家乡互动
HOMELAND INTERACTIVE

家鄉互動科技有限公司
Homeland Interactive Technology Ltd.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 3798

ANNUAL REPORT 2020

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. YU Ronald Patrick Lup Man
Mr. ZHANG Yuguo
Mr. HU Yangyang
Ms. GUO Ying

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. LEUNG Suet Lun

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

AUTHORIZED REPRESENTATIVES

Mr. SU Bo
Ms. LEUNG Suet Lun

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

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

COMPANY'S WEBSITE

https://www.jiaxianghudong.com

STOCK CODE

3798

HEADQUARTERS IN THE PRC

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77 Tainan Road
Siming District
Xiamen
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**772,034**	564,991	439,530	261,751	51,946
Gross profit	**592,088**	442,283	336,222	210,058	42,631
Profit for the year	**390,027**	206,788	216,533	132,744	24,237
Profit for the year attributable to owners of the Company	**390,804**	206,788	204,091	118,569	23,256
Non-IFRS adjusted net profit attributable to the owners of the Company	**417,849**	306,804	219,793	118,569	23,256

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**227,603**	79,035	17,257	15,779	12,343
Current assets	**877,069**	649,701	279,460	201,842	54,958
Current liabilities	**148,219**	102,185	83,982	92,446	24,504
Net current assets	**728,850**	547,516	195,478	109,396	30,454
Non-current liability	**7,101**	9,974	—	—	—
Total equity	**949,352**	616,577	212,735	125,175	42,797

* The data of 2016 and 2017 are extracted from the Prospectus.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Homeland Interactive Technology Ltd. (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**").

In 2020, the Group has enjoyed a successful year. In terms of financial performance, the Group continued its robust growth in 2020. The Group's revenue and gross profit for the year ended 31 December 2020 were approximately RMB772.0 million and RMB592.1 million, representing an increase of approximately 36.6% and 33.9%, respectively as compared with last year. The Group's adjusted net profit, which does not take into account share-based payment expenses of approximately RMB27.0 million, was approximately RMB417.8 million for the year ended 31 December 2020, representing an increase of approximately 36.2% from approximately RMB306.8 million for the year ended 31 December 2019.

In terms of business development, the Group continued to expand its game portfolio, and enhance its marketing capabilities and technology infrastructure to grow its player base, increase their stickiness and stimulate their in-game purchases. As at 31 December 2020, the Group's cumulative registered players reached 259,793,180, representing an increase of 59.0% compared with 31 December 2019. The Group's DAUs increased to 7,521,912 as at 31 December 2020, representing a growth of 33.3%, as compared with 31 December 2019. The Group's paying players reached 5,592,374 for the year ended 31 December 2020, representing a growth of 35.0% as compared with the year ended 31 December 2019.

Looking forward, in 2021, the Group plans to continue to deepen the regional market for its card and board games, further strengthen regional promotion in local provinces and cities, increase DAU, and expand its market share. The Group aims to establish a large DAU traffic pool and realize gain from the advancement from operating card and board games to an integrated game platform. In 2020, the promotion of the Group's products in local provinces has achieved remarkable results. The Company has accumulated more than 250 million registered users, with growth in DAU more prominently noted in the central provinces such as Shaanxi, Henan, Shandong and Hebei. In 2021, the Group will focus on solidifying its presence in the western region such as Jiangsu, Zhejiang and Shanghai.

In 2021, strategically, the Group strives to progress from a leading localized mobile card and board game developer and operator in China to a global casual competitive game platform. In addition to continuing to cultivate in the field of card and board games and expand market share, the Company will focus on diversification and globalization this year, broaden its product offerings for multi-category track such as casual games, and expand its presence in the overseas markets. The Group has commenced studies on the features and characteristics of regional games in Southeast Asia, the Middle East, Japan and South Korea, and are independently developing regional board games, which are expected to be launched in the overseas markets gradually in 2021.

The Company is in full confidence that it will succeed in implementing its strategies in the coming year and offer fruitful returns to the shareholders of the Company.

I would like to take this opportunity to express my sincere gratitude to the management and staff of the Group for their dedication and contribution in the past year to the Group, and to the shareholders and business partners of the Company for their support and confidence in the Group.

Wu Chengze
Chairman and Executive Director

Hong Kong, 29 March 2021

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. The Group currently offers Mahjong game variations that are localized to cover at least some counties in 28 provinces and municipalities in China. In 2020, the Group has launched 54 new Mahjong game variations, 18 new poker game variations and 2 new casual games.

In terms of financial performance, the Group continued its robust growth in 2020. The Group's revenue and gross profit for the year ended 31 December 2020 were approximately RMB772.0 million and RMB592.1 million, representing an increase of approximately 36.6% and 33.9%, respectively as compared with last year, primarily due to significant increase in the Group's cumulative registered players and DAUs during 2020 resulting from the Company's effort in further developing the Group's game portfolio and increase in promotion activities to enhance player stickiness and stimulate in-game purchases, and increase in advertising revenue. During 2020, the Group recognized advertising revenue of approximately RMB121.2 million as it incentivized players by giving free private game room cards and virtual tokens through clicks on advertisements thereby increasing its advertising revenue. The Group's adjusted net profit, which does not take into account share-based payment expenses of approximately RMB27.0 million, was approximately RMB417.8 million for the year ended 31 December 2020, representing an increase of approximately 36.2% from approximately RMB306.8 million for the year ended 31 December 2019.

In terms of business development, the Group continued to expand its game portfolio, and enhance its marketing capabilities and technology infrastructure to grow its player base, increase their stickiness and stimulate their in-game purchases. As at 31 December 2020, the Group's cumulative registered players reached 259,793,180, representing an increase of 59.0% compared with 31 December 2019. The Group's DAUs increased to 7,521,912 as at 31 December 2020, representing a growth of 33.3%, as compared with 31 December 2019. The Group's paying players reached 5,592,374 for the year ended 31 December 2020, representing a growth of 35.0% as compared with the year ended 31 December 2019.

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

BUSINESS OUTLOOK

During 2021, the Group will continue its efforts to further solidify its leading position in the localized card and board game industry in China by continuing the following strategies:

- Further develop the Group's advertising revenue. The Group will continue to cooperate with other platform operators to insert in-game advertisement slots. In addition, leveraging its user traffic, the Group 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 establish a large DAU traffic pool and realize gain from the advancement from operating card and board games to an integrated game platform. In 2021, the Group will focus on solidifying its presence in the western region such as Jiangsu, Zhejiang and Shanghai and aims to expand the coverage of its localized game variations to the entire country in the future. Moreover, the Group also intends to introduce more casual games including both app and HTML5 versions 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.

- Expansion of products overseas through cooperations with internationally renowned third-party game distribution channels. In 2021, the Company will further deploy resources for research and development and promotion of products overseas. The Company will leverage its own experience in game development and operation in the PRC to launch board games and casual games suitable for overseas players. In 2021, depending on the product development, the Company plans to launch game products covering areas including Hong Kong, Macau, Taiwan, Europe, America, Southeast Asia and the Middle East. The Group has commenced studies on the features and characteristics of regional games in Southeast Asia, the Middle East, Japan and South Korea, and are independently developing regional board games, which are expected to be launched in the overseas markets gradually in 2021. The Company will cooperate with internationally renowned third party game distribution channels to promote game products in the target areas.

- Continue to explore acquisition opportunities. On 3 November 2020, Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司) ("**Jilin Xinze**"), an operating company of the Group which is controlled by the Group through contractual arrangements, acquired 40% of the equity interest in Jilin Xinyue Network Technology Limited* (吉林省心悦網絡科技有限公司) ("**Jilin Xinyue**") at a cash consideration of RMB150,000,000. Jilin Xinyue is principally engaged in the 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. In 2021, the Group will continue to explore complementary partnership or acquisition opportunities of small to medium-sized mobile games developers and operators which can enhance its game-related sourcing, development and operation capabilities and complement its experience in the gaming market.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2020 amounted to approximately RMB772.0 million, representing an increase of 36.6% from approximately RMB565.0 million recorded in 2019. The increase in revenue was primarily driven by significant increase in the Group's cumulative registered players and DAUs during 2020 resulting from the Company's effort in further developing the Group's game portfolio and increase in promotion activities to enhance player stickiness and stimulate in-game purchases, and increase in advertising revenue. Advertising revenue represents revenue generated from in-game advertisement slots the Group inserted in its mini-programs, typically measured by user clicks. For the year ended 31 December 2020, revenue generated from the Group's sale of virtual tokens, private game room cards, distribution of third-party mobile games and advertising accounted for approximately 54.4%, 27.1%, 2.8% and 15.7% of the Group's total revenue, respectively, as compared with approximately 47.0%, 34.7%, 7.4% and 10.9%, respectively, for the year ended 31 December 2019.

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 46.6% to approximately RMB179.9 million in 2020 from approximately RMB122.7 million in 2019, primarily due to the growth in the Group's business in line with the expansion of the Group's game portfolio. More specifically, the increase in cost of sales was primarily due to (i) an increase of RMB23.3 million in commissions and fees paid to third-party distribution channels and payment vendors due to the increased use of third-party distribution channels to distribute its games in line with the Group's rapid business growth; (ii) an increase of RMB20.9 million in server-related and technical support fees; and (iii) an increase of RMB14.0 million in employee benefit expenses. As at 31 December 2020, 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 33.9% to approximately RMB592.1 million for the year ended 31 December 2020 from approximately RMB442.3 million in 2019, and the Group's gross profit margin decreased slightly to 76.7% for the year ended 31 December 2020 from 78.3% in 2019.

Other Income

Other income increased significantly by approximately 38.9% from approximately RMB39.2 million for the year ended 31 December 2019 to approximately RMB54.5 million for the year ended 31 December 2020. The increase was primarily due to (i) an increase of RMB8.1 million in interest income; (ii) an increase of RMB4.2 million in government subsidies which are industry-specific subsidies obtained from local governments; and (iii) an increase of RMB2.9 million in service income as the Group carried out offline and online promotion marketing activities for other game operators of smaller scale as well as provided technical support services.

Foreign Exchange (Losses) Gains, Net

Foreign exchange losses of approximately RMB0.6 million was recorded for the year ended 31 December 2020 while foreign exchange gains of approximately RMB0.9 million was recorded for the year ended 31 December 2019, mainly due to the fluctuation of exchange rate of Renminbi (RMB) against HK dollars and US dollars.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 23.1% from approximately RMB98.2 million for the year ended 31 December 2019 to approximately RMB120.9 million in 2020. The increase was primarily due to a RMB47.8 million increase in advertising expenses resulting from the Group's enhanced marketing efforts to acquire and retain players which was offset by a decrease in in-game promotion expenses of RMB27.8 million.

Administrative Expenses

The Group's administrative expenses decreased by approximately 54.5% from approximately RMB118.6 million for the year ended 31 December 2019 to approximately RMB54.0 million in 2020. The decrease was primarily due to a decrease of RMB75.2 million in share-based payment expenses. The decrease was partially offset by an increase of RMB4.1 million in depreciation and amortization as well as RMB5.0 million in other professional service fees in connection with consulting services the Group engaged for legal compliance, finance and other related matters.

Profit Before Income Tax

The Group's profit before income tax increased by approximately 86.7% from approximately RMB246.7 million for the year ended 31 December 2019 to approximately RMB460.6 million in 2020. The Group's profit before income tax as a percentage of total revenue increased from 43.7% for the year ended 31 December 2019 to 59.7% for the year ended 31 December 2020, primarily due to the Group's significant business growth.

Income Tax Expenses

Income tax expenses increased by approximately 76.9% from RMB39.9 million for the year ended 31 December 2019 to RMB70.5 million in 2020, primarily due to the increase in taxable profits generated for the year ended 31 December 2020. The Group's effective tax rates were 16.2% and 15.3% for the years ended 31 December 2019 and 2020, respectively.

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased by approximately 89.0% from approximately RMB206.8 million for the year ended 31 December 2019 to approximately RMB390.8 million in 2020.

Non-IFRS Measures — Adjusted Net Profit

To supplement the Group's consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("**IFRS**"), the Company also used unaudited non-IFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of 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 attributable to the owners of the Company for the years indicated:

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year attributable to the owners of the Company	**390,804**	206,788
Add:		
Listing-related expenses	**—**	17,806
Share-based payment expenses	**27,045**	82,210
Adjusted net profit attributable to the owners of the Company	**417,849**	306,804

The adjusted net profit attributable to the owners of the Company for the year ended 31 December 2020, adjusted by excluding the non-cash item of share-based payment expenses, was approximately 417.8 million, increased by 36.2% as compared to approximately RMB306.8 million for 2019.

Liquidity and Capital Resources

For the year ended 31 December 2020, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

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

Cash and cash equivalents

The Group primarily operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi. The Group has certain cash and cash equivalents and trade receivables denominated in HK dollars and US dollars, and is exposed to foreign exchange risk arising from exchange rate fluctuation of RMB against HK dollars and US dollars. As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB732.7 million (31 December 2019: approximately RMB502.4 million), which primarily consisted of cash at bank. Out of the RMB732.7 million, approximately RMB688.6 million is denominated in Renminbi, approximately RMB23.8 million is denominated in US dollars and approximately RMB20.3 million is denominated in HK dollars. The Group currently does not hedge transactions undertaken in foreign currencies. The Group paid a final dividend of RMB83.0 million in respect of the year ended 31 December 2019 to the Company's shareholders in June 2020.

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

Indebtedness

During the year ended 31 December 2020, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to RMB10.6 million in aggregate (31 December 2019: RMB14.4 million).

Gearing ratio

The gearing ratio was zero since there was no debt as at 31 December 2020.

Charge on assets

As at 31 December 2020, the Group did not pledge any of its assets.

Capital expenditures

For the year ended 31 December 2020, the Group's capital expenditure amounted to approximately RMB160.7 million (for the year ended 31 December 2019: approximately RMB48.2 million), which mainly comprised expenditures on the purchase of office furniture and equipment, motor vehicles, leasehold improvements, the purchase of the copyright of game software and computer software, the purchase of equity instruments at fair value through other comprehensive income as well as investments in associates. 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 2020 was higher primarily due to increased expenditure with respect to the investment in associates.

Contingent liabilities and guarantees

As at 31 December 2020, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Material acquisitions and future plans for major investment

On 3 November 2020, Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司), an operating company of the Group which is controlled by the Group through contractual arrangements, acquired 40% of the equity interest in Jilin Xinyue Network Technology Limited* (吉林省心悦網絡科技有限公司) ("**Jilin Xinyue**") at a cash consideration of RMB150,000,000. Jilin Xinyue is principally engaged in the 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.

As of 31 December 2020, the carrying amount of the Group's interest in Jilin Xinyue was approximately RMB146.8 million, representing approximately 13.3% of the total assets of the Group. No dividend has been received from Jilin Xinyue during the Reporting Period. Further details on the Group's significant investment during the Reporting Period is contained in note 17 to the consolidated financial statements.

Save as disclosed above, during the year ended 31 December 2020, the Group has not conducted any material acquisitions or disposals. However, the Group plans to explore opportunities, through potential partnership with or strategic acquisitions of local small to medium-sized mobile game developers and operators which can enhance its game-related sourcing, development and operation capabilities and complement its experience in the gaming market. The Group will utilize proceeds from the global offering for the purpose of any such acquisition.

Employees and Staff Costs

The Company has hired additional game developers, engineers and marketing personnel in 2020 although the pace of recruitment has slowed down due to the outbreak of the COVID-19. Taking into account the employees who departed during 2020, as at 31 December 2020, the Group had a total of 493 full time employees, mainly located in mainland China. In particular, 85 employees are responsible for the Group's research and development, 180 for game development, 81 for technical support, 55 for customer service, 42 for marketing and 50 for operations and general administration. The total staff cost incurred by the Group for the year ended 31 December 2020 was approximately RMB100.6 million compared to approximately RMB159.1 million in 2019. The decrease was mainly attributed to a decrease in 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 and 6 June 2019 respectively to incentivize employees and senior management and to align their interests with that of the Company.

Further details of the Share Option Scheme and the Share Award Scheme will be set out in the annual report of the Company for the year ended 31 December 2020.

DIRECTORS

Executive Directors

Mr. WU Chengze (吳承澤), aged 36, is a Founder, the Chairman and the Chief Executive Officer of the Group and an executive Director of the Company. Mr. Wu is primarily responsible for formulating and implementing the overall development strategies and business plans of the Group and overseeing the overall development and operations of our Group. He was appointed as a Director on 7 May 2018 and his position as Chairman and Chief Executive Officer took effect on 20 September 2018. He has held various other positions in the Group, including chief operating officer of the Group prior to 2014 and the general manager of Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網絡科技有限公司) ("**Jiaxiang Interactive**") since September 2015. Mr. Wu has over nine years of experience in the game industry. Prior to founding the Group, Mr. Wu worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from August 2006 to September 2009.

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

Mr. JIANG Mingkuan (蔣明寬), aged 39, is a Founder and the Chief Operating Officer of the Group and an executive Director of the Company. Mr. Jiang is primarily responsible for overseeing and managing the operations of the Group. He was appointed as a Director on 7 May 2018 and his position as Chief Operating Officer took effect on 20 September 2018. He has held various other positions in the Group, including general manager of Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司) ("**Jilin Xinze**") since November 2009, chief technology officer of the Group prior to 2014 and chief operating officer of the Group since 2014. Mr. Jiang has over ten years of experience in the game industry. Prior to founding the Group, Mr. Jiang worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to January 2009.

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

Mr. SU Bo (蘇波), aged 36, is a Founder and the Chief Investment Officer of the Group and an executive Director of the Company. Mr. Su is primarily responsible for overseeing and managing the strategic development and expansion plan of the Group. He was appointed as a Director on 7 May 2018 and his position as Chief Investment Officer took effect on 20 September 2018. He has held various other positions in the Group, including officer responsible for overseeing the financial, legal and administrative matters of the Group and chief investment officer of the Group since February 2018. Mr. Su has over nine years of experience in the game industry. Prior to founding the Group, Mr. Su worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to November 2009. Since September 2017, Mr. Su has also been a mentor of post-graduate students at Changchun University of Technology (長春工業大學).

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

Mr. GUO Shunshun (郭順順), aged 32, is the Chief Product Officer of the Group and an executive Director of the Company. Mr. Guo is primarily responsible for overseeing the development and production of the Group's games. He joined the Group in December 2012 and has held various positions in the Group, including head of game design and development of Jilin Xinze since December 2012 and director of the board and card game business department of Jiaxiang Interactive since September 2015. He was appointed as a Director on 20 September 2018 and his position as Chief Product Officer took effect on the same date. Mr. Guo has over nine years of experience in the game industry. Prior to joining the Group, Mr. Guo worked at Jilin Reawin Technology Co., Ltd. (吉林省睿網科技股份有限公司) as a programmer from November 2009 to April 2010. Mr. Guo completed his senior secondary education in July 2007.

Mr. MEN Geng (門耕), aged 32, is an executive Director of the Company. Mr. Men is primarily responsible for overseeing the private game room business of the Group. He joined the Group in February 2014 and has held various positions in the Group, including technical consultant of Jilin Xinze from February 2014 to June 2017 and general manager of Beijing Yuke since March 2017. He was appointed as a Director on 20 September 2018. Mr. Men has over five years of experience in the game industry. Prior to joining the Group, he was an engine development software engineer of ChangYou.com Limited, a company listed on the NASDAQ Stock Market (NASDAQ: CYOU), from February 2012 to April 2013. From May 2013 to August 2013, Mr. Men served at Beijing Handloft Technology Co., Ltd. (北京掌順科技有限公司) as a game development engineer.

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

Independent non-executive Directors

Mr. YU Ronald Patrick Lup Man (余立文), aged 50, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. He has over 20 years of experience in accounting, finance and investment. Mr. Yu worked at PricewaterhouseCoopers and held various positions, ranging from associate in assurance department to senior manager, from April 1997 to February 2006. From April 2006 to May 2007, he served at Citigroup Global Markets Asia Limited, where his last position was vice president in Asia-Pacific international operations department. From May 2007 to March 2009, he worked with Starr International Company (Asia), Limited as an Associate Director and was responsible for monitoring direct investments, fund investments and listed equity investments. From May 2010 to January 2017, he worked at Sinocap Investment Holdings Limited and held various positions, including executive director and responsible officer. Mr. Yu was a director of investment of WK Fund Management Limited from January 2017 to October 2018. He has been an independent non-executive director at Simplicity Holding Limited, a company listed on the Stock Exchange (stock code: 8367), since February 2018.

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

Mr. ZHANG Yuguo (張玉國), aged 50, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Zhang has worked in Jilin University since March 1996 and currently serves an Associate Professor of the Northeast Asian Studies College of Jilin University (吉林大學東北亞研究院) in the PRC.

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

Mr. HU Yangyang (胡洋洋), aged 31, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Hu serves as an associate of the Investment Banking Division of Ping An Securities Co., Ltd. since July 2015, primarily advising on initial public offerings and other corporate finance related matters. Prior to joining Ping An Securities Co., Ltd., Mr. Hu worked at the Financial Services Organization of Ernst & Young Hua Ming LLP Shanghai Branch from October 2012 to March 2015 and was mainly responsible for conducting financial audits.

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

Ms. GUO Ying (郭瑩), aged 59, was appointed as an independent non-executive director of the Company on 29 December 2020 for a fixed term of three years commencing from 29 December 2020, and is responsible for providing independent advice to the Board. Ms. Guo worked as a project assistant in the engineering department at Jilin Cogeneration Plant from March 1983 to April 1999. She was a training manager of human resources department at Changchun Noble Hotel (currently known as Hainan Airline Hotel Noble Changchun) from May 1999 to October 2005. From November 2005 to December 2016, Ms. Guo served as the recruitment manager of human resources department at Jilin Electric Power Research Institute Co., Ltd.

Ms. Guo obtained her bachelor's degree in thermal power engineering from Northeast Electric Power College (東北電力學院) (currently known as Northeast Electric Power University (東北電力大學)) in the PRC in 1998.

SENIOR MANAGEMENT

Mr. LI Wei (李偉), aged 37, is the advisor to the Chief Executive Officer of the Group. He is responsible for assisting the Chief Executive Officer of the Group in executing the overall development strategies and business plans of our Group. Mr. Li joined the Group in August 2013 and has held various positions in the Group, including marketing director at Jilin Xinze. He has over 13 years of experience in sales management. Prior to joining the Group, Mr. Li served as sales manager at Beijing Yicai Internet Technology Co., Ltd. (北京易彩互聯科技有限公司) from May 2005 to December 2006. From January 2007 to March 2008, he was the sales development director of Asian Financial (Beijing) Investment Co. Ltd. (亞洲金控(北京)投資有限公司). From December 2010 to July 2013, Mr. Li worked at Netconcepts Internet Technology (Beijing) Co., Ltd. (耐特康賽網絡技術(北京)有限公司) as business development director.

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

COMPANY SECRETARY

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

Mr. GAO Junfeng (高峻峰) resigned from the position of chief financial officer and joint company secretary with effect from 28 September 2020.

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and operation of localized mobile card and board games in China with a special focus on localized Mahjong and poker games. The Group also develops and operates casual games and beginning in August 2018, leveraging its large player base, the Group commenced the distribution of third-party mobile games. In 2017, the Group recognized the increasing need for socialising functions in mobile games and introduced private game room function to some of its Mahjong and poker game products. In 2018, the Group broadened its income stream by inserting certain in-game advertisement slots in its mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 32 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group during the year ended 31 December 2020, a discussion and analysis on the Group's future business development and the key financial and operational performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 11 to 15 of this annual report.

Environmental Policies and Performance

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

Compliance with Relevant Laws and Regulations

The Group is subject to various PRC laws and regulations in relation to its business in the PRC, including, without limitation, in the aspects of value-added telecommunication services, online game examination and publishing, online game operation, virtual currency, real-name registration, anti-addiction system, information security and censorship, and privacy protection.

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group and have obtained all material licenses, approvals and permits from relevant regulatory authorities for the operations of the Group in the PRC. During the year ended 31 December 2020, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Key Relationship with Stakeholders

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

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

The Company's major suppliers include third-party game distribution channels, payment vendors, cloud service providers, internet data center providers and online and offline advertising partners. On average, the Company has 2.4 years of business dealings with its major suppliers. All of the Company's five largest suppliers are independent third parties.

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

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

During the year ended 31 December 2020, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Key Risks and Uncertainties and Risk Management

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

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

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

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

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

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

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

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

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

Events after Reporting Period

There has been no significant events that have an effect on the Group subsequent to the financial year ended 31 December 2020.

Outlook for 2021

In 2021, the Group will continue its efforts to further solidify its leading position in the localized mobile card and board game industry in China by continuing the growth strategies set out in pages 8 and 10 of this annual report.

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

Mr. YU Ronald Patrick Lup Man
Mr. ZHANG Yuguo
Mr. HU Yangyang
Ms. GUO Ying (appointed on 29 December 2020)

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 16 to 19 of this annual report.

Service Contracts and Letters of Appointment of the Directors

Each of the Company's executive Directors has entered into a service contract with the Company on 5 June 2019, and the Company's independent non-executive Directors have signed letters of appointments with the Company. The service contracts with each of the executive Directors and the letters of appointment with the independent non-executive directors, other than Ms. Guo Ying, are for an initial fixed term of three years commencing from 4 July 2019. The letter of appointment with Ms. Guo Ying is an initial fixed term of three years commencing from 29 December 2020. The service contracts and letters of appointment may be terminated in accordance with the respective terms thereof. The service contracts may be renewed in accordance with the Company's amended and restated memorandum and articles of association (the "**Articles of Association**") and the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

In accordance with article 16.19 of the Articles, Mr. Su Bo, Mr. Guo Shunshun and Mr. Zhang Yuguo shall retire by rotation at the annual general meeting (the "**Annual General Meeting**" or "**AGM**") and they being eligible, offer themselves for re-election at the AGM. In accordance with article 16.2 of the Articles, Ms. Guo Ying shall hold office only until the AGM and shall then be eligible, and shall offer herself for re-election.

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

Remuneration of the Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 12 to the consolidated financial statements in this annual report.

Independence of Independent Non-Executive Directors

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

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

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

Employees and Remuneration Policies

The Directors believe that effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent. The Group provides orientation and training to new recruits as well as ongoing in-house training for junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates employees with base salaries and performance-based bonuses. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, bonuses and promotion. The Directors believe the salaries and benefits that the Group's employees receive are competitive with market standards in each geographic location where the Group conducts business. In addition, the Company has adopted 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.

SHARE INCENTIVE SCHEMES

Share Option Scheme

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

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

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

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

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion. Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of the Company, his associates) abstaining from voting.

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

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

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. Accordingly, as at 31 December 2020, the remaining life of the Share Option Scheme is approximately 8.5 years.

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

No share options (the "**Share Options**") were granted under the Share Option Scheme during the year ended 31 December 2020. Particulars of the outstanding options granted under the Share Option Scheme are set out below:

Name/ Category of participants	Date of grant[(1)]	No. of Shares involved in the options outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	No. of Shares involved in the options outstanding as at 31 December 2020	Exercise price (HK$ per Share)	Exercise period
Employees	14 November 2019	62,360,000	—	—	—	—	62,360,000	2.09	14 November 2019– 14 November 2024

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

Please refer to note 30 to the financial statements for further information of the Share Option Scheme and the value of Share Options granted.

Share Award Scheme

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

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

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

Details of the Share Awards granted under the Share Award Scheme

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

As at the date of this annual report, a total number of 79,276,000 Shares, representing approximately 6.31% of the Shares in issue as at the date of this annual report, had been allotted and issued to five employees pursuant to the Share Award Scheme. No Shares were awarded to the Directors. The Selected Participants are not required to pay any exercise price to receive the Share Awards or the Shares granted under the Share Award Scheme. As at the date of this annual report, 69,856,000 Share Awards have vested and 9,420,000 Share Awards have lapsed due to the departure of a grantee. During the year ended 31 December 2020, no Share Award has been granted or agreed to be granted under the Share Award Scheme, nor has any Share Award been cancelled.

Save as disclosed above, there has been no options granted and outstanding under the Share Option Scheme or Share Awards granted under the Share Award Scheme. Further details of the Share Award Scheme are set out in note 30 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Saved as disclosed in this annual report, as at 31 December 2020, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Group for the year ended 31 December 2020. All capitalized terms used in this section shall have the same meaning defined in the Prospectus, unless otherwise specified.

Non-Exempt Continuing Connected Transactions

Contractual Arrangements

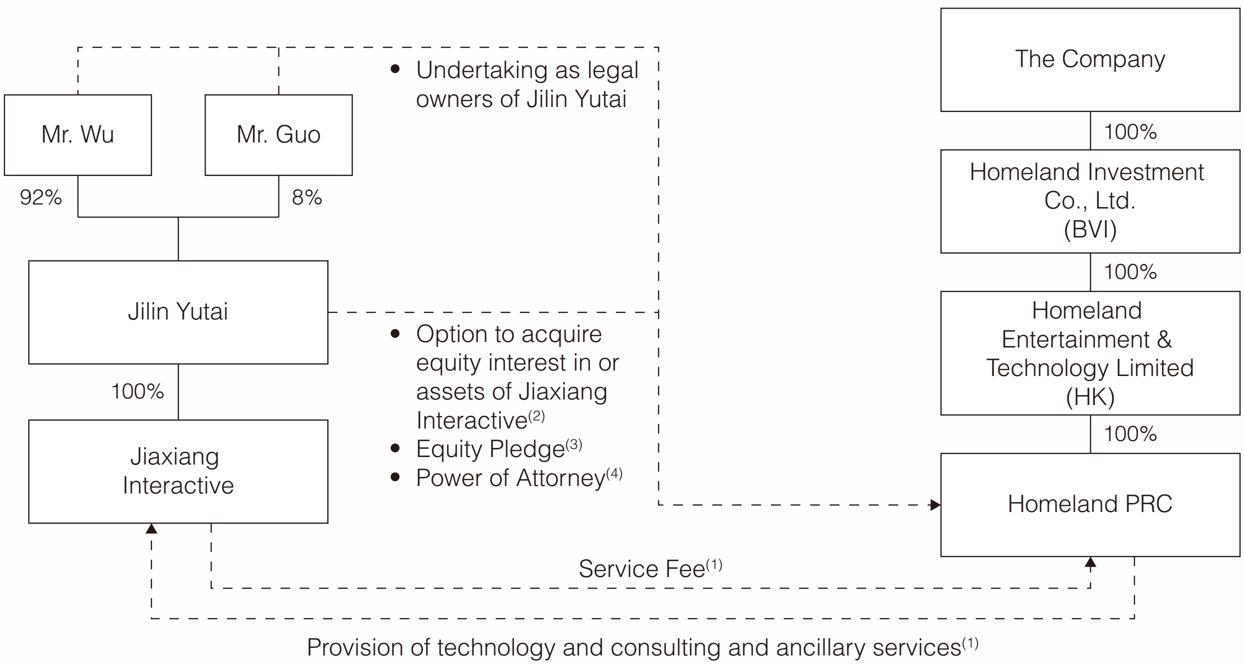
The Group is primarily engaged in the development and operation of localised mobile card and board games business (the "**Principal Business**") and is considered to be engaged in the provision of value-added telecommunications services (which includes information services provided via mobile network)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

Each of Jiaxiang Interactive, Jilin Xinze and Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) ("**Jilin Yuke**"), holds an ICP License and an Internet Cultural Business License required for the conduct of the Group's business.

The Group has, through its wholly-owned subsidiary, Beijing Kexin Network Technology Company Limited (北京柯鑫網絡科技有限公司) ("**Homeland PRC**"), entered into a series of contractual arrangements with Jiaxiang Interactive, Jilin Yutai Network Technology Company Limited (吉林省豫泰網絡科技有限公司) ("**Jilin Yutai**"), Mr. WU Chengze ("**Mr. Wu**") and Mr. GUO Shunshun ("**Mr. Guo**") to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Interactive and its subsidiaries (the "**PRC Operating Entities**"). The agreements underlying such contractual arrangements with Jiaxiang Interactive and Jilin Yutai include: (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement (the "**Contractual Arrangements**"). Moreover, Jilin Yutai had also executed an irrevocable Power of Attorney appointing Homeland PRC as its proxy to exercise on its behalf of shareholder rights in Jiaxiang Interactive. The total revenue of the Group's PRC Operating Entities during the year ended 31 December 2020 was approximately RMB772.0 million, and the total assets of the Group's PRC Operating Entities as at 31 December 2020 was approximately RMB1,058 million.

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

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



Notes:

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

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

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

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

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

(a) Exclusive Business Cooperation Agreement

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

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

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

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

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

The Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Jiaxiang Interactive to flow to Homeland PRC and hence, the Group as a whole. As of 31 December 2020, Homeland PRC has deployed appropriate facilities and personnel to oversee the operation and management of Jiaxiang Interactive, drive the key business decision-making processes and provide overall business advice and consulting services as required to be provided to Jiaxiang Interactive and its subsidiaries pursuant to the Exclusive Business Cooperation Agreement, whilst Jiaxiang Interactive and its subsidiaries are mainly responsible for the operations of the integrated mobile game platform and to hold all operating assets for the purpose of operating the Principal Business to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity operating integrated mobile game platform and the conditions of the relevant ICP and operating licenses granted to Jiaxiang Interactive and its subsidiaries. The Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Homeland PRC and Jiaxiang Interactive under the Contractual Arrangements and also ensure sound and effective operation of the Group in compliance with the Contractual Arrangements and applicable laws and regulations.

(b) Exclusive Call Option Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) *Equity Pledge Agreement*

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

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

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

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

(d) Power of Attorney

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

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

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

UNDERTAKING FROM THE ULTIMATE LEGAL OWNERS OF JILIN YUTAI

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

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

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

Mitigation actions taken by the Company

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

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

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

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

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

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

Waiver from the Stock Exchange

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

Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions of the Company and confirmed that (i) the transactions carried out during the year ended 31 December 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Jiaxiang Interactive and its subsidiaries has been substantially retained by Homeland PRC; (ii) no dividends or other distributions have been made by Jiaxiang Interactive or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new transactions, contracts and agreements or renewal of existing agreements have been entered into between the Group and Jiaxiang Interactive during the year ended 31 December 2020.

Confirmation from the Company's Independent Auditors

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with Contractual Agreements for the year ended 31 December 2020 in accordance with Rule 14A.56 of the Listing Rules, with an emphasis in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Contractual Agreements for the year ended 31 December 2020. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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

Further details on related party transactions for the year ended 31 December 2020 are set out in note 29 to the consolidated financial statements.

Save as disclosed in this annual report, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rule.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

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

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

(1) All interests stated are long positions.

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

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

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

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

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

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

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

Note:

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

(iii) Interests in Other Members of the Group

So far as the Directors are aware, as of 31 December 2020, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Note:

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

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, so far as is known to the Directors, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

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

Notes:

(1) All interests stated are long positions.

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

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Company's ultimate customers are individual game players. Due to the Group's large customer base, its five highest paying players in aggregate contributed to substantially less than 30% of the total sales proceeds received during the year ended 31 December 2020.

Major Suppliers

For the year ended 31 December 2020, the Group's five largest suppliers accounted for approximately 34.7%, as compared to approximately 46.3% of the Group's total purchase amounts for the year ended 31 December 2019. The Group's single largest supplier accounted for approximately 12%, as compared to approximately 11% of the Group's total purchases for the year ended 31 December 2019.

During the year ended 31 December 2020, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5.0% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers.

MANAGEMENT CONTRACTS

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended 31 December 2020.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 79 of this annual report.

DIVIDENDS

The Board has resolved to declare a final dividend of RMB0.1593 (equivalent to HK$0.1892) 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 RMB0.84198, being the official exchange rate of HK dollars against Renminbi as quoted by the People's Bank of China on 29 March 2021. The final dividend will be paid on or around 18 June 2021 to shareholders whose names appear on the register of members of the Company on 8 June 2021.

The AGM is proposed to be held on 24 May 2021. A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course. The register of members of the Company will be closed from 18 May 2021 to 24 May 2021 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. In order to be eligible to attend and vote at the Annual General Meeting, 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 17 May 2021.

Subject to the passing of the relevant resolution at the Annual General Meeting, the register of members of the Company will be closed from 4 June 2021 to 8 June 2021 (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 3 June 2021.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements in this annual report. As at 31 December 2020, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and other reserves totaling approximately RMB113.6 million (2019: approximately RMB139.6 million).

CHARITABLE DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements in this annual report.

USE OF PROCEEDS FROM LISTING

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

During the year ended 31 December 2020, the proceeds from the global offering were utilized in accordance with the intended purposes as set out in the Prospectus, with an unused balance of approximately HK$178.2 million as at 31 December 2020. The balance of proceeds from the global offering will continue to be utilized according to the manner and proportions as disclosed in the Prospectus. The following table shows a summary of the intended use of the net proceeds and the utilization as at 31 December 2020:

Intended use of the net proceeds	Utilization from 1 January 2020 to 31 December 2020	Utilization as at 31 December 2020	Remaining balance as at 31 December 2020	Expected time of full utilization of remaining balance of net proceeds
1. Approximately HK$89.1 million for further expanding and developing game portfolio, of which:	**HK$32.4 million**	**HK$47.1 million**	**HK$42.0 million**	**30 June 2022**
• HK$43.4 million is intended to be used to develop additional Mahjong game variations	HK$15.1 million	HK$22.6 million	HK$20.8 million	30 June 2022
• HK$20.9 million is intended to be used to develop new poker game variations	HK$7.5 million	HK$11.0 million	HK$9.9 million	30 June 2022
• HK$24.8 million is intended to be used to develop new casual games	HK$9.8 million	HK$13.5 million	HK$11.3 million	30 June 2022
2. Approximately HK$105.9 million for introducing and enhancing game features or functions and for improving technology infrastructure, of which:	**HK$38.4 million**	**HK$57.0 million**	**HK$48.9 million**	**30 June 2022**
• 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$14.8 million	HK$21.7 million	HK$18.1 million	30 June 2022
• HK$18.5 million is intended to be used to improve user interface	HK$6.6 million	HK$10.0 million	HK$8.5 million	30 June 2022
• HK$19.1 million is intended to be used to improve backend system	HK$7.0 million	HK$10.7 million	HK$8.4 million	30 June 2022
• HK$16.5 million is intended to be used to develop new features of game products	HK$5.8 million	HK$9.2 million	HK$7.3 million	30 June 2022
• HK$12.0 million is intended to be used on cybersecurity needs	HK$4.2 million	HK$5.4 million	HK$6.6 million	30 June 2022

Intended use of the net proceeds	Utilization from 1 January 2020 to 31 December 2020	Utilization as at 31 December 2020	Remaining balance as at 31 December 2020	Expected time of full utilization of remaining balance of net proceeds
3. Approximately HK$65.5 million for enhancing marketing capabilities and improving brand image, of which:	**HK$20.2 million**	**HK$32.0 million**	**HK$33.5 million**	**30 June 2022**
• HK$16.4 million is intended to be used on offline promotion activities in respect of new game variations and HK$14.3 million on offline promotion activities in respect of existing games	HK$8.2 million	HK$12.9 million	HK$17.8 million	30 June 2022
• HK$30.6 million is intended to be used as advertising expenses	HK$11.9 million	HK$18.6 million	HK$12.0 million	30 June 2022
• HK$4.2 million is intended to be used to build a PR team to strengthen overall marketing capability	HK$0.1 million	HK$0.5 million	HK$3.7 million	30 June 2022
4. Approximately HK$38.6 million for external growth by strategically pursuing partnership and acquisition opportunities	**HK$17.0 million**	**HK$17.0 million**	**HK$21.6 million**	**30 June 2022**
5. Approximately HK$28.4 million for international expansion	**HK$8.6 million**	**HK$12.4 million**	**HK$16.0 million**	**30 June 2022**
6. Approximately HK$36.3 million for providing funding for working capital and general corporate purposes	**HK$14.4 million**	**HK$20.1 million**	**HK$16.2 million**	**30 June 2022**
Total	**HK$131.0 million**	**HK$185.6 million**	**HK$178.2 million**	

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" above. Save as disclosed above, no equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company in 2020 or subsisted at the end of 2020.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 49 to 59 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The Company has appointed Deloitte as the auditor of the Company for the year ended 31 December 2020. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Deloitte as the auditor of the Company.

By Order of the Board
Homeland Interactive
WU Chengze
Chairman

Hong Kong, 29 March 2021

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions of the Corporate Governance Code on the Stock Exchange (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, the Company has complied with the applicable code provisions as set forth in the CG Code, except for a deviation from the code provision A.2.1 of the CG Code that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Details of such deviation are summarized below in the subsection headed "Chairman and Chief Executive Officer".

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code for securities transactions by the Directors. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the Model Code throughout the Reporting Period.

BOARD OF DIRECTORS

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

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

Board Composition

The Board comprises nine Directors. As at 31 December 2020 and up to the date of this annual report, the Company has five executive Directors and four independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

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

Independent Non-executive Directors

Mr. YU Ronald Patrick Lup Man
Mr. ZHANG Yuguo
Mr. HU Yangyang
Ms. GUO Ying (appointed on 29 December 2020)

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

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

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 16 to 19 of this annual report.

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

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

Chairman and Chief Executive Officer

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

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

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

Appointment and Re-election of Directors

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

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

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

Responsibilities of the Directors

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During 2020, the Company organized training sessions conducted by qualified professionals for all the Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, risk management and internal controls etc. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Directors as at 31 December 2020, being Mr. WU Chengze, Mr. JIANG Mingkuan, Mr. SU Bo, Mr. GUO Shunshun, Mr. MEN Geng, Mr. YU Ronald Patrick Lup Man, Mr. ZHANG Yuguo, Mr. HU Yangyang and Ms. GUO Ying confirmed that they had complied with continuous professional development requirements for 2020.

Attendance Records of Directors and Committee Members

The attendance records of each Director at Board meetings, general meeting, and Board Committee meetings of the Company held during the Reporting Period are set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	Board	General	Audit Committee	Remuneration Committee	Nomination Committee
Mr. WU Chengze	4/4	1/1	—	1/1	—
Mr. JIANG Mingkuan	4/4	1/1	—	—	—
Mr. SU Bo	4/4	1/1	—	—	—
Mr. GUO Shunshun	4/4	1/1	—	—	—
Mr. MEN Geng	4/4	1/1	—	—	—
Mr. YU Ronald Lup Man	4/4	1/1	2/2	1/1	1/1
Mr. ZHANG Yuguo	4/4	1/1	2/2	1/1	1/1
Mr. HU Yangyang	4/4	1/1	2/2	1/1	1/1
Ms. GUO Ying (appointed on 29 December 2020)	0/4	0/1	—	—	—

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. During the Reporting Period, the Company held four Board meetings in total. During the Reporting Period, the Company held an annual general meeting on 3 June 2019 ("**2019 AGM**"). All the directors of the Company, other than Ms. Guo Ying who as appointed on 29 December 2020, attended the 2019 AGM.

The Audit Committee held two meetings during the Reporting Period to review and consider, in respect of the year ended 31 December 2020, the interim and annual financial results and reports, operational and compliance controls and the effectiveness of the risk management and internal control systems. The Audit Committee also met the external auditors twice during the Reporting Period without the presence of the executive Directors and the management.

The Remuneration Committee held one meeting and the Nomination Committee held one meeting during the Reporting Period. All respective members of the two committees attended the meetings.

BOARD COMMITTEES

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

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

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

Audit Committee

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

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

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

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2020 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Remuneration Committee

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

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

For the year ended 31 December 2020, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration adjustment principle of all employees as a whole, the remuneration policy and structure of the Company, and the remuneration packages of the directors and other related matters.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2020 is as follows:

	Number of employee(s)
Nil to HK$1,000,000	1

Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements in this annual report.

Nomination Committee

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

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

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

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

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

The Nomination Committee held one meeting to review the structure, size and composition of the Board, the qualification and independence of the new independent non-executive Director and to make recommendations to the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

Review of Risk Management and Internal Controls

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

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

The Board has received confirmation from the management that in respect of the year ended 31 December 2020:

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

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

Based on the framework for risk management and internal control systems established by the Group, the Board and the Audit Committee considered that, through the review of risk management and internal control systems of the Group, it can evaluate and improve their effectiveness. The Board, with the concurrence of the Audit Committee, considered that the Company's internal control systems, including financial, operational and compliance, were effective and adequate for the year ended 31 December 2020 based on the work performed and report prepared by the team as well as the confirmation letter received by the management. The Company will perform ongoing assessments to update all material risk factors on a regular basis. In any case, review of risk management and internal control systems by the Board will be conducted annually.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 74 to 78 of this annual report.

DIVIDEND POLICY

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2020 amounted to RMB3.3 million and RMB0.6 million, respectively.

COMPANY SECRETARY

Mr. GAO Junfeng resigned from the position of chief financial officer and joint company secretary with effect from 28 September 2020.

The Company has engaged TMF Hong Kong Limited, external service provider, and Ms. LEUNG Suet Lun has been appointed as the Company's company secretary. Her primary contact person at the Company is Mr. TANG Yinghao, the chief financial director of the Company.

The company secretary attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2020 to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

CONSTITUTIONAL DOCUMENTS

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

ABOUT THIS REPORT

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

Reporting Boundaries

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

Reporting period: 1 January 2020 to 31 December 2020, the financial period of our Annual Report 2020.

Business scope: Mobile card and board game developer and operator

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

Reference Guidelines

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

Contact

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

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

OVERVIEW

Core Values/Management Principles

The Group has highly emphasized the importance of sustainable development and ESG during the business decision process. The Group strives to strike a balance between economic development, the environment and the society.

Management Structure

A clear management structure is well-established within the Group's operation which could effectively manage the operation of various business activities and subsidiaries. And an ESG committee has been set up to independently address and report specific environmental and social issues of the Group to the Board.

STAKEHOLDER IDENTIFICATION AND COMMUNICATION

To further improve the sustainable development strategy, stakeholders' opinions would be high valuable. The Group have invited our suppliers, employees, customers and other stakeholders to comment on our approach to various issues, and ways to further improve the internal control system, corporate governance structure and formulate longer-term policies. The following table sets forth the key methods for communicating with internal and external stakeholders of the Group:

	Types of stakeholders	Key issues	Major communication method
Internal stakeholders	Directors	Risk management	Consultation via phone calls and emails Direct communication Company conferences Suggestion box
	Employees	Vocational training and development Salaries and benefits Health and safety	Consultation via phone calls and emails Direct communication Company conferences Suggestion box
External stakeholders	Shareholders/investors	Stable return on investment Transparency of information disclosure	Annual general meeting Consultation via phone calls and emails
	Suppliers/customers	Performance of contract Standardised supply chain management system and procurement process Establishment of complaint system	Annual report Meetings
	Distributors	Well-established information exchange system Steady and stable supply of products	After-sales opinion box Consultation via phone calls and emails Meetings
	Government	Business operation in compliance with relevant laws and regulations	Annual report Meetings
	Community/academic institutions	Contributions to community development	Annual report Community service

ENVIRONMENTAL PERFORMANCE

Due to the business nature of the Group, the environmental impact is relatively low and there are no significant climate-related issues which would impact the Group. Nevertheless, the Group has taken the responsibility as a global citizen, and paid effort in protecting the environment.

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

Gas Emission

Use of electricity and vehicles are the major source of gaseous emission from the Group's business operation. The Group has introduced particular measures aiming to reduce emission.

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

To reduce the emission from vehicles, the Group has introduced measures, such as encouraging carpooling from coworkers, conducting regular vehicle inspection to ensure the exhaust is in compliance with the national standards.

Due to the impact of COVID-19 since the start of 2020, the Group has not taken any business flight, which would produce indirect emission.

Major Gas Emission Indicators

Direct Emissions	**Unit**	**Emission in 2020**
Carbon Dioxide (CO_2)	Tonnes	10.98
Methane (CH_4)	Tonnes	0.001
Nitrous Oxide (N_2O)	Tonnes	0.07
Nitrogen Oxides (NO_x)	Tonnes	2.36
Sulphur Oxides (SO_x)	Tonnes	1.75
Particulate Matter (PM)	Tonnes	0.17
Total Greenhouse Gas (GHG) Emissions	**Unit**	**Emission in 2020**
Direct emission from vehicles	t-CO_2 eq.	12.59
Indirect emission from electricity consumption	t-CO_2 eq.	110.46
Emission Intensity (per employee)	**Unit**	**Emission in 2020**
Direct emission from vehicles	t-CO_2 eq.	0.02
Indirect emission from electricity consumption	t-CO_2 eq.	0.20

Waste Management

The business of the Group has strictly complied with the *Law of the PRC on Solid Waste Pollution Prevention and Control*, *Regulations on the Administration of Hazardous Waste Transfers*, and National Hazardous Waste List.

The principles of "3R", "Reuse, Recycle, Reduce", is still in-place in the office of the Group. The concept of "paper-less" office is promoted to encourage employees reducing the use of papers during work. On the other hand, all disposed electronic parts were sold to second-hand buyers or collected by national certified waste collectors to handle the electronic waste properly.

In this year, due to the minimal amount of waste generated, the Group has not recorded any data regarding waste generation.

Water Discharge

The Group did not use extensive amount of water during operation. The Group has introduced measure to reduce the usage of water, such as installing automatic sensor taps in toilets. The Group has strictly complied with *Water Pollution Control Law of the PRC*, Urban Sewage Treatment Plant Pollutant Discharge Standards and other related laws and regulations.

Use of Resource

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

The Group has adopted the following measures to achieve resource efficiency:

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

The Group only consumes water from the supplies from municipal pipelines, no abnormalities in sourcing water were observed. Furthermore, as the major businesses of the Group are gaming developer, no packaging materials will be consumed under the Group's daily operations and hence, the Group did not record any packaging materials during the reporting period.

Major indicators for resource consumption

Resource Consumption	**Unit**	**Consumption in 2020**
Electricity	Mega Per Hour	132.0
Gasoline	Litre	4,650.5
Water	Tonnes	1,630.0
Resource Consumption Intensity (per employee)	**Unit**	**Consumption in 2020**
Electricity	Mega Per Hour	0.24
Gasoline	Litre	8.46
Water	Tonnes	2.96

The Environment and Natural Resources

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

SOCIAL PERFORMANCE

Employment

As of 31 December 2020, the Group has employed 550 full-time employees. The Group has strictly complied with the *Labour Law of the PRC*, the *Labour Contract Law of the PRC,* the *Employment Promotion Law of the PRC*, the *Labour Dispute Mediation and Arbitration Law of the PRC*, the *Regulation on the Annual Leave of Employees* and other relevant national labour laws and regulations. During the reporting period, no non-compliance issues related to employment laws and regulations were observed.

The established "Compensation and Remuneration System" help regulate the Group's employment system, and ensure all staff are treated in an open, fair and sound manner. All human resources policies are regularly reviewed which could effectively assess employees' performance and provide attractive remuneration packages to potential candidates. During hiring process, the Group always treats every candidate with the principles of "open recruitment", "equal competition", "not overstaffing" and "allocate the right position to the right person" in order to align with the Group's business development strategy. The Group reaches the candidates generally through organizing recruitment talks in campuses and labour market, posting job advertisements online and internal referrals. Most importantly, the Group adheres to its internal measures to prevent employment discrimination on the grounds of nationality, age, ethnicity, race, religion, gender, marital status, pregnancy, sexual orientation, or political stance and all applicants are qualified for application and selection.

The Group also values employees' efforts and the established performance appraisal and promotion mechanism could provide an equal promotion opportunity to the employees. Internal promotion is preferred by the Group which could be an incentive for the employees to work harder. On the other hand, every employee has been offered a competitive remuneration package and evaluated annually, in order to align with the market trends and standards. All employees are entitled to the Group's benefits, including paid leaves, marriage leaves and maternity leaves.

Major indicators for employment

	Number of Employees	Employee turnover rate
By gender		
Male	376	11.7%
Female	174	3.9%
By age group		
Age 16–20	4	33.3%
Age 21–30	314	12.5%
Age 31 or above	232	4.1%

Health and Safety

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

The Group is dedicated to providing a healthy and safe environment for the staff. Several measures, such as annual medical check-up, medical insurance, are provided to the staff. In the future, the Group has planned to provide ergonomic devices to the staff. On the other hand, all staff are required to conduct fire drill annually and all fire equipment has been inspected by third party annually. During the reporting period, the Group was not aware of any non-compliance issues regarding relevant laws and regulations, which may significantly impact the Group to provide a safe working environment, nor any lost days due to work injury. Furthermore, in the past three years, there are no work related fatalities.

Development and Training

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

Major indicators for development and training

Training	Percentage of employees trained (%) 2020	Average training hours (hours/ employees) 2020
By employment category		
Senior Management	23.8%	0.43
Middle Management	30.4%	0.96
General	28.0%	0.86
By gender		
Male	33.0%	1.09
Female	17.2%	0.34

Labour Standards

The Company has strictly followed the requirements of the *Labour Law of the PRC*, as well as the *Labour Contract Law of the PRC, Provisions on Prohibition of Child Labour of the PRC and Law of the PRC on the Protection of Minors* and restricts the recruitment of child labour and forced labour. The human resources department has made sure all applicants are eligible to work for the Group by checking their valid identification documents. All details about the job position, pay structure, day of employment and other personal information are clearly written in the employment letter issued to the successful applicants. In addition, due to the specific skills are required for the Group's technical positions, such as software engineer, the minimum academic requirement for such positions are graduates from university. And therefore, no non-compliance issues with relevant laws and regulations relating to child and forced labour were discovered by the Group during the reporting period.

Supply Chain Management

The Group has established a robust supply chain management system which could ensure the suppliers are up to the Group's standard. As a gaming developer, the major suppliers of the Group are service-based suppliers, such as payment vendors, cloud service providers and internet data center providers.

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

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

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

Major indicators for supply chain management

Region	Number of suppliers
Northeast China	35
Northern China	27
Eastern China	17
Southern China	47
Central China	1
Southwestern China	9
Northwest China	2

Product Responsibility

The Group strictly complies with the national law and regulations, including “Cybersecurity Law of the PRC”, “Regulation on Internet Information Service of the PRC”, “Interim Provisions on Internet Culture Management”, etc. The Group has certified ISO27001 information security management system to effectively manage and control all information risk management processes. Due to the business nature of the Group, the Group’s products will not be recalled to health and safety reasons. During the reporting period, the Group did not receive any material complaints relating to its products or services.

Anti-Gambling

The Group has formulated “Anti-gambling Management System” to regulate the potential gambling activities. All employees are strictly prohibited to join any gambling activities in the games operated by the Group by any means.

On the other hand, a top-up limit of RMB20,000 to each account and other measures are in-place to prevent gaming addiction, such as reduce revenue of the account when play time is over 3 hours. In addition, the Group will not tolerate any sales of virtual currency which would pose a great risk to the gamers. The Group will take immediate actions if any violations are discovered. If the violation is confirmed, employees who are involved would be punished according to the severity of the breaches. For the gamers, their account will be suspended or terminated according to the severity of their breaches.

Intellectual Property

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

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

Cyber-security

The Group had adopted ISO27001 information security management system, including “Information Security Risk Management Procedures”, “Information Security Incident Management Program”, “Network Security Management Program”, to better manage the issues of cyber-security during business operation. The Group strives to provide a highly secured gaming platform to gamers. The management system has ensured that the network infrastructure is highly secured whilst providing a fair gaming environment to the users. For example, only authorized users can access the background development in the system and all actions are recorded. Therefore, the administrator can trace all actions from source and find out the responsible personnel. If any malicious act is found out, the Group has the right to initiate legal action.

Advertising

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

Anti-Corruption

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

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

- Offering or receiving money, gifts, loans or other benefits that may benefit business decisions or interfere with independent judgment; or
- Offering or receiving kickbacks, remuneration or secret commissions to solicit business for the Group and its subsidiaries; or
- Bribing government officials or facilitating bribing to obtain favorable terms or conditions; or
- Insider dealings, etc.

In the meantime, topics of anti-corruption are also included in the Group's training program, such as basic concept of anti-corruption, introduction of company's anti-corruption policy and implementation. During the reporting period, no cases of corruption, extortion, bribery, fraud and money laundering were observed by the Group.

Community Involvement

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

In 2020, the Group did not record the amount of resources contributed to the community. We aim at collecting such information in coming financial year.

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ESG Reporting Guidelines Aspects		Description	Pages/Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure	A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	62-63
Key Performance Indicators ("**KPI**")	A1.1	The types of emissions and respective emissions data.	62
	A1.2	Greenhouse gas emissions in total and intensity.	62
	A1.3	Total hazardous waste produced and intensity.	63
	A1.4	Total non-hazardous waste produced and intensity.	63
	A1.5	Description of emissions target(s) and steps taken to achieve them.	62
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction target(s) set and steps take to achieve them.	63
Aspect A2: Use of Resources			
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	A2.2	Water consumption in total and intensity.	64
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	63
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	63
	A2.5	Total packaging material used for finished products.	64

ESG Reporting Guidelines Aspects		Description	Pages/Remarks
Aspect A3: The Environment and Natural Resources			
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B. Social			
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	B1.2	Employee turnover rate by gender, age group and geographical region.	
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KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	65
	B2.2	Lost days due to work injury.	65
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	65

ESG Reporting Guidelines Aspects		Description	Pages/Remarks
Aspect B3: Development and Training			
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KPI	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	65
	B3.2	The average training hours completed per employee by gender and employee category.	65
Aspect B4: Labour Standards			
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KPI	B4.1	Description of measures to review employment practices to avoid child and forced labour.	66
	B4.2	Description of steps taken to eliminate such practices when discovered.	66
Operating Practices			
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General Disclosure	B5	Policies on managing environmental and social risks of the supply chain.	66
KPI	B5.1	Number of suppliers by geographical region.	66
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	66
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	66
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	66

ESG Reporting Guidelines Aspects		Description	Pages/Remarks
Aspect B6: Product Responsibility			
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	B6.4	Description of quality assurance process and recall procedures.	67
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ESG Reporting Guidelines Aspects		Description	Pages/Remarks
Community			
Aspect B8: Community Investment			
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KPI	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	68
	B8.2	Resources contributed (e.g. money or time) to the focus area.	68

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Homeland Interactive Technology Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 79 to 155, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
We identified the revenue recognition as a key audit matter due to the fact that the revenue from self-developed mobile games and third-party mobile games is significant to Group's consolidated financial statements and the management of the Group made a significant estimate on the calculation of unit value of unutilized virtual tokens/diamonds and private game room cards at the year end, which has a significant impact to the revenue recognized during the year. During the year ended 31 December 2020, the Group recognized revenue from virtual tokens and private game room cards on their self-developed mobile games and from virtual diamonds on their third-party mobile games, total amounting RMB650,861,000, which represented approximately 84% of total revenue of the Group, as set out in Note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Assessing the appropriateness of the methodologies adopted by the management of the Group to determine the unit value of unutilized virtual tokens/diamonds and private game room cards and deferred revenue at the year end through understanding the operating model of self-developed mobile games and third-party mobile games and challenging management's basis and judgement. • Involving our information technology ("**IT**") specialists to assess the accuracy and completeness on the quantity of virtual tokens/diamonds and private game room cards, purchased by customers, given out for free, utilized during the year and unutilized at the year end from operation platform, through: (i) testing the general IT controls and automated controls of the operation platforms related to the self-developed mobile games and third-party mobile games; (ii) performing recalculation on the quantity of the unutilized virtual tokens/diamonds and private game room cards at the year end by using transaction data from the operation platforms, such as purchase and consumption quantity, and reconciled to the unutilized quantity in the operation platforms to verify the accuracy.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition (Continued)	
As stated in Note 4 to the consolidated financial statements, the Group recognizes revenues based on the consumption of virtual tokens/diamonds and private game room cards in self-developed mobile games and third-party mobile games, which is estimated with the reference to the quantity of the unutilized tokens/diamonds and private game room cards at the year end and the estimation on how much the unutilized virtual tokens/diamonds and private game room cards worth. The estimated unit value of the unutilized virtual tokens/diamonds or private game room cards was calculated, on a periodic basis, based on the quantity and value of virtual tokens/diamonds or private game room cards sold, as well as the quantity of virtual tokens/diamonds given out for free during the year. The determination of the estimated unit value of unutilized virtual tokens/diamonds and private game room cards was based on the Group's best estimate that has taken into account all known and relevant information at the time of assessments. When the management of the Group prepared the revenue recognition calculation, they relied on the transaction data, in particular the sales and consumption data, from the operation platforms to form their basis of calculations.	• Examining purchase records made by the customers on the virtual tokens/diamonds and private game room cards during the year, on a sample basis, by comparing to the supporting documents such as payment records in the third-party payment platform and statements from payment vendors to verify the amount of virtual tokens/diamonds and private game room cards purchased by customers during the year is accurate. • Checking the arithmetic accuracy of calculation made by the management of the Group on the unit value of unutilized virtual tokens/diamonds and private game room cards, and deferred revenue adjustments made to the revenue. • For revenue from third-party mobile games, checking the arithmetic accuracy of calculation made by the management of the Group on portion of revenue shared with the third party game developers and the accuracy of the revenue sharing ratio used in such calculation against the revenue sharing agreements with the respective third party game developers.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000 (Restated)
Revenue	5	**772,034**	564,991
Cost of sales	6	**(179,946)**	(122,708)
Gross profit		**592,088**	442,283
Other income	7	**54,488**	39,231
Foreign exchange (losses) gains, net		**(628)**	899
Selling and marketing expenses		**(120,888)**	(98,185)
Administrative expenses		**(53,981)**	(118,579)
Listing expenses		**—**	(17,806)
Other expenses	8	**(6,390)**	(411)
Share of loss of associates	17	**(3,325)**	—
Interest on lease liabilities		**(792)**	(758)
Profit before income tax		**460,572**	246,674
Income tax expense	9	**(70,545)**	(39,886)
Profit for the year	10	**390,027**	206,788
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instruments at fair value through other comprehensive income		**(1,275)**	—
Other comprehensive expense for the year, net of income tax		**(1,275)**	—
Total comprehensive income for the year		**388,752**	206,788
Profit (loss) for the year attributable to:			
Owners of the Company		**390,804**	206,788
Non-controlling interests		**(777)**	—
		390,027	206,788
Total comprehensive income (expense) attributable to:			
Owners of the Company		**389,529**	206,788
Non-controlling interests		**(777)**	—
		388,752	206,788
Earnings per share (in RMB cents)			
— Basic	13	**31.40**	20.20
— Diluted	13	**30.77**	19.69

Consolidated Statement of Financial Position

As at 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	14	43,416	43,473
Intangible assets	15	1,610	2,630
Right-of-use assets	16	9,728	14,350
Investments in associates	17	149,675	—
Loan to employees	18	6,474	1,900
Rental and other deposits		2,525	2,178
Equity instruments at fair value through other comprehensive income	19	13,950	14,000
Deferred tax assets	20	225	504
		227,603	79,035
Current assets			
Trade receivables	21	88,473	49,326
Prepayments and other receivables	22	53,972	98,008
Loan to employees	18	1,900	—
Cash and cash equivalents	23	732,724	502,367
		877,069	649,701
Current liabilities			
Other payables	24	54,806	47,337
Lease liabilities	25	3,469	4,427
Deferred revenue	26	39,888	24,771
Tax payable		50,056	25,650
		148,219	102,185
Net current assets		728,850	547,516
Total assets less current liabilities		956,453	626,551
Non-current liability			
Lease liabilities	25	7,101	9,974
Net assets		949,352	616,577

	NOTES	2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital	*27*	**41**	41
Shares held for Share Award Scheme		**—**	(2)
Reserves		**950,088**	616,538
Equity attributable to owners of the Company		**950,129**	616,577
Non-controlling interests		**(777)**	—
Total equity		**949,352**	616,577

The consolidated financial statements on pages 79 to 81 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf:

Mr. Wu Chengze
DIRECTOR

Mr. Guo Shunshun
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2020

	Attributable to owners of the Company										
	Paid-in capital/ Share capital *RMB'000*	Shares held for Share Award Scheme *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Other reserve *RMB'000* *(note)*	Share-based payments reserve *RMB'000*	Fair value through other comprehensive reserve *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity
As at 1 January 2019	27	–	–	15,027	19,714	–	–	177,967	212,735	–	212,735
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	206,788	206,788	–	206,788
Issue of shares held for Share Award Scheme *(defined in Note 30)*	3	(3)	–	–	3	–	–	–	3	–	3
Issue of shares under the Global Offering *(defined in Note 27)*	11	–	373,695	–	–	–	–	–	373,706	–	373,706
Share issuance costs	–	–	(26,865)	–	–	–	–	–	(26,865)	–	(26,865)
Recognition of share-based payment expenses under the Share Award Scheme *(defined in Note 30)*	–	–	–	–	–	78,862	–	–	78,862	–	78,862
Vesting of award shares under the Share Award Scheme	–	1	24,785	–	–	(24,786)	–	–	–	–	–
Recognition of share-based payment expenses under the Share Option Scheme *(defined in Note 30)*	–	–	–	–	–	3,348	–	–	3,348	–	3,348
Dividends recognized as distribution *(Note 11)*	–	–	(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**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**390,804**	**390,804**	**(777)**	**390,027**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,275)**	**–**	**(1,275)**	**–**	**(1,275)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,275)**	**390,804**	**389,529**	**(777)**	**388,752**
Recognition of share-based payment expenses under the Share Award Scheme *(defined in Note 30)*	**–**	**–**	**–**	**–**	**–**	**2,884**	**–**	**–**	**2,884**	**–**	**2,884**
Vesting of award shares under the Share Award Scheme	**–**	**2**	**56,958**	**–**	**–**	**(56,960)**	**–**	**–**	**–**	**–**	**–**
Recognition of share-based payment expenses under the Share Option Scheme *(defined in Note 30)*	**–**	**–**	**–**	**–**	**–**	**24,161**	**–**	**–**	**24,161**	**–**	**24,161**
Dividends recognized as distribution *(Note 11)*	**–**	**–**	**(83,022)**	**–**	**–**	**–**	**–**	**–**	**(83,022)**	**–**	**(83,022)**
As at 31 December 2020	**41**	**–**	**113,551**	**15,027**	**19,717**	**27,509**	**(1,275)**	**775,559**	**950,129**	**(777)**	**949,352**

Note: The other reserve represents (i) the difference between the consideration paid and share of the subsidiary's net assets acquired from the non-controlling interests in prior years and (ii) the effect of group reorganization on 24 September 2018, pursuant to which Xiamen Kexin Network Technology Company Limited ("**Homeland PRC**", formerly known as Beijing Kexin Network Technology Company Limited), Jiaxiang Interactive (Xiamen) Network Technology Company Limited ("**Jiaxiang Interactive**"), subsidiaries of the Group, and Jilin Yutai Network Technology Company Limited ("**Jilin Yutai**", which is controlled by Mr. Wu Chengze ("**Mr. Wu**"), one of the Controlling Shareholders (as defined in note 1) of the Company) entered into a series of contractual arrangements which enable the Group to have control over the assets, liabilities and operating profits from Jiaxiang Interactive and its subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before income tax		**460,572**	246,674
Adjustments for:			
Depreciation of property, plant and equipment		**4,383**	2,442
Amortization of intangible assets		**1,954**	2,227
Depreciation of right-of-use assets		**4,408**	2,410
Interest income		**(14,794)**	(6,744)
Loss on early termination of a lease		**32**	—
Share-based payment expenses	*30*	**27,045**	82,210
Interest on lease liabilities		**792**	758
Share of loss of associates		**3,325**	—
Staff cost due to loan to employees		**756**	—
Foreign exchange losses		**1,507**	—
Operating cash flows before movements in working capital		**489,980**	329,977
Increase in trade receivables		**(39,279)**	(26,939)
(Increase) decrease in other deposits, prepayments and other receivables		**(31,311)**	13,382
Increase in other payables		**9,141**	10,343
Increase (decrease) in deferred revenue		**15,117**	(14,498)
Cash from operating activities		**443,648**	312,265
Income tax paid		**(45,635)**	(23,923)
Net cash from operating activities		**398,013**	288,342
Investing activities			
Purchase of property, plant and equipment		**(4,326)**	(33,329)
Deposit for a potential acquisition	*22*	**—**	(75,000)
Acquisition of investments in associates		**(75,000)**	—
Purchases of equity instruments at fair value through other comprehensive income		**(5,450)**	(13,000)
Purchase of intangible assets		**(934)**	(1,877)
Payments for rental deposits		**—**	(387)
Interest received		**14,794**	6,744
Loan to employees		**(7,230)**	—
Net cash used in investing activities		**(78,146)**	(116,849)

	NOTES	2020 RMB'000	2019 RMB'000
Financing activities			
Issue costs paid		**(672)**	(26,401)
Dividends paid		**(83,022)**	(232,000)
Proceeds of issue of new shares		**—**	373,706
Issue of shares held for Share Award Scheme		**—**	3
Repayments for lease liabilities		**(3,649)**	(1,871)
Interest paid on lease liabilities		**(792)**	(758)
Net cash (used in) from financing activities		**(88,135)**	112,679
Net increase in cash and cash equivalents		**231,732**	284,172
Cash and cash equivalents at the beginning of the year		**502,367**	218,195
Effect of foreign exchange rate changes		**(1,375)**	—
Cash and cash equivalents at the end of the year	*23*	**732,724**	502,367

1. GENERAL INFORMATION

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

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

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in IFRS Standards" and the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the "Amendments to References to the Conceptual Framework in IFRS Standards" and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
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[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 June 2020.

5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

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

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

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statements (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Basis of consolidation *(Continued)*

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

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

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. Homeland PRC, Jiaxiang Interactive and Jilin Yutai entered into a series of contractual arrangements ("**Contractual Arrangements**"), which are dated 24 September 2018 and effective date is from 24 September 2018. The contractual arrangements enable Homeland PRC and the Group to:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Revenue recognition

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Revenue recognition *(Continued)*

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

Self-developed mobile games

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Revenue recognition *(Continued)*

Third-party mobile games

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

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

Advertising revenue

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

Other income

Service income is recognized over time during the services periods.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Revenue recognition *(Continued)*

Principal versus agent

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

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

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

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

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

Research and development expenditure

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

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

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

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

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 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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" 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 recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

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, less any lease incentives receivable, 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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Foreign currencies

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred as the Group does not have any qualifying asset.

Government grants

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

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

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Classification and subsequent measurement of financial assets

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

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

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

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

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

(i) Amortized cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

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

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

Impairment of financial assets

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. significant increase in the credit spread, the credit default swap prices for the debtor;

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

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

Derecognition of financial assets

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

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

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

Classification as debt or equity

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

Equity instruments

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

Treasury shares

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Financial liabilities

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

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Taxation *(Continued)*

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

Contractual arrangements

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

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

For the year ended 31 December 2020 and as at 31 December 2020, 100% and 96% (2019: 100% and 86%) of the Group's revenue and total assets came from the PRC Operating Entities.

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

Critical judgments in applying accounting policies (Continued)

Principal versus agent

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

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

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

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

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

Key sources of estimation uncertainty

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

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

As described in Note 3, the Group recognizes revenue based on the consumption of virtual tokens/diamonds and private game room cards in self-developed mobile games and third-party mobile games, which is estimated with reference to the quantity of unutilized tokens/diamonds and private game room cards at the year end and the estimation on how much the unutilized tokens/diamonds and private game room cards worth.

The estimated unit value of the unutilized tokens/diamonds and private game room cards was calculated, on a periodic basis, based on the quantity and value of tokens/diamonds and private game room cards sold, as well as the quantity of tokens/diamonds and private game room cards given out for free during the year. The determination of the estimated unit value of unutilized virtual tokens/diamonds and private game room cards is based on the Group's best estimate that has taken into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments as a result of new information will be accounted for prospectively as a change in accounting estimate. When the management of the Group prepared the revenue recognition calculation, they relied on the transaction data, in particular the sales and consumption data, from the operation platforms to form their basis of calculations. During the year ended 31 December 2020, the Group recognized revenue from tokens/diamonds and private game room cards on their self-developed mobile games and third-party mobile games, total amounting RMB650,861,000 (2019: RMB503,174,000).

5. REVENUE AND SEGMENT INFORMATION

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

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

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

	2020 ***RMB'000***	2019 *RMB'000*
Revenue from:		
— Self-developed mobile games		
Virtual tokens	**419,601**	265,449
Private game room cards	**209,573**	196,086
— Third-party mobile games — virtual diamonds	**21,687**	41,639
	650,861	503,174
Advertising revenue	**121,173**	61,817
	772,034	564,991

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

Geographical information

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

6. COST OF SALES

Cost of sales is analyzed as follows:

	2020 *RMB'000*	2019 *RMB'000*
Employee benefit expenses	**63,832**	49,756
Commissions and fees charged by distribution channels and payment vendors	**79,225**	55,907
Server-related and technical support fees	**33,470**	12,545
Depreciation and amortization	**2,874**	4,428
Others	**545**	72
	179,946	122,708

7. OTHER INCOME

	2020 *RMB'000*	2019 *RMB'000*
Service income *(note i)*	**29,320**	26,430
Interest income	**14,794**	6,744
Government subsidies *(note ii)*	**9,896**	5,732
Sundry income	**478**	325
Total	**54,488**	39,231

Notes:

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

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

8. OTHER EXPENSES

	2020 RMB'000	2019 RMB'000
Donations related to Covid-19	**5,000**	—
Others	**1,390**	411
	6,390	411

9. INCOME TAX EXPENSE

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

	2020 RMB'000	2019 RMB'000
PRC Corporate Income Tax ("**CIT**")		
Current year	**57,259**	42,995
Under (over) provision in prior years	**12,782**	(2,605)
	70,041	40,390
Deferred tax		
Current year *(Note 20)*	**504**	(504)
	70,545	39,886

The Company and a subsidiary incorporated in the BVI is not subject to income tax in the Cayman Islands or the BVI.

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

PRC CIT

The income tax provision of the subsidiaries operating in the PRC has been calculated at the tax rate of 25% on the taxable income 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 exempted 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 is 12.5% for both years.

9. INCOME TAX EXPENSE (Continued)

PRC CIT (Continued)

Jilin Xinze Network Technology Company Limited ("**Jilin Xinze**") qualified as "High and New Technology Enterprises" ("**HNTE**") under the Corporate Income Tax Law since 2017 and such qualification was renewed during the year with a valid period of three years. According to the CIT law, Jilin Xinze is entitled to a preferential income tax rate at 15% for both years.

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

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

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

	2020 *RMB'000*	2019 *RMB'000*
Profit before income tax	**460,572**	246,674
Tax at income tax rate of 25%	**115,143**	61,669
Tax effect of tax losses not recognized	**671**	541
Tax effect of expenses not deductible for tax purpose	**10,638**	6,685
Effect of Super Deduction	**(15,454)**	(11,969)
Effect of preferential tax rate	**(53,235)**	(14,435)
Under (over) provision in prior year	**12,782**	(2,605)
Income tax expense	**70,545**	39,886

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 RMB833,386,000 as at 31 December 2020 (2019: RMB435,068,000) 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.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Lease expenses in respect of short-term leases on buildings	**834**	1,234
Depreciation of right-of-use assets	**4,408**	2,410
Depreciation of property, plant and equipment	**4,383**	2,442
Amortization of intangible assets	**1,954**	2,227
Auditors' remuneration	**3,216**	2,700
Directors' emoluments *(Note 12)*	**3,870**	3,435
Other staff costs:		
Salaries and other benefits in kind	**69,313**	69,162
Contributions to retirement benefit scheme *(note)*	**333**	4,298
Share-based payment expense	**27,045**	82,210
Total staff costs	**100,561**	159,105

Note: During the year ended 31 December 2020, the Group is exempted by local social insurance authority in the PRC due to COVID-19 and did not make any contributions to the retirement benefit scheme from February to December 2020.

11. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2020 Interim — Nil (2019: 2019 interim dividend RMB0.0438, equivalent to HK$0.0485) per share	**—**	55,000
2019 Special dividend — RMB0.2448 (equivalent to HK$0.2798) per share	**—**	177,000
2019 Final — RMB0.0661 (equivalent to HK$0.0725) (2019: 2018 final dividend — Nil) per share	**83,022**	—
	83,022	232,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB0.1593 (equivalent to HK$0.1892) (2019: final dividend in respect of the year ended 31 December 2019 of RMB0.0661, equivalent to HK$0.0725) per ordinary share, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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

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

(a) Executive directors' emoluments

The remuneration of each executive director for the year ended 31 December 2020 is set out as follows:

Name of director	Fees *RMB'000*	Salaries and other benefit in kind *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Wu *(note i)*	—	720	—	720
Mr. Jiang *(note ii)*	—	720	2	722
Mr. Su *(note iii)*	—	628	2	630
Mr. Guo Shunshun ("**Mr. Guo**") *(note iv)*	—	570	—	570
Mr. Men Geng ("**Mr. Men**") *(note v)*	—	674	4	678
Total	—	3,312	8	3,320

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

Name of director	Fees *RMB'000*	Salaries and other benefit in kind *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Wu *(note i)*	—	834	2	836
Mr. Jiang *(note ii)*	—	470	38	508
Mr. Su *(note iii)*	—	506	38	544
Mr. Guo *(note iv)*	—	491	2	493
Mr. Men *(note v)*	—	732	47	779
Total	—	3,033	127	3,160

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Executive directors' emoluments (Continued)

Notes:

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

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

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

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

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

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

(b) Independent non-executive directors' emoluments

Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo and Mr. Hu Yangyang were appointed as the independent non-executive directors of the Company on 5 June 2019. Ms. Guo Ying was appointed as the independent non-executive director of the Company on 29 December 2020.

The remuneration of each independent non-executive director for the year ended 31 December 2020 is set out as follows:

Name of director	Fees *RMB'000*	Salaries and other benefit in kind *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Total *RMB'000*
Independent non-executive directors:				
Mr. Yu Ronald Patrick Lup Man	250	—	—	250
Mr. Zhang Yuguo	150	—	—	150
Mr. Hu Yangyang	150	—	—	150
Ms. Guo Ying	—	—	—	—
Total	550	—	—	550

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Independent non-executive directors' emoluments (Continued)

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

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are non-directors and their aggregate amounts of remuneration for the year are set out as follows:

	2020 ***RMB'000***	2019 RMB'000
Salaries and other benefits in kind	**2,309**	2,116
Contributions to retirement benefit scheme	**4**	7
Share-based payment expenses	**6,281**	78,862
Total	**8,594**	80,985

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

(Continued)

(c) Five highest paid individuals (Continued)

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

	2020 No. of employees	2019 No. of employees
Non-directors:		
HK$1,000,001 to HK$1,500,000	**2**	—
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	—
HK$12,000,001 to HK$12,500,000	**—**	1
HK$12,500,001 to HK$13,000,000	**—**	1
HK$19,000,001 to HK$19,500,000	**—**	1
HK$22,500,001 to HK$23,000,000	**—**	1
HK$24,000,001 to HK$24,500,000	**—**	1
Total	**5**	5

Certain non-director highest paid employees were granted share awards or share options during the year ended 31 December 2019, in respect of their services to the Group under the Share Award Scheme and Share Option Scheme of the Company. Details of the Share Award Scheme and Share Option Scheme are set out in the Note 30.

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

13. 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:

	2020 *RMB'000*	2019 *RMB'000*
Earnings		
Earnings for the purpose of basic and dilutive earnings per share:		
— Profit for the year attributable to owners of the Company	**390,804**	206,788

	Number of shares	
	2020	2019
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**1,244,583,232**	1,023,704,918
Effect of dilutive potential ordinary shares in respect of		
Share Award Scheme	**1,996,768**	26,523,984
Share Option Scheme	**23,463,852**	—
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**1,270,043,852**	1,050,228,902

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 share sub-division (as disclosed in Note 27) have been effective on 1 January 2019, excluding ordinary shares held for the Share Award Scheme which are treated as treasury shares before vesting.

14. PROPERTY, PLANT AND EQUIPMENT

	Owned properties *RMB'000*	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2019	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
Additions	—	1,051	1,000	2,275	4,326
As at 31 December 2020	36,736	5,970	5,738	5,264	53,708
Depreciation					
As at 1 January 2019	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
Provided for the year	1,380	1,044	956	1,003	4,383
As at 31 December 2020	2,517	3,987	2,045	1,743	10,292
Carrying values					
As at 31 December 2019	35,599	1,976	3,649	2,249	43,473
As at 31 December 2020	34,219	1,983	3,693	3,521	43,416

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
Owned properties	5%	20 years
Furniture and equipment	0%–5%	3–5 years
Motor vehicles	5%	4–10 years
Leasehold improvement	0%	Over the shorter of the term of the lease and 5 years

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amount of owned properties 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.

The Group has obtained the certificate for owned properties except for buildings amounted to RMB27,787,000 (2019: RMB29,173,000) which is in the process of obtaining.

15. INTANGIBLE ASSETS

	Trademark	Computer software	Copyright of game software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
As at 1 January 2019	—	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
Additions	—	85	849	934
As at 31 December 2020	1,250	521	8,019	9,790
Amortization				
As at 1 December 2019	—	92	3,907	3,999
Charge for the year	83	156	1,988	2,227
As at 31 December 2019	83	248	5,895	6,226
Charge for the year	125	144	1,685	1,954
As at 31 December 2020	208	392	7,580	8,180
Carrying values				
As at 31 December 2019	1,167	188	1,275	2,630
As at 31 December 2020	1,042	129	439	1,610

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

16. RIGHT-OF-USE ASSETS

	Office properties *RMB'000*
As at 31 December 2020	
Carrying amount	9,728
As at 31 December 2019	
Carrying amount	14,350

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000*
Depreciation charge	**4,408**	2,410
Expense relating to short-term leases	**834**	1,234
Total cash outflow for leases	**5,247**	3,245
Additions to right-of-use assets	**—**	6,946
Early termination of a lease	**214**	—

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 properties 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.

In addition, lease liabilities of RMB10,570,000 are recognized with related right-of-use assets of RMB9,728,000 as at 31 December 2020 (2019: lease liabilities of RMB14,401,000 and related right-of-use assets of RMB14,350,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group regularly entered into short-term leases for office properties. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in Note 10.

17. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of investment in associates	153,000	—
Share of post-acquisition losses and other comprehensive expenses	(3,325)	—
Total	149,675	—

Details of the Group's associates at 31 December 2020 are as follows:

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

Note:

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

- Xinbao Technology has undertaken to ensure that the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB70,000,000 and RMB80,000,000, respectively (the "**Guaranteed Net Profit**"), and the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB150,000,000 in aggregate.

- If the actual audited net profit of Jilin Xinyue below the Guaranteed Net Profit for any of the years ending 31 December 2021 or 2022, Xinbao Technology shall pay compensation (the "**Profit Compensation**") to Jilin Xinze in cash. The amount of Profit Compensation payable by Xinbao Technology shall be determined in accordance with the following formula:

  Profit Compensation = ((A – B)/RMB150,000,000)* C * 40% (note) – D

17. INVESTMENTS IN ASSOCIATES (Continued)

Note: (Continued)

(i) (Continued)

where:

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

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

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

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

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

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

The equity investment in Jilin Xinyue is accounted for using equity method in accordance with IAS 28 and the derivative financial instrument arising from supplementary agreement is measured at fair value through profit and loss in accordance with IFRS 9. In the opinion of the directors, the forecasted profits of Jilin Xinyue for the years ending 31 December 2021 and 2022 are expected to be not less than Guaranteed Net Profit as at the date of initial recognition and 31 December 2020. As a result, the fair value of the derivative financial instrument was insignificant at the date of initial recognition and as at 31 December 2020.

Summarized financial information of a material associate

Summarized financial information in respect of the material associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Jilin Xinyue

	2020 *RMB'000*
Current assets	**46,839**
Non-current assets	**271,890**
Current liabilities	**10,515**
Non-current liabilities	**44,523**

17. INVESTMENTS IN ASSOCIATES (Continued)

Summarized financial information of a material associate (Continued)

Jilin Xinyue *(Continued)*

	From 3/11/2020 to 31/12/2020 *RMB'000*
Revenue	28,650
Loss and total comprehensive expense for the period	(7,928)

Reconciliation of the above summarized financial information to the carrying amount of Jilin Xinyue recognized in the consolidated financial statements:

	2020 *RMB'000*
Net assets of Jilin Xinyue	263,691
Proportion of the Group's ownership interest in Jilin Xinyue	40%
The Group's share of net assets of Jilin Xinyue	105,476
Goodwill	41,353
Carrying amount of the Group's interest in Jilin Xinyue	146,829

Information of Guangzhou Leiyun that is not individually material

	2020 *RMB'000*
The Group's share of loss and total comprehensive expense	(154)
Aggregate carrying amount of the Group's interests in Guangzhou Leiyun	2,846

18. LOAN TO EMPLOYEES

The loan to employees represents the housing loan advanced to 3 employees. The loans are unsecured, interest-free and repayable on 25 December 2021, 12 May 2023 and 7 June 2023, respectively.

	2020	2019
	RMB'000	*RMB'000*
Non-current	**6,474**	1,900
Current	**1,900**	—
Total	**8,374**	1,900

The loan to employees is measured initially at fair value and subsequently at amortized cost, using the effective interest method. RMB756,000, being the difference between the principal amount and fair value at initial recognition, was recognized as staff cost during this year.

Details of impairment assessment of loan to employee are set out in Note 34.

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
Unlisted investments		
— Equity securities *(note)*	**13,950**	14,000

Note: The above unlisted equity investments represent the Group's equity interests ranging from 19% to 40% in private entities established in the PRC as at 31 December 2020 and 2019. These investments are not considered to be associates or joint ventures of the Group because the Group has no right to appoint any director of the investees. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run. Details of the fair value measurement are set out in Note 35.

20. DEFERRED TAX ASSETS

	2020	2019
	RMB'000	*RMB'000*
Deferred tax assets	**225**	504

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

	Fair value losses of FVTOCI	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	—	—	—
Credit to profit or loss	—	504	504
As at 31 December 2019	—	504	504
Charge to profit or loss	—	(504)	(504)
Credit to other comprehensive income	225	—	225
As at 31 December 2020	225	—	225

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,076,000 (2019: RMB1,392,000) 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 with expiry dates as disclosed in the following table.

	2020	2019
	RMB'000	*RMB'000*
2024	**1,392**	1,392
2025	**2,684**	—
	4,076	1,392

21. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**88,473**	49,326
Less: impairment provision	**—**	—
Total	**88,473**	49,326

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

	2020 RMB'000	2019 RMB'000
0–30 days	**69,264**	44,061
31–60 days	**14,797**	3,209
61–90 days	**3,851**	1,390
91–180 days	**253**	411
Over 180 days	**308**	255
Total	**88,473**	49,326

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB4,870,000 (2019: RMB1,182,000) which are past due. Out of the past due balances, RMB317,000 (2019: RMB366,000) has been past due 90 days or more and is not considered as in default due to the history of cooperation and the sound collection history of the debtors.

The Group's trade receivables of RMB2,062,000 (2019: nil) are denominated in US$ other than the functional currency of the group entities.

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

22. PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Prepayment for advertisement and promotion fees	**36,988**	6,195
Prepayment for research and development	**5,383**	3,260
Prepayment for server-related fees	**1,597**	298
Advances to employees	**1,553**	2,469
Prepayment for short term lease	**93**	121
Deposit for a potential acquisition *(note)*	**—**	75,000
Receivables from service income	**—**	8,486
Account balance on Alipay	**—**	250
Others	**8,358**	1,929
Total	**53,972**	98,008

Note: On 29 October 2019, the Company, Xinbao Technology and Mr. Luo Wei (collectively referred to as the "**Vendors**") entered into a non legally-binding memorandum of understanding (the "**MOU**") pursuant to which the Company expressed an interest to purchase the entire equity interest in the Jilin Xinyue 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 29 October 2019 with respect to arrangements for the holding and release of the earnest money. As set out in Note 17, the Company acquired 40% of the equity interest in Jilin Xinyue on 3 November 2020, and this deposit was used to settle part of the consideration.

23. CASH AND CASH EQUIVALENTS

	2020	2019
	RMB'000	*RMB'000*
Cash at bank and in hand	**732,724**	502,367

All cash and cash equivalents are denominated in RMB, except for RMB23,795,000 which denominated in US$ (2019: nil) and RMB20,297,000 are denominated in HK$ (2019: RMB109,465,000) as at 31 December 2020.

Bank balances carry interest at market rates which range from 0.01% to 3.10% (2019: 0.30% to 3.10%) per annum.

For the year ended 31 December 2020, 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.

24. OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Salaries and staff welfare payables	**24,088**	20,520
Other taxes payable	**8,246**	7,434
Selling and marketing expenses accruals	**11,509**	10,479
Deposit for advertising and game operation	**5,125**	—
Payable to game developers *(note)*	**2,119**	2,607
Administrative expenses accruals	**1,520**	4,137
Purchase consideration payable for acquisition of FVTOCI	**—**	1,000
Others	**2,199**	1,160
Total	**54,806**	47,337

Note: As at 31 December 2020 and 2019, the balance represents sale proceeds received from players of games for which the Group acts as a distributor to be reimbursed to game developers, after deducting the commission income entitled by the Group calculated at a pre-determined rate, and refundable deposits received from game developers.

25. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**3,469**	4,427
More than one year but not more than two years	**3,373**	3,511
More than two years but not more than five years	**3,728**	6,463
	10,570	14,401
Less: Amount due for settlement within 12 months shown under current liabilities	**(3,469)**	(4,427)
Amount due for settlement after 12 months shown under non-current liabilities	**7,101**	9,974

The weighted average incremental borrowing rates applied to lease liabilities is 6.65% per annum for the both period.

26. 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/diamond and private game room cards, for which the related services had not been rendered as at 31 December 2020 and 2019. As the unsatisfied performance obligations will be recognized as revenue within one year, therefore, the deferred revenue is recognized as current liabilities.

	Virtual tokens/ diamond *RMB'000*	**Private game room cards** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	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**
Sales proceeds, net of tax	**450,677**	**215,301**	**665,978**
Revenue recognized during the year	**(441,288)**	**(209,573)**	**(650,861)**
As at 31 December 2020	**19,332**	**20,556**	**39,888**

The expected breakage amount of RMB36,666,000 is recognized as revenue during the year ended 31 December 2020 (2019: RMB46,205,000).

Deferred revenue amounted to RMB39,888,000 as at 31 December 2020 (2019: RMB24,771,000) is expected to be recognized as revenue within one year.

27. PAID-IN CAPITAL/SHARE CAPITAL

	Par value *US$*	Number of shares	Nominal amount *US$*	Shown in the consolidated financial statements *RMB'000*
Authorized				
As at 1 January 2019	0.00001	5,000,000,000	50,000	
Effect of sub-division *(note i)*	0.000005	5,000,000,000	—	
As at 31 December 2019 and 31 December 2020	0.000005	10,000,000,000	50,000	
Issued and fully paid				
As at 1 January 2019	0.00001	431,362,000	4,314	27
Effect of sub-division *(note i)*	0.000005	431,362,000	—	—
Issue of shares *(note ii)*	0.000005	79,276,000	396	3
Issue of shares under the Global Offering *(note iii)*	0.000005	314,000,000	1,570	11
As at 31 December 2019 and 31 December 2020	0.000005	1,256,000,000	6,280	41

Notes:

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

(ii) On 6 June 2019, a total of 79,276,000 shares were allotted and issued at par to an independent nominee appointed by the trustee of Share Award Scheme. Details are set out in Note 30. The new shares rank pari passu with the existing shares in all aspects.

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

28. RETIREMENT BENEFIT SCHEME

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

During the year, the retirement benefit scheme contributions amounted to RMB341,000 (2019: RMB4,425,000). No forfeited contributions have been used to reduce the level of contributions during the reporting period.

29. RELATED PARTY TRANSACTIONS

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

(a) Purchases of property, plant and equipment

	2020	2019
	RMB'000	*RMB'000*
Mr. Wu	**—**	29,173

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

(b) Provision of technical supported services

	2020	2019
	RMB'000	*RMB'000*
Jilin Xinyue	**1,801**	—

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel compensations

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

	2020 *RMB'000*	2019 *RMB'000*
Salaries and other benefits in kind	**15,788**	13,076
Contributions to retirement benefit scheme	**63**	1,140
Share-based payment expense	**14,122**	78,862
Total	**29,973**	93,078

30. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Award Scheme

Pursuant to a resolution passed by the Board on 6 June 2019, the Company set up a share award scheme for the primary purpose of providing incentives to directors and eligible employees (the "**Share Award Scheme**"). The Share Award Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Share Award Scheme does not involve the grant of options by the Company to subscribe for new shares.

The purpose of the Share Award Scheme is to (i) encourage or facilitate the holding of shares by the participants selected by the Board in accordance with the terms of and entitled to receive a grant of share awards ("**Share Awards**") under the Share Award Scheme (the "**Selected Participants**"); (ii) encourage and retain such individuals to work with the Group; and (iii) provide additional incentive for them to achieve performance goals.

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

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

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Award Scheme (Continued)

There is no limit on (i) the number of shares that can be subscribed for and/or purchased pursuant to the Share Award Scheme or (ii) the amount paid to the Trustee for the purpose of making such a subscription and/or purchase, save that, after Listing, (i) the maximum number of new shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued shares at the relevant time; and (ii) the maximum number of new shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued shares at the relevant time.

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

The Company allotted and issued 79,276,000 new shares to WL Universe Limited, an independent nominee appointed by The Core Trust Company Limited, the trustee of the Share Award Scheme, at par value of US$0.000005 each with the consideration amounting to RMB3,000 being funded by the Founders. Details of the shares granted and their vesting period under the Share Award Scheme are set out in the table below.

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

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Award Scheme (Continued)

Notes:

(i) The shares granted to each of these grantees shall be fully vested on the date ending 6 months after the Listing Date.

(ii) The shares granted to this grantee shall be vested in accordance with the vesting schedule as follows:

(1) as to 50% of the shares on the Listing Date; and

(2) as to the remaining 50% of the shares, on a quarterly basis starting from the first quarter after the Listing Date in four equal lots.

(iii) The shares granted to this grantee shall be vested in accordance with the vesting schedule as follows:

(1) as to 50% of the shares on the Listing Date; and

(2) as to the remaining 50% of the shares, on the date ending 6 months after the Listing Date.

(iv) Save for the above, there are no other vesting conditions for the shares granted under the Share Award Scheme before the Listing.

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 before vesting and had been deducted from shareholders' equity, the costs of these shares totaling RMB3,000 were credited to "other reserve" as deemed contribution from shareholders. During the year ended 31 December 2020, 48,661,000 (2019: 21,195,000) of shares awarded were vested and as a result, RMB2,000 (2019: RMB1,000) of shares held for the Share Award Scheme was transferred to share premium. Except for 9,420,000 of shares awarded forfeited during the year ended 31 December 2019 before vesting, 21,195,000 shares awarded were vested during the year ended 31 December 2019 and the remaining shares awarded were vested during the year ended 31 December 2020.

The directors of the Company estimated the fair values of the above shares as at the respective grant date. The fair value of the shares held for the Share Award Scheme was determined using the market method with reference to offer price at initial public offer and discount rate of 3.3% for lack of marketability, the aggregate fair value of the shares held for the Share Award Scheme granted on 6 June 2019 was assessed to be HK$103,491,000 (equivalent to RMB91,041,000). During the year ended 31 December 2020, the Group recognized the share-based payment expenses of RMB2,884,000 (2019: RMB78,862,000) in relation to the shares held for the Share Award Scheme granted by the Company.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme

A share option scheme was approved and adopted by the Company on 5 June 2019 (the "**Share Option Scheme**"). The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company ("**Eligible Persons**").

The purpose of the Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the "**Other Schemes**") of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date, being 125,600,000 shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

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

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

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

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme (Continued)

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

On 14 November 2019, the Company granted share options (the "**Share Options**") under the Share Option Scheme to 58 eligible employees to subscribe for a total of 62,360,000 ordinary shares of US$0.000005 each in the Company. The estimated fair value of the options granted was HK$47,452,000 (equivalent to RMB42,508,000). During the year ended 31 December 2020, the Group recognized the share-based payment expense of RMB24,161,000 (2019: RMB3,348,000) in relation to the Share Option Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the highest of: (i) the closing price of HK$2.07 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 14 November 2019, (ii) the average closing price of HK$2.09 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five 5 business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of US$0.000005 per share.

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

	Outstanding at 1/1/2020	Granted during year	Exercised during year	Outstanding at 31/12/2020
Employees *(note i)*	18,708,000	—	—	18,708,000
Employees *(note ii)*	24,944,000	—	—	24,944,000
Employees *(note iii)*	18,708,000	—	—	18,708,000
	62,360,000	—	—	62,360,000
Exercisable at the end of the year				18,708,000

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme (Continued)

	Outstanding at 1/1/2019	Granted during year	Exercised during year	Outstanding at 31/12/2019
Employees *(note i)*	—	18,708,000	—	18,708,000
Employees *(note ii)*	—	24,944,000	—	24,944,000
Employees *(note iii)*	—	18,708,000	—	18,708,000
	—	62,360,000	—	62,360,000
Exercisable at the end of the year				—

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

Notes:

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

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

(iii) The Share Options granted are subject to the vesting period from the date of grant up to 14 November 2022;

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

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

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

Expected volatility was determined by using the volatility of the comparable companies' share price over the expected life of the option. Risk-free rate was determined with reference to Hong Kong Government Exchange Fund Notes with similar tenor. Dividend yield was determined with reference to the historical dividend payout of the Group. Exit rate, the expected employee exit rate after the vesting period of the Share Options, was determined based on the Group's best estimation.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme (Continued)

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

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

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividends payables *RMB'000*	Accrued issue costs *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
As at 1 January 2019	—	208	9,326	9,534
Financing cash flows	(232,000)	(26,401)	(2,629)	(261,030)
Issue costs	—	26,865	—	26,865
Dividends declared	232,000	—	—	232,000
New leases entered	—	—	6,946	6,946
Interest on lease liabilities	—	—	758	758
As at 31 December 2019	**—**	**672**	**14,401**	**15,073**
Financing cash flows	**(83,022)**	**(672)**	**(4,441)**	**(88,135)**
Dividends declared	**83,022**	**—**	**—**	**83,022**
Interest on lease liabilities	**—**	**—**	**792**	**792**
Early termination of a lease	**—**	**—**	**(182)**	**(182)**
As at 31 December 2020	**—**	**—**	**10,570**	**10,570**

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Names of subsidiaries	Place and date of incorporation/ operation	Paid up issued/ registered capital	Equity interest attributable to the Group as at 31 December 2020	2019	Principal activities
Directly held:					
Homeland Investment Co., Ltd.	British Virgin Islands 7 May 2018	US$0.1	100%	100%	Investment holding
Indirectly held:					
Homeland Entertainment & Technology Limited	Hong Kong 4 June 2018	HK$100	100%	100%	Investment holding
Homeland PRC*	PRC, 7 August 2018	US$1,000,000	100%	100%	Software development
Controlled through contractual arrangement:					
Jiaxiang Interactive**	PRC, 31 August 2015	RMB10,000,000	100%	100%	Development, publication and operation of mobile games
Jilin Xinze**	PRC, 13 November 2009	RMB10,000,000	100%	100%	Development, publication and operation of mobile games
Jilin Yuke**	PRC, 10 March 2017	RMB10,000,000	100%	100%	Development, publication and operation of mobile games
Xiamen Youcheng Interactive Technology Ltd**	PRC, 22 November 2017	RMB1,000,000	60%	60%	Publication and operation of mobile games

* Registered as wholly-foreign-owned enterprises under PRC law

** Registered as limited liability companies under PRC law

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

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

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

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current asset		
Investments in subsidiaries	109,255	82,210
Current assets		
Prepayments and other receivables	2,101	1,151
Amounts due from subsidiaries	341	4,372
Cash and cash equivalents	43,901	109,358
	46,343	114,881
Current liabilities		
Other payables	291	2,855
Amounts due to subsidiaries	45,543	22,399
	45,834	25,254
Net current assets	509	89,627
	109,764	171,837
Capital and reserves		
Share capital	41	41
Shares held for Share Award Scheme	—	(2)
Reserves	109,723	171,798
	109,764	171,837

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

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

	Share premium *RMB'000*	Other reserve *RMB'000*	Share-based payments reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 1 January 2019	—	—	—	(7,066)	(7,066)
Loss and total comprehensive expense for the year	—	—	—	(18,178)	(18,178)
Issue of shares held for Share Award Scheme *(defined in Note 30)*	—	3	—	—	3
Issue of shares under the Global Offering *(defined in Note 27)*	373,695	—	—	—	373,695
Share issuance costs	(26,865)	—	—	—	(26,865)
Recognition of share-based payment expenses under the Share Award Scheme	—	—	78,862	—	78,862
Vesting of award shares under the Share Award Scheme	24,785	—	(24,786)	—	(1)
Recognition of share-based payment expenses under the Share Option Scheme	—	—	3,348	—	3,348
Dividends recognized as distribution *(Note 11)*	(232,000)	—	—	—	(232,000)
As at 31 December 2019	**139,615**	**3**	**57,424**	**(25,244)**	**171,798**
Loss and total comprehensive expense for the year	**—**	**—**	**—**	**(6,096)**	**(6,096)**
Recognition of share-based payment expenses under the Share Award Scheme	**—**	**—**	**2,884**	**—**	**2,884**
Vesting of award shares under the Share Award Scheme	**56,958**	**—**	**(56,960)**	**—**	**(2)**
Recognition of share-based payment expenses under the Share Option Scheme	**—**	**—**	**24,161**	**—**	**24,161**
Dividends recognized as distribution *(Note 11)*	**(83,022)**	**—**	**—**	**—**	**(83,022)**
As at 31 December 2020	**113,551**	**3**	**27,509**	**(31,340)**	**109,723**

34. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

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

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

Financial risk management

Categories of financial instruments

	2020 *RMB'000*	2019 *RMB'000*
Financial assets		
Financial assets measured at amortized cost	841,251	641,076
Equity instruments at FVTOCI	13,950	14,000
Financial liabilities		
Financial liabilities measured at amortized cost	33,531	25,287

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

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

Market risk

Foreign exchange risk

The Group has certain cash and cash equivalents denominated in HK$ and US$ (2019: HK$), and is exposed to foreign exchange risk arising from foreign currency exchange rate fluctuation, primarily with respect to HK$ and US$. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposure. Foreign exchange risk arises when future commercial transactions and recognized assets are denominated in a currency that is not the entity's functional currency. The Group's finance department is responsible for monitoring and managing the net position in each foreign currency.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Market risk *(Continued)*

Foreign exchange risk (Continued)

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

	2020	2019
	RMB'000	*RMB'000*
US$	**25,857**	—
HK$	**20,297**	109,465

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weaken 5% (2019: 5%) against the relevant currency. For a 5% (2019: 5%) strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss and the amounts below would be negative.

	US$ Impact		**HK$ Impact**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit or loss	**1,293**	—	**1,015**	5,473

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group cash flow interest rate is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management considers that the exposure of fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk arising from variable-rate bank balances is insignificant. No sensitivity analysis is presented accordingly.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Market risk *(Continued)*

Other price risk

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

The sensitivity analysis has been determined based on the exposure to equity price risk at the reporting date. If the fair value of the respective equity instruments had been 5% higher/lower, the other comprehensive income for the year ended 31 December 2020 would increase/decrease by RMB610,000 as a result of the changes in fair value of investments at FVTOCI.

Credit risk

The Group is mainly exposed to credit risk in relation to its trade receivables, other receivables, loan to employees, rental and other deposits as well as bank balances.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

Trade receivables

The Group performs impairment assessment under ECL model on trade balances individually. Trade receivables with gross carrying amount of RMB88,473,000 (2019: RMB49,326,000) as at 31 December 2020 were due from the third-party games distribution channels, third-party payment vendors and advertisement agents in cooperation with the Group. If the co-operative relationships with the distribution channels, third-party payment vendors and advertisement agents are deteriorated or terminated; or if the distribution channels, third-party payment vendors and advertisement agents alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the distribution channels, third-party payment vendors and advertisement agents to ensure the effective credit control are in place. In view of the history of cooperation with the distribution channels, third-party payment vendors and advertisement agents and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the distribution channels, third-party payment vendors and advertisement agents is low, accordingly, no impairment is made during the reporting period.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Other receivables, loan to employees and rental and other deposits

For other receivables and rental and other deposits from third parties with an aggregate gross carrying amount of RMB11,680,000 (2019: RMB87,483,000), management makes individual assessment on the recoverability of other receivables and rental and other deposits based on historical settlement records and past experience. For loan to employees with an aggregate gross carrying amount of RMB8,374,000 (2019: RMB1,900,000), management makes individual assessment on the recoverability based on the salaries, bonus, other benefits in kind and exercisable Share Options. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances, of other receivables, loan to employees and rental and other deposits.

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

Bank balances

Credit risk on bank balances with gross carrying amount of RMB732,683,000 (2019: RMB502,332,000) is limited because the counterparties are reputable state-owned and local banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Liquidity risk

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

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

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As of 31 December 2020						
Other payables		33,531	—	—	33,531	33,531
Lease liabilities	6.65	4,047	3,691	3,861	11,599	10,570
Total		37,578	3,691	3,861	45,130	44,101

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As of 31 December 2019						
Other payables		25,287	—	—	25,287	25,287
Lease liabilities	6.65	5,251	4,047	6,872	16,170	14,401
Total		30,538	4,047	6,872	41,457	39,688

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy as at 31/12/2020	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Equity instruments at FVTOCI	**—**	**—**	**13,950**	**13,950**

Fair value hierarchy as at 31/12/2019	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Equity instruments at FVTOCI	—	14,000	—	14,000

Financial assets	**Fair value as at 31/12/2020**	**Fair value as at 31/12/2019**	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable input**
Equity instruments at FVTOCI	19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB11,500,000	19 per cent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB7,500,000	Level 3 (2019: Level 2)	Asset-based approach except for the intangible asset — A type of valuation that focuses on a company's net asset value. Income approach for the intangible asset — In this approach, the multi-period excess earning method was used to capture the present value of the expected future economic benefits to be derived from the intangible asset, based on an appropriate discount rate. (2019: recent transaction price)	Average monthly revenue growth rate is 17 percent Discount rate is 16.23 percent (2019: N/A)

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets	Fair value as at 31/12/2020	Fair value as at 31/12/2019	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
	40 percent equity interest in Shenzhen Shangshou Technology Ltd. engaged in research and development of online games — RMB2,000,000	40 per cent equity interest in Shenzhen Shangshou Technology Ltd. engaged in research and development of online games — RMB2,000,000		Income approach — In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate. (2019: recent transaction price)	Compound annual revenue growth rate is 2 percent Discount rate, taking into account weighted average cost of capital is 16.65 percent (2019: N/A)
	30 percent equity interest in Xiamen Blackjack Entertainment & Technology Ltd. engaged in research and development of online games — RMB450,000	Nil		Asset-based approach — A type of valuation that focuses on a company's net asset value (2019: N/A)	None (2019: N/A)
	40 percent equity interest in Jilin Jiabohong Network Technology Ltd. engaged in programmer training — RMB0	40 per cent equity interest in Jilin Jiabohong Network Technology Ltd. engaged in programmer training — RMB1,500,000		Asset-based approach — A type of valuation that focuses on a company's net asset value. (2019: recent transaction price)	None (2019: N/A)

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI *RMB'000*
At 1 January 2020	—
Purchase	4,450
Transfers into Level 3 *(note)*	11,000
Total gains (losses):	
— in other comprehensive expense	(1,500)
At 31 December 2020	**13,950**

Note: The fair value of the equity instruments at FVTOCI is categorized into Level 2 on 31 December 2019 as the fair value is determined by recent transaction prices which is market-observable data. The equity instruments at FVTOCI have been transferred into Level 3 as market-observable data is no longer available during the year ended 31 December 2020.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair values.

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.