

家鄉互動科技有限公司

Homeland Interactive Technology Ltd.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 3798

2023

INTERIM

REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WU Chengze
(Chairman and Chief Executive Officer)
Mr. DING Chunlong
(appointed on 30 March 2023)
Mr. TANG Yinghao
(appointed on 30 March 2023)
Mr. JIANG Mingkuan *(retired on 22 May 2023)*
Mr. SU Bo *(retired on 22 May 2023)*
Mr. GUO Shunshun *(resigned on 1 June 2023)*

Independent Non-Executive Directors

Mr. ZHANG Yuguo
Mr. HU Yangyang
Ms. GUO Ying

AUDIT COMMITTEE

Mr. HU Yangyang *(Chairman)*
Mr. ZHANG Yuguo
Ms. GUO Ying

REMUNERATION COMMITTEE

Mr. HU Yangyang *(Chairman)*
Mr. ZHANG Yuguo
Ms. GUO Ying

NOMINATION COMMITTEE

Mr. WU Chengze *(Chairman)*
Mr. HU Yangyang
Ms. GUO Ying

JOINT COMPANY SECRETARIES

Ms. CUI Wei *(resigned on 5 September 2023)*
Ms. NG Ka Man *(ACG, HKACG)*

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Ugland House
Grand Cayman
KY1-1104
Cayman Islands

AUTHORIZED REPRESENTATIVES

Ms. NG Ka Man
Mr. TANG Yinghao

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

COMPANY'S WEBSITE

<https://www.jiaxianghudong.com>

STOCK CODE

3798

HEADQUARTERS IN THE PRC

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2451, Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong
(with effect from 13 April 2023)

PRINCIPAL BANKS

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

Message from Chairman of the Board

Dear shareholders and people who follow Homeland Interactive:

I am pleased to present the interim report of Homeland Interactive Technology Ltd. (the “**Company**”) and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”) to our shareholders.

In 2022, after the Group disposed of its room card business, its revenue and gross profit from continuing operations and adjusted net profit increased by 22.0%, 16.1% and 12.7% year-on-year, respectively, in the first half of 2023. The DAUs, MAUs and paying users of our existing business also increased by 41.5%, 21.9% and 2.8% year-on-year, respectively.

During the Reporting Period, the overall active user base of our long-term operating high-quality games stabilized and users’ willingness to top-ups showed a significant increase. Such an increase was mainly attributable to the variety of interesting activities we have launched in line with the iteration of game playstyle to promote users’ ice-breaking consumptions, as well as an increase in our player stickiness. These measures have effectively improved the Group’s profitability and operating cash flow, which in turn allowed our revenue quality to steadily improve further.

In addition to refining our game products, we, together with our industrial partners, have established a unique marketing system specialized for us. With respect to new media marketing, the live streaming union, namely “Wei Ying Hu Dong (微應互動)”, of the Group has gathered a huge number of high-quality broadcasting hosts in the industry, making it one of the tops in terms of overall number of browsings, and has become the leading game guild on Douyin platform. “Wei Ying Hu Dong (微應互動)” is very familiar with the Group’s product characteristics, and has precisely formulated different operation methods based on the traffic rules of different platforms to directly connect stages from brand recognition to user conversion, thus achieving efficient user conversion. With respect to the pool of broadcasting hosts, “Wei Ying Hu Dong (微應互動)” officially signed a contract with Feng Timo (馮提莫), a broadcasting host with high popularity, on 6 July 2023, and fully empowered Feng Timo’s first Douyin live streaming after signing the contract on 12 August 2023. Besides, “Wei Ying Hu Dong (微應互動)” continues to expand its capacity and is committed to creating an influential game live streaming base in the Southwest region.

We have also been contributing endlessly to corporate social welfare. 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 and the Mahjong Competition Training Center equipped with a set of written administrative methods and implementation opinions, marking Mahjong’s development journey towards an intellectual sport featured with standardization, competition and industrialization. In November 2022, the Group’s “Weile Mahjong (微樂麻將)”, being a technical partner of the mahjong player grading system, provided a platform for all mahjong enthusiasts to register for grading to become one of the mahjong players. Users have responded enthusiastically since the platform was opened to the public. As of 30 June 2023, over 2.5 million players have registered as mahjong players on the Weile Platform, among which certain players obtained the qualification for offline finale through levels of audition; while “Weile Game (微樂遊戲)”, being the contest partner, co-hosted dozens of national and regional offline mahjong and board game contests, namely the “Weile Cup”, in more than 10 cities, including Beijing, Shanghai, Tianjin, Hangzhou, Changsha, Changchun, Xi’an, Chengdu, Foshan, Guiyang and Suining during the Reporting Period with a total of more than 6,000 offline participants. To support the kick-off of offline contests, the contest broadcasting account matrix within the Group actively cooperates with the promotion of content of offline contests, and creates promotion popularity for contests by means of recording/live streaming/commentary, while facilitates the spread of quintessence of Chinese culture among the people.

Message from Chairman of the Board

During the Reporting Period, the Group also attached great importance to the introduction and application of AIGC technology, aiming to improve the research and development effectiveness of our game products, further enhance corporate intelligence and streamline our operating level. The empowerment of these technologies has played a positive role in achieving efficient operational management of users by brands, and further improve user conversion and lifetime value (LTV) continuously.

Last but not least, we would like to express our sincere gratitude to all of our shareholders for their continuous support of the Group. We will continue to expand our business and seek new opportunities for further development, so as to strive for long-term value creation for our shareholders.

By order of the Board

Homeland Interactive Technology Ltd.

Wu Chengze

Chairman

Business Overview and Outlook

The board of directors (the “**Board**”) of the Company is pleased to present the unaudited consolidated results (the “**Interim Results**”) of the Group for the Reporting Period. The Interim Results have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, and the audit committee of the Company (the “**Audit Committee**”).

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.

FINANCIAL REVIEW

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 30 June 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 8 to the consolidated financial statements of the Company in this interim report.

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 RMB'000	2022 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	445,611	395,479

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 13 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 are set out in the section headed "Share Incentive Schemes" in this interim report.



德勤

TO THE BOARD OF DIRECTORS OF HOMELAND INTERACTIVE TECHNOLOGY LTD.

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Homeland Interactive Technology Ltd. (the “**Company**”) and its subsidiaries set out on pages 16 to 55, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Continuing operations			
Revenue	3	953,477	781,763
Cost of sales	4	(312,637)	(229,673)
Gross profit		640,840	552,090
Other income	5	30,382	21,612
Other gains and losses	6	26,983	(1,665)
Foreign exchange gains, net		9,621	2,935
Selling and marketing expenses		(129,680)	(216,634)
Administrative expenses and other expenses		(146,364)	(90,530)
Share of profit of associates		18,488	24,559
Interest on lease liabilities		(786)	(786)
Profit before income tax		449,484	291,581
Income tax expense	8	(46,927)	(27,658)
Profit for the period from continuing operations	9	402,557	263,923
Discontinued operations			
Profit for the period from discontinued operations	10	—	116,032
Profit for the period		402,557	379,955
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		(3,333)	(7,681)
Other comprehensive expense for the period		(3,333)	(7,681)
Total comprehensive income for the period		399,224	372,274

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Profit for the period attributable to owners of the Company:			
— from continuing operations		395,293	264,267
— from discontinued operations		—	116,032
Profit for the period attributable to owners of the Company		395,293	380,299
Loss for the period attributable to non-controlling interests from continuing operations		7,264	(344)
		402,557	379,955
Total comprehensive income for the period attributable to:			
Owners of the Company		391,960	372,618
Non-controlling interests		7,264	(344)
		399,224	372,274
Total comprehensive income for the period attributable to owners of the Company			
— from continuing operations		391,960	256,586
— from discontinued operations		—	116,032
		391,960	372,618
Earnings per share (in RMB cents)	11		
From continuing and discontinued operations			
— Basic		30.98	30.56
— Diluted		30.73	30.18
From continuing operations			
— Basic		30.98	21.23
— Diluted		30.73	20.97

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	NOTES	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	59,828	52,858
Right-of-use assets	12	10,624	15,985
Intangible assets		1,550	1,077
Investment in associates	13	67,120	186,545
Investments in joint ventures	14	24,782	25,021
Financial assets at fair value through profit or loss ("FVTPL")	15	30,000	30,000
Equity instruments at FVTOCI	24	2,475	5,808
Loans to employees	16	8,709	17,407
Rental and other deposits		3,909	7,001
Deferred tax assets	19	52,167	57,223
Prepayments and other receivables	18	9,000	—
Receivables for disposal of subsidiaries	10	88,518	96,584
Receivables for disposal of associates	13	116,372	—
		475,054	495,509
Current assets			
Trade receivables	17	196,091	192,949
Financial assets at FVTPL	15	87,110	61,243
Prepayments and other receivables	18	317,094	192,288
Loans to employees	16	5,857	—
Cash and cash equivalents		1,155,952	1,163,316
		1,762,104	1,609,796
Current liabilities			
Trade and other payables	20	64,244	93,569
Deferred revenue	21	71,231	127,057
Tax payable		16,451	43,861
Lease liabilities		9,255	10,191
		161,181	274,678
Net current assets		1,600,923	1,335,118
Total assets less current liabilities		2,075,977	1,830,627

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	<i>NOTES</i>	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		2,902	7,614
Deferred tax liabilities	19	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	22	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			

Condensed Consolidated Statement of Changes in Equity

For the six month ended 30 June 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000 (Note i)	Share-based payments reserve RMB'000	FVTOCI reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 (defined in Note 23)	—	—	—	—	—	3,044	—	—	3,044	—	3,044
Recognition of share-based payment expenses under the 2021 Share Award Scheme (defined in Note 23)	—	—	—	—	—	405	—	—	405	—	405
Recognition of share-based payment expenses under the 2022 Share Award Scheme (defined in Note 23)	—	—	—	—	—	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)	42	(16,682)	126,677	15,027	19,718	25,867	(11,165)	1,655,530	1,815,014	(1,158)	1,813,856

Condensed Consolidated Statement of Changes in Equity

For the six month ended 30 June 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000 (Note i)	Share-based payments reserve RMB'000	FVTOCI reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2023 (audited)	42	(30,421)	31,210	15,027	19,718	25,469	(7,785)	1,741,159	1,794,419	(406)	1,794,013
Profit for the period	—	—	—	—	—	—	—	395,293	395,293	7,264	402,557
Other comprehensive expense for the period	—	—	—	—	—	—	(3,333)	—	(3,333)	—	(3,333)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	(3,333)	395,293	391,960	7,264	399,224
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant (defined in Note 23)	—	—	—	—	—	564	—	—	564	—	564
Recognition of share-based payment expenses under the 2021 Share Award Scheme (defined in Note 23)	—	—	—	—	—	102	—	—	102	—	102
Recognition of share-based payment expenses under the 2023 Share Award Scheme (defined in Note 23)	—	—	—	—	—	27,152	—	—	27,152	—	27,152
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2023 Share Award Scheme	—	28,410	9,053	—	—	(37,463)	—	—	—	—	—
Share-based payment expenses related to the share awards forfeited after the vesting date	—	—	—	—	—	(2,054)	—	2,054	—	—	—
Repurchase of shares (Note ii)	—	(7,657)	—	—	—	—	—	(7,657)	(7,657)	—	(7,657)
Dividend recognized as distribution (Note 7)	—	—	—	—	—	—	—	(162,823)	(162,823)	—	(162,823)
As at 30 June 2023 (unaudited)	42	(9,668)	40,263	15,027	19,718	13,770	(11,118)	1,975,683	2,043,717	6,858	2,050,575

Condensed Consolidated Statement of Changes in Equity

For the six month ended 30 June 2023

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

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	No of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
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	4,798,000			8,464

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	NOTE	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (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	10	—	(13,414)
Consideration received for disposal of subsidiaries	10	12,400	—
Proceeds from disposal of property, plant and equipment		—	300
Net cash (used in) generated from investing activities		(21,580)	6,858
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)
Net cash used in financing activities		(176,128)	(20,068)
Net (decrease) increase in cash and cash equivalents		(14,757)	66,442
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
Cash and cash equivalents at the end of the period, represented by cash and cash equivalents		1,155,952	1,193,791

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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, Ugland House, Grand Cayman, KY1-1104, Grand Cayman Islands. The address of principal place of business of the Company is 7A Floor, Huijin Building, 77 Tainan Road, Siming District, Xiamen, the People’s Republic of China (the “**PRC**”). The Company is controlled by Mr. Wu 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 condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as 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. The details are disclosed in Note 13.

2. PRINCIPAL ACCOUNTING POLICES

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.

2. PRINCIPAL ACCOUNTING POLICES (Continued)

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and 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 IFRS 12 International Tax Reform-Pillar Two model Rules

IFRS 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 10, 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 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Continuing operations		
Revenue from:		
— Self-developed mobile games	818,662	639,418
— Third-party mobile games	94,635	82,623
	913,297	722,041
Advertising revenue	40,180	59,722
	953,477	781,763

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 RMB'000 (unaudited)	2022 RMB'000 (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
	312,637	229,673

5. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Continuing operations		
Interest income	17,599	11,039
Government subsidies (<i>note a</i>)	5,864	5,905
Service income (<i>note b</i>)	—	2,201
Write-off of payables from expired room cards (<i>note c</i>)	3,458	—
Others	3,461	2,467
Total	30,382	21,612

Notes:

- (a) Government subsidies mainly represent various industry-specific subsidies granted by the government authorities to subsidize the research and development costs already incurred by the Group during the course of its business, as well as government incentives to reward the Group's effort for the technological innovation and support to the local economy with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.
- (b) Service income represents the amounts received from contracted clients for offline promotion marketing activities as well as providing technical support services and is recognized when the services are performed.
- (c) As set out in Note 10, during the preceding interim period, the Group ceased its remaining operations of private game room cards carried out by Jilin Xinze. For all unused room cards at the date of termination of the room card business, customers were given a one year period to request for refund and this write-off represents payables in connection to expired and unconsumed room cards.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Continuing operations		
Gain (loss) on disposal of investments in associates (<i>Note</i>)	27,879	(2,718)
Loss from changes in fair value of financial assets at FVTPL	(2,635)	—
Gain on early repayment of receivables for disposal of subsidiaries (<i>Note 10</i>)	1,424	—
Gain on disposal of property, plant and equipment	315	—
Gain on fair value changes of derivative financial liabilities	—	1,200
Loss on early termination on a lease agreement	—	(147)
Total	26,983	(1,665)

Note: Details on disposal of Jilin Xinyue and Jilin Anrui are set out in Note 13.

7. 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).

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Continuing operations		
Current tax — PRC Enterprise Income Tax	44,336	40,731
Under provision in prior years	4,035	3,182
Deferred tax (<i>Note 19</i>)	48,371 (1,444)	43,913 (16,255)
Income tax expense relating to continuing operations	46,927	27,658

8. INCOME TAX EXPENSE (Continued)

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 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

9. PROFIT FOR THE PERIOD — CONTINUING OPERATIONS

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Lease expenses in respect of short-term leases on office properties	93	42
Depreciation of property, plant and equipment	5,375	3,231
Depreciation of right-of-use assets	5,361	5,361
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 payments for staff	9,383	10,902
Total staff costs	101,155	86,819

10. DISPOSAL OF A SUBSIDIARY/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>

10. DISPOSAL OF A SUBSIDIARY/DISCONTINUED OPERATIONS (Continued)

The results of the private game room cards operations for the period from 1 January 2022 to 30 June 2022 which has been included in the condensed 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 (Note)	<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.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. DISPOSAL OF A SUBSIDIARY/DISCONTINUED OPERATIONS (Continued)

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

	<i>RMB'000</i> (unaudited)
Net assets disposed of	8,144
Gain on disposal	97,803
Total consideration	105,947
Satisfied by:	
Cash	—
Deferred cash consideration (<i>Note</i>)	105,947
	105,947
Net cash outflow arising on disposal:	
Total cash consideration received	—
Bank balances and cash disposed of	(13,414)
	(13,414)

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.

Cash flows from the discontinued operations:

	Six months ended 30 June 2022 <i>RMB'000</i> (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)
Net cash flows	42,248

11. EARNINGS PER SHARE

From continuing operations and discontinued operations

The calculation of 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 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share:		
— Profit for the period attributable to owners of the Company	395,293	380,299
	Number of shares	
	2023 (unaudited)	2022 (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	10,340,506	15,325,790
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	1,286,230,385	1,259,942,994

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For the six months ended 30 June 2023

11. EARNINGS PER SHARE (Continued)

From continuing operations

The calculation of 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 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share:		
— Profit for the period attributable to owners of the Company	395,293	380,299
Less:		
Profit for the year from discontinued operations	—	116,032
Earnings for the purpose of basic and diluted earnings per share from continuing operations	395,293	264,267

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.

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired and paid RMB12,394,000 (six months ended 30 June 2022: RMB5,059,000) for furniture, equipment and motor vehicles.

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB49,000 (six months ended 30 June 2022: RMB300,000) for proceeds of RMB364,000 (six months ended 30 June 2022: RMB300,000), resulting in gain on disposal of RMB315,000 (six months ended 30 June 2022: nil).

During the preceding interim period, the Group entered into a lease agreement and recognized right-of-use assets of RMB4,380,000 and lease liabilities of RMB4,380,000. On the other hand, the Group terminated a lease agreement with right-of-use assets of RMB2,933,000 and lease liabilities of RMB2,786,000 derecognized and resulted a loss on the termination amounted to RMB147,000.

13. 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	67,120	186,545

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 by the Group		Principal activity
		30/06/2023	31/12/2022	
Jilin Xinyue (note i)	China mainland	—	40%	Development and operation of card and board games
Jilin Anrui Network Technology Co., Ltd (“Jilin Anrui”) (note 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
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

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For the six months ended 30 June 2023

13. INVESTMENTS IN ASSOCIATES (Continued)

Details of the Group's associates are as follows: (Continued)

Name of entity	Place of Establishment and Principal place of business	Proportion of ownership interest and voting rights held by the Group		Principal activity
		30/06/2023	31/12/2022	
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.

13. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(i) (Continued)

- 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.

Notes to the Condensed Consolidated Financial Statements

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13. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(i) (Continued)

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	<u>88,493</u>
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.

Notes to the Condensed Consolidated Financial Statements

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14. LOANS TO EMPLOYEES

The loans to employees represents the housing loans advanced to employees. The loans are unsecured, interest-free and repayable after 21 January 2024, 31 December 2024, 5 January 2025, 21 July 2025 and 17 April 2026 (31 December 2022: unsecured, interest-free and repayable on 21 January 2024, 31 December 2024, 5 January 2025 and 21 July 2025).

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Non-current	8,709	17,407
Current	5,857	—
Total	14,566	17,407

The housing loans advanced to employees are measured initially at fair value and subsequently at amortized cost, using the effective interest method. RMB232,000 (2022 interim period: RMB426,000) being the difference between the principal amount and fair value at initial recognition, was recognized as staff costs during this period.

15. TRADE RECEIVABLES

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. TRADE RECEIVABLES (Continued)

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 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (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	897	1,066
Over 180 days	2,242	7,431
Total	196,091	192,949

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. PREPAYMENTS AND OTHER RECEIVABLES

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

Note: Prepayment for research and development fees amounting to RMB20,514,000 (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax liabilities and assets recognized and movements thereon during the current and preceding interim periods:

	Fair value losses of FVTOCI investments RMB'000	Undistributed profit of subsidiaries RMB'000	Fair value change of financial assets at FVTPL RMB'000	Tax losses RMB'000	Fair value change of derivative financial liabilities RMB'000	Temporary difference arising from prepaid advertising expenses RMB'000	Excess deductible advertising expenses RMB'000	Temporary difference arising from disposal of a subsidiary RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2022	855	—	—	—	3,806	(3,867)	7,244	—	—	8,038
Credit (charge) to profit or loss	—	—	—	—	(180)	(234)	13,960	2,709	—	16,255
Credit to other comprehensive income	(645)	—	—	—	—	—	—	—	—	(645)
As at 30 June 2022	210	—	—	—	3,626	(4,101)	21,204	2,709	—	23,648
Credit (charge) to profit or loss	—	(29,000)	4	9,466	(3,626)	3,933	24,015	(1,738)	—	3,054
Credit to other comprehensive income	1,521	—	—	—	—	—	—	—	—	1,521
As at 31 December 2022	1,731	(29,000)	4	9,466	—	(168)	45,219	971	—	28,223
(Charge) credit to profit or loss	—	6,500	479	1,690	—	168	(7,683)	—	290	1,444
As at 30 June 2023	1,731	(22,500)	483	11,156	—	—	37,536	971	290	29,667

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Deferred tax assets	52,167	57,223
Deferred tax liabilities	(22,500)	(29,000)
	29,667	28,223

18. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Salary 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
Other taxes payable	10,010	8,008
Administrative and selling and marketing expenses accruals	1,834	2051
Deposit for advertising and game operation	—	396
Payable for customer service and technical support fee	—	2,061
Payable for research and development	—	499
Others	7,047	6,156
Total	64,244	93,569

Note 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.

Note 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 10. The balances are unsecured, interest-free and repayable within one year from the reporting date.

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For the six months ended 30 June 2023

19. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the customers for the Group's self-developed mobile games in the forms of prepaid virtual tokens and private game room cards, for which the related services had not been rendered as at the end of each period. As the unsatisfied performance obligations will be recognized as revenue within one year, therefore, the deferred revenue is recognized as current liability.

	Virtual tokens RMB'000
As at 1 January 2023 (audited)	127,057
Sales proceeds, net of tax	857,471
Revenue recognized during the period	(913,297)
As at 30 June 2023 (unaudited)	71,231

20. SHARE CAPITAL

	Number of shares	Nominal amount US\$	Shown in the condensed consolidated financial statements RMB'000
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>1,283,403,500</u>	<u>6,417</u>	<u>42</u>

21. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

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

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

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

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

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Option Scheme (Continued)

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

On 14 November 2019, the Company granted share options (the “**Share Options**”) under the Share Option Scheme to 58 eligible employees to subscribe for a total of 62,360,000 ordinary shares of US\$0.000005 each in the Company. The estimated fair value of the options granted was HK\$47,452,000 (equivalent to RMB42,508,000). The exercise price was HK\$2.09 per share and the vesting terms of the Share Options for each grantee is as below:

- (1) 30% of the total number of Share Options shall be vested on 14 November 2020;
- (2) 40% of the total number of Share Options shall be vested on 14 November 2021; and
- (3) 30% of the total number of Share Options shall be vested on 14 November 2022.

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

Up to 30 September 2021, 1,600,000 Share Options granted to two option grantees were lapsed due to the termination of their employment with the Company and 60,760,000 Share Options remained outstanding (the “**Outstanding Existing Options**”). None of the Share Options were exercised by the option grantees as at 30 September 2021. The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021 and details are disclosed in Note 21(b).

(b) Compensating Share Awards

The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021 in accordance with the terms of the Share Option Scheme with respect to cancellation of options granted but not exercised, at the request of the option grantees other than the two grantees whose share options have lapsed (the “**Remaining Option Grantees**”). The Company obtained consent and mutually agreed with each of the Remaining Option Grantees with respect to the arrangement and compensation for the cancellation of the Outstanding Existing Options.

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Compensating Share Awards (Continued)

As compensation for the cancellation of the Outstanding Existing Options and in accordance with the mutual agreement with each of the individual Remaining Option Grantees, the Board resolved to compensate the Remaining Option Grantees with the grant of Share Awards (the “**Compensating Share Awards**”) calculated based on the number of Outstanding Existing Options held by individual Remaining Option Grantees. Each Outstanding Existing Option held by individual Remaining Option Grantees can be compensated with 0.35, 0.50 or 0.8333 Compensating Share Awards depending on the department or product unit in which the Remaining Option Grantee serves, his seniority and his past contribution to the Group, as follow:

- 26,510,000 Outstanding Existing Options held by 26 Remaining Option Grantees were compensated by the grant of 9,278,500 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.35 Compensating Share Award;
- 33,050,000 Outstanding Existing Options held by 29 Remaining Option Grantees were compensated by the grant of 16,525,000 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.5 Compensating Share Award, and;
- 1,200,000 Outstanding Existing Options held by one Remaining Option Grantee were compensated by the grant of 1,000,000 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to approximately 0.8333 Compensating Share Award.

As a result, a total of 26,803,500 Compensating Share Awards representing the same number of underlying Shares were granted as compensation for the cancellation of the Outstanding Existing Options (the “**Compensation Grant**”).

The vesting date of the Compensation Grant for each grantee:

- (1) 40% of the total number of Share Awards shall be vested on 30 April 2022;
- (2) 30% of the total number of Share Awards shall be vested on 30 April 2023; and
- (3) 30% of the total number of Share Awards shall be vested on 30 April 2024.

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21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Compensating Share Awards (Continued)

Other vesting conditions of the Compensation Grant are as follows:

- (1) In respect of the vesting on 30 April 2022, (a) the Company's consolidated revenue for the year ending 31 December 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2021 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2021;
- (2) In respect of the vesting on 30 April 2023, (a) the Company's consolidated revenue for the year ending 31 December 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2022; and
- (3) In respect of the vesting on 30 April 2024, (a) the Company's consolidated revenue for the year ending 31 December 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2023.

Details of specific vesting date and movements of the Compensation Grant are as follows:

	Outstanding at 1/1/2023	Lapsed during period	Vested during period	Outstanding at 30/6/2023
Shares vested on 30 April 2022	—	—	—	—
Shares vested on 30 April 2023	6,339,000	365,250	5,973,750	—
Shares vested on 30 April 2024	6,339,000	428,250	—	5,910,750
	<u>12,678,000</u>	<u>793,500</u>	<u>5,973,750</u>	<u>5,910,750</u>

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)**(b) Compensating Share Awards** (Continued)

As the management considered the Compensating Grant as replacement to the Share Option Scheme, the Company accounted for the Compensating Grant as a modification of the Share Option Scheme. The incremental fair value granted is the difference between the fair value of Compensating Share Awards and the fair value of the Outstanding Existing Options as at 30 September 2021. The Company adopted the market price of HK\$2.15 per share to measure the fair value of Compensating Share Awards as at 30 September 2021 and used the Binomial Option-Pricing Model to calculate the fair value of Outstanding Existing Options as at 30 September 2021. The inputs used for measuring the fair value of Outstanding Existing Options as at 30 September 2021 were as follows:

The share price on 30 September 2021	HK\$2.15 per share
Exercise price	HK\$2.09 per share
Expected volatility	63.73%
Option life	3.10 years
Risk-free rate	0.44%
Dividend yield	0.00%
Exit rate	0%
Early Exercise Multiple	2.20

The resulting incremental fair value, amounting HK\$7,710,000, was expensed or will be expensed over the respective modified vesting period between 30 September 2021 and the three vesting dates, i.e. 30 April 2022, 30 April 2023 and 30 April 2024, of Compensating Share Awards in the proportion of 40%, 30% and 30% respectively, in addition to the amount based on the grant date fair value of the original Share Option Scheme, which is recognized over the remainder of the original vesting period. During the period ended 30 June 2023, the Group recognized the share-based payment expense of RMB564,000 in relation to the incremental fair value.

The number of the Share Options and Compensating Share Awards granted expected to vest is based on the directors' best estimate on the expected percentage of the 56 eligible employees that will remain in employment with the Group at the end of the vesting period and the probability of meeting the performance conditions.

(c) 2021 Share Award Scheme

On 30 September 2021, the Board resolved to grant a total of 600,000 share awards to two grantees pursuant to the Share Award Scheme (the "**2021 Share Award Scheme**") to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 Share Award Scheme (Continued)

The vesting date of the 2021 Share Award Scheme for each grantee:

- 40% of the total number of Share Awards shall be vested on 30 April 2022;
- 30% of the total number of Share Awards shall be vested on 30 April 2023; and
- 30% of the total number of Share Awards shall be vested on 30 April 2024.

Other vesting conditions of the 2021 Share Award Scheme are as follows:

- (1) In respect of the vesting on 30 April 2022, (a) the Company's consolidated revenue for the year ending 31 December 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2021 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2021;
- (2) In respect of the vesting on 30 April 2023, (a) the Company's consolidated revenue for the year ending 31 December 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2022; and
- (3) In respect of the vesting on 30 April 2024, (a) the Company's consolidated revenue for the year ending 31 December 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2023.

Details of specific vesting date and movements of 2021 Share Award Scheme are as follows:

	Outstanding at 1/1/2023	Vested during period	Outstanding at 30/6/2023
Shares vested on 30 April 2022	—	—	—
Shares vested on 30 April 2023	180,000	180,000	—
Shares vested on 30 April 2024	180,000	—	180,000
	<u>360,000</u>	<u>180,000</u>	<u>180,000</u>

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 Share Award Scheme (Continued)

The directors of the Company estimated the fair values of the above shares on the grant date. The fair value of the shares held for the 2021 Share Award Scheme was determined using the market price of the shares as at 30 September 2021, the aggregate fair value of the shares held for the 2021 Share Award Scheme was assessed to be HK\$1,290,000 (equivalent to RMB1,075,000). During the period ended 30 June 2023, the Group recognized the share-based payment expenses of RMB102,000 in relation to the 2021 Share Award Scheme.

(d) 2022 Share Award Scheme

On 31 March 2022, the Board resolved to grant a total of 9,941,949 share awards to 14 grantees pursuant to the Share Award Scheme (the “**2022 Share Award Scheme**”) to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group. The awarded shares are vested on 1 April 2022. During the period ended 30 June 2022, the Group recognized the share-based payment expenses of RMB11,731,000 in relation to the 2022 Share Award Scheme.

(e) 2023 Share Award Scheme

On 9 May 2023, the Board resolved to grant a total of 19,311,675 share awards to 21 grantees pursuant to the Share Award Scheme (the “**2023 Share Award Scheme**”) to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group. The awarded shares are vested on 9 May 2023. During the period ended 30 June 2023, the Group recognized the share-based payment expenses of RMB27,152,000 in relation to the 2023 Share Award Scheme.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
	30/06/2023	31/12/2022			
Equity Instruments at FVTOCI	19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB0	19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB0	Level 3 (31/12/2022: Level 3)	Asset-based approach (31/12/2022: Asset-based approach)	Value of the net assets (31/12/2022: Value of the net assets)
	20 percent equity interest in Jilin Maiwang Media Technology Co., Ltd engaged in game operation on short video and live streaming platforms — RMB0	20 percent equity interest in Jilin Maiwang Media Technology Co., Ltd engaged in game operation on short video and live streaming platforms — RMB0		Asset-based approach (31/12/2022: Asset-based approach)	Value of the net assets (31/12/2022: Value of the net assets)
	30 percent equity interest in Shenzhen Feiyun Technology Co., Ltd engaged in research and development of online games — RMB0	30 percent equity interest in Shenzhen Feiyun Technology Co., Ltd engaged in research and development of online games — RMB0		Asset-based approach (31/12/2022: Asset-based approach)	Value of the net assets (31/12/2022: Value of the net assets)
	1.79 percent equity interest in West Bull Securities Limited engaged in security investment-RMB2,475,000	1.79 percent equity interest in West Bull Securities Limited engaged in security investment-RMB5,808,000	Level 2 (31/12/2022: Level 2)	Revenue multiples approach (31/12/2022: Revenue multiples approach)	Revenue multiples on comparable companies: 10.8; discounts for lack of marketability: 25% (31/12/2022: Revenue multiples on comparable companies: 13.9; discounts for lack of marketability: 7%)
Financial assets at FVTPL	Equity securities listed in SSE-RMB35,199,000	Equity securities listed in SSE-RMB29,463,000	Level 1 (31/12/2022: Level 1)	Quoted market price (31/12/2022: Quoted market price)	N/A (31/12/2022: N/A)
	Private fund — RMB51,911,000	Private fund — RMB31,780,000	Level 2 (31/12/2022: Level 2)	Recent transaction approach (31/12/2022: Recent transaction approach)	N/A (31/12/2022: N/A)
	10 percent interest in a partnership engaged in investments on the consumer industry, corporate services and entertainment sectors — RMB30,000,000	10 percent interest in a partnership engaged in investments on the consumer industry, corporate services and entertainment sectors — RMB30,000,000		Cost-based approach (31/12/2022: Recent transaction approach)	N/A (31/12/2022: N/A)

Note: The directors of the Company considered the Group does not have significant influence over the investees as the Group does not have power to appoint directors in the investees and participate in the financial and operating policy decisions of the investees.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)**Reconciliation of Level 3 fair value measurements of financial instruments**

	Financial assets at FVTOCI <i>RMB'000</i>
At 1 January 2022 (audited)	10,146
Purchased	5,700
Disposals	(1,085)
Total losses:	
— in other comprehensive income	<u>(7,036)</u>
At 30 June 2022 (unaudited)	<u>7,725</u>
At 1 January 2023 (audited)	5,808
Purchased	—
Disposals	—
Total losses:	
— in other comprehensive income	<u>(3,333)</u>
At 30 June 2023 (unaudited)	<u>2,475</u>
	Derivative financial liabilities <i>RMB'000</i>
At 1 January 2022 (audited)	(25,370)
Total gains:	
— in other gains and losses	<u>1,200</u>
At 30 June 2022 (unaudited)	<u>(24,170)</u>

Of the total gains or losses for the period included in profit or loss, there was no gains or losses relates to derivative financial liabilities held at the end of current reporting period (six months ended 30 June 2022: RMB1,200,000). Fair value gains or losses on derivative financial liabilities are included in 'other gains and losses'.

Included in other comprehensive income is a loss of RMB3,333,000 (six months ended 30 June 2022: RMB7,036,000) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of current reporting period and is reported as changes of FVTOCI.

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For the six months ended 30 June 2023

23. RELATED PARTY TRANSACTIONS

Other than as disclosed in Note 10, 13, 16 in these condensed consolidated financial statements, the Group has following transactions with related parties:

(a) Provision of technical support services

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000
Jilin Xinyue	—	228

(b) Services received from related parties

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Advertising and promotion service		
Beijing Zijingshu	20,863	—
Chengdu Weiyong	17,236	—
Customer service		
Chuangke Future	516	—
Total	38,615	—

(c) Loans to associate and joint venture

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Tianjin Siwen	9,000	—
Beijing Zijingshu	3,000	—
Total	12,000	—

23. RELATED PARTY TRANSACTIONS (Continued)**(d) Amounts due from associates and joint ventures**

	30/06/2023 RMB'000 (unaudited)	31/12/2022 <i>RMB'000</i> (unaudited)
Prepayment for advertisement and promotion fees	13,400	11,940
Loans Receivables	12,000	—
Prepayment for research and development	—	14,800
Receivables from disposal of subsidiaries	—	96,584
Dividends receivable	—	10,000
Total	25,400	133,324

(e) Amounts due to associates

	30/06/2023 RMB'000 (unaudited)	31/12/2022 <i>RMB'000</i> (unaudited)
Payable for customer service fee	50	1,431
Payable for acquisition of an associates	—	14,686
Total	50	16,117

(f) Key management personnel compensations

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 <i>RMB'000</i> (unaudited)
Salaries, bonuses, allowances and benefits in kind	6,847	7,331
Share-based payments	23,939	7,289
Total	30,786	14,620

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the directors of the Company (the “**Directors**”) or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) were as follows:

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

Name of Director/ Chief Executive	Nature of interest	Number of underlying Shares ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Wu Chengze (“ Mr. Wu ”) ⁽²⁾	Interest in controlled corporation	433,842,000	33.80%
Mr. Ding Chunlong (“ Mr. Ding ”) ⁽³⁾	Interest in controlled corporation	60,222,000	4.69%
Mr. Tang Yinghao	Beneficial owner	14,890,343	1.16%
	Beneficial owner	3,455,254	0.27%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Wu holds the entire share capital of Wu Chengze Network Limited, which in turn directly holds 433,842,000 Shares. Accordingly, Mr. Wu is deemed to be interested in the 433,842,000 Shares held by Wu Chengze Network Limited.
- (3) Mr. Ding holds the entire share capital of Ding Chun Long Network Limited, which in turn directly holds 60,222,000 Shares. Accordingly, Mr. Ding is deemed to be interested in the 60,222,000 Shares held by Ding Chun Long Network Limited.

(ii) Interest in the Company’s subsidiary, Jiayang Interactive (Xiamen) Network Technology Company Limited

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

Note:

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

(iii) Interests in Other Members of the Group

So far as the Directors are aware, as at 30 June 2023, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Note:

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

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

As at 30 June 2023, so far as is known to the Directors, the following persons, not being a Director or chief executive of the Company or their controlled corporation, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of underlying Shares⁽¹⁾	Approximate percentage of shareholding interest
Men Geng Network Limited ⁽²⁾	Beneficial owner	72,672,000	5.66%
One One Eleven Limited ⁽²⁾	Interest in controlled corporation	72,672,000	5.66%
Futu Trustee (Singapore) Pte Ltd ⁽²⁾	Trustee	72,672,000	5.66%
Mr. Men Geng ⁽²⁾	Interest in controlled corporation	72,672,000	5.66%
Co-challengers Growth Limited ⁽³⁾	Beneficial owner	70,840,000	5.52%
Mr. Li Bo ⁽³⁾	Interest in controlled corporation	70,840,000	5.52%
Beijing Chuangxin Yizhou Investment Management Limited (北京創新壹舟投資管理有限公司) ("Yizhou Investment Management") ⁽³⁾	Interest in controlled corporation	70,840,000	5.52%

Other Information

Name	Nature of interest	Number of underlying Shares ⁽¹⁾	Approximate percentage of shareholding interest
Xiamen Yizhou Xingchen Investment Management Limited (廈門壹舟星辰投資管理有限公司) (“ Xingchen Investment Management ”) ⁽³⁾	Interest in controlled corporation	70,840,000	5.52%
Xiamen Challenger Venture Capital Partnership (Limited Partnership) (廈門挑戰者創業投資合夥企業(有限合伙)) (“ Xiamen Challenger ”) ⁽³⁾	Interest in controlled corporation	70,840,000	5.52%
Jiang Ming Kuan Network Limited ⁽⁴⁾	Beneficial owner	110,553,000	8.61%
Mr. Jiang Mingkuan (“ Mr. Jiang ”) ⁽⁴⁾	Interest in controlled corporation	110,553,000	8.61%
Su Bo Network Limited	Beneficial owner	119,885,000	9.34%
Mr. Su Bo (“ Mr. Su ”) ⁽⁵⁾	Interest in controlled corporation	119,885,000	9.34%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Men Geng transferred the entire issued share capital of Men Geng Network Limited to One One Eleven Limited at zero consideration on 12 July 2022, and therefore, One One Eleven Limited indirectly held 72,672,000 shares of the Company through Men Geng Network Limited. One One Eleven Limited is wholly owned by Futu Trustee (Singapore) Pte Ltd. Mr. Men Geng is the founder of a trust and Futu Trustee (Singapore) Pte Ltd is the trustee, and he holds 72,672,000 shares of the Company through Men Geng Network Limited, a wholly-owned subsidiary of One One Eleven Limited.
- (3) Co-challengers Growth Limited is wholly-owned by Xiamen Challenger, a limited partnership, and is ultimately controlled by Mr. Li Bo, who has approximately 99.9% interest in Yizhou Investment Management, which has approximately 90% interest in Xingchen Investment Management, the sole general partner of Xiamen Challenger. Accordingly, each of Xiamen Challenger, Mr. Li Bo, Yizhou Investment Management and Xingchen Investment Management is deemed to be interested in the Shares held by Co-challengers Growth Limited.
- (4) Mr. Jiang holds the entire share capital of Jiang Ming Kuan Network Limited, which in turn directly holds 110,553,000 Shares. Accordingly, Mr. Jiang is deemed to be interested in the 110,553,000 Shares held by Jiang Ming Kuan Network Limited.
- (5) Mr. Su holds the entire share capital of Su Bo Network Limited, which in turn directly holds 119,885,000 Shares. Accordingly, Mr. Su is deemed to be interested in the 119,885,000 Shares held by Su Bo Network Limited.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

SHARE INCENTIVE SCHEMES

Share Option Scheme

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the “**Other Schemes**”) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the listing date of the Company (the “**Listing Date**”), being 125,600,000 Shares (equivalent to approximately 9.79% of the Company’s share capital in issue as at the date of this interim report), or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion (the “**Scheme Mandate Limit**”).

Options lapsed in accordance with the terms of the Share Option Scheme and Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit.

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

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

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

Other Information

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

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. Accordingly, as at 30 June 2023, the remaining life of the Share Option Scheme is approximately 6 years.

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

For the six months ended 30 June 2023, no Share Options were granted under the Share Option Scheme. As at 1 January 2023 and 30 June 2023, 63,240,000 Share Options were available to be granted under the Share Option Scheme.

Please refer to note 21 to the financial statements for further information of the Share Option Scheme.

Share Award Scheme

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

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

The maximum number of new Shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued Shares at the relevant time (the “**New Share Limit**”); and the maximum number of new Shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued Shares at the relevant time. There is no limit on (i) the number of Shares that can be purchased pursuant to the Share Award Scheme or (ii) the amount paid to the Trustee for the purpose of making such a purchase.

The Board may from time to time while the Share Award Scheme is in force determine any vesting criteria or conditions for any Share Awards to be vested or credited. Such vesting criteria may be based on the passage of time after the grant of Share Awards, the satisfaction of specified performance criteria relating generally to the Company or particularly to a Selected Participant or the satisfaction of any other conditions as the Board may in its discretion determine for any Selected Participant and as set out in the relevant grant letter or agreement for and with the relevant Selected Participant.

Subject to any termination as may be determined by the Board pursuant to the Share Award Scheme Rules, the Share Award Scheme shall be valid and effective for a period of ten (10) years commencing on 6 June 2019. Accordingly, as at 30 June 2023, the remaining life of the Share Award Scheme is approximately 5 years and 10 months.

Details of the Share Awards granted under the Share Award Scheme

In May 2019, the Company has appointed The Core Trust Company Limited as a trustee for the purpose of the Share Award Scheme pursuant to the Share Award Scheme Rules. In November 2021, the Company has appointed Futu Trustee Limited (“**Futu Trustee**”, together with The Core Trust Company Limited, the “**Trustees**”) as another trustee for the purpose of the Share Award Scheme pursuant to the Share Award Scheme Rules. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Trustees and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. The Company had entered into separate trust deeds with the two Trustees in relation to their respective appointment as the trustee of the Share Award Scheme (the “**Trust Deeds**”). The Trustees shall administer the Share Award Scheme in accordance with the Share Award Scheme Rules and the respective Trust Deeds.

Other Information

Details of the Share Awards granted pursuant to the Share Award Scheme to the grantees are set out below:

Category of Participant	Date of Award	Number of Share Awards	Purchase Price	Vesting Period	Number of Share Awards					Unvested at 30 June 2023
					Unvested at 1 January 2023	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	
Share Awards settled by issuance of new Shares by the Company to the grantees ⁽²⁾⁽⁴⁾										
TANG Yinghao (executive Director)	30 September 2021	1,000,000	US\$0.000005 per Share Award	30 April 2022 to 30 April 2024	600,000	—	300,000	—	—	300,000
Other Employees	30 September 2021	600,000	US\$0.000005 per Share Award	30 April 2022 to 30 April 2024	360,000	—	180,000	—	—	180,000
Other Employees	30 September 2021	25,803,500	US\$0.000005 per Share Award	30 April 2022 to 30 April 2024	12,078,000	—	5,673,750	793,000	—	5,611,250
Share Awards settled by the Shares repurchased by the Trustee on the open market ⁽⁶⁾										
The Five Highest Paid Individuals during 2023	9 May 2023	14,255,659	Nil	9 May 2023	—	14,255,659	14,255,659	—	—	—
Other Employees	9 May 2023	5,056,016	Nil	9 May 2023	—	5,056,016	5,056,016	—	—	—
Total		46,715,175			13,038,000	19,311,675	25,465,425	793,000	—	6,091,250

Notes:

- Please refer to note 21 to the financial statements for more details (including the vesting conditions, if any) of the above Share Awards.
- For the Share Awards granted on 30 September 2021, 27,403,500 Shares in total were allotted and issued to Futu Trustee, as the Trustee, on 16 November 2021.
- For the Share Awards granted on 9 May 2023, the closing price of the Shares on 8 May 2023, being the trading date immediately before the relevant grant date, was HK\$1.66. The fair value of the relevant Share Awards was HK\$31,092,000 (equivalent to RMB27,152,000), which was determined using the market price of HKD1.61 per share as at the grant date.
- The weighted average closing price of the Shares immediately before the dates on which the Share Awards were vested during the Reporting Period was HKD1.523 per Share.
- Based on the New Share Limit, as at 1 January 2023 and 30 June 2023, the number of Share Awards available for issue under the Share Award Scheme were 38,502,105 Shares.
- The source of share price data is Futu.

On 9 May 2023, the Board resolved to grant award shares under the Share Award Scheme, information of the three directors being granted the award shares are as follow:

Category of Participant	Date of Award	Number of Share Awards	Purchase Price	Vesting Period	Number of Share Awards					Unvested at 30 June 2023
					Unvested at 1 January 2023	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	
Share Awards settled by the Shares repurchased by the Trustee on the open market ^(a)										
Mr. TANG Yinghao (executive Director)	9 May 2023	100,658	—	9 May 2023	—	100,658	100,658	—	—	—
Mr. DING Chunlong (executive Director)	9 May 2023	12,000,000	—	9 May 2023	—	12,000,000	12,000,000	—	—	—
Mr. GUO Shunshun (executive Director, resigned on 1 June 2023)	9 May 2023	1,000,000	—	9 May 2023	—	1,000,000	1,000,000	—	—	—
Total		13,100,658			—	13,100,658	13,100,658	—	—	—

Save as disclosed above, there has been no options granted and outstanding under the Share Option Scheme or Share Awards granted under the Share Award Scheme during the six months ended 30 June 2023.

PURCHASES, 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 Shares 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.

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).

CONTRACTUAL ARRANGEMENTS

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

Other Information

Each of Jiaxiang Interactive (Xiamen) Network Technology Company Limited, and Jilin Xinze Network Technology Company Limited holds an ICP License and an Internet Cultural Business License required for the conduct of the Group's business. The Group has, through its wholly-owned subsidiary, Beijing Kexin Network Technology Company Limited, entered into a series of contractual arrangements with Jiaxiang Interactive (Xiamen) Network Technology Company Limited, Jilin Yutai Network Technology Company Limited, Mr. Wu and Mr. Guo to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Interactive (Xiamen) Network Technology Company Limited and its subsidiaries. For details of the contractual arrangements, please refer to the section headed "Contractual Arrangements" in the prospectus of the Company (the "**Prospectus**") and the 2022 annual report of the Company published on 25 April 2023.

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.

On 5 September 2023, the Board has resolved to change the chief executive officer of the Company from Mr. Wu Chengze to Ms. Cui Wei. For further details of the change, please refer to the announcement of the Company dated on 5 September 2023.

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 interim report.

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 interim report, 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. Wu Chengze	resigned as the chief executive officer of the Company on 5 September 2023
Mr. Guo Shunshun	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.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong was changed to Unit 2451, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and the email of the Company was changed to ir@weile.com with effect from 13 April 2023. For further details of the changes, please refer to the announcement of the Company dated on 14 April 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 interim report.