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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)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

#### FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2022	2021 (Restated)	Year-on-Year Change* (%)
	(RMB in thousands, except for percentages)		
Revenue from continuing operations	1,562,940	1,140,563	37.0
Cost of sales from continuing operations	(542,321)	(303,516)	78.7
Gross profit from continuing operations	1,020,619	837,047	21.9
<b>Profit for the year attributable to owners of the Company:</b>	<b>465,274</b>	<b>500,713</b>	<b>(7.1)</b>
— from continuing operations <sup>***</sup>	349,242	412,194	(15.3)
— from discontinued operations <sup>***</sup>	116,032	88,519	31.1
<b>Non-IFRS adjusted net profit attributable to the owners of the Company<sup>**</sup></b>	<b>528,609</b>	<b>511,155</b>	<b>—</b>
— Profit for the year attributable to owners of the Company:	<b>465,274</b>	<b>500,713</b>	<b>—</b>
— Share-based payment expenses	34,335	10,442	—
— Withholding tax on undistributed profits of subsidiaries operating in the PRC	29,000	—	—
Earnings per Share from continuing and discontinued operations (basic) (expressed in RMB per Share)	<b>0.37</b>	<b>0.40</b>	<b>(7.5)</b>

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

\*\* The withholding tax on undistributed profits of subsidiaries operating in the PRC was not included in the adjusted net profit attributable to the owners of the Company for the year ended 31 December 2021. For further details, please refer to the section headed “Non-IFRS Measures — Adjusted Net Profit” of this announcement.

\*\*\* During the Reporting Period, the Group has discontinued its private game room cards business through the disposal of Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) and cessation of private game room cards business carried out by Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司). As a result, revenue generated from private game room cards is excluded from its continuing operations and the comparative figures for the twelve months ended 31 December 2021 are restated. For further details of the disposal of subsidiary and discontinued operations of private game room cards business, please refer to the paragraph headed “Material acquisitions, disposals and future plans for major investment” in this announcement and note 6 to the consolidated financial statements of the Company.

## REVENUE BY TYPES OF VIRTUAL PRODUCTS

	For the year ended		Year-on-year
	31 December	2021	Change*
	2022	(restated)	(%)
	(RMB in thousands, except for percentages)		
<b>Continuing operations</b>			
Revenue from:			
— Self-developed mobile games	<b>1,264,307</b>	974,194	29.8
— Third-party mobile games	<b>183,892</b>	39,716	363.0
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	<b>1,448,199</b>	1,013,910	42.8
Advertising revenue**	<b>114,741</b>	126,653	(9.4)
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<b>Total</b>	<b><u>1,562,940</u></b>	<b><u>1,140,563</u></b>	<b><u>37.0</u></b>

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

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

## OPERATIONAL HIGHLIGHTS

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

	<b>As at or for the year ended 31 December 2022</b>	As at or for the year ended 31 December 2021
<b>Continuing operations</b>		
<i>All games (including casual games)</i>		
Daily active users (“DAUs”) *		
(as at period end)	<b>13,956,188</b>	8,720,755
Paying players**	<b>16,644,819</b>	15,381,800
Average monthly active users (“MAUs”)***	<b>62,437,541</b>	50,492,103

\* DAUs, in any given period, refer to the number of daily active players as at the last calendar day of such period.

\*\* Paying players, in any given period, refer to players who pay money to play any of the Company’s mobile game products or to purchase virtual tokens offered by the Company in its mobile game products at least once; a player who pays more than once in such period is counted only once.

\*\*\* MAUs, in any given month or period, refer to the number of active players in a given month or the average of MAUs in the given period.

The board of directors (the “**Board**”) of Homeland Interactive Technology Ltd. (the “**Company**”) is pleased to announce the audited consolidated results (the “**Annual Results**”) of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”) together with the comparative figures for the previous corresponding period. The Annual Results have been audited by Messrs. Deloitte Touche Tohmatsu, the auditor of the Company, and have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

## BUSINESS OVERVIEW AND OUTLOOK

### Business Review

We are a well-established mobile game developer and operator in China, specialising in the development and operation of localised Mahjong, poker and casual games. In addition to our long-running portfolio of card and board games, we have successfully launched a variety of casual games targeting both domestic and overseas players, including “Jixiang Arcade Fish Strike” (吉祥街機捕魚) and “Weile Fish Strike Thousand Cannon” (微樂捕魚千炮版), which have been launch to market in 2022. Adherence to the values of “fairness, professionalism, safety and innovation”, we have continued to sharpen our competitive edge through enduring and classic game offerings and execution of localised marketing strategies to match the ever changing needs of players of different demographics. Meanwhile, we also strive to transform from a leading localised classic card and board game operator in China to a global causal and competitive game platform through multi-dimensional business strategic layout, aiming to seek changes while maintaining steady growth.

In terms of financial performance, our Group’s revenue and gross profit from continuing operations for the year ended 31 December 2022 (the “**Reporting Period**”) were RMB1,562.9 million and RMB1,020.6 million, representing an increase of approximately 37.0% and 21.9%, respectively as compared with the revenue and gross profit for the corresponding period of last year. During the Reporting Period, our profit for the year attributable to owners of the Company was RMB465.3 million, representing a year-on-year decrease of 7.1%. Excluding the impacts of non-operating and non-recurring factors, including share-based payment expenses and withholding tax on undistributed profits of subsidiaries operating in the PRC, the non-IFRS adjusted net profit attributable to the owners of the Company was RMB528.6 million for the Reporting Period.

Such growth in our Group’s revenue during the Reporting Period was partly attributable to our constant innovations and introduction of new elements to our existing game portfolio with an aim to optimise our players’ gaming experience, as well as creating and maximizing our users’ values. Moreover, we have strategically selected and deepened our cooperation with various new media channels, such as Douyin and Tencent Video, to optimise user traffic and enhance our customer acquisition ability, which resulted in a significant increase in our Group’s DAUs and player stickiness. As at the end of the Reporting Period, in terms of our existing business, our Group’s DAUs increased to 13,956,188, representing a year-on-year growth of 60.0%; and our Group’s MAUs increased to 62,437,541, representing a year-on-year growth of 23.7%. We also recorded further growth in our paying players, reaching

16,644,819 by the end of the Reporting Period, representing a year-on-year growth of 8.2%. Leveraging our expanding player base, we strengthened our refined joint operations with a third-party research and development team during the Reporting Period, which resulted in significant growth in profit from our products, namely 《全民學霸》 and 《美人傳》 in particular, and contributed RMB183.9 million of joint operating income from third-party games to our Group in 2022, representing a year-on-year increase of 363.0%.

The cost of sales of our Group also increased correspondingly during the Reporting Period, of which the payment of commissions and fees charged by game distribution channels and platforms brought along with the increase in sales revenue increased to RMB542.3 million, representing a year-on-year increase of 78.7%. Meanwhile, we also increased our sales and marketing expenditure significantly to continuously strengthen our Group's localised marketing capabilities. Our sales and marketing expenditure increased by approximately 80.6% from RMB301.0 million as of 31 December 2021 to RMB543.7 million during the Reporting Period. A portion of our Group's rising marketing expenditure was attributable to the intensive advertising in our key expansion areas to maximise our brand exposure in those targeted regions. Another portion of the increase in marketing expenditure was due to our increased investment in new engaging media channels. In addition to constantly recruiting entertainment broadcasting hosts with personal characters, we also collaborate with contest broadcasting accounts with top user traffic including “麻將研究院” and “鬥地主研究院” to enrich contest-focused content output on new media channels and to expand our user acquisition channels.

During the Reporting Period, we significantly increased our investment in research and development to safeguard the steady growth in our key research and development projects. During the Reporting Period, we invested RMB175.3 million in aggregate to product research and development. On one hand, we have continued to iterate our game variations of card and board games and launched certain brand new game variations, namely 《八喜牌》 and 《國標血流》. On the other hand, we have also been actively improving the artistic presentation of our card and board games, striving to bring an everlasting entertainment experience to players. In terms of products of diverse category, a number of game projects, including the casual game 「Meet Meowkes」 (遇見喵克斯), which has obtained a publication number, are expected to be launched in market in the near future. In addition, our Group is currently developing casual games localised to target players in Southeast Asia and South America, and certain social causal games targeting players in worldwide. Those games have completed multiple rounds of testing, and our Group expects to capture overseas income in the near future.

As a leading green card and board games enterprise, we have always been advocating green and healthy games, and strictly abided by the relevant laws and regulations. In 2022, Our Group has disposed of Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) and ceased its private game room cards business. Meanwhile, our Group has also ceased the related business carried out by Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司). Streamlining such businesses will optimise our investment portfolio and release additional funding for other projects. In the future, we will pay close attention to the development of relevant new policies and regulations in China; and assume corresponding social responsibilities and obligations for establishing a green and healthy network environment.

The Group has raised a total of approximately HK\$363.8 million during the IPO, as of the end of the Reporting Period, the relevant amount of fund raised has been fully utilised for the Group's business operation. The Board proposed the distribution of 2022 annual dividends of approximately HK\$179.7 million in total for the purpose of sharing our operating results with the Shareholders. Taking this dividend distribution into account, the Company has distributed dividends of approximately HK\$434.7 million cumulatively since the Listing. In the future, the Company will strive to maintain the balance between the Shareholders' interest and the Group's development based on the current dividend policy, hoping to implement sustainable dividend returns and reward the Shareholders in action for their long term support and trust towards us.

## **Business Outlook**

In 2023, our Group will continue our efforts to further solidify our competitive advantages in the gaming industry by continuing the following strategies:

1. Further diversify and optimise our game portfolio to increase revenue streams and market infiltration.

Leveraging on our established brand name and optimising the competitive advantage of the accumulated active user base of our existing game portfolio, we plan to expand our game portfolio and introduce game products, being our localised card and board game variations, to attract potential users from prefecture-level cities and cater different entertainment needs. Our Group will utilise the localisation capability of our games to design and develop new tailor-made games to captivate interests of prefecture-level cities users, and increase our Group's revenue source.

2. Expand customer acquisition channels and reduce customer acquisition costs through integration with new media technology and harnessing the power of innovative media channels.

In order to strengthen our Group's customer acquisition ability and increase the business presence, we will increase our capital investment in new media marketing to produce highly entertaining content and retain high-traffic sources.

3. Continue to expand our geographic coverage in China through market penetration of prefecture-level cities.

In 2023, our Group aims to increase our presence in 50 prefecture-level cities situated in various provinces including Zhejiang, Fujian, Anhui and Jiangsu. We plan to allocate resources to boost marketing efforts in the target expansion areas to attract and accumulate players up to a targeted level such that the user base will grow to a scale which is sufficient to continuously generate traction.

4. Devote further research and development resources to increase game pipeline and enrich game portfolio.

In order to diversify the current game portfolio, in addition to classic games, our Group will deploy more research and development resources to introduce new game categories such as hardcore games and competitive games in 2023. We will continue to improve interactions among product teams and streamline our corporate structure to achieve business growth and sustainability. We will also apply our accumulative research and development capabilities in expanding into the overseas markets and capture overseas income.

5. Continue to explore potential business opportunities.

As an established game developer, we will leverage on our industry experience and collaborate with strategic partners to expand our business. Our Group intends to identify high-potential research and development teams which complement our current game portfolio, and explore opportunities to cooperate with them through different forms including incubation, investment and acquisition.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review — Continuing Operations

#### *Revenue*

The Group's revenue for the year ended 31 December 2022 amounted to approximately RMB1,562.9 million, representing an increase of 37.0% from approximately RMB1,140.6 million recorded in 2021. The increase in revenue was partially attributable to the Group's continuous improvement and introduction of new elements into its existing mahjong and poker games, bringing players enhanced timeless gaming experience. Moreover, the Company has strategically selected and deepened the cooperation with various new media channels, such as Douyin, Kuaishou and Tencent Video, to optimize user traffic and expand its customer acquisition ability, which resulted in a significant increase in the Group's DAUs and player stickiness. 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 2022, revenue generated from the Group's sale of virtual tokens, distribution of third-party mobile games and advertising accounted for approximately 80.9%, 11.8% and 7.3% of the Group's total revenue, respectively, as compared with approximately 85.4%, 3.5% and 11.1%, respectively, for the year ended 31 December 2021.

#### *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 78.7% to approximately RMB542.3 million in 2022 from approximately RMB303.5 million in 2021, primarily due to (i) a RMB224.9 million increase in commissions and fees paid to third-party distribution channels and payment vendors; and (ii) a RMB11.1 million increase in server-related and technical support fees. As at 31 December 2022, 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 21.9% to approximately RMB1,020.6 million for the year ended 31 December 2022 from approximately RMB837.0 million in 2021, and the Group's gross profit margin decreased to 65.3% for the year ended 31 December 2022 from 73.4% in 2021.

### ***Other income***

Other income increased by approximately 77.2% from approximately RMB33.7 million for the year ended 31 December 2021 to approximately RMB59.7 million for the year ended 31 December 2022. The increase was primarily due to an increase in interest income of RMB10.8 million and government subsidies of RMB9.3 million during the year ended 31 December 2022.

### ***Foreign exchange gains (losses), net***

Foreign exchange gains of approximately RMB11.1 million was recorded for the year ended 31 December 2022 while foreign exchange losses of approximately RMB1.5 million was recorded for the year ended 31 December 2021, mainly due to the fluctuation of exchange rate of Renminbi (RMB) against US dollars.

### ***Selling and marketing expenses***

The Group's selling and marketing expenses increased by approximately 80.6% from approximately RMB301.0 million for the year ended 31 December 2021 to approximately RMB543.7 million in 2022. The increase was primarily due to an increase in advertising and marketing expenses for targeted advertising in the Group's key expansion areas including Sichuan, Jiangsu and Guangzhou to maximize its brand exposure in those regions, and also the Group's increased investment in engaging new media channels in order to attract high-traffic and distinctive broadcasting hosts to enrich its content output on new media channels.

### ***Administrative and other expenses***

The Group's administrative and other expenses increased by approximately 140.3% from approximately RMB91.6 million for the year ended 31 December 2021 to approximately RMB220.1 million in 2022. The increase was primarily due to (i) an increase of RMB67.2 million in staff costs mainly in connection with research and development activities; and (ii) an increase of RMB36.3 million in outsource technical fee related to research and development of new games.

### ***Profit Before Income Tax***

The Group's profit before income tax decreased by approximately 21.2% from approximately RMB477.4 million for the year ended 31 December 2021 to approximately RMB376.0 million in 2022. The Group's profit before income tax as a percentage of total revenue decreased from 41.9% for the year ended 31 December 2021 to 24.1% for the year ended 31 December 2022, primarily due to the increase of approximately 80.6% and 140.2% in the Group's selling and marketing expenses, and administrative and other expenses, respectively, during the year ended 31 December 2022 compared to the corresponding period in 2021.

### ***Profit from discontinued operations***

Profit from discontinued operations represented the profit generated from the private game room cards business of the Group. Profit from discontinued operations increased by approximately 31.1% from RMB88.5 million for the twelve months ended 31 December 2021 to RMB116.0 million in the corresponding period in 2022, primarily due to the gain on disposal of Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) amounting to RMB97.8 million and was offset by the decrease in profit of private game room cards operations amounting to RMB55.0 million. For further details, please refer to note 6 to the consolidated financial statements of the Company in this announcement.

### ***Income Tax Expenses***

Income tax expenses decreased by approximately 60.0% from RMB65.7 million for the year ended 31 December 2021 to RMB26.3 million in 2022. The Group's effective tax rates were 13.8% and 7.0% for the years ended 31 December 2021 and 2022, respectively. The decrease in the Group's income tax expense and effective tax rate was primarily due to a subsidiary of the Company was qualified as a "Double Soft Enterprise" under the Corporate Income Tax Law, which was exempted from corporate income tax for the year ended 31 December 2022. For further details, please refer to note 4 to the consolidated financial statements of the Company in this announcement.

### ***Profit attributable to owners of the Company***

Profit attributable to owners of the Company decreased by approximately 7.1% from approximately RMB500.7 million for the year ended 31 December 2021 to approximately RMB465.3 million in 2022.

### *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:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Profit for the year attributable to the owners of the Company	<b>465,274</b>	500,713
Add:		
Share-based payment expenses	<b>34,335</b>	10,442
Withholding tax on undistributed profits of subsidiaries operating in the PRC	<b>29,000</b>	—
Adjusted net profit attributable to the owners of the Company	<b><u>528,609</u></b>	<b><u>511,155</u></b>

The adjusted net profit attributable to the owners of the Company for the year ended 31 December 2022, adjusted by excluding the non-cash item of share-based payment expenses and withholding tax on undistributed profits of subsidiaries operating in the PRC, was approximately RMB528.6 million, increased by 3.4% as compared to approximately RMB511.2 million for the year ended 31 December 2021.

## **Liquidity and Capital Resources**

For the year ended 31 December 2022, 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 mostly in HK dollars and US dollars, with the remaining portion denominated in Euros and Singapore 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 2022, the Group had cash and cash equivalents of approximately RMB1,163.3 million (31 December 2021: approximately RMB1,125.2 million), which primarily consisted of cash at bank. Out of the RMB1,163.3 million, approximately RMB1,058.6 million is denominated in Renminbi, approximately RMB38.9 million is denominated in US dollars, approximately RMB64.5 million is denominated in HK dollars, approximately RMB0.9 million and RMB0.4 million is denominated in Euros and Singapore dollars, respectively. The Group currently does not hedge transactions undertaken in foreign currencies.

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 2022, 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 RMB17.8 million in aggregate (31 December 2021: RMB30.7 million).

### ***Gearing ratio***

The gearing ratio was zero since there was no debt as at 31 December 2022.

### ***Charge on assets***

As at 31 December 2022, the Group did not pledge any of its assets.

### *Capital expenditures*

For the year ended 31 December 2022, the Group's capital expenditure amounted to approximately RMB104.0 million (for the year ended 31 December 2021: approximately RMB29.6 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 and financial assets at fair value through profit or loss as well as investment in joint ventures and 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 2022 was higher as the Company incurred increased expenditure with respect to the investment in financial assets at fair value through profit or loss, joint ventures and associates in 2021.

### *Contingent liabilities and guarantees*

As at 31 December 2022, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

### *Performance of major associate*

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**”) (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 (the “**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 (the “**Original Supplemental Agreement**”) as follows:

- (i) 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.
- (ii) 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.

\* for identification purpose only

- (iii) 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 “**Dividend Restriction Clause**”).

On 22 February 2022, for the purpose of facilitating the business operation, the Group agreed with the other shareholders of Jilin Xinyue to setup Jilin Anrui Technology Company Limited\* (吉林省安睿網路科技有限公司) (“**Jilin Anrui**”) under the same shareholding structure as Jilin Xinyue. For the year ended 31 December 2022, the principal business activity of Jilin Anrui is to provide research and development service to Jilin Xinyue. The Guaranteed Net Profit arrangement in the Original Supplemental Agreement was also revised to include the profit from Jilin Anrui.

On 30 December 2022, Jilin Xinze, Mr. Luo Wei who was the controlling party of Jilin Xinbao, Jilin Xinyue and Jilin Anrui entered into a supplemental agreement to the Investment Agreement pursuant to which all parties thereto agreed to remove the Dividend Restriction Clause in the Original Supplemental Agreement but excluding those dividends already previously paid.

As of 31 December 2022, the carrying amount of the Group’s interest in Jilin Xinyue was approximately RMB109.0 million, representing approximately 5.19% of the total assets of the Group. The vendor of Jilin Xinyue has undertaken that the audited net profit of Jilin Xinyue for the year ended 31 December 2022 shall not be less than RMB80.0 million. The unaudited net profit of Jilin Xinyue for the year ended 31 December 2022 was RMB91.3 million. Jilin Xinze received dividend of RMB28.0 million for the year ended 31 December 2022.

### *Material acquisitions, disposals and future plans for major investment*

On 5 May 2022, (i) Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網絡科技有限公司) (“**Jiaxiang Interactive**”) (an indirect wholly-owned subsidiary of the Company by virtue of the contractual arrangements), as the vendor; (ii) Jilin Xinyue Network Technology Limited\* (吉林省心悅網絡科技有限公司) (“**Jilin Xinyue**”), as the purchaser; and (iii) the Jilin Yuke Network Technology Company Limited\* (吉林省宇柯網絡科技有限公司) (the “**Target Company**”) entered into an 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 Network Technology Company Limited\* (吉林省鑫澤網絡技術有限公司), an indirect wholly-owned subsidiary of the Company by virtue of the contractual arrangements), at a total consideration of RMB124 million. Following the completion of the disposal as at 30 June 2022, (i) the Target Company ceased to be a subsidiary of the Company and its financial results are no longer consolidated into the consolidated financial statements of the Group; and (ii) the financial results of the Target Company are 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. For further details of the disposal, please refer to the announcement of the Company dated 5 May 2022.

On 31 October 2022, Jiaxiang Interactive (Xiamen) Network Technology Company Limited (“**Jiaxiang Interactive**”) (an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), Xiamen Challengers Aquarius Venture Capital Partnership (limited Partnership)\* (廈門挑戰者水瓶號創業投資合夥企業(有限合夥)), Hefei High Quality Development Guidance Fund Co. Ltd.\* (合肥市高質量發展引導基金有限公司), Hefei Luyang Science and Technology Innovation Group Co. Ltd. (合肥廬陽科技創新集團有限公司) (formerly known as Hefei Luyang Industrial Development Investment Holding Co. Ltd.\* (合肥廬陽產業發展投資控股有限公司)), Shanghai Fenzhong Hongyi Information Technology Co.\* (上海分眾鴻意信息技術有限公司), Beijing Juxinde Investment Management Center (Limited Partnership)\* (北京聚信德投資管理中心(有限合夥)) (formerly known as Beijing Jianxin Jude Investment Management Center (Limited Partnership)\* (北京建信聚德投資管理中心(有限公司))), Sequoia Yuhui (Xiamen) Equity Investment Partnership (Limited Partnership)\* (紅杉煜慧(廈門)股權投資合夥企業(有限合夥)), Ms. Li Hanqiong and Mr. Zhu Bideng (each as a Limited Partner), Xiamen Challengers Caomu Management Consulting Partnership (Limited Partnership)\* (廈門挑戰者草木管理諮詢合夥企業(有限合夥)) (as a Special Limited Partner), Xiamen Challengers Yunteng Management Consulting Partnership (Limited Partnership)\* (廈門挑戰者雲騰管理諮詢合夥企業(有限合夥)) (as a General Partner) and Beijing Chuangxinyizhou Investment Management Co., Ltd.\* (北京創新壹舟投資管理有限公司) (as a Fund Manager) entered into a partnership agreement (the “**Partnership Agreement**”) for the formation of a limited partnership to be established pursuant to the terms of the Partnership Agreement under the proposed name of Hefei Challengers Gemini Venture Capital Investment Partnership (Limited Partnership)\* (合肥挑戰者雙子號創業投資合夥企業(有限合夥)) (the “**Partnership**”) to carry out equity and equity-related investment with a focus on the consumer industry, corporate services and entertainment sectors.

Pursuant to the Partnership Agreement, the target size of the Partnership shall be RMB2.5 billion, of which the initial capital contribution to the Partnership shall not be less than RMB1.0 billion, and Jiaxiang Interactive, as a Limited Partner, proposed to make capital contribution of RMB100 million. During the year ended 31 December 2022, Jiaxiang Interactive made a capital contribution of RMB30,000,000 to the Partnership. Subject to the applicable accounting standards, upon the establishment of the Partnership, the financial results of the Partnership will not be consolidated into the accounts of the Company. For further details of the Partnership, please refer to the announcement of the Company dated 31 October 2022.

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, joint ventures, associates or financial assets during the Reporting Period.

### **Employees and Staff Costs**

As at 31 December 2022, the Group had a total of 686 full time employees, mainly located in mainland China. In particular, 158 employees are responsible for the Group's research and development, 273 for game development, 31 for technical support, 40 for customer service, 103 for marketing and 81 for operations and general administration. The total staff cost incurred by the Group for the year ended 31 December 2022 was approximately RMB224.8 million compared to approximately RMB139.1 million in 2021. The increase was mainly due to (i) the increase in payment of salaries and other benefits in kind of approximately RMB60.2 million; and (ii) the increase in payment of share-based compensation to key employees of approximately RMB21.0 million; and (iii) the significant increase in the number of R&D personnel.

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 2022.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> (restated)
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>1,562,940</b>	1,140,563
Cost of sales		<u>(542,321)</u>	<u>(303,516)</u>
<b>Gross profit</b>		<b>1,020,619</b>	837,047
Other income		<b>59,716</b>	33,700
Other gains and losses		<b>14,231</b>	(25,648)
Foreign exchange gains (losses), net		<b>11,050</b>	(1,469)
Selling and marketing expenses		<b>(543,718)</b>	(301,042)
Administrative and other expenses		<b>220,075</b>	91,630
Impairment losses under expected credit loss model		<b>(5,386)</b>	—
Share of results of associates		<b>40,974</b>	27,320
Share of results of joint ventures		<b>(7)</b>	—
Interest on lease liabilities		<u>(1,428)</u>	<u>(849)</u>
<b>Profit before income tax</b>		<b>375,976</b>	477,429
Income tax expense	4	<u>(26,326)</u>	<u>(65,672)</u>
<b>Profit for the year from continuing operations</b>	5	<u><b>349,650</b></u>	<u>411,757</u>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	6	<u><b>116,032</b></u>	<u>88,519</u>
<b>Profit for the year</b>		<u><b>465,682</b></u>	<u>500,276</u>
<b>Other comprehensive expense</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investment in equity instruments at fair value through other comprehensive income, net of income tax		<u>(8,870)</u>	<u>(3,574)</u>
Other comprehensive expense for the year, net of income tax		<u>(8,870)</u>	<u>(3,574)</u>
<b>Total comprehensive income for the year</b>		<u><b>456,812</b></u>	<u>496,702</u>

	<i>NOTES</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000 (restated)
<b>Profit for the year attributable to owners of the Company:</b>			
— from continuing operations		<b>349,242</b>	412,194
— from discontinued operations		<b>116,032</b>	88,519
		<b>465,274</b>	500,713
<b>Profit (loss) for the year attributable to:</b>			
Owners of the Company		<b>465,274</b>	500,713
Non-controlling interests		<b>408</b>	(437)
		<b>465,682</b>	500,276
<b>Total comprehensive income for the year attributable to owners of the Company:</b>			
— from continuing operations		<b>340,372</b>	408,620
— from discontinued operations		<b>116,032</b>	88,519
		<b>456,404</b>	497,139
<b>Total comprehensive income (expense) attributable to:</b>			
Owners of the Company		<b>456,404</b>	497,139
Non-controlling interests		<b>408</b>	(437)
		<b>456,812</b>	496,702
<b>Earnings per share (in RMB cents)</b>	8		
From continuing and discontinued operations			
— Basic		<b>37.23</b>	39.77
— Diluted		<b>36.73</b>	38.93
From continuing operations			
— Basic		<b>27.94</b>	32.74
— Diluted		<b>27.57</b>	32.05

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		52,858	51,557
Intangible assets		1,077	1,412
Right-of-use assets		15,985	29,758
Investments in associates		186,545	153,498
Investments in joint ventures		25,021	—
Financial assets at fair value through profit or loss		30,000	—
Loans to employees		17,407	13,788
Rental and other deposits		7,001	5,637
Equity instruments at fair value through other comprehensive income		5,808	10,146
Deferred tax assets		57,223	9,972
Receivables for disposal of subsidiaries		96,584	—
		<b>495,509</b>	<b>275,768</b>
<b>Current assets</b>			
Trade receivables	9	192,949	194,736
Financial assets at fair value through profit or loss		61,243	—
Prepayments and other receivables	10	192,288	133,271
Cash and cash equivalents		1,163,316	1,125,162
		<b>1,609,796</b>	<b>1,453,169</b>
<b>Current liabilities</b>			
Other payables	11	93,569	92,221
Lease liabilities		10,191	11,241
Deferred revenue		127,057	82,492
Tax payable		43,861	55,909
		<b>274,678</b>	<b>241,863</b>
<b>Net current assets</b>		<b>1,335,118</b>	<b>1,211,306</b>
<b>Total assets less current liabilities</b>		<b>1,830,627</b>	<b>1,487,074</b>

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>7,614</b>	19,466
Deferred tax liabilities		<b>29,000</b>	1,934
Derivative financial liabilities		—	25,370
		<u><b>36,614</b></u>	<u>46,770</u>
<b>Net assets</b>		<u><b>1,794,013</b></u>	<u>1,440,304</u>
<b>Capital and reserves</b>			
Share capital	<i>12</i>	<b>42</b>	42
Reserves		<u><b>1,794,377</b></u>	<u>1,441,076</u>
Equity attributable to owners of the Company		<b>1,794,419</b>	1,441,118
Non-controlling interests		<u><b>(406)</b></u>	<u>(814)</u>
<b>Total equity</b>		<u><b>1,794,013</b></u>	<u>1,440,304</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 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, Uglund 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 following amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

The application of 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.

### **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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

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

3 Effective for annual periods beginning on or 1 January 2024.

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. REVENUE AND SEGMENT INFORMATION

Revenue represents (1) income from sales of virtual tokens on the Group’s self-developed mobile games; (2) income from third-party mobile games; and (3) advertising revenue. As private game room cards business is classified as discontinued operations which are described in more detail in Note 6, the revenue from private game room cards is excluded from this note. 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 in self-developed mobile games and the customers purchase the virtual tokens of respective games or convert the virtual tokens 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.

	<b>2022</b> <i>RMB’000</i>	2021 <i>RMB’000</i> (restated)
<b>Continuing operations</b>		
Revenue from:		
— Self-developed mobile games	<b>1,264,307</b>	974,194
— Third-party mobile games	<b>183,892</b>	39,716
	<b>1,448,199</b>	1,013,910
Advertising revenue	<b>114,741</b>	126,653
	<b><u>1,562,940</u></b>	<b><u>1,140,563</u></b>

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.

## 4. INCOME TAX EXPENSE

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> (restated)
<b>Continuing operations</b>		
PRC Corporate Income Tax ("CIT")		
Current year	<b>40,625</b>	70,424
Under provision in prior years	<b>5,010</b>	2,431
	<u><b>45,635</b></u>	<u>72,855</u>
Deferred tax		
Current year	<u><b>(19,309)</b></u>	<u>(7,183)</u>
	<u><b>26,326</b></u>	<u>65,672</u>

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.



During the year ended 31 December 2021, Jiayang Interactive became qualified as “High and New Technology Enterprises” (“**HNTE**”) under the Corporate Income Tax Law. According to the CIT law, it became entitled to a preferential income tax rate at 15% for three years starting from the year ended 31 December 2021. As a result, Jiayang Interactive is entitled to a preferential income tax rate at 15% for both years.

Jilin Xinze Network Technology Company Limited (“**Jilin Xinze**”) qualified as HNTE under the Corporate Income Tax Law since 2017 and such qualification was renewed during the year 2020 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.

For the year ended 31 December 2022, Yaotang (Xiamen) Network Technology Co., Ltd (“**Yaotang Xiamen**”) qualified as a “Double Soft Enterprise” (“**DSE**”) under the Corporate Income Tax Law. According to relevant tax regulations, Yaotang Xiamen 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 2022, the first year of profitable operation. Therefore, Yaotang Xiamen was exempted from CIT for the year ended 31 December 2022.

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**”). Jiayang Interactive and Jilin Xinze 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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> (restated)
<b>Continuing operations</b>		
Profit before income tax	<u><b>375,976</b></u>	<u>477,429</u>
Tax at income tax rate of 25%	<b>93,995</b>	119,357
Tax effect of tax losses not recognized	<b>1,391</b>	3,390
Utilisation of tax losses previously not recognised	<b>(2,686)</b>	—
Tax effect of expenses not deductible for tax purpose	<b>7,990</b>	2,740
Tax effect of share of results of associates and joint ventures	<b>(10,242)</b>	(6,830)
Effect of Super Deduction	<b>(21,708)</b>	(14,333)
Effect of preferential tax rate	<b>(76,424)</b>	(41,083)
Withholding tax on undistributed profits of subsidiaries operating in the PRC	<b>29,000</b>	—
Under provision in prior years	<u><b>5,010</b></u>	<u>2,431</u>
Income tax expense	<u><b>26,326</b></u>	<u>65,672</u>

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. Withholding tax amounted to RMB29,000,000, which calculated by the expected amount of future dividends and the withholding tax rate of 10%, has been provided in the current year. 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 RMB1,512,787,000 as at 31 December 2022 (2021: RMB1,339,695,000) 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.

## 5. PROFIT FOR THE YEAR — CONTINUING OPERATIONS

Profit for the year from continuing operation has been arrived at after charging:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> (restated)
Lease expenses in respect of short-term leases on buildings	—	518
Depreciation of right-of-use assets	<b>10,738</b>	4,783
Depreciation of property, plant and equipment	<b>7,812</b>	4,748
Amortization of intangible assets	<b>445</b>	521
Auditors' remuneration	<b>3,780</b>	3,528
Directors' emoluments	<b>4,998</b>	3,821
Other staff costs:		
Salaries and other benefits in kind	<b>183,069</b>	122,902
Contributions to retirement benefit scheme	<b>6,251</b>	2,953
Share-based payment expenses	<b>30,482</b>	9,441
Total staff costs	<b><u>224,800</u></b>	<b><u>139,117</u></b>

## 6. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

During the current year, in order to streamlining its business and discontinuing its private game room cards business, the Group entered into a sale agreement with Jilin Xinyue Network Technology Limited (“**Jilin Xinyue**”) to dispose of its 100% equity interest in Jilin Yuke Network Technology Company Limited (“**Jilin Yuke**”) that carried out majority of the Group’s private game room cards operations. Beijing Kexin Interactive Entertainment Technology Ltd., which was established in the PRC and wholly-owned by Jilin Yuke, was disposed of together with Jilin Yuke. The disposal was completed on 30 June 2022, on which date the Group lost control of Jilin Yuke. On the other hand, the Group also ceased the Group’s remaining operations of private game room cards carried out by Jilin Xinze during the current year.

The profit for the year from the discontinued private game room cards operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the private game room cards operations as discontinued operations.

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit of private game room cards operations for the year	<b>33,492</b>	88,519
Gain on disposal of Jilin Yuke	<b>97,803</b>	—
Income tax expense on gain on disposal	<b>(15,263)</b>	—
	<b><u>116,032</u></b>	<b><u>88,519</u></b>

The results of the private game room cards operations for the period from 1 January 2022 to 30 June 2022 and preceding year, which has been included in the consolidated statement of profit or loss and other comprehensive income were as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	<b>60,207</b>	147,159
Cost of sales	<b>(12,747)</b>	(25,378)
Gross profit	<b>47,460</b>	121,781
Other income	<b>4,380</b>	8,778
Selling and marketing expenses	<b>(1,716)</b>	(16,264)
Administrative expenses	<b>(8,112)</b>	(12,379)
Other expenses	<b>(3,000)</b>	(1,584)
Share of results of associates	—	(314)
Interest on lease liabilities	<b>(121)</b>	(211)
Profit before income tax	<b>38,891</b>	99,807
Income tax expense ( <i>Note</i> )	<b>(5,399)</b>	(11,288)
Profit for the year	<b><u>33,492</u></b>	<b><u>88,519</u></b>

*Note:*

Jilin Yuke was qualified as a DSE under the Enterprise Income Tax Law in 2019. Therefore, according to relevant tax regulations, Jilin Yuke is exempted from Enterprise Income Tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2017, the first year of profitable operation. On the other hand, Jilin Yuke is qualified as HNTE under the Enterprise Income Tax Law from 2022 and the valid period is three years. Therefore, the actual income tax rate for Jilin Yuke is 15% for the current year and 12.5% for the preceding year. On the other hand, Jilin Yuke was claimed Super Deduction in ascertaining its tax assessable profits for both years.

**Cash flows from the discontinued operations:**

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Net cash flows from operating activities	<b>42,921</b>	82,913
Net cash flows used in investing activities	<b>(36)</b>	(14,148)
Net cash flows used in financing activities	<b>(637)</b>	(1,362)
	<hr/>	<hr/>
Net cash flows	<b><u>42,248</u></b>	<b><u>67,403</u></b>

**Consideration received:**

	<i>RMB'000</i>
Cash	12,400
Deferred cash consideration ( <i>Note</i> )	93,547
	<hr/>
Total consideration	<b><u>105,947</u></b>

**Analysis of assets and liabilities over which control was lost:**

	<b>30/06/2022</b> <b>RMB'000</b>
Property, plant and equipment	825
Intangible assets	80
Right-of-use assets	3,443
Trade receivables	510
Prepayments and other receivables	24,474
Cash and cash equivalents	13,414
Other payables	14,270
Tax payable	2,741
Lease liabilities	4,274
Deferred revenue	13,317
	<hr/>
Net assets disposed of	<b>8,144</b>

**Gain on disposal of a subsidiary:**

	<i>RMB'000</i>
Total consideration	105,947
Net assets disposed of	8,144
	<hr/>
Gain on disposal	<b>97,803</b>

**Net cash outflow arising on disposal:**

	<i>RMB'000</i>
Total cash consideration received	12,400
Bank balances and cash disposed of	(13,414)
	<hr/>
	<b>(1,014)</b>

*Note:* Deferred consideration amounted to RMB93,547,000 will be settled on 28 April 2025. The fair value of the deferred consideration is determined by discounting the consideration of RMB111,600,000 using the discount rate of 6.44% per annum. An interest income of RMB3,037,000 was recognized in the current year and the receivables for disposal of subsidiaries was amounted to RMB96,584,000 and presented under non-current assets on the consolidated statement of financial position as at 31 December 2022.

## 7. DIVIDENDS

The Group announced a special dividend of Hong Kong Dollar (“HK\$”) 0.08 (equivalent to RMB0.07) per share on 22 September 2022 and paid the dividends on 26 October 2022 with a total amount of RMB92,857,000 (for the year ended 31 December 2021: nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK\$0.14 (equivalent to RMB0.12) per ordinary share, in an aggregate amount of HK\$179,676,490 (equivalent to RMB157,177,400), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 8. EARNINGS PER SHARE

### From continuing operations

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Earnings</b>		
— Profit for the year attributable to owners of the Company	465,274	500,713
Less:		
Profit for the year from discontinued operations	<u>116,032</u>	<u>88,519</u>
Earnings for the purpose of basic and diluted earnings per share from continuing operations	<u><u>349,242</u></u>	<u><u>412,194</u></u>

	<b>Number of shares</b>	
	<b>2022</b>	2021
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue less shares held for future share award scheme for the purpose of basic earnings per share	<b>1,249,793,413</b>	1,258,870,628
Effect of dilutive potential ordinary shares in respect of		
— Share Option Scheme	—	24,274,037
— The Compensation Grant	<b>16,728,259</b>	2,907,315
— The 2021 Share Award Scheme	<b>251,168</b>	—
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>1,266,772,840</u></b>	<b><u>1,286,051,980</u></b>

### **From continuing and discontinued operations**

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted per share		
Profit for the year	<b><u>465,274</u></b>	<b><u>500,713</u></b>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

### **From discontinued operations**

Basic earnings per share for the discontinued operations is RMB9.28 cents per share (2021: RMB7.03 cents per share) and diluted earnings per share for the discontinued operations is RMB9.16 cents per share (2021: RMB6.88 cents per share), based on the profit for the year from the discontinued operations of approximately RMB116,032,000 (2021: RMB88,519,000) and the denominators detailed above for both basic and diluted earnings per share.



## 9. TRADE RECEIVABLES

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	<b>192,949</b>	194,736
Less: impairment provision	<u>—</u>	<u>—</u>
Total	<b><u>192,949</u></b>	<b><u>194,736</u></b>

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB88,473,000.

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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	<b>149,477</b>	135,400
31–60 days	<b>33,198</b>	50,805
61–90 days	<b>1,777</b>	6,663
91–180 days	<b>1,066</b>	355
Over 180 days	<b><u>7,431</u></b>	<u>1,513</u>
Total	<b><u>192,949</u></b>	<b><u>194,736</u></b>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB13,281,000 (2021: RMB7,791,000) which are past due. Out of the past due balances, RMB746,000 (2021: RMB2,701,000) 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.

## 10. PREPAYMENTS AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Prepayment for advertisement and promotion fees	140,773	74,692
Prepayment for research and development	14,800	26,623
Receivables of service income	—	5,373
Dividends receivable from associates ( <i>note i</i> )	10,000	6,323
Prepayment for server-related fees	4,532	5,612
Advances to employees	2,639	2,058
Loans receivables	10,772	—
Others	14,158	12,590
	<u>197,674</u>	<u>133,271</u>
Less: Allowance for credit losses ( <i>note ii</i> )	<u>(5,386)</u>	<u>—</u>
Total	<u><u>192,288</u></u>	<u><u>133,271</u></u>

*Notes:*

- (i) The dividends receivable from associates as at 31 December 2022 represents the dividend receivable from Jilin Yuke and the dividend distribution was occurred before the disposal of Jilin Yuke.
- (ii) The credit losses is related to loans receivables.

## 11. OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries and staff welfare payables	47,542	47,005
Payable for acquisition of an associate ( <i>note i</i> )	14,686	—
Payable to game developers ( <i>note ii</i> )	12,170	3,486
Payable for customer service and technical support fee	2,061	—
Other taxes payable	8,008	12,215
Payable for advertisement expenses	—	10,682
Payable for research and development	499	—
Selling and marketing expenses accruals	255	9,721
Deposit for advertising and game operation	396	1,351
Administrative expenses accruals	1,796	1,700
Others	6,156	6,061
	<u>93,569</u>	<u>92,221</u>
Total	<u>93,569</u>	<u>92,221</u>

*Notes:*

- (i) The balance represents RMB14,686,000 payable to Jilin Yuke for acquisition of Siwen Technology which was an associate of Jilin Yuke before the disposal as detailed in Note 6. These balances are unsecured, interest-free and payable within one year from the reporting date.
- (ii) As at 31 December 2022 and 2021, 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.

## 12. SHARE CAPITAL

	<b>Par value</b> <i>US\$</i>	<b>Number of shares</b>	<b>Nominal amount</b> <i>US\$</i>	<b>Shown in the consolidated financial statements</b> <i>RMB'000</i>
<b>Authorized</b>				
As at 1 January 2021, 31 December 2021 and 31 December 2022	<u>0.000005</u>	<u>10,000,000,000</u>	<u>50,000</u>	
<b>Issued and fully paid</b>				
As at 1 January 2021	<u>0.000005</u>	<u>1,256,000,000</u>	<u>6,280</u>	<u>41</u>
Issue of shares	<u>0.000005</u>	<u>27,403,500</u>	<u>137</u>	<u>1</u>
As at 31 December 2021 and 31 December 2022	<u><u>0.000005</u></u>	<u><u>1,283,403,500</u></u>	<u><u>6,417</u></u>	<u><u>42</u></u>

## OTHER INFORMATION

### FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board proposed the payment of a final dividend of HK\$0.14 per share, in an aggregate amount of HK\$179,676,490 (equivalent to RMB157,177,400), for the year ended 31 December 2022 (2021: nil), subject to the approval of the Shareholders at the 2022 Annual General Meeting to be held on 22 May 2023. The proposed dividends will be distributed on 16 June 2023 to Shareholders whose names appear on the register of members of the Company on 5 June 2023.

The annual general meeting (the “**Annual General Meeting**”) is proposed to be held on Monday, 22 May 2023. 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 Wednesday, 17 May 2023 to Monday, 22 May 2023 (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, Tricor Investor Services Limited, at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 May 2023.

For determining the entitlement to the payment of final dividend, the register of members of the Company will be closed on Monday, 5 June 2023, during which no transfer of shares of the Company will be registered. The final dividend is payable to the Company’s shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 5 June 2023. In order to qualify for the payment of final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar Tricor Investor Services Limited, at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Friday, 2 June 2023.

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

During the year ended 31 December 2022, Futu Securities International (Hong Kong) Limited, an independent trustee for the share award schemes of the Company, purchased 30,320,000 of shares of the Company with total consideration of RMB44,581,000 (HK\$50,824,000) on the open market as treasury shares for the purpose of future share award schemes.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2022.

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

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

As at 1 January 2022, the total amount of unutilized net proceeds was HK\$44.2 million. During the year ended 31 December 2022, the Group has followed the plan and the timeline for the use of proceeds as set out in the Prospectus and the results announcement for the year ended 31 December 2021 published by the Company on 28 March 2022. As at 31 December 2022, all proceeds from the global offering has been utilized.

The table below sets forth the use of proceeds by the Group as of 31 December 2022:

Intended use of the net proceeds	Amount allocated for intended use of net proceeds	Amount that had been utilized as of 31 December 2022	The actual used amount for the year ended 31 December 2022	Remaining balance as of 31 December 2022
<b>1. For further expanding and developing game portfolio:</b>	<b>HK\$89.1 million</b>	<b>HK\$89.1 million</b>	<b>HK\$6.6 million</b>	<b>HK\$Nil</b>
• to develop additional Mahjong game variations	HK\$43.4 million	HK\$43.4 million	HK\$4.0 million	HK\$Nil
• to develop new poker game variations	HK\$20.9 million	HK\$20.9 million	HK\$1.8 million	HK\$Nil
• to develop new casual games	HK\$24.8 million	HK\$24.8 million	HK\$0.8 million	HK\$Nil
<b>2. For introducing and enhancing game features or functions and for improving technology infrastructure:</b>	<b>HK\$105.9 million</b>	<b>HK\$105.9 million</b>	<b>HK\$6.3 million</b>	<b>HK\$Nil</b>
• to develop HTML5 versions and other potential mini-programs for most of the existing game products	HK\$39.8 million	HK\$39.8 million	HK\$1.6 million	HK\$Nil
• to improve user interface	HK\$18.5 million	HK\$18.5 million	HK\$1.5 million	HK\$Nil
• to improve backend system	HK\$19.1 million	HK\$19.1 million	HK\$0.8 million	HK\$Nil
• to develop new features of game products	HK\$16.5 million	HK\$16.5 million	HK\$0.6 million	HK\$Nil
• for cybersecurity needs	HK\$12.0 million	HK\$12.0 million	HK\$1.8 million	HK\$Nil
<b>3. For enhancing marketing capabilities and improving brand image:</b>	<b>HK\$65.5 million</b>	<b>HK\$65.5 million</b>	<b>HK\$15.7 million</b>	<b>HK\$Nil</b>
• offline promotion activities in respect of new game variations and offline promotion activities in respect of existing games	HK\$30.7 million	HK\$30.7 million	HK\$11.8 million	HK\$Nil
• advertising expenses	HK\$30.6 million	HK\$30.6 million	HK\$0.4 million	HK\$Nil
• to build a PR team to strengthen overall marketing capability	HK\$4.2 million	HK\$4.2 million	HK\$3.5 million	HK\$Nil
<b>4. For external growth by strategically pursuing partnership and acquisition opportunities</b>	<b>HK\$38.6 million</b>	<b>HK\$38.6 million</b>	<b>HK\$4.7 million</b>	<b>HK\$Nil</b>
<b>5. For international expansion</b>	<b>HK\$28.4 million</b>	<b>HK\$28.4 million</b>	<b>HK\$8.1 million</b>	<b>HK\$Nil</b>
<b>6. For providing funding for working capital and general corporate purposes</b>	<b>HK\$36.3 million</b>	<b>HK\$36.3 million</b>	<b>HK\$2.8 million</b>	<b>HK\$Nil</b>
<b>Total</b>	<b><u>HK\$363.8 million</u></b>	<b><u>HK\$363.8 million</u></b>	<b><u>HK\$44.2 million</u></b>	

## **EVENTS AFTER THE REPORTING PERIOD**

There was no important event affecting the Group which occurred after the end of the Reporting Period up to the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2022, the Company has complied with the applicable code provisions of the Code as set forth in the corporate governance code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules, except for a deviation from code provision C.2.1.

Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wu Chengze 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 six executive directors (including Mr. Wu) and three independent non-executive directors and therefore, in the Company’s view, has an appropriate level of independence element in its composition.

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



## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **AUDIT COMMITTEE**

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

The annual results of the Group for the year ended 31 December 2022 have been audited by Messrs. Deloitte Touche Tohmatsu, the auditor of the Company. The Audit Committee has reviewed the Company’s audited consolidated results for the Reporting Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

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

There has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.jiaxianghudong.com>). The annual report of the Company for the year ended 31 December 2022 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 30 March 2023

*As at the date of this announcement, the executive directors are Mr. Wu Chengze, Mr. Jiang Mingkuan, Mr. Su Bo, Mr. Guo Shunshun, Mr. Ding Chunlong and Mr. Tang Yinghao; and the independent non-executive directors are Mr. Hu Yangyang, Mr. Zhang Yuguo and Ms. Guo Ying.*

\* *For identification purpose only*