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Homeland Interactive Technology Ltd.

家鄉互動科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3798)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year Change*
	2019	2018	(%)
	(unaudited)	(unaudited)	
	(RMB in thousands, except for percentages)		
Revenue	266,493	212,048	25.7
Cost of sales	(61,364)	(44,547)	38.0
Gross profit	205,129	167,501	22.5
Profit and total comprehensive income for the period	104,134	105,422	(1.2)
Non-IFRS adjusted net profit**	144,610	110,327	31.1

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

** Non-IFRS adjusted net profit was derived from the unaudited profit and total comprehensive income for the period adjusted for share-based compensation and listing expenses.

REVENUE BY TYPES OF VIRTUAL PRODUCTS

	For the six months ended 30 June		Year- on-Year Change*	For the year ended 31 December
	2019	2018	(%)	2018
	(unaudited)	(unaudited)		(audited)
(RMB in thousands, except for percentages)				
Self-developed mobile games				
Virtual tokens	143,049	105,111	36.1	199,302
Private game room cards	96,628	106,937	(9.6)	213,149
Third-party mobile games	26,816	—	N/A	27,079
Total	<u>266,493</u>	<u>212,048</u>	<u>25.7</u>	<u>439,530</u>

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

OPERATIONAL HIGHLIGHTS

The following table sets forth the major operating data of the Group.

	As at 30 June 2019	As at 31 December 2018
Self-developed mobile games		
<i>Number of game variations</i>		
Mahjong variations	482	453
Poker game variations	38	31
Casual games	5	5
Third-party mobile games		
Number of third-party mobile games distributed	7	4

	As at or for the six months ended 30 June 2019	As at or for the year ended 31 December 2018
<i>Virtual tokens</i>		
Cumulative registered players* (as at period end)	115,233,466	90,644,106
Daily active users (“DAUs”) ** (as at period end)	4,759,576	4,502,857
Paying players***	3,833,238	3,129,826
<i>Private game room cards</i>		
Cumulative registered players* (as at period end)	8,143,724	6,452,175
DAUs** (as at period end)	745,784	702,120
Paying players***	118,431	96,412
* Cumulative registered players refer to the total number of players who have downloaded any of the Company’s mobile game apps onto any mobile device and enter such game product on such mobile device.		
** DAUs, in any given period, refer to the number of daily active players as at the last calendar day of such period.		
*** Paying players, in any given period, refer to players who pay money to play any of the Company’s mobile game products or to purchase virtual tokens offered by the Company in its mobile game products at least once; a player who pays more than once in such period is counted only once.		

The board of directors (the “**Board**”) of Homeland Interactive Technology Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”). The Interim Results have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, and the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Business Review

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

Most of the Group's games, including the most popular game categories of Mahjong and Fight the Landlord (鬥地主), are the recreation of classic games. The Group has developed different Mahjong and poker game variations featured with localized and regional game rules, scoring rules and slang terms, appealing to various traditions and preferences of players from different locations. The Group currently offers Mahjong game variations that are localized to cover at least some counties in 25 provinces and municipalities in China. In the first half of 2019, the Group has launched 29 new Mahjong game variations and 7 new poker game variations. As at 30 June 2019, the Group has developed and operated 482 localized variations of Mahjong, 38 poker game variations and 5 casual games including Fishing Strike (捕魚), Blaster (消消樂) and DaBoLuo (大菠蘿). As at 30 June 2019, the Group distributed 7 third-party mobile games.

In terms of financial performance, the Group continued its robust growth during the first half of 2019. The Group's revenue and gross profit for the six months ended 30 June 2019 were RMB266.5 million and RMB205.1 million, representing an increase of approximately 25.7% and 22.5%, respectively as compared with the corresponding period of last year, primarily due to the expanding game portfolio and the distribution of third-party mobile games. 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. During the first half of 2019, the Group recognized advertising income of RMB9.8 million as it incentivized players by giving free private game room cards through clicks on advertisements thereby increasing its advertising income. Such measure has led to a 9.6% drop in revenue from private game room cards compared to the corresponding period in 2018. The Group's adjusted net profit, which does not take into account share-based compensation of RMB26.5 million and listing expenses of RMB14.0 million was approximately RMB144.6 million for the six months ended 30 June 2019, representing an increase of approximately 31.1% from approximately RMB110.3 million for the six months ended 30 June 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 30 June 2019, the Group's cumulative registered players reached 123,377,190, representing an increase of 27.1% compared with 31 December 2018. The Group's DAUs increased to 5,505,360 as at 30 June 2019, representing a growth of 5.8%, as compared with 31 December 2018. The Group's paying players reached 3,951,669 for the six months ended 30 June 2019, representing a growth of 22.5% 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

During the second half of 2019, the Group will continue its efforts to further solidify its leading position in the localized card and board game industry in China by continuing the following strategies:

- Further develop 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. The Group will continue to explore complementary partnership or acquisition opportunities of small to medium-sized mobile games developers and operators which can enhance its game-related sourcing, development and operation capabilities and complement its experience in the gaming market.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2019 amounted to approximately RMB266.5 million, representing an increase of 25.7% from approximately RMB212.0 million recorded in the corresponding period in 2018. The increase in revenue was primarily driven by the expanding game portfolio and the increase in distribution of third-party mobile games. For the six months ended 30 June 2019, revenue generated from the Group's sale of virtual tokens, private game room cards and distribution of third-party mobile games accounted for approximately 53.7%, 36.3% and 10.0% of the Group's total revenue, respectively, as compared with approximately 49.6%, 50.4% and nil, respectively, for the six months ended 30 June 2018. The decrease in revenue contributed from private game room cards was due to the Company's strategy to incentivize players by giving free private game room cards through clicks on advertisements which resulted in the increase in the Group's advertising income.

In the second half of 2019, the Group expects to develop about 65 different localized Mahjong game variations to extend the Group's coverage to 26 provinces and municipalities, 15 new poker game variations and 5 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 38.0% to approximately RMB61.4 million in the six months ended 30 June 2019 from approximately RMB44.5 million in the corresponding period 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) a RMB13.4 million increase in commissions and fees paid to third-party distribution channels and payment vendors in line with the Group's

rapid business growth and also due to the increased use of third-party distribution channels to distribute its games; and (ii) a RMB5.7 million increase in employee benefit expenses to support rapid growth of the Group. The increase was partially offset by a decrease of approximately RMB3.1 million in server-related and technical support fees due to decreased use of professional cyber security service providers. As at 30 June 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 22.5% to approximately RMB205.1 million for the six months ended 30 June 2019 from approximately RMB167.5 million for the corresponding period in 2018, and the Group's gross profit margin decreased to 77.0% for the six months ended 30 June 2019 from 79.0% for the corresponding period in 2018, primarily due to increased use of third-party distribution channels to distribute the Group's games resulting in higher commissions paid.

Other Income

Other income increased significantly by approximately 10.5 times from RMB2.0 million for the six months ended 30 June 2018 to RMB22.9 million for the six months ended 30 June 2019. The increase was primarily due to (i) the advertising income of RMB9.8 million recognized in the six months ended 30 June 2019; and (ii) the service income of RMB8.5 million recognized in the six months ended 30 June 2019 as the Group carried out offline promotion marketing activities for other game operators of smaller scale. The increase was also partially due to an increase of RMB2.0 million in interest income and RMB0.6 million in government subsidies which are industry-specific subsidies obtained from local governments.

Foreign Exchange Losses/Gains, Net

Foreign exchange losses/gains, net mainly relate to the payments by a limited number of players making purchases in foreign currencies through Apple Pay. Foreign exchange gains recorded in the six months ended 30 June 2019 were mainly due to the fluctuation of exchange rate of Renminbi (RMB) against U.S. dollars.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 94.6% from RMB24.1 million for the six months ended 30 June 2018 to RMB46.9 million in the corresponding period in 2019. The increase was primarily due to a RMB11.3 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 RMB10.1 million.

Administrative Expenses

The Group's administrative expenses increased by approximately 264.9% from RMB11.1 million for the six months ended 30 June 2018 to RMB40.5 million in the corresponding period in 2019. The increase was primarily due to (i) payment of share-based compensation of RMB26.5 million; and (ii) an increase of RMB1.7 million in administrative employee benefit expenses as a result of the increase in the number of general and administrative staff, as well as the overall increases in office allowance, travelling, transportation and entertainment expenses, each a result of the Group's business growth in the first half of 2019.

Listing Expenses

In connection with the Company's listing on the Stock Exchange, the Group recognized listing expenses of approximately RMB14.0 million for the six months ended 30 June 2019.

Profit Before Income Tax

The Group's profit before income tax decreased by approximately 2.3% from RMB129.4 million for the six months ended 30 June 2018 to RMB126.4 million in the corresponding period in 2019. The Group's profit before income tax as a percentage of total revenue decreased from 61.0% for the six months ended 30 June 2018 to 47.4% for the six months ended 30 June 2019, primarily due to the Group's significant business growth which resulted in the increases in costs and expenses and the increase in listing expenses incurred in connection with the Company's listing.

Income Tax Expenses

Income tax expenses decreased by approximately 6.7% from RMB23.9 million for the six months ended 30 June 2018 to RMB22.3 million in the corresponding period in 2019, primarily due to the decrease in taxable profits generated for the six months ended 30 June 2019. The Group's effective tax rates were 18.5% and 17.6% for the six months ended 30 June 2018 and 2019, respectively.

Profit and Total Comprehensive Income for the Period

The Group's profit and total comprehensive income for the period decreased by approximately 1.2% from RMB105.4 million for the six months ended 30 June 2018 to RMB104.1 million in the corresponding period in 2019. The Group's profit margin was 49.7% and 39.1% for the six months ended 30 June 2018 and 2019, respectively. The decrease in profit margin was primarily due to the Group's significant business growth

which resulted in the increases in costs and expenses, payment of share-based compensation and the increase in listing expenses incurred in connection with the Company's listing. Profit and total comprehensive income attributable to owners of the Company increased by approximately 7.3% from RMB97.0 million for the six months ended 30 June 2018 to RMB104.1 million for the six months ended 30 June 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 items that it does not consider indicative of the performance of its business. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

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

	For the six months ended	
	30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	104,134	105,422
Add:		
Listing-related expenses	14,019	4,905
Share-based compensation	26,457	—
Adjusted net profit	<u>144,610</u>	<u>110,327</u>

The adjusted net profit for the six months ended 30 June 2019, adjusted by excluding the listing-related expenses and share-based compensation to key employees, was approximately RMB144.6 million, increased by 31.1% as compared to approximately RMB110.3 million for the first half of 2018.

Liquidity and Capital Resources

For the six months ended 30 June 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 U.S. dollars, and is exposed to foreign exchange risk arising from exchange rate fluctuation of RMB against U.S. dollars. As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB340.5 million (31 December 2018: approximately RMB218.2 million), which primarily consisted of cash at bank. Out of the RMB340.5 million, approximately RMB339.6 million is denominated in Renminbi and approximately RMB0.9 million is denominated in US 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.

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

Borrowings

During the six months ended 30 June 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 RMB11,087,000 in aggregate.

Gearing ratio

The gearing ratio was zero since there was no debt as at 30 June 2019.

Charge on assets

As at 30 June 2019, the Group did not pledge any of its assets.

Capital expenditures

For the six months ended 30 June 2019, the Group's capital expenditure amounted to approximately RMB3.2 million (for the six months ended 30 June 2018: approximately RMB0.7 million), which mainly comprised expenditures on the purchase of office furniture and equipment, motor vehicles, leasehold improvements as well as the purchase of the copyright of game software and trademark. The Group funded its capital expenditure by using the cash flow generated from its operations. The capital expenditure for the six months ended 30 June 2019 was higher due to the increase in the purchase of copyright of game software and trademark in line with the Group's business growth.

Contingent liabilities and guarantees

As at 30 June 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

During the six months ended 30 June 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

As at 30 June 2019, the Group had a total of 446 full time employees, mainly located in mainland China. In particular, 73 employees are responsible for the Group's research and development, 155 for game development, 68 for technical support, 54 for customer service, 40 for marketing and 56 for operations and general administration. The total staff cost incurred by the Group for the six months ended 30 June 2019 was approximately RMB60.9 million compared to approximately RMB\$26.4 million for the corresponding period in 2018. The increase was primarily due to the payment of approximately RMB\$26.5 million share-based compensation to key employees.

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

Further details of the principal terms of the share option scheme and the share award scheme are set out in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**").

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	266,493	212,048
Cost of sales	4	<u>(61,364)</u>	<u>(44,547)</u>
Gross profit		205,129	167,501
Other income	5	22,940	2,030
Selling and marketing expenses		(46,892)	(24,104)
Administrative expenses		(40,493)	(11,113)
Listing expenses		(14,019)	(4,905)
Finance costs		(284)	—
Foreign exchange gains (losses), net		<u>23</u>	<u>(57)</u>
Profit before income tax		126,404	129,352
Income tax expense	6	<u>(22,270)</u>	<u>(23,930)</u>
Profit and total comprehensive income for the period	7	<u>104,134</u>	<u>105,422</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		104,134	96,988
Non-controlling interests		<u>—</u>	<u>8,434</u>
		<u>104,134</u>	<u>105,422</u>
Earnings per share (in RMB cents)			
— Basic	9	<u>12.07</u>	<u>12.22</u>
— Diluted		<u>12.02</u>	<u>12.22</u>

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 30 June 2019	As at 31 December 2018
	NOTES	RMB'000 (unaudited)	RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	11,741	12,586
Intangible assets		3,680	1,980
Loan to an employee		1,900	1,900
Rental and other deposits		781	791
Right-of-use assets	10	11,155	—
		<u>29,257</u>	<u>17,257</u>
Current assets			
Trade receivables	11	24,761	22,387
Prepayments and other receivables	12	42,397	38,878
Cash and cash equivalents		340,457	218,195
		<u>407,615</u>	<u>279,460</u>
Current liabilities			
Other payables	13	46,164	35,530
Deferred revenue	14	24,272	39,269
Tax payable		12,020	9,183
Lease liabilities		2,944	—
Dividend payable		177,000	—
		<u>262,400</u>	<u>83,982</u>
Net current assets		<u>145,215</u>	<u>195,478</u>
Total assets less current liabilities		<u>174,472</u>	<u>212,735</u>

		As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Non-current liabilities			
Lease liabilities		<u>8,143</u>	<u>—</u>
Net assets		<u>166,329</u>	<u>212,735</u>
Capital and reserves			
Share capital	15	30	27
Shares held for Share Award Scheme		(3)	—
Reserves		<u>166,302</u>	<u>212,708</u>
Total equity		<u>166,329</u>	<u>212,735</u>

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total equity RMB'000
	Paid-in capital/ Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
As at 1 January 2018 (audited)	—	—	15,027	8,042	—	92,556	115,625	9,550	125,175
Profit and total comprehensive income for the period	—	—	—	—	—	96,988	96,988	8,434	105,422
Dividends recognised as distribution (note 8)	—	—	—	—	—	(118,680)	(118,680)	(10,320)	(129,000)
As at 30 June 2018 (unaudited)	—	—	15,027	8,042	—	70,864	93,933	7,664	101,597
As at 1 January 2019 (audited)	27	—	15,027	19,714	—	177,967	212,735	—	212,735
Profit and total comprehensive income for the period	—	—	—	—	—	104,134	104,134	—	104,134
Dividends recognised as distribution (note 8)	—	—	—	—	—	(177,000)	(177,000)	—	(177,000)
Recognition of equity- settled share-based payments under the Share Award Scheme (note 16)	—	—	—	—	26,457	—	26,457	—	26,457
Issuance of shares held for Share Award Scheme (note 16)	3	(3)	—	3	—	—	3	—	3
As at 30 June 2019 (unaudited)	<u>30</u>	<u>(3)</u>	<u>15,027</u>	<u>19,717</u>	<u>26,457</u>	<u>105,101</u>	<u>166,329</u>	<u>—</u>	<u>166,329</u>

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

		Six months ended 30 June	
		2019	2018
	NOTE	RMB'000	RMB'000
		(unaudited)	(unaudited)
Net cash from operating activities		127,675	109,448
Investing activities			
Purchase of property, plant and equipment		(277)	(643)
Purchase of intangible assets		(1,877)	(4,078)
Refund of rental deposits		10	—
Proceeds from disposal of property, plant and equipment		—	335
Advances to shareholders		—	(1,020)
Repayments from shareholders		—	6,646
Acquisition of non-controlling interests of a subsidiary		—	(4,196)
Interest received		2,104	147
Net cash used in investing activities		(40)	(2,809)
Financing activities			
Repayment of lease liabilities		(1,225)	—
Issue costs paid		(4,148)	—
Repayments to shareholders		—	(1,309)
Acquisition of non-controlling interests of a subsidiary		—	(71)
Dividends paid	8	—	(129,000)
Net cash used in financing activities		(5,373)	(130,380)
Net increase (decrease) in cash and cash equivalents		122,262	(23,741)
Cash and cash equivalents at the beginning of the period		218,195	150,984
Cash and cash equivalents at the end of the period, represented by Cash and cash equivalents		340,457	127,243

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

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

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

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

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

Basis of preparation and presentation

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

Pursuant to the group reorganisation of the Company and its subsidiaries now comprising the Group completed on 24 September 2018 to rationalise the Group structure in preparation for the listing on the Main Board of the Stock Exchange (the “**Reorganisation**”), the Company become the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 18 June 2019 for the initial listing on the Main Board of the Stock Exchange (the “**Prospectus**”). The Company and its subsidiaries have been under common control of the Founders throughout the review period or since their respective dates of incorporations/ establishments, where there is a shorter period. Accordingly, the condensed consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group.

The Group resulting from the group restructuring is regarded as a continuing entity. Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income and cash flows for the six months ended 30 June 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 group restructuring had been in existence since 1 January 2018 or since their respective dates of incorporation or establishment where this is a shorter period.

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. Subsidiaries of the Group, Beijing Kexin Network Technology Company Limited (“**Homeland PRC**”), Jiayang Interactive (Xiamen) Network Technology Company Limited (“**Jiayang Interactive**”), and its parent Jilin Yutai Network Technology Company Limited (“**Jilin Yutai**”) entered into a series of contractual arrangements (the “**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 Jiayang Interactive;
- exercise owners’ voting rights of Jiayang Interactive;
- receive substantially all of the economic interest returns generated by Jiayang 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 Jiayang Interactive from Jilin Yutai at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Jiayang 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 Jiayang Interactive; and
- obtain a pledge over the entire equity interest of Jiayang Interactive from Jilin Yutai as collateral security for all of Jiayang Interactive's payments due to Homeland PRC and to secure performance of Jiayang Interactive's obligations under the Contractual Arrangements.

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

2. PRINCIPAL ACCOUNTING POLICES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those followed in the preparation of the Group's historical financial information for the three years ended 31 December 2018 incorporated in the Prospectus.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs and interpretation which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 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 interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on IFRS 16 “Leases” (“IFRS 16”)

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 “Leases” (“IAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

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.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

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.

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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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;
- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, 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.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 “Financial Instruments” (“**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.

Lease liabilities

At the commencement date of a lease, the Group recognises 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;
- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises 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 recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

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 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.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the practical expedients and elected not to recognise right-of-use assets and lease liabilities for leases with lease term that ends within 12 months of the date of initial application to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised 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.

The Group recognised lease liabilities of RMB9,326,000 and right-of-use assets of RMB9,814,000 at 1 January 2019.

When recognising 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	9,326
Lease liabilities relating to operating leases recognised upon application of IFRS 16 and lease liabilities as at 1 January 2019	9,326
Analysed as	
Current	2,265
Non-current	7,061
	9,326

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

	Right-of-use assets <i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	9,326
Reclassification of prepayment for rental fees from prepayment and other receivables	<u>488</u>
	<u><u>9,814</u></u>
By class:	
Land and buildings	<u><u>9,814</u></u>

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.

The following adjustments were made to the amounts recognised in the condensed 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 RMB'000	Adjustments RMB'000	Carrying amount under IFRS 16 at 1 January 2019 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 six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents game development and operation income from sales of virtual tokens and private game room cards. 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 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 is recognised 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 tokens in the platform to the virtual goods in the relevant third-party mobile games.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
— Self-developed mobile games		
<i>Virtual tokens</i>	143,049	105,111
<i>Private game room cards</i>	96,628	106,937
— Third-party mobile games	26,816	—
	<u>266,493</u>	<u>212,048</u>

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

Geographical information

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

4. COST OF SALES

Cost of sales is analysed as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Employee benefit expenses	23,508	17,792
Commissions and fees charged by distribution channels and payment vendors	29,918	16,565
Server-related and technical support fees	5,281	8,441
Depreciation and amortisation	2,190	1,660
Others	467	89
	61,364	44,547

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Advertising income (<i>Note (a)</i>)	9,769	–
Service income (<i>Note (b)</i>)	8,536	–
Government subsidies (<i>Note (c)</i>)	2,420	1,860
Interest income	2,104	147
Others	111	23
Total	22,940	2,030

Note:

- (a) Advertising income is recognised at point in time when the advertisements placed by third parties platforms are displayed in the game interface.
- (b) Service income represents the amounts received from contracted clients for offline promotion marketing activities and is recognised when the marketing services are performed.

- (c) Government subsidies mainly represent various industry-specific subsidies granted by the government authorities to subsidise the research and development costs already incurred by the Group during the course of its business, as well as government incentives to reward the Group's effort for the technological innovation and support to the local economy with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognised.

6. INCOME TAX EXPENSE

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

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

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

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax — PRC Enterprise Income Tax	<u>22,270</u>	<u>23,930</u>

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

Profit and total comprehensive income has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Lease expenses in respect of short-term leases on land and buildings	563	—
Operating lease charges in respect of land and buildings	—	1,073
Depreciation and amortisation	2,299	1,660
Depreciation of right-of-use assets	1,361	—
Loss on disposal of property, plant and equipment	—	53
Directors' emoluments (<i>Note 17</i>)	1,180	1,040
Other staff costs:		
Salaries and other benefits in kind	30,313	22,978
Retirement benefit costs	2,928	2,361
Share-based payments for staffs	26,457	—
Total staff costs	<u>60,878</u>	<u>26,379</u>

8. DIVIDENDS

Pursuant to a written resolution passed by the Board of the Company on 5 June 2019, a special dividend amounted to RMB177,000,000 was declared and subsequently paid on 15 July 2019.

During the six months ended 30 June 2018, the Company's subsidiaries, Jiexiang Interactive, Jilin Xinze and Jilin Yuke declared and paid interim dividend amounted to RMB74,000,000, RMB15,000,000 and RMB40,000,000, respectively,

Subsequent to the end of the Reporting Period, the board of directors of the Company has resolved to declare an interim dividend of RMB0.0438 (equivalent to HK\$0.0485) per share, with total amounting to approximately RMB55.0 million for the six months ended 30 June 2019. The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company on 25 September 2019.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share:		
— Profit attributable to owners of the Company	<u>104,134</u>	<u>96,988</u>
	Number of shares	
	2019	2018
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	862,724,000	793,706,000
Effect of dilutive potential ordinary shares in respect of Share Award Scheme	<u>3,434,934</u>	<u>—</u>
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	<u>866,158,934</u>	<u>793,706,000</u>

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of the Company, taking into account the shares issued and outstanding during the period and on the assumption that the Reorganisation and the share sub-division (as disclosed in note 15) have been effective on 1 January 2018, excluding ordinary shares held for the Share Award Scheme which are treated as treasury shares.

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 a Share Award Scheme (as defined in note 16), to act as the nominee of the Share Award Scheme and holds 79,276,000 award shares for the benefit of key employees of the Group pursuant to the Share Award Scheme. These shares are not included in the denominator for the purpose of calculating basic or diluted earnings per share because they do not represent ordinary shares outstanding from the date allotted and issued.

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

During the current interim period, the Group spent RMB277,000 (six months ended 30 June 2018: RMB643,000) on property, plant and equipment, and received nil (six months ended 30 June 2018: RMB335,000) from disposal of property, plant and equipment.

During the current interim period, the Group entered into a new lease agreement for the use of buildings for 2 years. On lease commencement, the Group recognised right-of-use asset of RMB2,702,000 and lease liability of RMB2,702,000.

11. TRADE RECEIVABLES

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Trade receivables	24,761	22,387
Less: impairment provision	<u>—</u>	<u>—</u>
Total	<u>24,761</u>	<u>22,387</u>

Trade receivables were composed of the receivables from distribution channels or payment vendors. The credit terms of trade receivables granted to the distribution channels or payment vendors are usually 0 to 60 days. The Group is of the opinion that the credit risks of these receivables are minimal as these are from creditworthy distribution channels or payment vendors with no history of defaults. No impairment is made for trade receivables during the periods. Ageing analysis of trade receivables presented based on date of invoices is as follows:

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
0–30 days	20,748	21,768
31–60 days	<u>4,013</u>	<u>619</u>
Total	<u>24,761</u>	<u>22,387</u>

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

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Prepayment for advertisement and promotion fees (Note (a))	20,543	21,525
Deferred issue costs	8,696	4,548
Advances to employees	6,438	4,679
Receivables for advertising income	3,729	725
Prepayment for research and development fees	600	—
Account balance on Alipay (Note (b))	373	813
Prepayment for server-related fees	275	595
Prepayment for rental fees	265	1,227
Prepaid listing expenses	11	2,779
Prepayment for trademark fee	—	1,000
Others	1,467	987
Total	42,397	38,878

Notes:

- (a) The amounts mainly consisted of prepayments to advertising agencies for organising promotion events on local television channels and online media platforms.
- (b) Account balance on Alipay represents sales proceeds paid by players to the Group through Alipay which have been settled but yet transferred from the Group's Alipay account to bank accounts. The Group is of the opinion that the credit risks of the account balance on Alipay are minimal as Alipay is a creditworthy payment vendor with no history of defaults. No impairment is made for account balance on Alipay during the periods.

13. OTHER PAYABLES

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Salary and staff welfare payables	16,051	18,242
Accrued listing expenses and issue costs	12,674	824
Accrued promotion expenses	6,400	4,883
Other taxes payable	4,937	4,085
Payable to game developers (<i>Note (a)</i>)	3,991	4,762
Accrued advertisement expenses	472	600
Others	1,639	2,134
Total	<u>46,164</u>	<u>35,530</u>

Note:

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

14. DEFERRED REVENUE

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

	Virtual tokens RMB'000	Private game room cards RMB'000	Total RMB'000
As at 1 January 2019 (audited)	26,844	12,425	39,269
Sales proceeds, net of tax	155,698	95,798	251,496
Revenue recognised during the period	<u>(169,865)</u>	<u>(96,628)</u>	<u>(266,493)</u>
As at 30 June 2019 (unaudited)	<u>12,677</u>	<u>11,595</u>	<u>24,272</u>

15. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	<i>Number of shares</i>	<i>US\$</i>
As at 1 January 2019 (audited)	431,362,000	4,314
Effect of subdivision completed on 24 May 2019	431,362,000	—
Issuance of shares on 6 June 2019 (<i>Note 16</i>)	79,276,000	396
As at 30 June 2019 (unaudited)	<u>942,000,000</u>	<u>4,710</u>
	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Equivalent to:	<u>30</u>	<u>27</u>

On 24 May 2019, the Company subdivided 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 this share subdivision, the authorized share capital of the Company was altered to US\$50,000 divided into 10,000,000,000 shares with par value of US\$0.000005 each. The total number of issued shares in the Company increased from 431,362,000 shares to 862,724,000 shares as at 24 May 2019.

16. SHARE-BASED PAYMENTS

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

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

Notes:

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

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

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 approximately RMB3,000 were credited to "other reserves" as deemed contribution from shareholders.

The directors estimated the fair values of the above shares as at the respective grant date. The fair value of the shares held for the Share Award Scheme was determined using the market method with reference to offering price at initial public offer and marketability discount and the aggregate fair value of the shares held for the Share Award Scheme granted on 6 June 2019 was assessed to be HK\$103,491,000 (equivalent to RMB91,041,000). During the six months ended 30 June 2019, the Group recognised the share-based compensation expenses of RMB26,457,000 in relation to the shares held for the Share Award Scheme granted by the Company.

17. RELATED PARTY TRANSACTIONS

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

Directors' emoluments

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Salaries, bonuses, allowances and benefits in kind	<u>1,180</u>	<u>1,040</u>

Key management personnel compensations

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Salaries, bonuses, allowances and benefits in kind	5,595	3,648
Share-based payments	<u>26,457</u>	<u>—</u>
Total	<u>32,052</u>	<u>3,648</u>

18. EVENTS AFTER THE REPORTING PERIOD

The Company was listed on the Main Board of the Stock Exchange on 4 July 2019, and 314,000,000 shares of the Company were issued at the offer price of HK\$1.35 per share by way of global offering. The net proceeds from the global offering, after deduction of underwriting fees and commissions and other related listing expenses incurred subsequently, has increased net assets of the Group.

OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The board of directors of the Company has resolved to declare an interim dividend of RMB0.0438 (equivalent to HK\$0.0485) per ordinary share, amounting to total dividend payment of approximately RMB55.0 million. The interim dividend will be paid in Hong Kong dollars based on the rate of HK\$1.00 to RMB0.90337, being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 29 August 2019. The interim dividend will be paid on or around 18 October 2019 to shareholders whose names appear on the register of members of the Company on 25 September 2019.

The Register of Members of the Company will be closed from 23 September 2019 to 25 September 2019 (both days inclusive), for the purpose of determining shareholders' entitlements to the interim dividend. In order to qualify for the interim 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 20 September 2019.

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

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange on 4 July 2019. The net proceeds from the global offering was approximately HK\$363.8 million, which will be utilized for the purposes as set out in the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

The Company was successfully listed on the Main Board of the Stock Exchange on 4 July 2019. On 4 July 2019, 314,000,000 shares of the Company were issued at the offer price of HK\$1.35 per share by way of the global offering. All the 314,000,000 new shares issued by the Company rank pari passu with other shares of the Company in issue in all respects. On 21 July 2019, the over-allotment option had been fully exercised by the sole global coordinator (on behalf of the international underwriters) to require Jiang Ming Kuan Network Limited to sell 19,468,000 shares of the Company at the offer price of HK\$1.35 per share.

Save as disclosed above, there was no important event affecting the Group which occurred after the end of the Reporting Period up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Shares were not listed on the Stock Exchange as at 30 June 2019, the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) was not applicable to the Company during the Reporting Period.

After Listing, the Company has complied with the applicable code provisions of the Code as set forth in the Corporate Governance Code, except for a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Company was not yet listed on the Stock Exchange during the Reporting Period, the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Company during the Reporting Period.

After Listing, the Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code since the Listing Date up to the date of this announcement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Company’s unaudited consolidated interim results for the Reporting Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim results for the Reporting Period is unaudited, but has been reviewed by the Auditor, in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the International Auditing and Assurance Standards Board.

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

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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.jiaxianghudong.com>). The interim report of the Company for the six months ended 30 June 2019 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board of Directors
Homeland Interactive Technology Ltd.

Wu Chengze
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the executive directors are Mr. Wu Chengze, Mr. Jiang Mingkuan, Mr. Su Bo, Mr. Guo Shunshun and Mr. Men Geng; and the independent non-executive directors are Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo and Mr. Hu Yangyang.