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Homeland Interactive Technology Ltd.

家鄉互動科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3798)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	For the six months ended		Year-on-Year Change* (%)
	30 June 2023	2022	
	(RMB in thousands, except for percentages)		
Revenue from continuing operations	953,477	781,763	22.0
Cost of sales from continuing operations	312,637	229,673	36.1
Gross profit from continuing operations	640,840	552,090	16.1
Profit for the period attributable to owners of the Company:	395,293	380,299	3.9
— from continuing operations***	395,293	264,267	49.6
— from discontinued operations***	—	116,032	-100.0
Non-IFRS adjusted net profit attributable to the owners of the Company**	445,611	395,479	12.7
— Profit for the year attributable to owners of the Company:	445,611	395,479	12.7
— Share-based payment expenses	27,818	15,180	83.3
— Withholding tax on undistributed profits of subsidiaries operating in the PRC	22,500	—	100.0
Earnings per Share from continuing and discontinued operations (basic) (expressed in RMB per Share)	30.98	30.56	1.4

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

** Non-IFRS adjusted net profit attributable to owners of the Company was derived from the unaudited profit and total comprehensive income for the period adjusted for share-based compensation.

*** In 2022, 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 six months ended 30 June 2022 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 7 to the condensed consolidated financial statements of the Company.

REVENUE BY TYPES OF VIRTUAL PRODUCTS

	For the six months ended		Year-on-year
	30 June	2022	Change*
	2023		(%)
	(RMB in thousands, except for percentages)		
Continuing operations			
Revenue from:			
— Self-developed mobile games	818,662	639,418	28.0
— Third-party mobile games	94,635	82,623	14.5
	913,297	722,041	26.5
Advertising revenue**	40,180	59,722	(32.7)
Total	<u>953,477</u>	<u>781,763</u>	<u>22.0</u>

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

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

OPERATIONAL HIGHLIGHTS

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

	As at or for the six months ended 30 June 2023	As at or for the six months ended 30 June 2022
Continuing operations		
<i>All games (including casual games)</i>		
Daily active users (“DAUs”) *		
(as at period end)	14,247,326	10,068,889
Paying players**	9,230,631	8,975,481
Average monthly active users (“MAUs”)***	67,949,141	55,757,653

* 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 unaudited consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”) together with the comparative figures for the previous corresponding period. The Interim Results have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants, the auditor of the Company, and 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. 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 for the Reporting Period were RMB953.5 million and RMB640.8 million, representing an increase of approximately 22.0% and 16.1%, 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 RMB395.3 million, representing a year-on-year increase of 3.9%. Excluding the impacts of non-operating and non-recurring factors such as 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 RMB445.6 million for the Reporting Period, representing a year-on-year increase of 12.7%.

During the Reporting Period, our Group’s DAUs increased to 14,247,326, representing a year-on-year growth of 41.5%; and our Group’s MAUs increased to 67,949,141, representing a year-on-year growth of 21.9%. We also recorded further growth in our paying players, reaching 9,230,631 by the end of the Reporting Period, representing a year-on-year growth of 2.8%. Despite the slower growth in user demand for mobile devices in the post-pandemic era, the Group launched certain new game variations, namely 《瘋狂八杠》, 《瘋狂捉雞》 and 《免洗鬥地主八王》, and introduced new payment models (including monthly top-ups), which stabilized the player base and raised the willingness to pay of platform users.

As the revenue grew, our cost of sales also increased correspondingly by 36.1% 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 RMB267.4 million, representing a year-on-year increase of 42.0%. Our sales and marketing expenditure decreased by approximately 40.1% from RMB216.6 million as of 30 June 2022 to RMB129.7 million during the Reporting Period. A portion of our Group's decreasing marketing expenditure was attributable to player top-ups in the first half of the year was better than expectation, hence the Group did not spend much on marketing placements. In addition, our advertising strategy has switched from massive placing to acquire market share in the first half of 2022 to targeted placing in the first half of 2023 to realise higher marketing efficiency, which resulted in the decrease in overall marketing spending. In addition to constantly recruiting individual entertainment broadcasting hosts, we also strengthened our collaboration with card and board games contest broadcasting accounts to enrich contest-focused output on new media channels. Currently, the Group has 10 contest broadcasting accounts, including “麻將研究院” and “鬥地主研究院”, on Douyin and 6 other contest broadcasting accounts on other mainstream streaming platforms, totaling 16 contest broadcasting accounts. Not only could our layouts for contest broadcasting accounts on new media channels significantly increase our brand's exposure, but could also expand our potential sources of users.

In terms of promoting the quintessence of China in 2022, under the guidance of and with authorization from the Mahjong International League, the Hangzhou Branch of the China Chess Academy established the Mahjong Technique Grading Center equipped with a mahjong player registration and grading certification system and assigned our “Weile Mahjong” (微樂麻將) to be its only online grading cooperation platform. Since its launch in November 2022, the platform is opened for all mahjong players for grading. As of 30 June 2023, over 2.5 million players have registered as a mahjong player on the Weile Platform under the Group.

In terms of product, we launched the leisure tower defense game, “Meet Meowkes” (遇見喵克斯) on 18 May 2023. Also, the soon-to-be-launched “Weile 3D Dou dizhu” (微樂3D鬥地主) and “Weile 3D Sichuan Mahjong” (微樂3D四川麻將) of the Group are expected to significantly improve the artistic expression of card and board games, upgrading and optimizing the cinematic openings, special effects and background music during matches, hoping to bring a brand new gaming experience for both new and existing players.

Business Outlook

During the second half of 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 the second half of 2023, our Group aims to increase our presence in over 30 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 the second half of 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 six months ended 30 June 2023 amounted to approximately RMB953.5 million, representing an increase of 22.0% from approximately RMB781.8 million recorded in the corresponding period in 2022. 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 six months ended 30 June 2023, revenue generated from the Group's sale of virtual tokens, distribution of third-party mobile games and advertising accounted for approximately 85.9%, 9.9% and 4.2% of the Group's total revenue, respectively, as compared with approximately 81.8%, 10.6% and 7.6%, respectively, for the six months ended 30 June 2022.

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 36.1% to approximately RMB312.6 million in the six months ended 30 June 2023 from approximately RMB229.7 million in the six months ended 30 June 2022, primarily due to (i) a RMB79.1 million increase in commissions and fees paid to third-party distribution channels and payment vendors; and (ii) a RMB9.1 million increase in employee benefit expenses, and partially offset by (a) a RMB4.1 million decrease in server-related and technical support fees, and (b) a RMB1.1 million decrease in depreciation and amortization. As at 30 June 2023, 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 16.1% to approximately RMB640.8 million for the six months ended 30 June 2023 from approximately RMB552.1 million for the six months ended 31 December 2022, and the Group's gross profit margin decreased to 67.2% for the six months ended 30 June 2023 from 70.6% for the corresponding period in 2022.

Other income

Other income increased by approximately 40.6% from approximately RMB21.6 million for the six months ended 30 June 2022 to approximately RMB30.4 million for the six months ended 30 June 2023. The increase was primarily due to an increase in interest income of RMB6.6 million and an increase in write-off of payables from expired room card of RMB3.5 million during the six months ended 30 June 2023.

Other gains and losses

Other gains and losses increased RMB28.6 million from a loss of approximately RMB1.6 million for the six months ended 30 June 2022 to a gain of approximately RMB27.0 million for the six months ended 30 June 2023. The increase was primarily due to the increase in gain on disposal of investments in associates of RMB30.6 million.

Foreign exchange gains (losses), net

Foreign exchange gains of approximately RMB9.6 million was recorded for the six months ended 30 June 2023 while foreign exchange gains of approximately RMB2.9 million was recorded for the six months ended 30 June 2022, 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 decreased by approximately 40.1% from approximately RMB216.6 million for the six months ended 30 June 2022 to approximately RMB129.7 million for the six months ended 30 June 2023. The decrease was primarily due to a decrease in advertising and marketing expenses of RMB90.7 million, as player top-ups in the first half of the year were better than expectation, hence the Group did not spend much on marketing and placing advertisement.

Administrative and other expenses

The Group's administrative and other expenses increased by approximately 61.7% from approximately RMB90.5 million for the six months ended 30 June 2022 to approximately RMB146.4 million for the six months ended 30 June 2023. The increase was primarily due to (i) an increase of RMB11.6 million in staff costs and an increase of RMB10.9 million in share-based payment expense; and (ii) an increase of RMB27.1 million in outsource technical fee related to research and development of new games.

Profit Before Income Tax

The Group's profit before income tax increased by approximately 54.2% from approximately RMB291.6 million for the six months ended 30 June 2022 to approximately RMB449.5 million in the corresponding period in 2023. The Group's profit before income tax as a percentage of total revenue increased from 37.3% for the six months ended 30 June 2022 to 47.1% for the six months ended 30 June 2023, primarily due to the increase of approximately 1,720.6% in the Group's other gains and losses and the decrease of approximately 40.1% in the Group's selling and marketing expenses, respectively, during the six months ended 30 June 2023 compared to the corresponding period in 2022.

Income Tax Expenses

Income tax expenses increased by approximately 69.7% from RMB27.7 million for the six months ended 30 June 2022 to RMB46.9 million in the corresponding period in 2023. The Group's effective tax rates were 9.5% and 10.4% for the six months ended 30 June 2022 and 2023, respectively. The increase in the Group's income tax expense and effective tax rate was primarily due to the provision of withholding tax for undistributed profit of subsidiaries amounting to RMB22.5 million, which was offset by the tax exemption of subsidiaries which were qualified as Double Soft Enterprise (“雙軟企業”). For further details, please refer to note 5 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 increased by approximately 3.9% from approximately RMB380.3 million for the six months ended 30 June 2022 to approximately RMB395.3 million in the corresponding period in 2023.

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 periods indicated:

	For the six months ended	
	30 June	
	2023	2022
	RMB’000	RMB’000
Profit for the year attributable to the owners of the Company	395,293	380,299
Add:		
Share-based payment expenses	27,818	15,180
Withholding tax on undistributed profits of subsidiaries operating in the PRC	22,500	—
Adjusted net profit attributable to the owners of the Company	<u>445,611</u>	<u>395,479</u>

The adjusted net profit attributable to the owners of the Company for the six months ended 30 June 2023, 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 RMB445.6 million, increased by 12.7% as compared to approximately RMB395.5 million for the six months ended 30 June 2022.

Liquidity and Capital Resources

For the six months ended 30 June 2023, 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 30 June 2023, the Group had cash and cash equivalents of approximately RMB1,156.0 million (31 December 2022: approximately RMB1,163.3 million), which primarily consisted of cash at bank. Out of the RMB1,156.0 million, approximately RMB1,028.4 million is denominated in Renminbi, approximately RMB50.4 million is denominated in US dollars, approximately RMB75.5 million is denominated in HK dollars, approximately RMB0.9 million and RMB0.8 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 six months ended 30 June 2023, 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 RMB9.3 million in aggregate (31 December 2022: RMB10.2 million).

Gearing ratio

The gearing ratio was zero since there was no debt as at 30 June 2023.

Charge on assets

As at 30 June 2023, the Group did not pledge any of its assets.

Capital expenditures

For the six months ended 30 June 2023, the Group's capital expenditure amounted to approximately RMB71.2 million (for the six months ended 30 June 2022: approximately RMB17.6 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 six months ended 30 June 2023 was higher primarily due to increased expenditure with respect to the purchase of office furniture and equipment.

Contingent liabilities and guarantees

As at 30 June 2023, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Material acquisitions, disposals and future plans for major investment

On 29 May 2023, (i) Jilin Xinze Network Technology Company Limited* (吉林省鑫澤網絡技術有限公司) (“**Jilin Xinze**”) as the vendor, Jilin Shike JuXun Network Technology Limited* (吉林省識科具訊網絡科技有限公司) (“**Jilin Shike**”) as the purchaser, and Jilin Xinyue Network Technology Limited* (吉林省心悅網絡科技有限公司) (“**Jilin Xinyue**”), entered into, the equity transfer agreement I, pursuant to which Jilin Xinze has agreed to sell 40% of the equity interest in Jilin Xinyue to Jilin Shike, at a consideration of RMB99.90 million pursuant to the terms and conditions of the equity transfer agreement I; and (ii) Yutai Shenzhen Network Technology Limited* (豫泰(深圳)網絡科技有限公司) (“**Yutai Shenzhen**”) as the vendor, Jilin Baoluo Network Technology Limited* (吉林省保羅網絡科技有限公司) (“**Jilin Baoluo**”) as the purchaser, and Jilin Anrui Technology Company Limited* (吉林省安睿網路科技有限公司) (“**Jilin Anrui**”), entered into the equity transfer agreement II, pursuant to which Yutai Shenzhen has agreed to sell 40% of the equity interest in Jilin Anrui to Jilin Baoluo, at a consideration of RMB35.10 million pursuant to the terms and conditions of the equity transfer agreement II. For further details of the disposal, please refer to the announcements of the Company dated 29 May 2023 and 6 June 2023.

As of 30 June 2023, the carrying amount of the Group's interest in Jilin Xinyue and Jilin Anrui was Nil. The unaudited consolidated net profit of Jilin Xinyue and Jilin Anrui for the six months ended 30 June 2023 was RMB60.0 million. Further details on the Group's significant investment during the Reporting Period is contained in note 10 to the consolidated financial statements.

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 30 June 2023, the Group had a total of 601 full time employees, mainly located in mainland China. In particular, 87 employees are responsible for the Group's research and development, 324 for game development, 40 for technical support, 14 for customer service, 64 for marketing and 72 for operations and general administration. The total staff cost incurred by the Group for the six months ended 30 June 2023 was approximately RMB101.2 million compared to approximately RMB86.8 million in the corresponding period in 2022. The increase was mainly due to (i) the increase in payment of salaries and other benefits in kind of approximately RMB1.8 million; and (ii) the increase in share-based compensation to key employees of approximately RMB12.6 million.

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 interim report of the Company for the six months ended 30 June 2023.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>NOTES</i>	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Continuing operations			
Revenue	3	953,477	781,763
Cost of sales	4	<u>(312,637)</u>	<u>(229,673)</u>
Gross profit		640,840	552,090
Other income		30,382	21,612
Other gains and losses		26,983	(1,665)
Foreign exchange gains (losses), net		9,612	(2,935)
Selling and marketing expenses		(129,680)	(216,634)
Administrative and other expenses		(146,364)	(90,530)
Share of results of associates		18,488	24,559
Interest on lease liabilities		<u>(786)</u>	<u>(786)</u>
Profit before income tax		449,484	291,581
Income tax expense	5	<u>(46,927)</u>	<u>(27,658)</u>
Profit for the period from continuing operations	6	<u>402,557</u>	<u>263,923</u>
Discontinued operations			
Profit for the period from discontinued operations	7	<u>—</u>	<u>116,032</u>
Profit for the period		<u>402,557</u>	<u>379,955</u>
Other comprehensive expense			
<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 (“FVTOCI”), net of income tax		<u>(3,333)</u>	<u>(7,681)</u>
Other comprehensive expense for the period, net of income tax		<u>(3,333)</u>	<u>(7,681)</u>
Total comprehensive income for the period		<u>399,224</u>	<u>372,274</u>

	Six months ended 30 June	
	2023	2022
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company:		
— from continuing operations	395,293	264,267
— from discontinued operations	—	116,032
	<u>395,293</u>	<u>380,299</u>
Profit (loss) for the period attributable to:		
Non-controlling interests	7,264	(344)
	<u>402,557</u>	<u>379,955</u>
Total comprehensive income for the period attributable to owners of the Company:		
— from continuing operations	391,960	372,618
— from discontinued operations	7,264	(344)
	<u>399,224</u>	<u>372,274</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	391,960	256,586
Non-controlling interests	—	116,032
	<u>391,960</u>	<u>372,618</u>
Earnings per share (in RMB cents)	9	
From continuing and discontinued operations		
— Basic	<u>30.98</u>	<u>30.56</u>
— Diluted	<u>30.73</u>	<u>30.18</u>
From continuing operations		
— Basic	<u>30.98</u>	<u>21.23</u>
— Diluted	<u>30.73</u>	<u>20.97</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		59,828	52,858
Intangible assets		1,550	1,077
Right-of-use assets		10,624	15,985
Investments in associates	<i>10</i>	67,120	186,545
Investments in joint ventures		24,782	25,021
Financial assets at fair value through profit or loss ("FVTPL")		30,000	30,000
Loans to employees		8,709	17,407
Rental and other deposits		3,909	7,001
Equity instruments at FVTOCI		2,475	5,808
Deferred tax assets		52,167	57,223
Receivables for disposal of subsidiaries		88,518	96,584
Receivables for disposal of associates		116,372	—
Prepayments and other receivables		9,000	—
		475,054	495,509
Current assets			
Trade receivables	<i>11</i>	196,091	192,949
Financial assets at FVTPL		87,110	61,243
Prepayments and other receivables	<i>12</i>	317,094	192,288
Loans to employees		5,857	—
Cash and cash equivalents		1,155,952	1,163,316
		1,762,104	1,609,796
Current liabilities			
Trade and other payables	<i>13</i>	64,244	93,569
Lease liabilities		9,255	10,191
Deferred revenue		71,231	127,057
Tax payable		16,451	43,861
		161,181	274,678
Net current assets		1,600,923	1,335,118
Total assets less current liabilities		2,075,977	1,830,627

		As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities		2,902	7,614
Deferred tax liabilities		22,500	29,000
		<u>25,402</u>	<u>36,614</u>
Net assets		<u>2,050,575</u>	<u>1,794,013</u>
Capital and reserves			
Share capital	<i>14</i>	42	42
Reserves		2,043,675	1,794,377
		<u>2,043,717</u>	<u>1,794,419</u>
Equity attributable to owners of the Company		2,043,717	1,794,419
Non-controlling interests		6,858	(406)
		<u>2,050,575</u>	<u>1,794,013</u>
Total equity		<u>2,050,575</u>	<u>1,794,013</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH ENDED 30 JUNE 2023

	Attributable to owners of the Company										
	Shares held for Share					Share- based			Non- controlling		Total equity
	Share capital	Award Scheme	Share premium	Statutory reserve	Other reserve	payments reserve	FVTOCI reserve	Retained earnings	Sub-total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Note i)											
As at 1 January 2022 (audited)	42	(16,594)	113,551	15,027	19,718	37,627	(4,849)	1,276,596	1,441,118	(814)	1,440,304
Profit for the period	—	—	—	—	—	—	—	380,299	380,299	(344)	379,955
Other comprehensive expense for the period	—	—	—	—	—	—	(7,681)	—	(7,681)	—	(7,681)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	(7,681)	380,299	372,618	(344)	372,274
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant	—	—	—	—	—	3,044	—	—	3,044	—	3,044
Recognition of share-based payment expenses under the 2021 Share Award Scheme	—	—	—	—	—	405	—	—	405	—	405
Recognition of share-based payment expenses under the 2022 Share Award Scheme	—	—	—	—	—	11,731	—	—	11,731	—	11,731
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2022 Share Award Scheme	—	13,814	13,126	—	—	(26,940)	—	—	—	—	—
Repurchase of shares (Note ii)	—	(13,902)	—	—	—	—	—	—	(13,902)	—	(13,902)
Disposal of equity instruments at FVTOCI	—	—	—	—	—	—	1,365	(1,365)	—	—	—
As at 30 June 2022 (unaudited)	<u>42</u>	<u>(16,682)</u>	<u>126,677</u>	<u>15,027</u>	<u>19,718</u>	<u>25,867</u>	<u>(11,165)</u>	<u>1,655,530</u>	<u>1,815,014</u>	<u>(1,158)</u>	<u>1,813,856</u>

Note ii: During the period ended 30 June 2023, the Company repurchased 4,798,000 (six months ended 30 June 2022: 9,478,000) of shares with total consideration of RMB7,657,223 (HK\$8,463,960) (six months ended 30 June 2022: RMB13,902,000 (HK\$16,960,000)) on the open market at a price of HK\$1.473 to HK\$1.841 (six months ended 30 June 2022: HK\$1.295 to HK\$1.875) through Futu Securities International (Hong Kong) Limited, which was appointed as an independent trustee for the share award schemes of the Company, as treasury shares for the purpose of future share award schemes. Details are as follows:

Month of repurchase paid	No of ordinary shares	Price per share		Aggregate consideration <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
January	212,000	1.473	1.473	312
April	828,000	1.690	1.689	1,396
May	2,180,000	1.841	1.686	3,953
June	1,578,000	1.815	1.698	2,308
Total	<u>4,798,000</u>			<u>8,464</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	<i>NOTES</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Net cash from operating activities		182,951	79,652
Investing activities			
Interest received		14,559	13,416
Purchase of financial assets at FVTPL		(28,502)	—
Purchase of equity instruments at FVTOCI		—	(12,365)
Purchase of property, plant and equipment		(12,394)	(5,059)
Purchase of intangible assets		(683)	(199)
Investments in associates		(29,600)	—
Dividend received		44,400	28,000
Payment of rental deposits		—	(174)
Loans to employees		(2,000)	(4,500)
Repayment of loans to employees		5,000	—
Loans to associate and joint ventures		(12,000)	—
Loans to third parties		(12,760)	—
Proceeds from disposal of equity instruments at FVTOCI		—	853
Net cash outflow on disposal of a subsidiary	7	—	(13,414)
Consideration received for disposal of subsidiaries	7	12,400	—
Proceeds from disposal of property, plant and equipment		—	300
Net cash (used in) generated from investing activities		(21,580)	6,858

	Six months ended 30 June	
	2023	2022
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Financing activities		
Repayment of lease liabilities	(4,862)	(5,259)
Interest paid on lease liabilities	(786)	(907)
Dividends paid	(162,823)	—
Payment on repurchase of shares	(7,657)	(13,902)
	<hr/>	<hr/>
Net cash used in financing activities	(176,128)	(20,068)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(14,757)	66,442
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	1,163,316	1,125,162
Effect of foreign exchange rate changes	7,393	2,187
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period, represented by cash and cash equivalents	<u>1,155,952</u>	<u>1,193,791</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION

Homeland Interactive Technology Ltd.(the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands on 7 May 2018 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 4 July 2019 (the “**Listing Date**”). The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Umland House, Grand Cayman, KY1-1104, Grand Cayman Islands. The address of principal place of business of the Company is 7A Floor, Huijin Building, 77 Tainan Road, Siming District, Xiamen, the People’s Republic of China (the “**PRC**”). The Company is controlled by Mr. Wu Chengze, Mr. Jiang Mingkuan and Mr. Su Bo (collectively referred to as the “**Founders**”).

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

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

Basis of preparation

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

Significant events and transactions in the current interim period

During the current interim period, the Group disposed of 40% interest in Jilin Xinyue Network Technology Limited (“**Jilin Xinyue**”) and 40% interest in Jilin Anrui Network Technology Co., Ltd (“**Jilin Anrui**”) to third parties for consideration of RMB99,000,000 and RMB35,100,000 respectively.

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

Other than application of certain accounting policies listed below which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 12	International Tax Reform — Pillar Two Model Rules

Except as described below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform — Pillar Two model Rules

IAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the “**Pillar Two legislation**”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

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 income. As private game room cards business is classified as discontinued operations which are described in more detail in Note 7, 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 or the customers purchase 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.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
Revenue from:		
— Self-developed mobile games	818,662	639,418
— Third-party mobile games	94,635	82,623
	<u>913,297</u>	<u>722,041</u>
Advertising revenue	40,180	59,722
	<u>953,477</u>	<u>781,763</u>

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

Geographical information

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

4. COST OF SALES

Cost of sales is analyzed as follows:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Employee benefit expenses	31,299	22,218
Commissions and fees charged by distribution channels and payment vendors	267,416	188,354
Server-related and technical support fees	13,298	17,365
Depreciation and amortization	624	1,736
	<u>312,637</u>	<u>229,673</u>

5. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Current tax — PRC Enterprise Income Tax	44,336	40,731
Under provision in prior years	4,035	3,182
	<u>48,371</u>	<u>43,913</u>
Deferred tax	(1,444)	(16,255)
Income tax expense relating to continuing operations	<u>46,927</u>	<u>27,658</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 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 estimated assessable profits for both interim periods, based on the existing legislation, interpretations and practices in respect thereof.

Jiaxiang Interactive (Xiamen) Network Technology Company Limited (“**Jiaxiang Interactive**”) is qualified as “High and New Technology Enterprises” (“**HNTE**”) under the Enterprise Income Tax Law from 2021 and the valid period is three years. Therefore, the actual income tax rate for Jiaxiang Interactive was 15% for both periods.

Jilin Xinze was qualified as HNTE under the Enterprise Income Tax Law since 2017 and such qualification has been renewed in 2020 with a valid period of another three years. Management believes such qualification will be renewed by the end of the year 2023. As a result, Jilin Xinze is entitled to a preferential income tax rate at 15% for both periods.

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 both periods.

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 200% (six months ended 30 June 2022:175%) 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 and Jilin Xinze have claimed such Super Deduction in ascertaining its tax assessable profits for both periods.

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 RMB22,500,000, which was calculated by the expected amount of future dividends and the withholding tax rate of 10%, has been provided in the current period.

6. PROFIT FOR THE PERIOD — CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Lease expenses in respect of short-term leases on office properties	93	42
Depreciation of right-of-use assets	5,361	5,361
Depreciation of property, plant and equipment	5,375	3,231
Amortization of intangible assets	210	229
Auditors' remuneration	750	700
Donation (included in other expenses)	—	7,000
Directors' emoluments	20,044	1,897
Other staff costs:		
Salaries and other benefits in kind	68,457	71,543
Retirement benefit costs	3,271	2,477
Share-based payment expenses	9,383	10,902
Total staff costs	<u>101,155</u>	<u>86,819</u>

7. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

During the preceding interim period, in order to streamlining its business and discontinuing its private game room cards business, the Group entered into a sale agreement with Jilin Xinyue to dispose of its 100% equity interest in Jilin Yuke that carried out majority of the Group's private game room cards operations. Beijing Kexin Interactive Entertainment Technology Ltd. ("Beijing Kexin"), which was established in the PRC and wholly-owned by Jilin Yuke, was disposed 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 preceding interim period.

The profit for the preceding period from the discontinued private game room cards operations is set out below.

	Six months ended 30 June 2022 RMB'000 (unaudited)
Profit of private game room cards operations for the period	33,492
Gain on disposal of Jilin Yuke	97,803
Income tax expense on gain on disposal	<u>(15,263)</u>
	<u>116,032</u>

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:

	Six months ended 30 June 2022 RMB'000 (unaudited)
Revenue	60,207
Cost of sales	<u>(12,747)</u>
Gross profit	47,460
Other income	4,380
Selling and marketing expenses	(1,716)
Administrative expenses	(8,112)
Other expenses	(3,000)
Interest on lease liabilities	<u>(121)</u>
Profit before income tax	38,891
Income tax expense (<i>Note</i>)	<u>(5,399)</u>
Profit for the period	<u>33,492</u>

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 was 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 was 15% for the preceding interim period.

Cash flows from the discontinued operations:

	Six months ended 30 June 2022 RMB'000 (unaudited)
Net cash flows from operating activities	42,921
Net cash flows used in investing activities	(36)
Net cash flows used in financing activities	(637)
	<hr/>
Net cash flows	<u>42,248</u>

Jilin Yuke had claimed Super Deduction in ascertaining its tax assessable profits for the preceding interim period.

The net assets of Jilin Yuke at the date of disposal were as follows:

	<i>RMB'000</i> (unaudited)
Total consideration	105,947
Net assets disposed of	8,144
	<hr/>
Gain on disposal	<u>97,803</u>
Satisfied by:	
Cash	—
Deferred cash consideration	105,947
	<hr/>
	<u>105,947</u>

Net cash outflow arising on disposal:

	<i>RMB'000</i> (unaudited)
Total cash consideration received	—
Bank balances and cash disposed of	<u>(13,414)</u>
	<u><u>13,414</u></u>

Note: The deferred consideration amounted to RMB12,400,000 was settled in cash by the buyer on 31 July 2022 and the rest of the 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. During the current interim period, the deferred consideration amounted to RMB12,400,000 was early settled on 31 March 2023, which resulted in a gain on early repayment of RMB1,424,000 recognized in other gains and losses. On the other hand, an interest income of RMB2,910,000 was recognized in other income.

8. DIVIDENDS

During the current interim period, a final dividend of HK\$0.14 (equivalent to RMB0.13) per share in respect of the year ended 31 December 2022 was declared and paid to shareholders of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$179,676,490 (equivalent to RMB162,823,000).

9. 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:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
— Profit for the period attributable to owners of the Company	<u>395,293</u>	<u>380,299</u>
	Number of shares	
	2023	2022
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,275,889,879	1,244,617,204
Effect of dilutive potential ordinary shares in respect of		
— the Compensation Grant, the 2021 Share Award Scheme and the Share Option Scheme	<u>10,340,506</u>	<u>15,325,790</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,286,230,385</u>	<u>1,259,942,994</u>

From continuing 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:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	<u><u>395,293</u></u>	<u><u>380,299</u></u>
Less: Profit for the year from discontinued operations	—	116,032
Earnings for the purpose of basic and diluted earnings per share from continuing operations	<u><u>395,293</u></u>	<u><u>264,267</u></u>

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 and diluted earnings per share for the discontinued operations are both nil for the current interim period (2022: RMB9.32 cents per share and RMB9.21 cents per share based on the profit for the period from the discontinued operations of approximately RMB116,032,000) The denominators detailed above for both basic and diluted earnings per share.

10. INVESTMENTS IN ASSOCIATES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Cost of investment in associates	75,700	196,100
Share of post-acquisition profits and other comprehensive income, net of dividends received	(8,580)	(9,555)
Total	<u>67,120</u>	<u>186,545</u>

Details of the Group's associates are as follows:

Name of entity	Place of Establishment and Principal place of business	Proportion of ownership interest and voting rights held/held by the Group		Principal activity
		30/06/2023	31/12/2022	
Jilin Xinyue (<i>note i</i>)	China mainland	—	40%	Development and operation of card and board games
Jilin Anrui Network Technology Co., Ltd (“ Jilin Anrui ”) (<i>note i</i>)	China mainland	—	40%	Research and development of online games
Siwen Technology (Tianjin) Limited (“ Tianjin Siwen ”)	China mainland	25.9%	25.9%	Research and development of online games
Chuangke Future (Jilin) Network Technology Co., Ltd (“ Chuangke Future ”)	China mainland	40%	40%	Customer service of online games
Shanghai Lanxing Network Technology Co., Ltd. (“ Shanghai Lanxing ”)	China mainland	20%	20%	Research and development of online games

Name of entity	Place of Establishment and Principal place of business	Proportion of ownership interest and voting rights held/held by the Group		Principal activity
		30/06/2023	31/12/2022	
Shanghai Huanzhen Information Technology Co., Ltd. (“ Shanghai Huanzhen ”)	China mainland	25%	25%	Research and development of online games
Shenzhen Yaozuo Technology Co., Ltd (“ Shenzhen Yaozuo ”) (note ii)	China mainland	15%	15%	Operation of online games
Chengdu Cangmo Information Technology Co., Ltd (“ Chengdu Cangmo ”) (note iii)	China mainland	40%	40%	Research and development of online games
Chengdu Weiyong Interactive Culture Media Co., Ltd (“ Chengdu Weiyong ”) (note iv)	China mainland	40%	40%	Game operation on short video and live streaming platforms
Shenzhen Jinyunshan Technology Co., Ltd (“ Shenzhen Jinyunshan ”) (note v)	China mainland	49%	—	Research and development of online games
Xiamen Chuyao Technology Co., Ltd (“ Xiamen Chuyao ”) (note v)	China mainland	40%	—	Research and development of online games

Notes:

- (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 an 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:

$$\text{Profit Compensation} = ((A - B)/\text{RMB}150,000,000) * C * 40\% (\text{note}) - D$$

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.

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 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. During the year ended 31 December 2022, Jilin Xinyue met the Guaranteed Net Profit as set out in the Original Supplemental Agreement, and as a result, a fair value gain on derivative financial liabilities amounting to RMB14,342,000 was recognized in other gain and losses and the remaining RMB11,028,000, which represented dividend not received by Jilin Xinze under the Dividend Restriction Clause, was settled and paid directly to the other shareholders by Jilin Xinyue.

During the current interim period, the Group disposed all its interest in Jilin Xinyue and Jilin Anrui to entities controlled by Mr. Luo Wei for consideration of RMB99,000,000 and RMB35,100,000 respectively. The total consideration amounted to RMB134,100,000 will be settled on 31 May 2025. The fair value of the total consideration is determined by discounting the consideration of RMB116,372,000 using the discount rate of 8.05% per annum. This transaction has resulted in the Group recognizing gains of RMB27,879,000 in profit or loss, calculated as follows:

	<i>RMB'000</i> (unaudited)
The fair value of the total consideration	116,372
Less: carrying amount of the 40% investment on the date of loss of significant influence of Jilin Xinyue and Jilin Anrui	88,493
	<hr/>
Gains recognized in profit or loss	<u>27,879</u>

- (ii) On 22 July 2022, the Group subscribed for 15% of equity interest in Shenzhen Yaozuo which was previously owned by two original shareholders (“**Original shareholders**”) at a consideration of RMB6,000,000. The Group has power to participate in the financial and operating policy decisions of Shenzhen Yaozuo, as a result, the investment was classified as investments in associates. On the other hand, the Original Shareholders has undertaken to ensure that the audited revenue of Shenzhen Yaozuo for the period from 1 January 2023 to 31 December 2025 shall be no less than RMB40,000,000 (“**Guarantee Revenue**”). If the actual audited revenue below the Guaranteed Revenue for the period, the Original Shareholders shall pay compensation to the Group by cash, repurchasing the Group’s shares with the cost plus 10% interest or transferring their shares to the Group. On 30 June 2023 and 31 December 2022, the Group believed the Guarantee Revenue could be reached. As a result, the fair value in relation to the Guarantee Revenue was minimal.
- (iii) On 30 September 2022, the Group subscribed for 40% of equity interest in Chengdu Cangmo at a consideration of RMB4,000,000. During the current interim period, the Group increase the investment in Chengdu Cangmo by RMB4,600,000.
- (iv) On 29 November 2022, the Group subscribed for 40% of equity interest in Chengdu Weiyong which was newly set up with capital contribution of RMB15,000,000. During the current interim period, the Group increase the investment in Chengdu Weiyong by RMB15,000,000.
- (v) On 9 January 2023 and 30 June 2023, the Group subscribed for 49% of equity interest in Shenzhen Jinyunshan and 40% of equity interest in Xiamen Chuyao respectively at a total consideration of RMB10,000,000.

11. TRADE RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Trade receivables	196,091	192,949
Less: allowance for credit losses	<u>—</u>	<u>—</u>
Total	<u>196,091</u>	<u>192,949</u>

Trade receivables comprise receivables from distribution channels, payment vendors and advertisement agents. The credit terms of trade receivables granted to them are usually 0 to 60 days (31 December 2022: 0 to 60 days). Ageing analysis of trade receivables presented based on date of invoices is as follows:

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
0–30 days	158,365	149,477
31–60 days	33,475	33,198
61–90 days	1,112	1,777
91–180 days	1,066	355
Over 180 days	<u>7,431</u>	<u>1,513</u>
Total	<u>196,091</u>	<u>192,949</u>

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB4,724,000 (31 December 2022: RMB13,281,000) which are past due. Out of the past due balances, RMB3,139,000 (31 December 2022: RMB746,000) 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.

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Prepayment for advertisement and promotion fees	197,706	140,773
Prepayment for research and development	20,514	14,800
Dividends receivable	44,660	10,000
Prepayment for game and server-related fees	8,811	4,532
Advances to employees	2,560	2,639
Loans receivables	35,532	10,772
Others	21,697	14,158
	331,480	197,674
Less: Allowance for credit losses	(5,386)	(5,386)
Analyzed as:		
Current	317,094	192,288
Non-current	9,000	—
Total	<u>326,094</u>	<u>192,288</u>

Note: Prepayment for research and development fees amounting to 20,514,000 (31 December 2022: RMB14,800,000) represented fees to associates for research and development service expected to be rendered within one year from the reporting date.

13. OTHER PAYABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Salaries and staff welfare payables	27,327	47,542
Payable to game developers (<i>Note i</i>)	3,340	12,170
Payable to former associate (<i>Note ii</i>)	14,686	14,686
Payable for customer service and technical support fee	—	2,061
Other taxes payable	10,010	8,008
Payable for research and development	—	499
Deposit for advertising and game operation	—	396
Administrative and selling and marketing expenses accruals	1,834	2,051
Others	7,047	6,156
	<hr/>	<hr/>
Total	<u>64,244</u>	<u>93,569</u>

Notes:

- (i) The balance represents sale proceeds received from players of games for which the Group acts as distributor to be reimbursed to game developers, after deducting the commission income entitled by the Group calculated at a pre-determined rate, and refundable deposits received from game developers.
- (ii) The balance consists of RMB14,686,000 payable to Jilin Yuke for acquisition of Tianjin Siwen which was an associate of Jilin Yuke before the disposal as detailed in Note 7. The balances are unsecured, interest-free and repayable within one year from the reporting date.

14. SHARE CAPITAL

	Number of shares	Nominal amount <i>US\$</i>	Shown in the consolidated financial statements <i>RMB'000</i>
Authorized			
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023			
— Ordinary shares of HK\$0.000005 each	<u>10,000,000,000</u>	<u>50,000</u>	
Issued and fully paid			
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023			
— Ordinary shares of HK\$0.000005 each	<u><u>1,283,403,500</u></u>	<u><u>6,417</u></u>	<u><u>42</u></u>

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

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

During the six months ended 30 June 2023, Futu Securities International (Hong Kong) Limited, an independent trustee for the share award schemes of the Company, purchased 4,798,000 of shares of the Company with total consideration of RMB7,657,223 (equivalent to HK\$8,463,960) 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 six months ended 30 June 2023.

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 six months ended 30 June 2023, 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 three 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.

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 Audit Committee has reviewed the Company's unaudited consolidated interim results for the Reporting Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

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

The changes in the information of the directors since the date of the Company's 2022 Annual Report are as follows:

Name	Details of Change
Mr. Guoshunshun	resigned as an executive director of the Company on 1 June 2023
Mr. Ding Chunlong	elected as an executive director of the Company on 30 March 2023
Mr. Tang Yinghao	elected as an executive director of the Company on 30 March 2023
Mr. Jiang Mingkuan	retired as an executive director of the Company on 22 May 2023
Mr. Su Bo	retired as an executive director of the Company on 22 May 2023

Mr. Ding, aged 35, obtained his certificate of specialization from Changchun University of Technology (長春理工大學) in the PRC. Mr. Ding has over 6 years of experience in game operation and new media marketing and has served as a consultant of the Group. From March 2017 to June 2022, Mr. Ding worked with Jilin Yuke Network Technology Company Limited as a consultant, and was responsible for the company's overall operation. Since July 2022, Mr. Ding has been a consultant at Yutai (Shenzhen) Network Technology Co., Ltd.* (豫泰(深圳)網路科技有限公司), primarily responsible for the application and research of the Group's new media operation, live entertainment and infomercial short video production business.

Mr. Tang, aged 36, obtained the Bachelor's degree in Commerce (Accounting and Finance) as well as Master's degrees in Business and Government and Commercial Law from the Australian National University in 2008, 2009 and 2010, respectively. Mr. Tang served at the National Australian Bank Financial Planning as Head of Operations from 2011 to 2016 and worked with National Australian Bank Business as Asian Investment Lead from 2015 to 2018. He later joined Homeland Interactive Technology Ltd. as the financial director and has been appointed as the Chief Financial Officer on 28 September 2020. Mr. Tang assisted the Group to complete the listing on the Main Board of the Stock Exchange on 4 July 2019. Since then, the Board has successively appointed Mr. Tang as a director of two Hong Kong subsidiaries of the Group, namely Homeland Entertainment & Technology Limited (家鄉互娛有限公司) and Homeland Interactive Entertainment & Technology Limited (家鄉互動互娛有限公司).

Apart from above, there is no change in the Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.jiaxianghudong.com>). The interim report of the Company for the six months ended 30 June 2023 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, 28 August 2023

As at the date of this announcement, the executive Directors are Mr. Wu Chengze, Mr. Ding Chunlong and Mr. Tang Yinghao; and the independent non-executive Directors are Mr. Zhang Yuguo, Mr. Hu Yangyang and Ms. Guo Ying.

* *For identification purpose only*