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Homeland Interactive Technology Ltd.

家鄉互動科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3798)

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN JILIN YUKE NETWORK TECHNOLOGY COMPANY LIMITED*

THE DISPOSAL

On May 5, 2022, (i) Jiexiang Interactive (an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), as the Vendor; (ii) Jilin Xinyue, as the purchaser; and (iii) the Target Company entered into the Equity Transfer Agreement, pursuant to which Jiexiang Interactive has agreed to sell the entire equity interest in the Target Company to Jilin Xinyue (a company owned as to 40% by Jilin Xinze, an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), at a consideration of RMB124 million pursuant to the terms of the Equity Transfer Agreement.

The Target Company is an operating company of the Group established in the PRC and is accounted as an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. Upon completion of the Disposal, (i) the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group; and (ii) the financial results of the Target Company will be consolidated into the consolidated financial statements of Jilin Xinyue, which will continue to be classified as an investment in associated company in the Company's financial statements in accordance with the relevant accounting standards.

LISTING RULES IMPLICATIONS

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% and are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempted from the shareholder approval requirement under Chapter 14 of the Listing Rules.

* *For identification purpose only*

THE EQUITY TRANSFER AGREEMENT

On May 5, 2022, (i) Jiaxiang Interactive (an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), as the Vendor; (ii) Jilin Xinyue, as the purchaser; and (iii) the Target Company entered into the Equity Transfer Agreement, pursuant to which Jiaxiang Interactive has agreed to sell the entire equity interest in the Target Company to Jilin Xinyue (a company owned as to 40% by Jilin Xinze, an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), at a consideration of RMB124 million pursuant to the terms of the Equity Transfer Agreement.

The principal terms of the Equity Transfer Agreement are as follows:

Date: May 5, 2022

Parties:

- (i) Jiaxiang Interactive (a company accounted as an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), as the Vendor
- (ii) Jilin Xinyue, as the purchaser
- (iii) the Target Company

Assets to be disposed

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell the entire equity interest in the Target Company to the Purchaser.

As at the date of this announcement, the Purchaser is owned as to 40% by Jilin Xinze (an operating company of the Group established in the PRC and which is controlled by the Group through contractual arrangements), 35.3% by Jilin Yimeng, 20% by Jilin Xinrui and 4.7% by Jilin Chenge, respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Jilin Yimeng, Jilin Xinrui, Jilin Chenge and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Consideration

Pursuant to the terms of the Equity Transfer Agreement, the Consideration for the Disposal is RMB124 million, which shall be settled by the Purchaser in the following manner:

- (i) RMB62 million, representing 50% of the Consideration, shall be paid by the Purchaser to a specific bank account designated by the Vendor within 30 Business Days from the date of the Equity Transfer Agreement (the “**Initial Payment**”); and
- (ii) RMB62 million, representing the remaining 50% of the Consideration, shall be paid by the Purchaser to a specific bank account designated by the Vendor before April 28, 2024.

The Consideration was determined through arm’s length negotiations between the parties to the Equity Transfer Agreement after taking into consideration of (i) the valuation of the entire equity interest of the Target Group as at December 31, 2021, as appraised and assessed by an independent valuer, Shanghai Orient Certified Appraisal Co., Ltd. (上海東洲資產評估有限公司); (ii) the financial performance and business prospect of the Target Group; and (iii) the price-to-earnings ratios of comparable companies engaged in similar business of the Target Group. The Directors consider the Consideration to be fair and reasonable and on normal commercial terms.

Completion

Within 30 Business Days after the full payment of the Initial Instalment, the Target Company shall prepare the relevant materials required for the registration of transfer of the Sale Interest in accordance with the Equity Transfer Agreement and the regulations and requirements of competent authorities and complete the registration of transfer of the Sale Interest with the State Administration of Industry and Commerce.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Based on the unaudited management accounts of the Target Group as at March 31, 2022, the Directors estimate that a net gain of approximately RMB120 million (subject to audit and after deduction of associated costs and other expenses) will arise on the Disposal. This estimated gain is calculated based on the Consideration to be received by the Group after deducting the expenses attributable to the Disposal. The Shareholders should note that the actual amount of the gain (as the case may be) to be recognized and the financial effect of the Disposal to be recorded by the Group will be subject to the final audit by the Company’s auditors, and therefore may be different from the amount mentioned above.

Upon completion of the Disposal, (i) the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group; and (ii) the financial results of the Target Company will be consolidated into the consolidated financial statements of Jilin Xinyue, which will continue to be classified as an investment in associated company in the Company's financial statements in accordance with the relevant accounting standards. The Board intends to use the net proceeds from the Disposal as general working capital of the Group

INFORMATION ABOUT THE TARGET COMPANY AND THE TARGET GROUP

The Target Company is an operating company of the Group established in the PRC and is controlled by the Group through the Contractual Arrangements. It is principally engaged in the sale of private game room cards business. Beijing Kexin Entertainment Internet Technology (北京科鑫互娛網絡科技有限公司) is a company established in the PRC and is a wholly owned subsidiary of the Target Company. It is principally engaged in research and development of online games.

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the two years ended December 31, 2020 and December 31, 2021:

	For the year ended December 31, 2020	For the year ended December 31, 2021
Net profit (loss) before tax	123,608,257	63,595,204
Net profit (loss) after tax	108,190,695	57,738,394

As at March 31, 2022, the Target Group has unaudited consolidated net asset of approximately RMB6,951,640.

INFORMATION ABOUT THE VENDOR

The Company is a company incorporated under the laws of Cayman Islands with limited liability. Jiaxiang Interactive is an operating company of the Group established in the PRC and which is controlled by the Group through the Contractual Arrangements. 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.

INFORMATION ABOUT THE PURCHASER

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 at the date of this announcement, the Jilin Xinyue is owned as to 40% by Jilin Xinze, 35.3% by Jilin Yimeng, 20% by Jilin Xinrui and 4.7% by Jilin Chenge, respectively.

Jilin Xinze an operating company of the Group established in the PRC and is controlled by the Group through the Contractual Arrangements. It is principally engaged in the development and operation of card and board games.

Jilin Yimeng is a company incorporated in the PRC and is owned as to 99% by Mr. Liu Bing and 1% by Mr. Bo Lili. It is principally engaged in providing internet service and computer software development.

Jilin Xinrui is a company incorporated in the PRC and is owned as to 99% by Mr. Luo and 1% by Mr. Li Hongbo. It is principally engaged in online game development, agency services, and advertisement design and production.

Jilin Chenge is a company incorporated in the PRC and is owned as to 99% by Mr. Zhang Qiang and 1% by Mr. Liu Xin. It is principally engaged in providing internet service and computer software development.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Jilin Yimeng, Jilin Xinrui, Jilin Chenge and their ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

REASONS FOR AND BENEFITS FOR THE DISPOSAL

Taking into account the reasonable gain on the Disposal and the business prospect and the financial performance of the Target Group which has been stagnant for the immediately preceding financial year, the Directors considers that the Disposal represents a good opportunity for the Company to realize the investment in the Target Group at a gain. The Disposal would allow the Group to improve its asset portfolio and provide the Group with additional capital to be applied to other businesses in line with the Group's current strategy on further development of its casual game portfolio and propel the long term growth of the Group. The Board also considers that the Disposal represents a good opportunity for the Group to streamline its corporate and business structure and to make the best use of its resources to improve its overall performance.

Based on the above, the Directors are also of the view that the terms and conditions of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and that the Disposal is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As all the percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% and are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempted from the shareholder approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	a day on which banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays)
“Company”	Homeland Interactive Technology Ltd., a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 3798)
“Consideration”	the consideration for the Disposal under the Equity Transfer Agreement
“Contractual Arrangements”	a series of contractual arrangements entered into between Beijing Kexin Network Technology Company Limited (北京柯鑫網絡科技有限公司), Jiaxiang Interactive and the registered shareholder of Jiaxiang Interactive
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Interest from Jiaxiang Interactive to Jilin Xinyue pursuant to the terms of the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated May 5, 2022 entered into between Jiaxiang Interactive, Jilin Xinyue and the Target Company in relation to the disposal of the Sale Interest by Jiaxiang Interactive to Jilin Xinyue
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and not connected with its connected persons (as defined under the Listing Rules)
“Jiaxiang Interactive”	Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動 (廈門) 網絡科技有限公司), an operating company of the Group established in the PRC and which is controlled by the Group through the Contractual Arrangements
“Jilin Chenge”	Jilin Chenge Network Technology Limited* (吉林省宸格網絡科技有限公司), a company incorporated in the PRC with limited liability
“Jilin Xinrui”	Jilin Xinrui Network Technology Limited* (吉林省心瑞網絡科技有限公司), a company incorporated in the PRC with limited liability
“Jilin Xinyue”	Jilin Xinyue Network Technology Limited* (吉林省心悅網絡科技有限公司), a company incorporated in the PRC with limited liability
“Jilin Xinze”	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 established in the PRC and which is controlled by the Group through the Contractual Arrangements, and a wholly-owned subsidiary of Jiaxiang Interactive
"Jilin Yimeng"	Jilin Yimeng Network Technology Limited* (吉林省宜盟網絡科技有限公司), a company incorporated in the PRC with limited liability

“Jilin Yuke” or “Target Company”	Jilin Yuke Network Technology Company Limited* (吉林省宇柯網絡科技有限公司), an operating company of the Group established in the PRC and which is controlled by the Group through the Contractual Arrangements, and a wholly-owned subsidiary of Jiaxiang Interactive
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Purchaser”	Jilin Xinyue
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	100% of the equity interests in the registered paid-up capital of the Target Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	the Target Company and its subsidiary
“Vendor”	Jiaxiang Interactive
“%”	per cent

By order of the Board
Homeland Interactive Technology Ltd.
Wu Chengze
Chairman

Xiamen, PRC, May 5, 2022

As at the date of this announcement, the Board comprises Mr. Wu Chengze, Mr. Jiang Mingkuan, Mr. Su Bo, Mr. Guo Shunshun and Mr. Men Geng as executive Directors and Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo, Mr. Hu Yangyang and Ms. Guo Ying as independent non-executive Directors.

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