any other agreements entered into among Homeland PRC, Jilin Yutai and Jiaxiang Interactive and earnestly fulfill their respective obligations under such agreements and not to take, or omit to take, any actions which may affect the validity and enforceability of these agreements. In any event where Jilin Yutai retains any rights in the equity interests under this Exclusive Call Option Agreement, the Equity Pledge Agreement signed by the parties to the Exclusive Call Option Agreement, or the Power of Attorney in favor of Homeland PRC, Jilin Yutai shall not exercise such rights without the prior written approval from Homeland PRC.

The Exclusive Call Option Agreement shall expire when all the equity interests in or assets of Jiaxiang Interactive have been transferred to Homeland PRC or its designee as specified above, unless and until Homeland PRC terminates the Exclusive Call Option Agreement.

To ensure that Jilin Yutai duly discharges their obligations under the Contractual Arrangements, pursuant to the Exclusive Call Option Agreement, Jilin Yutai has already executed an irrevocable power of attorney and deposit such power of attorney at Homeland PRC, so that Homeland PRC or its designee can be appointed as proxy of Jilin Yutai to execute the equity transfer agreements with respect to their respective shareholding in Jiaxiang Interactive or the asset transfer agreements with respect to the assets of Jiaxiang Interactive and other ancillary documents concerning such transfer(s) and to handling and obtain all relevant approval and registration required under applicable laws and regulations in the event that Jilin Yutai fails to discharge its obligations under the Contractual Arrangements.

(c) *Equity Pledge Agreement*

Homeland PRC, Jilin Yutai and Jiaxiang Interactive entered into the Equity Pledge Agreement on 24 September 2018, pursuant to which Jilin Yutai agreed to pledge all of its equity interests in Jiaxiang Interactive to Homeland PRC to secure performance of all its obligations and the obligations of Jiaxiang Interactive under the agreements underlying the Contractual Arrangements. If Jilin Yutai breaches or fails to fulfill the obligations under any of the agreements underlying the Contractual Arrangements, Homeland PRC, as the pledgee, will be entitled to foreclose the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, Jilin Yutai has undertaken to Homeland PRC, among other things, not to transfer or otherwise dispose its equity interests in Jiaxiang Interactive and not to create or allow any pledge thereon that may affect the rights and interest of Homeland PRC without its prior written consent.

Under the Equity Pledge Agreement, Jilin Yutai also represents and warrants to Homeland PRC that appropriate arrangements have been made to protect Homeland PRC's interests in the event of liquidation, bankruptcy or termination of Jilin Yutai or any circumstances that may affect its exercise of the shareholders' rights to avoid any practical difficulties in enforcing the Equity Pledge Agreement.

Moreover, if Jiaxiang Interactive declares any dividend or distribute any income during the term of the pledge, Homeland PRC is entitled to receive all such dividends or other income arising from the pledged equity interests, if any. It is also agreed that in the event that Jilin Yutai subscribed for or acquired additional equity interest in Jiaxiang Interactive, then the additional equity interest acquired or subscribed for by Jilin Yutai shall also be pledged in favor of Homeland PRC pursuant to the Equity Pledge Agreement.

The Equity Pledge Agreement shall terminate when Jiaxiang Interactive has fulfilled and performed all obligations under the agreements underlying the Contractual Arrangements or upon the termination of the agreements underlying the Contractual Arrangements. Furthermore, the Equity Pledge Agreement shall terminate upon the liquidation and dissolution of Jiaxiang Interactive pursuant to PRC laws and regulations and upon which Jiaxiang Interactive and Jilin Yutai shall sell all assets, including equity interests, to Homeland PRC, at nil consideration or the minimum price permitted by PRC laws and regulations, to the extent permitted by PRC laws and regulations, or the then designated liquidator shall dispose of all of the assets including equity interests, in order to protect the interests of shareholders and/or creditors of the direct or indirect offshore parent company of Homeland PRC.

(d) Power of Attorney

On 24 September 2018, Jilin Yutai executed an irrevocable Power of Attorney appointing a director of any direct or indirect shareholder of Homeland PRC or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen as proxy of Jilin Yutai to exercise all of its shareholder's rights in Jiaxiang Interactive. Pursuant to the Power of Attorney, the individual to be appointed as Jilin Yutai's proxy shall exclude Jilin Yutai and its registered shareholders, any other shareholders of Jiaxiang Interactive and any of their associates. Pursuant to the Power of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) convene and attend shareholders' meetings and pass any shareholders' resolution of Jiaxiang Interactive, (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Jiaxiang Interactive, including but not limited to the exercise of voting rights in shareholders' meetings, (iii) sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Jiaxiang Interactive by Jilin Yutai, (iv) nominate, elect, designate, appoint or remove the legal representative, directors, supervisors, general manager, chief financial officer and other senior officers of Jiaxiang Interactive, (v) oversee the operating performance of Jiaxiang Interactive, approve its annual budget or declare dividends, and inspect the financial information of Jiaxiang Interactive at any time, (vi) execute and deliver any documents, written resolutions, minutes of meetings, (vii) approving the submission of any registration documents to competent government authorities (including relevant companies registry),(viii) exercise all shareholders' rights and vote as Jilin Yutai in the event of dissolution or liquidation of Jiaxiang Interactive, (ix) filing a lawsuit against such directors as Jilin Yutai or taking other legal actions against any director or manager of Jiaxiang Interactive acting in a manner adversely affecting the interests of Jiaxiang Interactive and (x) approving amendments to the articles of association. The proxy is also authorized to enter into and execute any equity transfer agreement upon the exercise of the call option granted under the Exclusive Call Option Agreement and to secure performance of the other agreements underlying the Contractual Arrangements for and on behalf of Jilin Yutai.

Under the Power of Attorney, Jilin Yutai irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which Jilin Yutai remains as a shareholder of Jiaxiang Interactive. Jilin Yutai further confirmed and undertook that in the event of liquidation, dissolution and any circumstances which would affect it to exercise its shareholder's rights in Jiaxiang Interactive, any of its successors, controllers or beneficial owners of Jilin Yutai shall be deemed as a party to the Power of Attorney and thereby subject to all obligations of Jilin Yutai under the Power of Attorney. The Proxy shall have the right to re-designate the power of attorney to any other individuals or entities without requiring prior notice to or consent from Jilin Yutai.

The Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Jilin Yutai for the purpose of exercising any of their shareholders' rights under the Power of Attorneys shall be restricted to an authorized director of the Company or a legally-held subsidiary (whom shall own fiduciary duties to the Company). The Board will also ensure that no rights shall be granted to any other third parties outside of the Group which does not owe any fiduciary duties to the Company. In view of the proposed corporate and management structure of the Group upon Listing, any one of Mr. MEN Geng (an executive Director), and Mr. YU Ronald Patrick Lup Man, ZHANG Yuguo or HU Yangyang (each an independent non-executive Director), each of whom is independent of Jilin Yutai and its respective associates, may be designated to act as the proxy pursuant to the Power of Attorney.

Undertaking from the ultimate legal owners of Jilin Yutai

Each of the ultimate legal owners of Jilin Yutai, namely Mr. Wu (who holds 92% equity interests in Jilin Yutai) and Mr. Guo (who holds 8% equity interests in Jilin Yutai), has provided a written undertaking to Homeland PRC to irrevocably undertake that he shall:

(i) not sell, transfer, create encumbrances or other third party rights or otherwise dispose of any equity interests in Jilin Yutai legally held by him;

(ii) not approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai not to approve, any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any equity interests in Jilin Yutai legally held by him without the prior written approval from Homeland PRC;

(iii) not approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai not to approve, Jilin Yutai to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Homeland PRC;

(iv) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to the equity interests he held in Jilin Yutai and take all actions reasonably requested by Homeland PRC to defend such proceedings;

(v) approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai to approve, all actions necessary to be taken by Jilin Yutai in satisfaction and fulfill its obligations under Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement and the Equity Pledge Agreement under the Contractual Arrangements;

(vi) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of his equity interest in Jilin Yutai;

(vii) upon request of Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jilin Yutai;

(viii) if he receives any dividends, distributable profits and/or other assets from Jilin Yutai, he shall transfer such benefits received by it at nil consideration to Homeland PRC or any of its designated persons;

(ix) not to engage in any business which competes, or likely competes, with the businesses of Homeland PRC, Jiaxiang Interactive, Jilin Yutai and any of their respective affiliates; and

(x) strictly abide with all the aforementioned undertakings and procure Jilin Yutai to fulfill all its obligations under the Contractual Arrangements, and that he will not carry out any act that may affect or hinder the fulfillment of Jilin Yutai's obligations under each of the agreements underlying the Contractual Arrangements to which Jilin Yutai is a party.

Each of Mr. Wu and Mr. Guo also confirms that each of his successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his equity interest in Jilin Yutai, and therefore his indirect interest in Jiaxiang Interactive and its subsidiaries, will be deemed as executing party to the said written undertaking and inherit all his rights and obligations thereunder upon his death, incapacity, divorce or its liquidation, bankruptcy or dissolution or any other circumstances that may affect his ability to exercise his shareholder's rights in Jilin Yutai.

Risks Relating to the Contractual Arrangements

There are the certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government finds that the agreements that establish the structure for operating the Group's mobile game businesses in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in those PRC operating entities.

- Since the Foreign Investment Law remains relatively new, uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the Company's current corporate structure, corporate governance and business operations.

- Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Group's PRC operating entities or its shareholders may fail to perform their obligations under the Contractual Arrangements.

- The Group may lose the ability to use and enjoy assets held by its PRC operating entities that are material to its business operations if its PRC operating entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The shareholders of the Group's PRC operating entities may have conflicts of interest with the Group, which may materially and adversely affect the business of the Group.

- The Group conducts its business operation in the PRC through its PRC operating entities by way of Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- The Contractual Arrangements between Homeland PRC and the Group's PRC operating entities may subject the Group to increased income tax due to the different income tax rates applicable to Homeland PRC and the Group's PRC operating entities and adversely affect the results of operations of the Group.

- If the Group exercises the option to acquire equity ownership and assets of its PRC operating entities, the ownership or asset transfer may subject it to substantial costs.

For further details, please refer to the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" of the Prospectus.

Mitigation actions taken by the Company

The Company's management works closely with its external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

The Group has adopted measures to ensure the effective operation of the Group's businesses with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements, including, among others:

- major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by the Board;

- matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;

- the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters; and

- the independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in the Company's annual report.

Waiver from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver (i) pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, and (ii) pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (a) the requirement of setting an annual cap for the fees payable to Homeland PRC under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (b) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange, subject to certain conditions. For details, please refer to the section "Continuing Connected Transactions" in the Prospectus.

Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions of the Company and confirmed that (i) the transactions carried out during the year ended 31 December 2019 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Jiaxiang Interactive and its subsidiaries has been substantially retained by Homeland PRC; (ii) no dividends or other distributions have been made by Jiaxiang Interactive or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new transactions, contracts and agreements or renewal of existing agreements have been entered into between the Group and Jiaxiang Interactive during the year ended 31 December 2019.

Confirmation from the Company's Independent Auditors

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with Contractual Agreements for the year ended 31 December 2019 in accordance with Rule 14A.56 of the Listing Rules, with an emphasis in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Contractual Agreements for the year ended 31 December 2019. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Save as disclosed in this annual report, as of the date of this annual report, the Company had no connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions.

Further details on related party transactions for the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at 31 December 2019, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") were as follows:

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

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

(1) All interests stated are long positions.

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

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

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

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

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

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

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

Note:

(1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiaxiang 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 Jiaxiang 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 of 31 December 2019, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Note:

(1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiaxiang 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 Jiaxiang 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.

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 pursuant to the Model Code.

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

As at 31 December 2019, 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
The Core Trust Company Limited(2)	Trustee of a trust	69,856,000	5.56%
WL Universe Limited(2)	Nominee for another person	69,856,000	5.56%
Co-challengers Growth Limited(3)	Beneficial owner	82,312,000	6.60%
Mr. LI Bo(3)	Interest in controlled corporation	82,312,000	6.60%
Beijing Chuangxin Yizhou Investment Management Limited (北京創新壹舟投資管理有限公司) ("**Yizhou Investment Management**")(3)	Interest in controlled corporation	82,312,000	6.60%
Xiamen Yizhou Xingchen Investment Management Limited (廈門壹舟星辰投資管理有限公司) ("**Xingchen Investment Management**")(3)	Interest in controlled corporation	82,312,000	6.60%
Xiamen Challenger Venture Capital Partnership (Limited Partnership) (廈門挑戰者創業投資合夥企業(有限合夥)) ("**Xiamen Challenger**")(3)	Interest in controlled corporation	82,312,000	6.60%

Notes:

(1) All interests stated are long positions.

(2) The Core Trust Company Limited, being the trustee of the Share Award Scheme approved and adopted by the Board on 6 June 2019, directly holds the entire issued share capital of the independent nominee, WL Universe Limited, which holds 69,856,000 award Shares granted under the Share Award Scheme for the benefit of eligible participants pursuant to the Share Award Scheme. Accordingly, The Core Trust Company Limited is deemed to be interested in the Shares held by WL Universe Limited.

(3) 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 31 December 2019, 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.

Controlling Shareholders' Interests in Contract of Significance

Save as disclosed in this annual report, no Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

Major Customers and Suppliers

Major Customers

The Company's ultimate customers are individual game players. Due to the Group's large customer base, its five highest paying players in aggregate contributed to substantially less than 30% of the total sales proceeds received during the year ended 31 December 2019.

Major Suppliers

For the year ended 31 December 2019, the Group's five largest suppliers accounted for approximately 46.3%, as compared to approximately 31.2% of the Group's total purchase amounts for the year ended 31 December 2018. The Group's single largest supplier accounted for approximately 11.0%, as compared to approximately 9.0% of the Group's total purchases for the year ended 31 December 2018.

During the year ended 31 December 2019, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5.0% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers.

Management Contracts

During the Reporting Period, the Company has not entered into any contract with any individuals, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

Directors' Permitted Indemnity Provision

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended 31 December 2019.

Results

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 74 of this annual report.

Dividends

The board of directors of the Company has resolved to declare a final dividend of RMB0.0661 (equivalent to HK$0.0728) per ordinary share. Together with the interim dividend of RMB0.0438 (equivalent to HK$0.0485) per ordinary share, the total dividend for the 2019 financial year amounted to RMB0.1099 (equivalent to HK$0.1213) per ordinary share.

Subject to the passing of the relevant resolution at the annual general meeting, the final dividend will be paid in HK dollars based on the rate of HK$1.00 to RMB0.90858, being the official exchange rate of HK dollars against Renminbi as quoted by the People's Bank of China on 30 March 2020. The final dividend will be paid on or around 22 June 2020 to shareholders whose names appear on the register of members of the Company on 11 June 2020. Subject to the passing of the relevant resolution at the annual general meeting, which is proposed to be held on 3 June 2020, the Register of Members of the Company will be closed from 9 June 2020 to 11 June 2020 (both days inclusive), for the purpose of determining shareholders' entitlements to the final dividend. In order to qualify for the final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 8 June 2020.

Share Capital

Details of movements in share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements in this annual report.

Reserves

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements in this annual report.

Charitable Donations

The Group did not make any charitable donations during the Reporting Period.

Property, Plant And Equipment

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements in this annual report.

Use of Proceeds from Listing

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 year ended 31 December 2019, 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$309.2 million as at 31 December 2019. 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 31 December 2019:

Intended use of the net proceeds	Utilization as at 31 December 2019	Remaining balance as at 31 December 2019
1. Approximately HK$89.1 million for further expanding and developing game portfolio, of which:	**HK$14.7 million**	**HK$74.4 million**
• HK$43.4 million is intended to be used to develop additional Mahjong game variations	HK$7.4 million	HK$36.0 million
• HK$20.9 million is intended to be used to develop new poker game variations	HK$3.5 million	HK$17.4 million
• HK$24.8 million is intended to be used to develop new casual games	HK$3.8 million	HK$21.0 million
2. Approximately HK$105.9 million for introducing and enhancing game features or functions and for improving technology infrastructure, of which	**HK$18.6 million**	**HK$87.3 million**
• HK$39.8 million is intended to be used to develop HTML5 versions and other potential mini-programs for most of the existing game products	HK$6.9 million	HK$32.9 million
• HK$18.5 million is intended to be used to improve user interface	HK$3.5 million	HK$15.0 million
• HK$19.1 million is intended to be used to improve backend system	HK$3.7 million	HK$15.4 million
• HK$16.5 million is intended to be used to develop new features of game products	HK$3.3 million	HK$13.2 million
• HK$12.0 million is intended to be used on cybersecurity needs	HK$1.2 million	HK$10.8 million

Intended use of the net proceeds		Utilization as at 31 December 2019	Remaining balance as at 31 December 2019
3.	**Approximately HK$65.5 million for enhancing marketing capabilities and improving brand image, of which:**	**HK$11.8 million**	**HK$53.7 million**
	• HK$16.4 million is intended to be used on offline promotion activities in respect of new game variations and	HK$2.4 million	HK$14.0 million
	HK$14.3 million on offline promotion activities in respect of existing games	HK$2.3 million	HK$12.0 million
	• HK$30.6 million is intended to be used as advertising expenses	HK$6.7 million	HK$23.9 million
	• HK$4.2 million is intended to be used to build a PR team to strengthen overall marketing capability	HK$0.4 million	HK$3.8 million
4.	**Approximately HK$38.6 million for external growth by strategically pursuing partnership and acquisition opportunities**	**HK$0**	**HK$38.6 million**
5.	**Approximately HK$28.4 million for international expansion**	**HK$3.8 million**	**HK$24.6 million**
6.	**Approximately HK$36.3 million for providing funding for working capital and general corporate purposes**	**HK$5.7 million**	**HK$30.6 million**
Total		**HK$54.6 million**	**HK$309.2 million**

Purchase, Sale or Redemption of Listed Securities of the Company

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

Equity-Linked Agreements

Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" above. Save as disclosed above, no equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company in 2019 or subsisted at the end of 2019.

AGM and Closure of Register of Members

The AGM of the Company will be held on Wednesday, 3 June 2020. A notice convening the AGM is expected to be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 29 May 2020 to Wednesday, 3 June 2020, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 28 May 2020.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 49 to 58 of this annual report.

Sufficiency of Public Float

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Auditor

The Company has appointed Deloitte as the auditor of the Company for the year ended 31 December 2019. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Deloitte as the auditor of the Company.

By Order of the Board
Homeland Interactive
WU Chengze
Chairman

Hong Kong, 30 March 2020

Corporate Governance Practices

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 December 2019.

Compliance with the Corporate Governance Code

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance Code on the Stock Exchange (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from 1 January 2019 to 3 July 2019.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till 31 December 2019, except for a deviation from the code provision A.2.1 of the CG Code that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Details of such deviation are summarized below in the subsection headed "Chairman and Chief Executive Officer".

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 the Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code for securities transactions by the Directors. As the Shares were listed on the Stock Exchange on 4 July 2019, the Model Code was not applicable to the Company during the period from 1 January 2019 to 3 July 2019. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the Model Code throughout the period from the Listing Date to the date of this annual report.

Board of Directors

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required of a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

Board Composition

The Board comprises eight Directors. As at 31 December 2019 and up to the date of this annual report, the Company has five executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

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

From the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence requirement set out in the Listing Rules.

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 17 to 20 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed in the section headed "Directors and Senior Management", the Directors do not have any other financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wu is the chairman and 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.

Appointment and Re-election of Directors

Each of the Directors has entered into a service contract (in the case of the executive Directors) or has been issued a letter of appointment (in the case of the independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association of the Company.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the next following general meeting of the Company.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association of the Company.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also arranged.

Directors shall participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During 2019, the Company organized training sessions conducted by qualified professionals for all the Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, risk management and internal controls etc. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Directors as at 31 December 2019 confirmed that they had complied with continuous professional development requirements for 2019.

Attendance Records of Directors and Committee Members

The attendance records of each Director at Board meetings and Board Committee meetings of the Company held during the period from the Listing Date to 31 December 2019 are set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. WU Chengze	3/3	—	—	—
Mr. JIANG Mingkuan	3/3	—	—	—
Mr. SU Bo	3/3	—	—	—
Mr. GUO Shunshun	3/3	—	—	—
Mr. MEN Geng	3/3	—	—	—
Mr. YU Ronald Lup Man	3/3	1/1	—	—
Mr. ZHANG Yuguo	0/3	0/1	—	—
Mr. HU Yangyang	3/3	1/1	—	—

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. During the period from the Listing Date to 31 December 2019, the Company held three Board meetings in total. As the Company was listed on the Stock Exchange on 4 July 2019, the Company did not hold any general meetings during the period from the Listing Date to 31 December 2019. The Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

The Audit Committee held one meeting during the Reporting Period to review and consider, in respect of the year ended 31 December 2019, the interim and annual financial results and reports, operational and compliance controls and the effectiveness of the risk management and internal control systems. The Audit Committee also met the external auditors once during the period from the Listing Date to 31 December 2019 without the presence of the executive Directors and the management.

Due to the fact that the Company was listed on 4 July 2019, the Remuneration Committee and Nomination Committee did not hold any meeting during the period from the Listing Date to 31 December 2019. Since the Listing Date and up to the date of this annual report, the Remuneration Committee held one meeting on 26 March 2020. Other than Mr. Zhang Yuguo, all other members of the Remuneration Committee attended the meeting.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All the members of the Remuneration Committee and the Audit Committee are independent non-executive Directors, and the majority of the members of the Nomination Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. YU Ronald Patrick Lup Man, Mr. ZHANG Yuguo and Mr. HU Yangyang. Mr. YU Ronald Patrick Lup Man, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group, assist the Board to fulfill its responsibility over the audit, and review and approve connected transactions and to advise the Board.

The Audit Committee is also responsible for performing the functions set out in code provision D.3.1 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report.

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Remuneration Committee

The company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of three members, namely Mr. YU Ronald Patrick Lup Man, Mr. ZHANG Yuguo and Mr. HU Yangyang, all being independent non-executive Directors. Mr. YU Ronald Patrick Lup Man is the chairman of the committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2019 is as follows:

	Number of employee(s)
HK$12,000,001 to HK$12,500,000	1
HK$12,500,001 to HK$13,000,000	1*
HK$22,500,001 to HK$23,000,000	1

* A senior management of the Company, Ms. Yang Lu, resigned in 2019 due to personal reasons.

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. WU Chengze, the chairman and chief executive officer, Mr. YU Ronald Patrick Lup Man and Mr. HU Yangyang, being independent non-executive Directors. Mr. WU Chengze is the chairman of the committee. The majority of the Nomination Committee members are independent non-executive Directors.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and Board succession.

The Company has formulated and adopted the board diversity policy (the "**Board Diversity Policy**") for compliance with the Listing Rules and the code provisions concerning the diversity of board members. The Board Diversity Policy sets out the approach adopted by the Board regarding diversity of Board members.

The Company recognizes the importance of achieving diversity in the Board and the board diversity policy of the Company sets out the approach to include and make good use of differences in the talents, skills, knowledge, regional and industry experience, cultural and educational background, ethnicity, gender, length of service and other qualities of the members of the Board. In particular, there will be no discrimination on the ground of race, age, gender or religious belief. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has adopted a nomination policy which sets out a set of nomination procedures and selection criteria for Directors. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and beneficial to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidates for independent Directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board.

Risk Management and Internal Controls

Review of Risk Management and Internal Controls

The Board acknowledges that it is responsible for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures.

The Company has a designated risk management and internal control team (the "**team**") which is responsible for identifying and monitoring the Company's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. All departments of the Company are required to adhere to the Company's internal control procedures and report to the team of any risks or internal control issues. The Audit Committee of the Board also reviews the Company's financial controls, risk management and internal control systems on a regular basis.

The Board has received confirmation from the management that in respect of the year ended 31 December 2019:

— the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and

— the risk management and internal control systems of the Group are effective.

Based on the framework for risk management and internal control systems established by the Group, the Board and the Audit Committee considered that, through the review of risk management and internal control systems of the Group, it can evaluate and improve their effectiveness. The Board, with the concurrence of the Audit Committee, considered that the Company's internal control systems, including financial, operational and compliance, were effective and adequate for the year ended 31 December 2019 based on the work performed and report prepared by the team as well as the confirmation letter received by the management. The Company will perform ongoing assessments to update all material risk factors on a regular basis. In any case, review of risk management and internal control systems will be conducted annually.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Board conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information, reports to the Board once identified any inside information for dissemination.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 69 to 73 of this annual report.

Dividend Policy

The Company has adopted a dividend policy which is in accordance with the relevant provisions of the Articles of Association. Pursuant to the dividend policy, the Company may from time to time declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company. The Company may distribute dividends by way of cash or by other means that the Board considers appropriate, based on various factors such as the Company's results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends, capital requirements, future business plans and prospects and other factors that may be relevant. Assuming there is no material adverse events affecting these factors, the Company intends to adopt a stable general annual dividend policy of declaring and paying dividends of no less than 30% of the profit attributable to owners of the Company on an annual basis. The Company will continue to re-evaluate its dividend plan in light of its operation needs, earnings, financial condition, working capital requirements and future business plans as the Board may deem relevant at such time.

External Auditor and Auditor's Remuneration

In 2019, the fee paid to the external auditor of the Company for audit services in relation to the Company's initial public offering amounted to RMB2.0 million in total. The remuneration paid/payable to the external auditor of the Company in respect of audit services (other than in respect of the initial public offering) and non-audit services for the year ended 31 December 2019 amounted to RMB2.7 million and RMB0.4 million, respectively.

Joint Company Secretaries

The Company has engaged TMF Hong Kong Limited, external service provider, and Ms. Leung Suet Lun has been appointed as the Company's joint company secretary. Her primary contact person at the Company is Mr. GAO Junfeng, the joint company secretary and chief financial officer of the Company.

The joint company secretaries attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2019 to update their skills and knowledge.

Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association of the Company, extraordinary general meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedures for shareholders to propose a person for election as director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

The contact details of the Company are set out in the Company's website (www.jiaxianghudong.com).

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on- going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.jiaxianghudong.com as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

Constitutional Documents

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up–to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

About this Report

This Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**") of Homeland Interactive Technology Ltd. (hereinafter referred as "**Homeland ITL**", and together with its subsidiaries, collectively as or the "**Group**") is prepared in accordance with the ESG Reporting Guide outlined in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has complied with the "comply or explain" provisions in the Listing Rules.

Reporting Boundaries

The scope of this ESG Report summarises the environmental and social performance regarding corporate social responsibility of the Group's material business operations.

Reporting period: 1 January 2019 to 31 December 2019, the financial period of our Annual Report 2019.

Business scope: Mobile card and board game developer and operator

Geographical scope: The People's Republic of China (the "**PRC**")

Reference Guidelines

Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited — ESG Reporting Guide

Contact

Should you have any enquiries or feedback on this ESG Report, please do not hesitate to contact the Group via the following methods:

- Address: 7A&22 Floor, Huijin Building, No.77 Tainan Road, Siming District, Xiamen, the PRC
- Tel: +592–3325599
- Email: hr@weile.com
- Official website: http://www.jiaxianghudong.com/

Overview

Core Values/Management Principles

As a game developer and operator in the PRC, Homeland ITL takes sustainable development and ESG as one of their major priorities when making business decision and pay as much effort as possible to strike a balance between economic development, the environment and the society.

Management Structure

The Group has a clear management structure to effectively manage the operation of various business activities and subsidiaries. And an ESG committee has been set up to independently address and report specific environmental and social issues of the Group to the Board.

Environmental Performance

Even most of the business activities of the Group are conducted in offices, Homeland ITL, as a responsible corporation, has taken environmental protection into consideration by regularly reviewing and identifying potential environmental risks during daily operation. As this is the first year of ESG report, the Group did not record any result achieved for the implemented environmental measures. The Group targets to report the achieved results during the next Reporting Period.

The Group has regularly reviewed the compliance of all operating business in accordance with all national and local laws, regulations and other related industrial standards, such as the *Environmental Protection Law of the PRC*, the *Law on the Prevention and Control of Atmospheric Pollution*, the *Law on the Prevention and Control of Water Pollution*, and the *Law on the Prevention and Control of Solid Waste Pollution*. During the Reporting Period, the Group has complied with all national and local laws.

Gas Emission

The major source of emission from the Group is the indirect emission from the use of electricity and direct emission from vehicles. Therefore, the Group has introduced particular measures aiming to reduce emission.

As a responsible corporation, electronic devices with recognized energy efficient label, such as Energy Star, are one of the major parameters when making procurement decision. Currently, the Group is gradually replacing the current electronic devices to energy efficient devices fully by 2021.

On the other hand, vehicular emission is another major source of gas emission of the Group. In order to effectively control the emission from the use of vehicles, the Group encourages carpooling from co-workers, conducting regular vehicles inspection to ensure the exhaust systems are in compliance with the national standards.

Major Gas Emission Indicators

Direct Emissions	**Unit**	**Emission in 2019**
Carbon Dioxide (CO_2)	Tonnes	18.57
Methane (CH_4)	Tonnes	0.002
Nitrous Oxide (N_2O)	Tonnes	0.12
Nitrogen Oxides (NO_x)	Tonnes	2.36
Sulphur Oxides (SO_x)	Tonnes	1.75
Particulate Matter (PM)	Tonnes	0.17
Total Greenhouse Gas (GHG) Emissions	**Unit**	**Emission in 2019**
Direct emission from vehicles	t-CO_2 eq.	21.31
Indirect emission from electricity consumption	t-CO_2 eq.	104.26
Other Indirect Emissions	**Unit**	**Emission in 2019**
Emissions from processing scrap paper	Tonnes	0.01
Emissions from flights	Tonnes	2.33
Emission Intensity (per employee)	**Unit**	**Emission in 2019**
Direct emission from vehicles	t-CO_2 eq.	0.09
Indirect emission from electricity consumption	t-CO_2 eq.	0.44
Emissions from processing scrap paper	Tonnes	0.03
Emissions from flights	Tonnes	2.33

Waste Management

Homeland ITL has ensured the disposal of waste from our operating activities strictly complied with the *Law of the PRC on Solid Waste Pollution Prevention and Control*, *Regulations on the Administration of Hazardous Waste Transfers*, and National Hazardous Waste List.

The Group has promoted the principles of "Reuse, Recycle, Reduce" in the office. Therefore, paper-less office is promoted to encourage employees reducing the use of papers during work. On the other hand, electronic waste will be sold to second-hand buyers or collected by national certified waste collectors to handle the electronic waste properly.

In this year, due to the minimal amount of waste generated, the Group has not recorded any data regarding to waste generation. In the meantime, the Group has set up a data collection system to record the waste generation for next year.

Water Discharge

Water has not been extensively used during the operation of the Group. Nevertheless, we have strictly monitored the usage of water in office and conduct regular maintenance to prevent any leakage. In addition, automatic sensor taps are installed in toilets to reduce water wastage. The Group has strictly complied with *Water Pollution Control Law of the PRC*, Urban Sewage Treatment Plant Pollutant Discharge Standards and other related laws and regulations.

Use of Resource

Homeland ITL has taken measures to promote efficient use of resources to reduce wastage and impact on the environment.

In order to achieve resource efficiency, the Group has adopted the following measures:

- Conduct training workshops with staff on saving water, electricity during daily operation;
- Most of the electronic devices, including air conditioning system, installed time controllers which can turn off the devices automatically during off-work hour;
- Record the usage of water and electricity monthly to ensure no irregularities;
- Promote double-sided printing and reuse paper; and
- Encourage the use of online conferencing to reduce the frequency of business travels.

The Group only consumes water from the supplies from municipal pipelines, no abnormalities in sourcing water were observed. Furthermore, as the major business of the Group is gaming development, no packaging materials will be consumed in the Group's daily operations and hence, the Group did not record any packaging materials during the Reporting Period.

Major indicators for resource consumption

Resource Consumption	**Unit**	**Consumption in 2019**
Electricity	Mega Per Hour	124.6
Gasoline	Litre	7,869.9
Water	Tonnes	1554.7
Resource Consumption Intensity (per employee)	**Unit**	**Consumption in 2019**
Electricity	Mega Per Hour	0.53
Gasoline	Litre	33.5
Water	Tonnes	6.6

The Environment and Natural Resources

The Group does not cause significant impact on the environment and natural resources. However, the Group is dedicated to reduce its carbon footprint in its daily operation during procurement process. When making procurement decision, electronic devices with energy efficient label are more preferred by the Group.

Social Performance

Employment

As a gaming development and operation service provider, the Group has taken talent acquisition as their top priority, in order to become a leading game developer in the PRC. Nevertheless, the Group strictly complies with the *Labour Law of the PRC*, the *Labour Contract Law of the PRC*, the *Employment Promotion Law of the PRC*, the *Labour Dispute Mediation and Arbitration Law of the PRC*, the *Regulation on the Annual Leave of Employees* and other relevant national labour laws and regulations. During the Reporting Period, no non-compliance issues related to employment laws and regulations were observed.

The Group has formulated “Compensation and Remuneration System” to regulate the employment system, as well as treat all staff in an open, fair and sound manner. The Group regularly reviews and updates its human resources policies to value employees’ positive performance and maintains or even strengthens the team capability by stipulating attractive renumeration packages to potential candidates. During hiring process, the Group always treats every candidates with the principles of “open recruitment”, “equal competition”, “not overstaffing” and “allocate the right position to the right person” in order to align with the Group’s business development strategy. The Group reaches the candidates generally through organizing recruitment talks in campuses and labour market, posting job advertisements online and internal referrals. Most importantly, the Group adheres to its internal measures to prevent employment discrimination on the grounds of nationality, age, ethnicity, race, religion, gender, marital status, pregnancy, sexual orientation, or political stance and all applicants are qualified for application and selection.

Homeland ITL has a well-established performance appraisal and promotion mechanism to ensure all employees of the Group received equal opportunity, and are treated fairly on promotion. Based on the result of the performance appraisals of the employees, outstanding employees with suitable abilities would receive promotion and salary raise as a reward and recognition. The Group also encourages internal promotion rather than external recruitment as this could provide an incentive to the employees. On the other hand, every employee has been offered a competitive remuneration package and being evaluated annually, in order to align with market trends and standards. All employees are entitled to the Group’s benefits, including paid leaves, marriage leaves and maternity leaves.

Health and Safety

Homeland ITL strictly complies with all the laws and regulations relevant to workplace health and safety, in particular the *Labour Law of the PRC*, the *Fire Prevention Law of the PRC*, the *Prevention and Control of Occupational Diseases of the PRC*.

The Group is dedicated to providing a healthy and safe environment for the staff. Several measures, such as annual medical check-up, medical insurance, are provided to the staff. In the future, the Group has planned to provide ergonomic devices to the staff. On the other hand, all staff are mandatory to conduct fire drill annually and all fire equipment are inspected by third party annually. During the Reporting Period, the Group was not aware of any non-compliance issues regarding relevant laws and regulations, which may significantly impact the ability of the Group to provide a safe working environment.

Development and Training

Homeland ITL believes that provision of continuous training is the key measure to retain current talents and improve the overall competitiveness of the Group. In view of that, the Group has provided regular training to the staff, including game development tool training, such as Cocos, U3D, by external training institutions and internal senior staffs as well. Apart from the training for the technical staffs, specific job skill training is provided for administrative staffs.

As this is the first year of reporting, the Group has not yet recorded the statistics of the training hour provided to the staff. The Group targets to provide such data next year.

Labour Standards

Homeland ITL has strictly followed the requirements of the *Labour Law of the PRC*, as well as the *Labour Contract Law of the PRC, Provisions on Prohibition of Child Labour of the PRC* and *Law of the PRC on the Protection of Minors* and restricts the recruitment of child labour and forced labour. The staff from human resources department has ensured all applicants' identities and employability by checking all candidates' valid identification documents. And employment letters with all details about the job position, pay structure, day of employment and other personal information will be issued to the successful applicants. In addition, due to the specific skills required for the Group's technical position, such as software engineer, the minimum requirement for the positions are graduates from university. And therefore, no non-compliance issues with relevant laws and regulations relating to child and forced labour were discovered by the Group during the Reporting Period.

Supply Chain Management

In order to maintain a sustainable operation, management of the supply chain is also crucial for the Group. As a gaming developer, the major suppliers of the Group are service-based suppliers, such as payment vendors, cloud service providers, internet data center providers. In order to maintain a competitive profile of suppliers, the Group has established a series of requirements to ensure the suppliers are up to the Group's standard.

For new suppliers, the basic information of the suppliers, such as quality, and price, will be assessed at the preliminary stage. Shortlisted suppliers will be further assessed with other details such as payment terms, after-sales service, before finalizing the appointment of suppliers.

In the meantime, existing suppliers will be annually assessed by their price, quality output, after-sales service, while benchmarking with the industry peers. Suppliers who are having satisfactory performance will remain on the approved list. For suppliers who cannot meet the requirement, they will be moved to the "watch-listed suppliers" which will be monitored more frequently, such as every three months. The Group will then assess their performance to decide whether to continue or terminate its cooperation with the "watch-listed" suppliers.

The Group is dedicated to choosing suppliers who could also share similar value of sustainable development and uphold business ethics and integrity as the Group. Suppliers are required to sign up to the Group's suppliers' code of conduct along with the contract agreement. The code of conduct lists out the expectation of the Group on their ESG performance, such as occupational health and safety, anti-discrimination, environmental awareness, anti-corruption, etc.

Product Responsibility

The major game types provided by the Group are online card and board games. The Group is committed to provide a fair and satisfactory gaming environment to the players, whilst strictly abiding the national law and regulations, including *"Cybersecurity Law of the PRC", "Regulation on Internet Information Service of the PRC", "Interim Provisions on Internet Culture Management"*, etc.

The Group has certified ISO27001 information security management system to effectively manage and control all information risk management processes.

Anti-Gambling

In order to provide a healthy gaming environment to the players, the Group has stipulated "Anti-gambling Management System" to regulate any potential gambling activities. First and foremost, employees are strictly prohibited to join any gambling activities in the games operated by the Group by any means. On the other hand, we have restricted the top-up limit of each account to RMB20,000 and other measures to prevent gaming addiction, such as reduce revenue of the account when play time is over 3 hours. In addition, the Group will not tolerate any sales of virtual currency which would pose a great risk to the gamers. The Group will take immediate actions if any violations are discovered. If the violation is confirmed, employees who are involved would be punished according to the severity of the breaches. For the gamers, their account will be suspended or terminated according to their severity of the breaches.

Intellectual Property

As a game developer, the Group is highly aware of the importance of protecting intellectual property rights. The Group strictly abides *The Patent Law of the PRC*, *The Trademark Law of the PRC*, *The Copyright Law of the PRC*, *the Administrative Measures on China Internet Domain Name*, *the Measures Concerning Software Products Administration*, *Anti-unfair competition Law of the PRC*, and other related law and regulations. The Group has formulated "Intellectual Property Management Procedures" to strengthen the protection of intellectual property right by setting standard working procedures that are applicable to the Group's intangible assets, such as games, and software.

The Group has also established procedures to protect its own intellectual property rights. If employees discover any potential copyright infringement, the legal department would start an investigation and if the infringement is confirmed by the Group, the Group preserves the right for any subsequent legal actions.

Cyber-security

Information security is the number one priority to the gamers and the Group. The Group is deeply aware that information security could greatly influence the reputation, confidence and success of its products. Therefore, the Group is determined to provide a highly secured gaming platform to the gamers. The Group has established information security management system in accordance with ISO27001 in 2017, including "Information Security Risk Management Procedures", "Information Security Incident Management Program", "Network Security Management Program", etc. The management system has ensured that the network infrastructure is highly secured and to provide a fair gaming environment to the users. For example, only authorized users can access the background development in the system and all actions are recorded. Therefore, the administrator can trace back all actions from source and find out the responsible personnel. If any malicious act is discovered, the Group has the right to initiate legal action.

Advertising

Efficient advertising strategies could have a positive impact on the Group's business. On the other hand, controversial or inaccurate content in advertisements prepared by the Group may breach national laws and regulations. The Group strictly abides the *Advertisement Law of the PRC* and *Interim Measures for the Administration of Internet Advertising*. The Group has formulated "Advertisement Management Procedures" for compliance, accuracy and authenticity of all promotion materials, such as online content and press conference. Sales and marketing department is responsible for reviewing all promotion materials before publication.

Anti-Corruption

Homeland ITL upholds the highest level of ethical standard and advocates integrity and honesty as the core values and strictly complies with the *Anti-corruption and Bribery Law of the PRC*. The Group has established internal control system on managing anti-corruption and anti-bribery to prevent corruption.

All personnel are required to abide by the agreement on integrity and self-regulation as stipulated in the employment contract. Designated personnel are assigned by the Group to monitor the whole internal control measures and all responsibility and authorities of integral institutions are stipulated, in order to track all the rectification process of the Group's internal control measures.

During the Reporting Period, no cases of corruption, extortion, bribery, fraud or money laundering were observed by the Group.

Community Involvement

Homeland ITL believes, even as a game developer, contribution to the society is very crucial, as a responsible corporate. The Group firmly believes that building a harmonious community in the surrounding area is a win-win solution between the Group and the community stakeholders. The Group also encourages its employees to participate in different community activities and fully understand the needs of community to ensure that the Group fully considers the interests of the community while developing the Group's business.

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Deloitte. 德勤

TO THE SHAREHOLDERS OF HOMELAND INTERACTIVE TECHNOLOGY LTD.
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Homeland Interactive Technology Ltd. (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 74 to 144, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
We identified the revenue recognition as a key audit matter due to the fact that the revenue from self-developed mobile games and third-party mobile game is significant to the consolidated financial statements and the management of the Group made a significant estimate on the calculation of unit value of unutilized virtual tokens/diamonds and private game room cards at the year end, which has a significant impact to the revenue recognized during the year. During the year ended 31 December 2019, the Group recognized revenue from virtual tokens and private game room cards on their self-developed mobile games and from virtual diamonds on their third-party mobile games, total amounting RMB503,174,000, which represented approximately 89% of total revenue of the Group, as set out in note 5 to the consolidated financial statements. The revenue was recognized based on the consumption of virtual tokens/diamonds and private game room cards in self-developed mobile games and third-party mobile games, which is determined with the reference to the quantity of the unutilized tokens/diamonds and private game room cards at the year end and the estimation on how much the unutilized virtual tokens/diamonds and private game room cards worth.	Our procedures in relation to revenue recognition included: • Assessing the appropriateness of the methodologies adopted by the management of the Group to determine the unit value of unutilized virtual tokens/diamonds and private game room cards and deferred revenue at the year end through understanding the operating model of self-developed mobile games and third-party mobile game and challenging management's basis and judgement. • Involving our information technology ("**IT**") specialists to assess the accuracy and completeness on the quantity of virtual tokens/diamonds and private game room cards, purchased by customers, given out for free, utilized during the year and unutilized at the year end from operation platform, through: (i) testing the general IT controls and automated controls of the operation platforms related to the self-developed mobile games and third-party mobile game; (ii) performing recalculation on the quantity of the unutilized virtual tokens/diamonds and private game room cards at the year end by using transaction data from the operation platforms, such as purchase and consumption quantity, and reconciled to the unutilized quantity in the operation platforms to verify the accuracy.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition (Continued)	
The estimated unit value of the unutilized virtual tokens/diamonds or private game room cards was calculated, on a periodic basis, based on the quantity and value of virtual tokens/diamonds or private game room cards purchased by customers, as well as the quantity of virtual tokens/diamonds given out for free during the year. The determination of the estimated unit value of unutilized virtual tokens/diamonds and private game room cards was based on the Group's best estimate that has taken into account all known and relevant information at the time of assessments. When the management of the Group prepared for the revenue recognition calculation, they relied on the transaction data, in particular the sales and consumption data, from the operation platforms to form their basis of calculations.	• Examining purchase records made by the customers on the virtual tokens/diamonds and private game room cards during the year, on a sample basis, by comparing to the supporting documents such as payment records in the third-party payment platform and statements from payment vendors to verify the amount of virtual tokens/diamonds and private game room cards purchased by customers during the year is accurate. • Checking the arithmetic accuracy of calculation made by the management of the Group on the unit value of unutilized virtual tokens/diamonds and private game room cards, and deferred revenue adjustments made to the revenue. • For revenue from third-party mobile games, checking the arithmetic accuracy of calculation made by the management of the Group on portion of revenue shared with the third-party mobile game developers and the accuracy of the revenue sharing ratio used in such calculation against the revenue sharing agreements with the respective third-party mobile game developers.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sy, Sunnie.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	5	**564,991**	439,530
Cost of sales	6	**(122,708)**	(103,308)
Gross profit		**442,283**	336,222
Other income	7	**39,231**	5,109
Foreign exchange gains, net		**899**	208
Selling and marketing expenses		**(98,185)**	(46,646)
Administrative expenses		**(36,780)**	(26,052)
Listing expenses		**(17,806)**	(15,702)
Share-based payment expenses	28	**(82,210)**	—
Interest on lease liabilities		**(758)**	—
Profit before income tax		**246,674**	253,139
Income tax expense	8	**(39,886)**	(36,606)
Profit and total comprehensive income for the year	9	**206,788**	216,533
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**206,788**	204,091
Non-controlling interests		**—**	12,442
		206,788	216,533
Earnings per share (in RMB cents)			
— Basic	12	**20.20**	25.12
— Diluted	12	**19.69**	25.12

Consolidated Statement of Financial Position

As at 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	13	**43,473**	12,586
Intangible assets	14	**2,630**	1,980
Right-of-use assets	15	**14,350**	—
Loan to an employee	16	**1,900**	1,900
Rental and other deposits		**2,178**	791
Equity instruments at fair value through other comprehensive income	17	**14,000**	—
Deferred tax assets	18	**504**	—
		79,035	17,257
Current assets			
Trade receivables	19	**49,326**	22,387
Prepayments and other receivables	20	**98,008**	38,878
Cash and cash equivalents	21	**502,367**	218,195
		649,701	279,460
Current liabilities			
Other payables	22	**47,337**	35,530
Lease liabilities	23	**4,427**	—
Deferred revenue	24	**24,771**	39,269
Tax payable		**25,650**	9,183
		102,185	83,982
Net current assets		**547,516**	195,478
Total assets less current liabilities		**626,551**	212,735
Non-current liabilities			
Lease liabilities	23	**9,974**	—
Net assets		**616,577**	212,735
Capital and reserves			
Share capital	25	**41**	27
Shares held for Share Award Scheme		**(2)**	—
Reserves		**616,538**	212,708
Total equity		**616,577**	212,735

The consolidated financial statements on pages 74 to 144 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf:

Mr. Wu Chengze
DIRECTOR

Mr. Guo Shunshun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Paid-in capital/ Share capital *RMB'000*	Shares held for Share Award Scheme *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000* *(note i)*	Other reserve *RMB'000* *(note ii)*	Share-based payments reserve *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2018	–	–	–	15,027	8,042	–	92,556	115,625	9,550	125,175
Profit and total comprehensive income for the year	–	–	–	–	–	–	204,091	204,091	12,442	216,533
Effect of group reorganization *(note iii)*	–	–	–	–	11,672	–	–	11,672	(11,672)	–
Dividends recognized as distribution *(Note 10)*	–	–	–	–	–	–	(118,680)	(118,680)	(10,320)	(129,000)
Issue of shares	27	–	–	–	–	–	–	27	–	27
As at 31 December 2018	27	–	–	15,027	19,714	–	177,967	212,735	–	212,735
Profit and total comprehensive income for the year	–	–	–	–	–	–	206,788	206,788	–	206,788
Issue of shares held for Share Award Scheme *(defined in Note 28)*	3	(3)	–	–	3	–	–	3	–	3
Issue of shares under the Global Offering *(defined in Note 25)*	11	–	373,695	–	–	–	–	373,706	–	373,706
Share issuance costs	–	–	(26,865)	–	–	–	–	(26,865)	–	(26,865)
Recognition of share-based payment expenses under the Share Award Scheme *(defined in Note 28)*	–	–	–	–	–	78,862	–	78,862	–	78,862
Vesting of award shares under the Share Award Scheme	–	1	24,785	–	–	(24,786)	–	–	–	–
Recognition of share-based payment expenses under the Share Option Scheme *(defined in Note 28)*	–	–	–	–	–	3,348	–	3,348	–	3,348
Dividends recognized as distribution *(Note 10)*	–	–	(232,000)	–	–	–	–	(232,000)	–	(232,000)
As at 31 December 2019	41	(2)	139,615	15,027	19,717	57,424	384,755	616,577	–	616,577

Note:

(i) In accordance with the relevant PRC (defined in Note 1) regulations, domestic enterprises are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC to the statutory reserve until such reserve balance reaches 50% of the registered capital.

(ii) The other reserve as at 1 January 2018 represents the difference between the amounts payable for acquisition of additional interests in the subsidiaries and the change in the carrying amount of non-controlling interests, arising from the group reorganization when Jiaxiang Interactive (Xiamen) Network Technology Company Limited ("**Jiaxiang Interactive**") acquired 100% of the equity interests in Jilin Xinze Network Technology Company Limited ("**Jilin Xinze**") and Jilin Yuke Network Technology Company Limited ("**Jilin Yuke**") from the Controlling Shareholders (defined in Note 1) and the non-controlling interests in December 2017.

(iii) On 24 September 2018, Beijing Kexin Network Technology Company Limited ("**Homeland PRC**"), Jiaxiang Interactive and Jilin Yutai Network Technology Company Limited ("**Jilin Yutai**") entered into a series of contractual arrangements (the "**Contractual Arrangements**"), which enable the Group to be entitled to 100% of assets and profits from Jiaxiang Interactive and its subsidiaries. The details are set out in Note 1 to the consolidated financial statements.

	NOTES	2019 RMB'000	2018 RMB'000
Operating activities			
Profit before income tax		246,674	253,139
Adjustments for:			
Depreciation and amortization		4,669	3,630
Depreciation of right-of-use assets		2,410	—
Interest income		(6,744)	(663)
Loss on disposal of property, plant and equipment		—	53
Share-based payment expenses	28	82,210	—
Finance costs		758	—
Operating cash flows before movements in working capital		329,977	256,159
Increase in trade receivables		(26,939)	(12,713)
Decrease (increase) in rental and other deposits, prepayments and other receivables		13,382	(22,993)
Decrease in amounts due from shareholders		—	24,945
Decrease in amounts due to shareholders		—	(7,102)
Increase in other payables		10,343	5,092
(Decrease) increase in deferred revenue		(14,498)	2,971
Cash from operating activities		312,265	246,359
Income tax paid		(23,923)	(36,789)
Net cash from operating activities		288,342	209,570
Investing activities			
Purchase of property, plant and equipment		(33,329)	(2,995)
Deposit for a potential acquisition	20	(75,000)	—
Purchases of equity instruments at fair value through other comprehensive income		(13,000)	—
Purchase of intangible assets		(1,877)	(4,092)
Payments for rental deposits		(387)	—
Proceeds from disposal of property, plant and equipment		—	337
Advances to shareholders		—	(1,020)
Repayments from shareholders		—	6,646
Loan to an employee		—	(1,900)
Net cash outflow on disposal of a subsidiary	31	—	(1,082)
Interest received		6,744	663
Net cash used in investing activities		(116,849)	(3,443)

	NOTES	2019 RMB'000	2018 RMB'000
Financing activities			
Issue costs paid		(26,401)	(4,340)
Dividends paid		(232,000)	(129,000)
Proceeds from issue of shares		373,706	—
Issue of shares held for Share Award Scheme		3	—
Repayments for lease liabilities		(1,871)	—
Interest paid on lease liabilities		(758)	—
Repayments to shareholders		—	(1,309)
Repayment to a related party		—	(71)
Acquisition of non-controlling interests of a subsidiary		—	(4,196)
Net cash from (used in) financing activities		112,679	(138,916)
Net increase in cash and cash equivalents		284,172	67,211
Cash and cash equivalents at the beginning of the year		218,195	150,984
Cash and cash equivalents at the end of the year	21	502,367	218,195

1. GENERAL INFORMATION, REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

General information

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

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 shares of the Company 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 consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries.

Reorganization of the Group

The operating subsidiaries of the Group are Jilin Xinze, Jiaxiang Interactive, Jilin Yuke and Yuke Interconnective (Beijing) Network Technology Company Limited ("**Beijing Yuke**") which were established on 13 November 2009, 31 August 2015, 10 March 2017 and 28 March 2017, respectively. From the time Jilin Xinze was established, the Founders agreed that they were its beneficial owners as to 60% by Mr. Wu, 20% by Mr. Jiang and 20% by Mr. Su and that each company operating the business to be established thereafter would be beneficially owned by them in the same proportion. However, for convenience, one of the Founders would take the lead in establishing each such business and, together with senior management members and/or external parties where desirable, hold the legal ownership of each such company as nominee for the other two Founders.

In 2015, the Founders saw an opportunity to expand its businesses in the growing southern China market for board and card games and decided to establish Jiaxiang Interactive in Xiamen. They determined that Mr. Wu would set up Jiaxiang Interactive with three senior management members, namely Mr. Guo Shunshun ("**Mr. Guo**"), Mr. Wang Bing ("**Mr. Wang**") and Mr. Xing Donghai ("**Mr. Xing**"). The inclusion of Mr. Guo, Mr. Wang and Mr. Xing as named legal owners of Jiaxiang Interactive was intended to facilitate their interaction with potential business partners. Mr. Wu held 60% of his interest as beneficial owner, 20% as nominee for Mr. Jiang and 20% as nominee for Mr. Su, and each of Mr. Wang and Mr. Xing held his respective interest as nominee for Mr. Wu, Mr. Jiang and Mr. Su as to 60%, 20% and 20%, respectively. To reward his past contribution and incentivize his ongoing service, Mr. Guo's interest was allocated to him as beneficial owner.

1. GENERAL INFORMATION, REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reorganization of the Group (Continued)

In 2017, the Founders realized the potential of the private game room business and agreed that Mr. Su would lead the establishment of Jilin Yuke to operate such business. The Founders decided to hold their interests in Jilin Yuke via a limited partnership, Changchun Xinkele Network Technology Centre (Limited Partnership) ("**Changchun Xinkele**"), which was established by an agent engaged by the Group. To incentivize two senior management members, namely Mr. Ding Chunlong ("**Mr. Ding**") and Mr. Men Geng ("**Mr. Men**"), who were responsible for marketing and promotion of the private game room business, and to align their interests with the Group's interests, the Founders allocated each of them an interest in Jilin Yuke as legal and beneficial owner. The Founders also assigned an interest in Changchun Xinkele to Mr. Zhu Huaming ("**Mr. Zhu**"), a consultant of the Group, as legal and beneficial owner. The remaining interests in Changchun Xinkele were held by Mr. Su, Mr. Ding and Mr. Men. Mr. Su was the general partner of Changchun Xinkele. The inclusion of Mr. Ding and Mr. Men as limited partners of Changchun Xinkele was intended to facilitate their work in marketing and promoting the private game room business. Mr. Su held 20% of his interest as beneficial owner, 60% as nominee for Mr. Wu and 20% as nominee for Mr. Jiang, and each of Mr. Ding and Mr. Men held his respective interest for Mr. Wu, Mr. Jiang and Mr. Su as to 60%, 20% and 20%, respectively. Beijing Yuke is a wholly-owned subsidiary of Jilin Yuke.

Each of Jilin Xinze, Jiaxiang Interactive and Jilin Yuke has undergone other changes in shareholding structure since establishment and the Group is undergoing a reorganization ("**Reorganization**") in preparation for listing on the Stock Exchange (the "**Listing**"). Nevertheless, the Founders have beneficially owned all or a large majority of the interests in each of Jilin Xinze, Jiaxiang Interactive and Jilin Yuke since their respective establishment and they have been parties acting in concert to develop the business of the Group.

Jiaxiang Interactive acquired 100% of the equity interest in Jilin Xinze and Jilin Yuke on 21 December 2017 and 26 December 2017, respectively (the "**Acquisition**").

On 5 January 2018, Jilin Yutai acquired 100% of the equity interest in Jiaxiang Interactive. Jilin Yutai was established in the PRC on 5 January 2018 and is held as to 92% by Mr. Wu (55.2% (being 60% of 92%) as beneficial owner, 18.4% (being 20% of 92%) as nominee for Mr. Jiang and 18.4% (being 20% of 92%) as nominee for Mr. Su) and 8% by Mr. Guo (as beneficial owner).

1. GENERAL INFORMATION, REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reorganization of the Group (Continued)

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. The subsidiaries of the Company, Homeland PRC, Jiaxiang Interactive and Jilin Yutai entered into a series of Contractual Arrangements, which are dated 24 September 2018 and effective date is from 24 September 2018. The Contractual Arrangements enable Homeland PRC and the Group to:

- exercise effective financial and operational control over Jiaxiang Interactive;
- exercise owners' voting rights of Jiaxiang Interactive;
- receive substantially all of the economic interest returns generated by Jiaxiang Interactive in consideration for the business support, technical and consulting services provided by Homeland PRC;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Jiaxiang Interactive from Jilin Yutai at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Jiaxiang Interactive at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Homeland PRC may exercise such options at any time until it has acquired all equity interests and/or all assets of Jiaxiang Interactive; and
- obtain a pledge over the entire equity interest of Jiaxiang Interactive from Jilin Yutai as collateral security for all of Jiaxiang Interactive's payments due to Homeland PRC and to secure performance of Jiaxiang Interactive's obligations under the Contractual Arrangements.

The Group does not have any equity interest in Jiaxiang Interactive. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Jiaxiang Interactive and has the ability to affect those returns through its power over Jiaxiang Interactive and is considered to control Jiaxiang Interactive. Consequently, the Company regards Jiaxiang Interactive as an indirect subsidiary for accounting purpose.

Basis of preparation and presentation

Pursuant to the Reorganization detailed above, the Company becomes the holding company of the Group on 24 September 2018. The Company and its subsidiaries have been under common control of the Founders throughout the reporting period or since their respective dates of incorporations/establishments, where there is a shorter period. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group.

1. GENERAL INFORMATION, REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Basis of preparation and presentation (Continued)

The Group resulting from the Reorganization is regarded as a continuing entity. Accordingly, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018 included the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting as if the group structure upon the completion of the Reorganization had been in existence since 1 January 2018 or since their respective dates of incorporation or establishment where this is a shorter period.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective in current year

The Group has applied the following new and amendments to IFRSs and an interpretation issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs and an interpretation in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs that are mandatorily effective in current year (Continued)

IFRS 16 "Leases" *(Continued)*

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognized in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in PRC was determined on a portfolio basis.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.65%.

	As at 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	**10,727**
Lease liabilities discounted at relevant incremental borrowing rates and relating to operating leases recognized upon application of IFRS 16 as at 1 January 2019	**9,326**
Analyzed as	
Current	**2,265**
Non-current	**7,061**
	9,326

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs that are mandatorily effective in current year (Continued)

IFRS 16 "Leases" *(Continued)*

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	9,326
Reclassification of prepayment for rental fees from prepayments and other receivables	488
	9,814
By class:	
Land and buildings	9,814

Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should reflect the discounting effect at transition. No adjustment was made on refundable rental deposits paid as the discounting effect on refundable rental deposits paid at transition is minimal.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs that are mandatorily effective in current year (Continued)

IFRS 16 "Leases" *(Continued)*

As a lessee (Continued)

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018	Adjustments	Carrying amount under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	—	9,814	9,814
Current assets			
Prepayments and other receivables	38,878	(488)	38,390
Current liabilities			
Lease liabilities	—	2,265	2,265
Non-current liabilities			
Lease liabilities	—	7,061	7,061

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IAS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in IFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 and IAS 8 "Definition of Material" *(Continued)*

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values, at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (bargain purchase gain) at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The consolidated financial statements are presented as if the entities or businesses had been consolidated at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to separate performance obligations
- Step 5: Recognize revenue when (or as) each performance obligation is satisfied

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances services that the customer controls as the Group performs; or
- the Group's performance does not create services with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group generates revenue from self-developed mobile games, third-party mobile games, as well as advertising as described below:

Self-developed mobile games

For self-developed mobile games, the Group's revenue is derived from the sales of virtual tokens and private game room cards. Virtual tokens can be used by the customers to play mobile games of the Group or for purchasing virtual products, while as for the private game room cards, it allows them to set up their own virtual game rooms and send out invitations to other players. Revenue 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 to play the game. Such income, when first received, is deferred and recorded as deferred revenue under current liabilities until the consumption of those virtual tokens and private game room cards by the customers in the mobile games. The Group determines the consumption with reference to the quantity and value of virtual tokens and private game room cards being unutilized by the customers in the mobile games at the year end. The Group also estimate the players' unexercised right (the "**breakage**") based on historical consumption pattern and revenue for the expected breakage amount is recognized when the likelihood of the player exercising the remaining rights becomes remote. Revenue recognized in respect of operating the games is net of any discounts.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

***Self-developed mobile games** (Continued)*

The Group takes primary responsibilities of game operation, including determining distribution channels and payment vendors, providing customer services, hosting game servers, if needed, and controlling games and services specifications and pricing. The Group considered itself as a principal.

Deferred revenue represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. The Group has elected not to adopt the terminology of "contract liability" under IFRS 15, as the standard does not prohibit an entity from using alternative description in the consolidated statement of financial position.

Third-party mobile games

For third-party mobile games, the Group is only responsible for marketing, providing payment gateway for players to purchase the virtual tokens of respective games via the conversion from the purchased virtual tokens, namely diamonds, in the Group's platform and limited after-sale basic technical support to the paying players. The games distributed on the Group's platform are hosted, maintained, operated and updated independently by the relevant game developers and the Group does not have access to the data on the consumption details and the types of virtual tokens or goods in the third-party mobile games and does not have obligation for operation of the game. The Group considered itself as an agent in these arrangements and recognizes its revenue, net of the portion of sharing of revenue with the third party game developers at a point in time when the virtual diamonds in the platform are converted to the virtual tokens in respective games. The revenue related to virtual diamonds in the platform not yet converted to virtual tokens of respective games are deferred.

Deferred revenue represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. The Group has elected not to adopt the terminology of "contract liability" under IFRS 15, as the standard does not prohibit an entity from using alternative description in the consolidated statement of financial position.

Advertising revenue

Advertising revenue is derived principally from online advertising arrangements. The Group inserts certain in-game advertisement slots into its mini-programs and shares the income with those mini-program platform operators. The Group considers itself as an agent in these arrangements and recognizes its revenue, net of the portion of sharing of revenue with mini-program platform operators at a point in time when the advertisements placed by third parties platforms are displayed in the game interface.

Other income

Service income is recognized over time during the services periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or as "**prepayment for rental fees**" which are included under "**Prepayments and other receivables**" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization for intangible assets with finite lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) *(Continued)*

Allocation of consideration to components of a contract (Continued)

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Financial instruments

Financial assets and financial liabilities are recognized when the group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit and loss, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets including trade receivables, other receivables, loan to an employee, rental and other deposits and cash and cash equivalents, which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are estimated individually for debtors with significant balances based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of investment grade as per globally understood definition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

When there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Treasury shares

The cost of the Company's own equity instruments that it has acquired is deducted from equity. Gain or loss is not recognized on the purchase, sale, issue, or cancellation of treasury shares.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, i.e. state-managed retirement benefit scheme, are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRSs require or permit the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that has been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

Contractual arrangements

The Group conducts all of the business through Jiaxiang Interactive and its subsidiaries (collectively known as the "**PRC Operating Entities**"). Upon completion of the Reorganization as mentioned in note 1, the Group does not have any equity interest in the PRC Operating Entities. The directors of the Company assessed whether or not the Group has control over the PRC Operating Entities based on whether the Group has the power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. After assessment, the directors of the Company concluded that the Group has control over the PRC Operating Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial statements of the PRC Operating Entities in the consolidated financial statements.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among the PRC Operating Entities and their legal equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

For the year ended 31 December 2019 and as at 31 December 2019, 100% and 86% (2018:100% and 100%) of the Group's revenue and total assets came from the PRC Operating Entities.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Principal versus agent

The Group generates revenue from self-developed mobile games and third-party mobile games. The Group evaluates agreements with distribution channels and game developers in order to determine whether the Group acts as the principal in the arrangement with each party respectively, which it considers in determining if relevant revenue should be reported gross or net of the predetermined amount of the proceeds shared with them.

The determination of whether to record the revenue gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product and service specifications. The assessment is performed for all of the Group's mobile games.

For self-developed mobile games, the Group takes primary responsibilities of game operation, providing customer services, hosting game servers, if needed, and controlling games and services specifications and pricing. The Group considers itself as a principal in these arrangements. Accordingly, the Group records the mobile games revenue received through the third parties on a gross basis. Commissions paid to distribution channels are recorded as cost of sales.

For third-party mobile games, the Group is only responsible for marketing, providing payment gateway for players to purchase the virtual tokens of respective games via the conversion of virtual tokens, namely diamonds, in the Group's platform and limited after-sale basic technical support to the paying players. The games distributed on the Group's platform are hosted, maintained, operated and updated independently by the game developers and the Group does not have access to the data on the consumption details and the types of virtual tokens or goods in the third-party mobile games and does not have obligation for operation of the game. The Group considers itself as an agent in these arrangements and recognizes its revenue, net of the portion of sharing of revenue with the third party game developers.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are addressed below.

Estimation of value of unutilized virtual tokens/diamonds and private game room cards

As described in note 3, the Group recognizes revenue based on the consumption of virtual tokens/diamonds and private game room cards which is estimated with reference to the quantity of unutilized virtual tokens/diamonds and private game room cards at the year end and how much the unutilized virtual tokens/diamonds and private game room cards worth.

The estimated unit value of the unutilized virtual tokens/diamonds and private game room cards was calculated, on a periodic basis, based on the quantity and value of virtual tokens/diamonds and private game room cards sold, as well as the quantity of virtual tokens/diamonds and private game room cards given out for free during the year. The determination of the estimated unit value of unutilized virtual tokens/diamonds and private game room cards is based on the Group's best estimate that has taken into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments as a result of new information will be accounted for prospectively as a change in accounting estimate. During the year ended 31 December 2019, the Group recognized revenue from virtual tokens/diamonds and private game room cards on their self-developed mobile games and third-party mobile games, total amounting RMB503,174,000 (2018: RMB439,530,000).

Recognition of share-based payment expense

The fair values of shares/share options granted are measured on the respective grant dates based on the fair value of the underlying shares/share options. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those shares/share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the shares/share options granted and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based payment expenses.

The fair value of shares/share options at the time of grant is to be expensed over the vesting period. Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based payment expenses recognized by the Group in respect of their services rendered for the year ended 31 December 2019 was RMB82,210,000.

5. REVENUE AND SEGMENT INFORMATION

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

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

Advertising revenue is recognized at a point in time when the advertisements placed by third-party platforms are displayed in the game interface. It was considered as other income by the management for year ended 31 December 2018. But during the year ended 31 December 2019, by realizing the potential of such income, the management changed its operation strategies and placed more focus on developing this revenue stream and considered such income as part of the revenue of the Group for the year.

5. REVENUE AND SEGMENT INFORMATION (Continued)

	2019 RMB'000	2018 RMB'000
Revenue from:		
— Self-developed mobile games		
Virtual tokens	**265,449**	199,302
Private game room cards	**196,086**	213,149
— Third-party mobile games — virtual diamonds	**41,639**	27,079
	503,174	439,530
Advertising revenue	**61,817**	—
	564,991	439,530

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

Geographical information

The Group operated within one geographical segment in both years 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.

6. COST OF SALES

Cost of sales is analyzed as follows:

	2019 RMB'000	2018 RMB'000
Employee benefit expenses	**49,756**	41,303
Commissions and fees charged by distribution channels and payment vendors	**55,907**	41,209
Server-related and technical support fees	**12,545**	17,245
Depreciation and amortization	**4,428**	3,460
Others	**72**	91
	122,708	103,308

7. OTHER INCOME

	2019 *RMB'000*	2018 *RMB'000*
Service income *(note i)*	**26,430**	—
Government subsidies *(note ii)*	**5,504**	3,755
Interest income	**6,744**	663
Advertising income	**—**	691
Sundry income	**553**	—
Total	**39,231**	5,109

Notes:

(i) Service income mainly represents the amounts received from contracted clients for offline promotion marketing activities and is recognized over time when the marketing services are performed.

(ii) 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 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.

8. INCOME TAX EXPENSE

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

	2019 *RMB'000*	2018 *RMB'000*
PRC Corporate Income Tax		
Current year	**42,995**	36,606
Over-provision in prior year	**(2,605)**	—
	40,390	36,606
Deferred tax		
Current year *(Note 18)*	**(504)**	—
	39,886	36,606

No provision for Hong Kong Profits Tax has been made since the entity operating in Hong Kong had no assessable profits for the both years.

8. INCOME TAX EXPENSE (Continued)

PRC Corporate Income Tax ("CIT")

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 the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

Jiaxiang Interactive qualified as a "Double Soft Enterprise" ("**DSE**") under the Corporate Income Tax Law in 2016. Therefore, according to relevant tax regulations, Jiaxiang Interactive is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2016, the first year of profitable operation. Therefore, the actual income tax rate for Jiaxiang Interactive was 12.5% and 12.5% for the years ended 31 December 2019 and 2018, respectively.

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

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 so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("**Super Deduction**"). Jilin Xinze has claimed such Super Deduction in ascertaining its tax assessable profits for both years.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**246,674**	253,139
Tax at income tax rate of 25%	**61,669**	63,285
Tax effect of tax losses not recognized	**541**	—
Tax effect of expenses not deductible for tax purpose	**6,685**	4,135
Effect of Super Deduction	**(11,969)**	(9,569)
Effect of preferential tax rate	**(14,435)**	(21,245)
Over-provision in prior year	**(2,605)**	—
Income tax expense	**39,886**	36,606

Under the CIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB435,068,000 as at 31 December 2019 (2018: RMB197,826,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit for the year has been arrived at after charging:

	2019 *RMB'000*	2018 *RMB'000*
Lease expenses in respect of short-term leases on land and buildings	**1,234**	—
Operating lease charges in respect of land and buildings	**—**	2,364
Depreciation of right-of-use assets	**2,410**	—
Auditors' remuneration	**2,700**	328
Depreciation and amortization	**4,669**	3,630
Loss on disposal of property, plant and equipment	**—**	53
Directors' emoluments *(note 11)*	**3,535**	2,443
Other staff costs:		
Salaries and other benefits in kind	**69,062**	52,837
Contributions to retirement benefit scheme	**4,298**	4,888
Share-based payment expense	**82,210**	—
Total staff costs	**159,105**	60,168

10. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB0.0661 (equivalent to HK$0.0728) per share, with total amounting to RMB83,022,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

Pursuant to written resolution passed by the board of directors of the Company (the "**Board**") on 5 June 2019, a special dividend amounted to RMB177,000,000 was declared and fully paid to the Founders.

The Board has resolved to declare an interim dividend of RMB0.0438 (equivalent to HK$0.0485) per share, with total amounting to RMB55,000,000 during the year. The interim dividend was paid to the shareholders whose names appear on the register of members of the Company on 25 September 2019.

During the year ended 31 December 2018, the Company's subsidiaries, Jiaxiang Interactive, Jilin Xinze and Jilin Yuke declared and paid interim dividends amounted to RMB74,000,000, RMB15,000,000 and RMB40,000,000, respectively, to their shareholders immediately before the Acquisition.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) Executive directors' emoluments

Mr. Wu, Mr. Jiang and Mr. Su were appointed as the executive directors of the Company on 7 May 2018, Mr. Guo and Mr. Men were appointed as the executive directors of the Company on 20 September 2018.

The remuneration of each executive director for the year ended 31 December 2019 is set out as follows:

Name of director	**Fees** *RMB'000*	**Salaries and other benefits in kind** *RMB'000*	**Contributions to retirement benefit scheme** *RMB'000*	**Total** *RMB'000*
Executive directors:				
Mr. Wu *(note i)*	**—**	**834**	**2**	**836**
Mr. Jiang *(note ii)*	**—**	**570**	**38**	**608**
Mr. Su *(note iii)*	**—**	**506**	**38**	**544**
Mr. Guo *(note iv)*	**—**	**491**	**2**	**493**
Mr. Men *(note v)*	**—**	**732**	**47**	**779**
Total	**—**	**3,133**	**127**	**3,260**

The remuneration of each executive director for the year ended 31 December 2018 is set out as follows:

Name of director	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Wu *(note i)*	—	602	2	604
Mr. Jiang *(note ii)*	—	376	48	424
Mr. Su *(note iii)*	—	397	48	445
Mr. Guo *(note iv)*	—	243	2	245
Mr. Men (note v)	—	667	58	725
Total	—	2,285	158	2,443

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(a) Executive directors' emoluments (Continued)

Notes:

(i) Mr. Wu is also the chairman and the chief executive officer of the Group and his emoluments disclosed above included those services rendered by him as the chief executive officer.

(ii) Mr. Jiang is also the chief operating officer of the Group and his emoluments disclosed above included those services rendered by him as the chief operating officer.

(iii) Mr. Su is also the chief investment officer of the Group and his emoluments disclosed above included those services rendered by him as the chief investment officer.

(iv) Mr. Guo is also the chief product officer of the Group and his emoluments disclosed above included those services rendered by him as the chief product officer.

(v) Mr. Men is a general manager of Homeland PRC since September 2018 and his emoluments disclosed above included those services rendered by him as the general manager.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) Independent non-executive directors' emoluments

Yu Ronald Patrick Lup Man, Zhang Yuguo and Hu Yangyang were appointed as the independent non-executive directors of the Company on 5 June 2019.

The remuneration of each independent non-executive director for the year ended 31 December 2019 is set out as follows:

Name of director	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total *RMB'000*
Independent non-executive directors:				
Mr. Yu Ronald Patrick Lup Man	125	—	—	125
Mr. Zhang Yuguo	75	—	—	75
Mr. Hu Yangyang	75	—	—	75
Total	275	—	—	275

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(c) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year include nil (2018: 2) directors of the Company whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments for the remaining five and three individuals for the year are set out as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits in kind	2,116	1,535
Contributions to retirement benefit scheme	7	32
Share-based payment expenses	78,862	—
Total	80,985	1,567

The number of the highest paid employees whose remuneration fell within the following bands (presented in Hong Kong Dollar ("**HK$**")) is as follows:

	2019 No. of employees	2018 No. of employees
Directors:		
Nil to HK$1,000,000	—	2
Non-directors:		
Nil to HK$1,000,000	—	3
HK$12,000,001 to HK$12,500,000	1	—
HK$12,500,001 to HK$13,000,000	1	—
HK$19,000,001 to HK$19,500,000	1	—
HK$22,500,001 to HK$23,000,000	1	—
HK$24,000,001 to HK$24,500,000	1	—
Total	5	5

During the year, certain non-director highest paid employees were granted share awards, in respect of their services to the Group under the Share Award Scheme of the Company. Details of the Share Award Scheme are set out in the note 28.

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of them has waived or agreed to waive any emoluments for both years.

12. 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and dilutive earnings per share:		
— Profit for the year attributable to owners of the Company	**206,788**	204,091

	Number of shares	
	2019	2018
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**1,023,704,918**	812,425,950
Effect of dilutive potential ordinary shares in respect of Share Award Scheme	**26,523,984**	—
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**1,050,228,902**	812,425,950

The calculation of the basic earnings per share is based on the profit for the year 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 year and on the assumption that the Reorganization and the share sub-division (as disclosed in note 25) have been effective on 1 January 2018, excluding ordinary shares held for the Share Award Scheme which are treated as treasury shares.

The computation of diluted earnings per share for the year ended 31 December 2019 does not assume the conversion of the share options as the exercise prices of the share options are higher than the share prices of the current year.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost					
As at 1 January 2018	7,563	2,399	3,525	—	13,487
Additions	—	1,449	—	1,546	2,995
Disposals	—	(2)	(427)	—	(429)
As at 31 December 2018	7,563	3,846	3,098	1,546	16,053
Additions	29,173	1,073	1,640	1,443	33,329
As at 31 December 2019	36,736	4,919	4,738	2,989	49,382
Depreciation					
As at 1 January 2018	419	1,225	190	—	1,834
Provided for the year	359	649	492	172	1,672
Disposals	—	—	(39)	—	(39)
As at 31 December 2018	778	1,874	643	172	3,467
Provided for the year	359	1,069	446	568	2,442
As at 31 December 2019	1,137	2,943	1,089	740	5,909
Carrying values					
As at 31 December 2018	6,785	1,972	2,455	1,374	12,586
As at 31 December 2019	35,599	1,976	3,649	2,249	43,473

The estimated residual value rates and useful lives of each class of property, plant and equipment held by the Group are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	5%	20 years
Furniture and equipment	0%–5%	3–5 years
Motor vehicles	5%	4–10 years
Leasehold improvement	0%	5 years

The carrying amount of owner-occupied leasehold land and buildings situated in the PRC includes both the leasehold land and buildings elements, as in the opinion of the directors of the Company, allocation of the carrying amount between the leasehold land and buildings elements cannot be made reliably.

14. INTANGIBLE ASSETS

	Trademark *RMB'000*	Computer software *RMB'000*	Copyright of game software *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2018	—	158	5,729	5,887
Additions	—	92	—	92
As at 31 December 2018	—	250	5,729	5,979
Additions	1,250	186	1,441	2,877
As at 31 December 2019	1,250	436	7,170	8,856
Amortization				
As at 1 January 2018	—	6	2,035	2,041
Change for the year	—	86	1,872	1,958
As at 31 December 2018	—	92	3,907	3,999
Change for the year	83	156	1,988	2,227
As at 31 December 2019	83	248	5,895	6,226
Carrying values				
As at 31 December 2018	—	158	1,822	1,980
As at 31 December 2019	1,167	188	1,275	2,630

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Trademark	10 years
Computer software	2–4 years
Copyright of game software	2–3 years

15. RIGHT-OF-USE ASSETS

	Land and buildings RMB'000
As at 1 January 2019	
Carrying amount	9,814
As at 31 December 2019	
Carrying amount	14,350
For the year ended 31 December 2019	
Depreciation charge	2,410
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	1,234
Total cash outflow for leases	3,245
Additions to right-of-use assets	6,946

The above right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For both years, the Group leases office buildings for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for buildings. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 9.

16. LOAN TO AN EMPLOYEE

The loan to an employee represents the housing loan advanced to an employee. The loan is unsecured, interest-free and repayable in 3 years by 25 December 2021.

	2019 ***RMB'000***	2018 *RMB'000*
Loan to an employee	**1,900**	1,900

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 *RMB'000*	2018 *RMB'000*
Unlisted investments		
— Equity securities *(note)*	**14,000**	—

Note: The above unlisted equity investments represent the group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate the investments in equity instruments as at FVTOCI as they believe that the investments are not held for trading. Details of the fair value measurement are set out in note 34.

18. DEFERRED TAX ASSETS

The following is the major deferred tax asset recognized and movements thereon during the current year:

	Share-based payment expenses *RMB'000*
As at 1 January 2019	—
Credit to profit or loss	504
As at 31 December 2019	504

At 31 December 2019, the Group has unused tax losses of RMB2,164,000 (2018: nil) available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profits streams. The losses will expire within five years before 2024.

19. TRADE RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	**49,326**	22,387
Less: impairment provision	**—**	—
Total	**49,326**	22,387

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB9,674,000.

19. TRADE RECEIVABLES (Continued)

Trade receivables were composed of the 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:

	2019 RMB'000	2018 RMB'000
0–30 days	44,061	21,768
31–60 days	3,209	619
61–90 days	1,390	—
91–180 days	411	—
Over 180 days	255	—
Total	49,326	22,387

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,182,000 (2018: nil) which are past due. Out of the past due balances, RMB366,000 (2018: nil) 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.

Details of impairment assessment of trade receivables are set out in note 34.

20. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Deposit for a potential acquisition *(note i)*	75,000	—
Receivables from service income	8,486	—
Prepayment for advertisement and promotion fees	6,195	21,525
Prepayment for research and development	3,260	—
Advances to employees	2,469	4,679
Prepayment for server-related fees	298	595
Account balance on Alipay *(note ii)*	250	813
Prepayment for rental fees	121	1,227
Prepaid listing fees	—	2,779
Prepayment for trademark fee	—	1,000
Deferred issue costs	—	4,548
Receivables for advertising income	—	725
Others	1,929	987
Total	98,008	38,878

20. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

(i) On 29 October 2019, the Company, Jilin Xinbao Technology Partnership (Limited Partnership) ("**Xinbao Technology**") and Mr. Luo Wei (collectively referred to as the "**Vendors**") entered into a non legally-binding memorandum of understanding (the "**MOU**") pursuant to which the Company expressed an interest to purchase the entire equity interest in the Jilin Xinyue Network Technology Limited ("**Jilin Xinyue**") from the Vendors. Jilin Xinyue is principally engaged in development and operation of card and board games, with a focus on localized Mahjong games, and sale of private game room cards business in a number of provinces in the northern part of the PRC, including Heilongjiang, Jilin, Liaoning, Shanxi, Hebei and Gansu provinces. Pursuant to the MOU, a total of RMB75,000,000 as fully refundable earnest money was transferred into a bank account under the joint custody of Jilin Xinze and Xinbao Technology within 5 business days after the signing of the MOU, and the agreement was entered into between Jilin Xinze and the Vendors on the same day with respect to arrangements for the holding and release of the earnest money.

(ii) Account balance on Alipay represents sales proceeds paid by players to the Group through Alipay which have been settled but yet transferred from the Group's Alipay account to bank accounts. The Group is of the opinion that the credit risks of the account balance on Alipay are minimal as Alipay is a creditworthy payment vendors with no history of defaults. No impairment is made for account balance on Alipay during the year.

21. CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	*RMB'000*
Cash at bank and in hand	**502,367**	218,195

All cash and cash equivalents are denominated in RMB, except for RMB109,465,000 are denominated in HK$ (2018: RMB801,000 are denominated in United States Dollars: (the "**US$**") as at 31 December 2019.

Bank balances carry interest at market rates which range from 0.30% to 3.10% (2018: 0.30% to 0.38%).

For the year ended 31 December 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

22. OTHER PAYABLES

	2019 *RMB'000*	2018 *RMB'000*
Salaries and staff welfare payables	**20,520**	18,242
Selling and marketing expenses accruals	**10,479**	5,483
Other taxes payable	**7,434**	4,085
Administrative expenses accruals	**4,137**	824
Payable to game developers *(note i)*	**2,607**	4,762
Purchase consideration payable for acquisition of FVTOCI	**1,000**	—
Others	**1,160**	2,134
Total	**47,337**	35,530

Note:

(i) As at 31 December 2019 and 2018, the balance represents sale proceeds received from players of games for which the Group acts as a 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.

23. LEASE LIABILITIES

	As at 31 December 2019 *RMB'000*
Lease liabilities payable:	
Within one year	**4,427**
More than one year but not more than two years	**3,511**
More than two years but not more than five years	**6,463**
	14,401
Less: Amount due for settlement within 12 months shown under current liabilities	**(4,427)**
Amount due for settlement after 12 months shown under non-current liabilities	**9,974**

24. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the customers for the Group's self-developed mobile games and third-party mobile 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 31 December 2019 and 2018. As the unsatisfied performance obligations will be recognized as revenue within one year, therefore, the deferred revenue is recognized as current liabilities.

	Virtual tokens/ diamonds *RMB'000*	Private game room cards *RMB'000*	Total *RMB'000*
As at 1 January 2018	8,824	27,474	36,298
Sales proceeds, net of tax	244,401	198,100	442,501
Revenue recognized during the year	(226,381)	(213,149)	(439,530)
As at 31 December 2018	26,844	12,425	39,269
Sales proceeds, net of tax	290,187	198,489	488,676
Revenue recognized during the year	(307,088)	(196,086)	(503,174)
As at 31 December 2019	9,943	14,828	24,771

25. PAID-IN CAPITAL/SHARE CAPITAL

(a) Combined capital of the Company

Before the completion of the Reorganization, the share capital as at 1 January 2018 was nil, as there was no paid-in capital for Jiaxiang Interactive.

(b) Share capital of the Company

	Par value *US$*	Number of shares	Nominal amount *US$*
Authorized			
As at 7 May 2018 (date of incorporation) *(note i)*	0.001	50,000,000	50,000
Effect of sub-division *(note iii)*	0.00001	4,950,000,000	—
As at 31 December 2018	0.00001	5,000,000,000	50,000
Effect of sub-division *(note v)*	0.000005	5,000,000,000	—
As at 31 December 2019	0.000005	10,000,000,000	50,000

25. PAID-IN CAPITAL/SHARE CAPITAL (Continued)

(b) Share capital of the Company (Continued)

	Par value US$	Number of shares	Nominal amount US$
Issued and fully paid			
As at 7 May 2018 (date of incorporation) *(note i)*	0.001	1	—
Issue of shares *(note ii)*	0.001	99	—
Effect of sub-division *(note iii)*	0.00001	9,900	—
Issue of shares *(note iv)*	0.00001	431,352,000	4,314
As at 31 December 2018	0.00001	431,362,000	4,314
Effect of sub-division *(note v)*	0.000005	431,362,000	—
Issue of shares *(note vi)*	0.000005	79,276,000	396
Issue of shares under the Global Offering *(note vii)*	0.000005	314,000,000	1,570
As at 31 December 2019	0.000005	1,256,000,000	6,280

Notes:

(i) The Company was incorporated in the Cayman Islands on 7 May 2018. The Company was authorized to issue a maximum of 50,000,000 shares with par value of US$0.001 per share upon incorporation. One share of par value of US$0.001 was allotted and issued at par, credited as fully paid, to the initial subscriber and such share was transferred at par to Mr. Wu on the same date.

(ii) On 24 May 2018, a total of 99 shares of par value of US$0.001 were allotted and issued at par, credited as fully paid to the Founders, of which 59 shares, 20 shares and 20 shares were allotted and issued to Mr. Wu, Mr. Jiang and Mr. Su, respectively. The new shares rank pari passu with the existing shares in all aspects.

(iii) On 15 August 2018, the Company sub-divided all its issued and unissued shares with par value of US$0.001 each into 100 shares of US$0.00001 each. Following the completion of the share sub-division, the authorized share capital was altered to US$50,000, divided into 5,000,000,000 shares of US$0.00001 each and the issued shares was altered to US$0.1, divided into 10,000 shares of US$0.00001 each. The new shares rank pari passu with the existing shares in all aspects.

(iv) On 16 August 2018, a total of 431,352,000 shares with par value of US$0.00001 each were allotted and issued at par to the offshore holding vehicle or nominee of the Founders, Mr. Guo, Mr. Men, Mr. Ding and Mr. Zhu. The new shares rank pari passu with the existing shares in all aspects.

(v) On 24 May 2019, the Company sub-divided all its issued and unissued ordinary share with par value of US$0.00001 each into two ordinary shares with par value of US$0.000005 each. Following the completion of the share sub-division, the authorized share capital was altered to US$50,000, divided into 10,000,000,000 shares of US$0.000005 each and the issued shares was altered to US$4,314, divided into 862,724,000 shares of US$0.000005 each. The new shares rank pari passu with the existing shares in all aspects.

25. PAID-IN CAPITAL/SHARE CAPITAL (Continued)

(b) Share capital of the Company (Continued)

Notes: (Continued)

(vi) On 6 June 2019, a total of 79,276,000 shares were allotted and issued at par to an independent nominee appointed by the trustee of Share Award Scheme. Details are set out in note 28. The new shares rank pari passu with the existing shares in all aspects.

(vii) On 4 July 2019, 314,000,000 ordinary shares with par value of USD0.000005 each were issued at HK$1.35 per share by way of public offer (the "**Global Offering**"). On the same date, the Company's shares were listed on the Main Board of the Stock Exchange. The new shares rank pari passu with the existing shares in all aspects.

26. RETIREMENT BENEFIT SCHEME

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to RMB4,425,000 (2018: RMB5,046,000). No forfeited contributions have been used to reduce the level of contributions during the reporting period.

27. RELATED PARTY TRANSACTIONS

The following transactions were carried out between the Group and its related parties during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Purchases of property, plant and equipment

	2019	2018
	RMB'000	*RMB'000*
Mr. Wu	**29,173**	—

The property, plant and equipment was priced according to an asset valuation report issued by Jilin Yuhuada Real Estate Assets Appraisal Co., Ltd. on 28 August 2019, applying market comparison method.

27. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel compensations

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

	2019 RMB'000	2018 RMB'000
Salaries and other benefits in kind	**13,076**	7,759
Contributions to retirement benefit scheme	**1,140**	650
Share-based payment expenses	**78,862**	—
Total	**93,078**	8,409

28. 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.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Award Scheme (Continued)

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.

	Date of grant	Number of shares granted	Approximate percentage of shareholding immediately after Listing
Director of a subsidiary *(note i)*	6 June 2019	18,086,000	1.44%
Senior management members of the Group			
Employee A *(note ii)*	6 June 2019	18,840,000	1.50%
Employee B *(note iii)*	6 June 2019	18,840,000	1.50%
Employee C *(note i)*	6 June 2019	9,042,000	0.72%
Other employees			
Employee D *(note 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.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Award Scheme (Continued)

Notes: (Continued)

(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.

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.

The shares held for the Share Award Scheme were regarded as treasury shares and had been deducted from shareholders' equity, the costs of these shares totaling RMB3,000 were credited to "other reserve" as deemed contribution from shareholders. During the year ended 31 December 2019, 21,195,000 of shares awarded were vested and as a result, RMB1,000 of shares held for the Share Award Scheme was transferred to share premium and 9,420,000 of shares awarded were forfeited. The remaining 48,661,000 of shares awarded are not yet vested at the end of the year.

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). During the year ended 31 December 2019, the Group recognized the share-based payment expenses of RMB78,862,000 in relation to the shares held for the Share Award Scheme granted by the Company.

(b) Share Option Scheme

A share option scheme was approved and adopted by the Company on the Listing Date (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**").

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme (Continued)

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.

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.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme (Continued)

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 year ended 31 December 2019, the Group recognized the share-based payment expense of RMB3,348,000 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 5 business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of US$0.000005 per share.

Details of specific categories of Share Options are as follows:

	As at 1 January 2019	Granted during year	As at 31 December 2019
Employees *(note i)*	—	18,708,000	18,708,000
Employees *(note ii)*	—	24,944,000	24,944,000
Employees *(note iii)*	—	18,708,000	18,708,000
	—	62,360,000	62,360,000
Exercisable at the end of the year			—

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

Notes:

(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.

28. 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%

Expected volatility was determined by using the volatility of the comparable companies' share price over the previous 5 years.

The Binomial Option-Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the Share Options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

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

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related parties *RMB'000*	Amounts due to shareholders *RMB'000*	Dividends payables *RMB'000*	Accrued issue costs *RMB'000*	Consideration payable to non-controlling interests *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
As at 1 January 2018	71	1,309	—	—	4,196	—	5,576
Financing cash flows	(71)	(1,309)	(129,000)	(4,340)	(4,196)	—	(138,916)
Deferred issue costs	—	—	—	4,548	—	—	4,548
Dividends declared	—	—	129,000	—	—	—	129,000
As at 31 December 2018	—	—	—	208	—	—	208
Adjustment upon application of IFRS 16	—	—	—	—	—	9,326	9,326
As at 1 January 2019 (restated)	**—**	**—**	**—**	**208**	**—**	**9,326**	**9,534**
Financing cash flows	**—**	**—**	**(232,000)**	**(26,401)**	**—**	**(2,629)**	**(261,030)**
Issue costs	**—**	**—**	**—**	**26,865**	**—**	**—**	**26,865**
Dividends declared	**—**	**—**	**232,000**	**—**	**—**	**—**	**232,000**
New leases entered	**—**	**—**	**—**	**—**	**—**	**6,946**	**6,946**
Finance costs	**—**	**—**	**—**	**—**	**—**	**758**	**758**
As at 31 December 2019	**—**	**—**	**—**	**672**	**—**	**14,401**	**15,073**

30. OPERATING LEASE

The Group leases office buildings under non-cancellable operating lease agreements. The lease terms are between 1 to 5 years, and majority of lease agreements are renewable at the end of the lease period at prevailing market rates.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2018 *RMB'000*
Within one year	2,146
In the second to fifth years	8,581
Total	10,727

31. DISPOSAL OF A SUBSIDIARY

Name of subsidiary	**Buyer**	**Percentage of interest disposed of**	**Principal activity**	**Fair value of disposal proceeds**	**Date of completion**
Beijing Yuke	Mr. Zhang Hao	92%	Research and development service	RMB57,158	10 September 2018

Analysis of assets and liabilities over which control was lost

	RMB'000
Cash and cash equivalents	1,082
Receipt in advance	(1,025)
Total	57
Gain on disposal of a subsidiary	
Consideration included in other receivables	57
Net assets disposed of	(57)
Gain on disposal	—
Net cash flow	
Cash consideration received	—
Less: cash and cash equivalents disposed of	(1,082)
	(1,082)

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Names of subsidiaries	Place and date of incorporation/ operation	Paid up issued/ registered capital	Equity interest attributable to the Group as at 31 December		Principal activities
			2019	2018	
Directly held:					
Homeland Investment Co., Ltd. ("**Homeland BVI**")	British Virgin Islands, 7 May 2018	US$0.1	**100%**	100%	Investment holding
Indirectly held:					
Homeland Entertainment &. Technology Limited ("**Homeland HK**")	Hong Kong, 4 June 2018	HK$100	**100%**	100%	Investment holding
Homeland PRC	PRC, 7 August 2018	US$1,000,000	**100%**	100%	Software development
Controlled through contractual arrangement:					
Jiaxiang Interactive	PRC, 31 August 2015	RMB10,000,000	**100%**	100%	Development, publication and operation of mobile games
Jilin Xinze	PRC, 13 November 2009	RMB10,000,000	**100%**	100%	Development, publication and operation of mobile games
Jilin Yuke	PRC, 10 March 2017	RMB10,000,000	**100%**	100%	Development, publication and operation of mobile games

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the reporting period.

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 *RMB'000*	2018 *RMB'000*
Non-current assets		
Investments in subsidiaries	**82,210**	—
	82,210	—
Current assets		
Prepayments and other receivables	**1,151**	7,354
Amounts due from subsidiaries	**4,372**	—
Cash and cash equivalents	**109,358**	—
	114,881	7,354
Current liabilities		
Other payables	**2,855**	824
Amounts due to subsidiaries	**22,399**	13,569
	25,254	14,393
Net current assets (liabilities)	**89,627**	(7,039)
	171,837	(7,039)
Capital and reserves		
Share capital	**41**	27
Shares held for Share Award Scheme	**(2)**	—
Reserves	**171,798**	(7,066)
	171,837	(7,039)

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Details of the movement in the Company's reserves are set out below:

	Share premium RMB'000	Other reserve RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 7 May 2018 (date of incorporation)	—	—	—	—	—
Loss and total comprehensive expense for the period	—	—	—	(7,066)	(7,066)
As at 31 December 2018	—	—	—	(7,066)	(7,066)
Loss and total comprehensive expense for the year	—	—	—	(18,178)	(18,178)
Issue of shares held for Share Award Scheme *(defined in Note 28)*	—	3	—	—	3
Issue of shares under the Global Offering *(defined in Note 25)*	373,695	—	—	—	373,695
Share issuance costs	(26,865)	—	—	—	(26,865)
Recognition of share-based payment expenses under the Share Award Scheme *(defined in Note 28)*	—	—	78,862	—	78,862
Vesting of award shares under the Share Award Scheme	24,785	—	(24,786)	—	(1)
Recognition of share-based payment expenses under the Share Option Scheme *(defined in Note 28)*	—	—	3,348	—	3,348
Dividends recognized as distribution *(Note 10)*	(232,000)	—	—	—	(232,000)
As at 31 December 2019	139,615	3	57,424	(25,244)	171,798

34. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management

Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets measured at amortized cost	**641,076**	245,432
Equity instruments at FVTOCI	**14,000**	—
Financial liabilities		
Financial liabilities measured at amortized cost	**25,287**	23,931

The Group's major financial instruments include rental and other deposits, equity instruments at FVTOCI, trade receivables, other receivables, cash and cash equivalents and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk and interest rate risk, other price risk) credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign exchange risk

The Group has certain cash and cash equivalents denominated in HK$ (2018: US$), and is exposed to foreign exchange risk arising from foreign currency exchange rate fluctuation, primarily with respect to HK$. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposure. Foreign exchange risk arises when future commercial transactions and recognized assets are denominated in a currency that is not the entity's functional currency. The Group's finance department is responsible for monitoring and managing the net position in each foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2019 RMB'000	2018 RMB'000
US$	**—**	946
HK$	**109,465**	—

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Market risk *(Continued)*

Foreign exchange risk (Continued)

The functional currency of the entities comprising the Group is RMB, if HK$ (2018: US$) had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax profit for the year would have been RMB5,473,000 and RMB47,000 higher/lower, for the years ended 31 December 2019 and 2018, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in HK$ (2018: US$).

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Other than interest-bearing bank deposits and lease liabilities, the Group has no other significant interest-bearing assets and liabilities. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets and liabilities resulted from the changes in interest rates, because the interest rates of bank balances and lease liabilities are not expected to change significantly.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI. The Group invested in certain unquoted equity securities for investees operating in mobile game development and operation industry sector for long term strategic purposes which had been designated as FVTOCI. Each investment is managed by senior management on a case by case basis.

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. If the fair value of the respective equity instruments had been 5% higher/lower, the other comprehensive income for the year ended 31 December 2019 would increase/decrease by RMB611,000 as a result of the changes in fair value of investments at FVTOCI.

Credit risk

The Group is mainly exposed to credit risk in relation to its trade receivables, other receivables, loan to an employee, rental and other deposits as well as cash and cash equivalents.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and cash equivalents, the Group only transacts with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. No impairment is made during the reporting period.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Credit risk *(Continued)*

Trade receivables

The Group performs impairment assessment under ECL model on trade balances individually. Trade receivables as at 31 December 2019 and 2018 were due from the third-party games distribution channels and third-party payment vendors in cooperation with the Group. Trade receivables as at 31 December 2019 were also due from advertisement agents. If the co-operative relationships with the distribution channels, third-party payment vendors and advertisement agents are deteriorated or terminated; or if the distribution channels, third-party payment vendors and advertisement agents alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the distribution channels, third-party payment vendors and advertisement agents to ensure the effective credit control are in place. In view of the history of cooperation with the distribution channels, third-party payment vendors and advertisement agents and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the distribution channels, third-party payment vendors and advertisement agents is low, accordingly, no impairment is made during the reporting period.

Other receivables, and rental and other deposits

For other receivables and rental and other deposits from third parties except the deposit for a potential acquisition, management makes individual assessment on the recoverability of other receivables, and rental and other deposits based on historical settlement records and past experience The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances, of other receivables and deposits, accordingly, no impairment is made during the reporting period. For the deposit for a potential acquisition, as it's in a bank account of a local reputable bank in Jilin under the joint custody of Jilin Xinze and Xinbao Technology, the directors of the Company believe that there is no material credit risk inherent in the deposit for a potential acquisition, no impairment is made during the reporting period.

The Group considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period regarding to the other receivables and rental and other deposits from third parties. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. Forward-looking information considered includes debtor's credit rating and its business, financial or economic conditions which are expected to cause a significant decrease in debtor's ability to meet its obligation. The management has assessed that there has been no significant increase in credit risk since initial recognition and credit risk of default is insignificant, and therefore, no impairment has been recognized.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

***Credit risk** (Continued)*

Cash and cash equivalents

Credit risk on cash and cash equivalents is limited because the counterparties are reputable state-owned and local banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on cash and cash equivalents is considered to be insignificant.

Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities and lease liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted average interest rate %	Less than 1 year *RMB'000*	More than 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
As of 31 December 2019					
Other payables		25,287	—	25,287	25,287
Lease liabilities	6.65	5,251	10,919	16,170	14,401
Total		30,538	10,919	41,457	39,688

	Weighted average interest rate %	Less than 1 year *RMB'000*	More than 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
As of 31 December 2018					
Other payables		23,931	—	23,931	23,931
Total		23,931	—	23,931	23,931

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value estimation

Fair value of the Group's financial assets that are measured at fair value

The equity instruments at fair value through other comprehensive income (as disclosed in note 17) are measured at fair value. The fair value measurements is categorized into Level 2.

In estimating the fair value, the Group uses market-observable data to the extent it is available. The fair value of the equity instruments are determined by the cost of investment as they are mainly comprise of equity investments in private game companies at start-up stage and the investment date is closed to the year end. Management considered that the cost of investment could represent the recent transaction price and it's the appropriate valuation method to determine the fair value for the investments.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair values.

35. EVENTS AFTER THE REPORTING PERIOD

The outbreak of Novel Coronavirus ("**COVID-19**") in the PRC has caused the local government offices to impose policies to delay opening of offices after Lunar New Year holiday, until certain hygiene measures are fulfilled and satisfied by the local government. The Group's office has been re-opened on 10 February 2020. However, as the Group's services are performed through online platform, the services were maintained and employees were able to work through remote access to the servers.

As at the date of report, the COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report.