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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Year-on-Year Change*
	2019	2018	(%)
	(RMB in thousands, except for percentages)		
Revenue	**564,991**	439,530	28.5
Cost of sales	**(122,708)**	(103,308)	18.8
Gross profit	**442,283**	336,222	31.5
Profit and total comprehensive income for the year	**206,788**	216,533	(4.5)
Non-IFRS adjusted net profit**	**306,804**	232,235	32.1

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

** Non-IFRS adjusted net profit was derived from the audited profit and total comprehensive income for the year adjusted for share-based payment expenses and listing expenses.

REVENUE BY TYPES OF VIRTUAL PRODUCTS

	For the year ended 31 December		Year-on-Year Change*
	2019	2018	(%)
	(RMB in thousands, except for percentages)		
Self-developed mobile games			
Virtual tokens	**265,449**	199,302	33.2
Private game room cards	**196,086**	213,149	(8.0)
Third-party mobile games	**41,639**	27,079	53.8
	503,174	439,530	14.5
Advertising revenue**	**61,817**	—	N/A
Total	**564,991**	439,530	28.5

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

** Advertising revenue represents revenue generated from in-game advertisement slots the Group inserted in its mini-programs, typically measured by user clicks.

OPERATIONAL HIGHLIGHTS

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

	As at or for the year ended 31 December 2019	As at or for the year ended 31 December 2018
Virtual tokens		
Cumulative registered players* (as at period end)	**153,379,127**	90,644,106
Daily active users ("**DAUs**") ** (as at period end)	**4,892,931**	4,502,857
Paying players***	**4,018,193**	3,129,826
Private game room cards		
Cumulative registered players* (as at period end)	**10,024,502**	6,452,175
DAUs** (as at period end)	**751,820**	702,120
Paying players***	**124,579**	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 audited consolidated results (the "**Annual Results**") of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"). The Annual Results have been audited by Messrs. Deloitte Touche Tohmatsu, the auditor of the Company, and have been reviewed by 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. 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 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 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 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 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 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. Utilising 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 announcement, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group's revenue for the year ended 31 December 2019 amounted to approximately RMB565.0 million, representing an increase of 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 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 78.3% for the year ended 31 December 2019 from 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 (RMB) 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 57.6% for the year ended 31 December 2018 to 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 49.3% and 36.6% for the years ended 31 December 2018 and 2019, respectively. The decrease in profit margin was 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. Profit and total comprehensive income attributable to owners of the Company increased by approximately 1.3% from RMB204.1 million for the year ended 31 December 2018 to 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 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 (吉林省心悅網絡科技有限公司) (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 announcement, 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**") on 5 June 2019 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**").

On 14 November 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 the date of this announcement. 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. The exercise price of the Share Options is HK$2.09 per Share. 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. The Share Options granted shall be valid for a period of five years from the date of grant. Any Share Options not exercised by 14 November 2024 shall lapse.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	Year ended 31 December **2019** *RMB'000*	2018 *RMB'000*
Revenue	3	**564,991**	439,530
Cost of sales	4	**(122,708)**	(103,308)
Gross profit		**442,283**	336,222
Other income	5	**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		**(82,210)**	—
Interest on lease liabilities		**(758)**	—
Profit before income tax		**246,674**	**253,139**
Income tax expense	6	**(39,886)**	(36,606)
Profit and total comprehensive income for the year	7	**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	9	**20.20**	25.12
— Diluted	9	**19.69**	25.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		As at 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment	*10*	**43,473**	12,586
Intangible assets	*11*	**2,630**	1,980
Right-of-use assets	*12*	**14,350**	—
Loan to an employee	*13*	**1,900**	1,900
Rental and other deposits		**2,178**	791
Equity instruments at fair value through other comprehensive income	*14*	**14,000**	—
Deferred tax assets	*15*	**504**	—
		79,035	17,257
Current assets			
Trade receivables	*16*	**49,326**	22,387
Prepayments and other receivables	*17*	**98,008**	38,878
Cash and cash equivalents	*18*	**502,367**	218,195
		649,701	279,460
Current liabilities			
Other payables	*19*	**47,337**	35,530
Lease Liabilities	*20*	**4,427**	—
Deferred revenue	*21*	**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

		As at 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Non-current liabilities			
Lease liabilities	*20*	**9,974**	—
Net assets		**616,577**	212,735
Capital and reserves			
Paid-in capital/Share capital		**41**	27
Shares held for Share Award Scheme		**(2)**	—
Reserves		**616,538**	212,708
Total equity		**616,577**	212,735

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company									
	Paid-in capital/ Share capital	Shares held for Share Award Scheme	Share premium	Statutory reserve	Other reserve	Share-based payments reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note i)*	*RMB'000* *(note ii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 8)*	–	–	–	–	–	–	(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	3	(3)	–	–	3	–	–	3	–	3
Issue of shares under the global offering	11	–	373,695	–	–	–	–	373,706	–	373,706
Share issuance costs	–	–	(26,865)	–	–	–	–	(26,865)	–	(26,865)
Recognition of share-based payments under the Share Award Scheme	–	–	–	–	–	78,862	–	78,862	–	78,862
Vesting of award shares under the Share Award Scheme	–	1	24,785	–	–	(24,786)	–	–	–	–
Recognition of share-based payments under the Share Option Scheme	–	–	–	–	–	3,348	–	3,348	–	3,348
Dividends recognized as distribution *(Note 8)*	–	–	(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 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 (家鄉互動 (廈門) 網絡科技有限公司) ("**Jiaxiang Interactive**") acquired 100% of the equity interests in Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司) ("**Jilin Xinze**") and Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司), ("**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, Jiaxiang Interactive and Jilin Yutai Network Technology Company Limited entered into a series of contractual arrangements, which enable the Group to be entitled to 100% of assets and profits from Jiaxiang Interactive and its subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December	
		2019	2018
	NOTES	***RMB'000***	*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		**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

		Year ended 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Investing activities			
Purchase of property, plant and equipment		**(33,329)**	(2,995)
Deposit for a potential acquisition	*17*	**(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		**—**	(1,082)
Interest received		**6,744**	663
Net cash used in investing activities		**(116,849)**	(3,443)
Financing activities			
Issue costs paid		**(26,401)**	(4,340)
Dividends paid		**(232,000)**	(129,000)
Proceeds of issuance of new 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	*18*	**502,367**	218,195

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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 the 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 with effect from the Listing Date.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The Group has applied the following new and amendments to IFRSs and interpretations 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 interpretations 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" ("IFRS 16")

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases" ("**IAS 17**"), 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.

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 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 relating to operating leases recognized upon application of IFRS 16 and lease liabilities as at 1 January 2019	9,326
Analyzed 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
	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.

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.

Impacts and changes in accounting policies of application of other new and amendments to IFRSs

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.

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 position 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. 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 games; and (3) advertising income. The Group's operating activities are attributable to a single operating segment focusing on development and operation of mobile games in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC which 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 tokens in the platform to the virtual goods 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. During the year ended 31 December 2019, 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.

	Year ended 31 December	
	2019	2018
	RMB'000	*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	**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 from continuing operation was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

4. COST OF SALES

Cost of sales is analyzed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*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

5. OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*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.

6. INCOME TAX EXPENSE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*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 both years.

PRC Corporate Income Tax ("CIT")

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 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. 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 years can be reconciled to the profit before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	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.

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2019	2018
	RMB'000	*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 disposals of property, plant and equipment	**—**	53
Directors' emoluments	**3,435**	2,443
Other staff costs:		
Salaries and other benefits in kind	**69,162**	52,837
Contributions to retirement benefit and scheme	**4,298**	4,888
Share-based payment expenses	**82,210**	—
Total staff costs	**159,105**	60,168

8. 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.

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:

	Year ended 31 December	
	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 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 period 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold 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.

11. 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

12. 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 office buildings and dormitory for employees. 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 expense disclosed in Note 7.

13. 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.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loan to an employee	**1,900**	1,900

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2019	2018
	RMB'000	*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.

15. DEFERRED TAX ASSETS

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

	Share-based payments
	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.

16. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**49,326**	22,387
Less: impairment provision	**—**	—
Total	**49,326**	22,387

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:

	As at 31 December	
	2019	2018
	RMB'000	*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 as at the reporting date.

17. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*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

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 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 vendor with no history of defaults. No impairment is made for account balance on Alipay during the year.

18. CASH AND CASH EQUIVALENTS

	As at 31 December	
	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.

19. OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*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 the 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 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.

20 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

21. 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 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	Private game room cards	Total
	RMB'000	*RMB'000*	*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

OTHER INFORMATION

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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.

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange on 4 July 2019. The net proceeds from the global offering was approximately HK$363.8 million.

During the 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	HK$2.4 million	HK$14.0 million
	and 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**

EVENTS AFTER THE 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 announcement, 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 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

The Shares were listed on the Stock Exchange on 4 July 2019 (the "**Listing Date**") and the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") was not applicable to the Company before the Listing Date.

During the period from the Listing Date to 31 December 2019, 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 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

The Company was listed on the Stock Exchange on 4 July 2019 and the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Company before the Listing Date.

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on 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 annual results of the Group for the year ended 31 December 2019 have been audited by Messrs. Deloitte Touche Tohmatsu, the auditor of the Company. The Audit Committee has reviewed the Company's audited consolidated 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.

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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual report of the Company for the year ended 31 December 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 March 2020

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.