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## **Homeland Interactive Technology Ltd.**

**家鄉互動科技有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3798)**

### **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF 40% EQUITY INTEREST IN JILIN XINYUE NETWORK TECHNOLOGY LIMITED\***

#### **THE ACQUISITION**

On November 3, 2020, Jilin Xinze, Xinbao Technology and the Target Company entered into an equity investment agreement pursuant to which Xinbao Technology has agreed to sell and Jilin Xinze has agreed to acquire 40% of the equity interest in the Target Company at the consideration of RMB150,000,000.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

\* *For identification only*

Reference is made to (i) the announcement of Homeland Interactive Technology Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated October 29, 2019 (the “**Announcement**”) in relation to a non legally-binding memorandum of understanding entered into between Jilin Xinbao Technology Partnership (Limited Partnership)\* (吉林省鑫寶科技合夥企業(有限合夥)), Mr. Luo Wei (羅威) and the Company with respect to the possible acquisition of the entire equity interest in Jilin Xinyue Network Technology Limited\* (吉林省心悅網絡科技有限公司) (the “**Target Company**”); and (ii) the interim report of the Company published on September 25, 2020 with respect to the interim results of the Group for the six months ended June 30, 2020 (the “**Interim Report**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

## **THE ACQUISITION**

As disclosed in the Interim Report, due to travel restrictions implemented to prevent the spread of the COVID-19 virus, notwithstanding the expiry of the Exclusivity Period as stipulated in the MOU, the parties to the MOU have continued to negotiate on an exclusive basis with respect to the acquisition of the Target Company.

The Board is pleased to announce that on November 3, 2020, Jilin Xinze, Xinbao Technology (the “**Vendor**”) and the Target Company entered into an equity investment agreement (the “**Investment Agreement**”) pursuant to which Xinbao Technology has agreed to sell and Jilin Xinze has agreed to acquire 40% of the equity interest in the Target Company (the “**Acquisition**”). The consideration for the Acquisition shall be RMB150,000,000 (the “**Consideration**”), which was determined by arm’s length negotiations between the parties with reference to the price to earnings multiples of private transactions of card and board games development and operation companies in the PRC and taking into account the unaudited net profit of the Target Company for the year ended December 31, 2019 and the six months ended June 30, 2020 from the management accounts of the Target Company prepared in accordance with generally accepted accounting principles in the PRC. The unaudited net profit of the Target Company for the year ended December 31, 2019 and the six months ended June 30, 2020 was approximately RMB13.5 million and RMB36.0 million, respectively.

The Consideration shall be satisfied in the following manner:

- (i) payment of RMB75,000,000 in cash by Jilin Xinze to Xinbao Technology; and
- (ii) the transfer of the Earnest Money, representing the balance of the Consideration, under the joint custody of Jilin Xinze and Xinbao Technology to a designated account of Xinbao Technology pursuant to the Joint Custody Account Agreement,

within three working days after the satisfaction of the condition precedents under the Investment Agreement.

Under the Investment Agreement, Jilin Xinze shall be entitled to nominate one director to the board of directors of the Target Company, upon which the board of directors of the Target Company shall comprise of three members, including the director nominated by Jilin Xinze.

The conditions precedent for the completion of the Acquisition include (i) the delivery of transaction documents by the Target Company and the Vendor; (ii) the Target Company having completed the change in business registration of the Target Company to reflect the change in its shareholding pursuant to the Investment Agreement and completed the filing relating to the appointment of a director nominated by Jilin Xinze; and (iii) except as disclosed in the Investment Agreement, the representations and warranties given by the Target Company and the Vendor respectively being true, accurate, complete and not misleading.

The above conditions precedent can be waived by Jilin Xinze but it is expected that all conditions precedent can be satisfied and the closing of the Acquisition will take place within 2020.

As at the date of this announcement, the Target Company is owned as to 40% by Xinbao Technology, 35.3% by Jilin Yimeng Network Technology Limited (吉林省宜盟網絡科技有限公司) (“**Jilin Yimeng**”), 20% by Jilin Xinrui Network Technology Limited (吉林省心瑞網絡科技有限公司) (“**Jilin Xinrui**”) and 4.7% by Jilin Chenge Network Technology Limited (吉林省宸格網絡科技有限公司) (“**Jilin Chenge**”), respectively. Upon completion of the Acquisition, the Target Company will be owned as to 40% by Jilin Xinze, 35.3% by Jilin Yimeng, 20% by Jilin Xinrui and 4.7% by Jilin Chenge, respectively. The investment in the Target Company will be classified as investment in associated company in the Company’s financial statements in accordance with the relevant accounting standards.

## **INFORMATION ON XINBAO TECHNOLOGY AND THE TARGET COMPANY**

### **Information on Xinbao Technology**

Xinbao Technology is a limited partnership formed under the laws of the PRC and is held as to 80% by Mr. Luo and 20% by Mr. Zhang Liang. Its principal activity is investment holding. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xinbao Technology and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

### **Information on the Target Company**

The Target Company is principally engaged in the development and operation of card and board games, with a focus on localized Mahjong games, and sale of private game room cards business in a number of provinces in the northern part of the PRC, including Heilongjiang, Jilin, Liaoning, Shanxi, Hebei and Gansu provinces. As at the date of this announcement, the Target Company is owned as to 40% by Xinbao Technology, 35.3% by Jilin Yimeng, 20% by Jilin Xinrui and 4.7% by Jilin Chenge, respectively.

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

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

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

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

## Financial information of the Target Company

Set out below is the unaudited financial information of the Target Company prepared for the two years ended December 31, 2019 and six months ended June 30, 2020 in accordance with generally accepted accounting principles in the PRC:

	<b>For the year ended</b>		<b>For the six</b>
	<b>December 31,</b>	<b>December 31,</b>	<b>months ended</b>
	<b>2018</b>	<b>2019</b>	<b>June 30,</b>
	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)
Net profit before tax	34,580	16,185	41,141
Net profit after tax	29,504	13,486	35,999

As at June 30, 2020, the unaudited net asset value of the Target Company, based on generally accepted accounting principles in the PRC, is approximately RMB52,515,000.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a leading localized mobile card and board game developer and operator in the PRC with a special focus on localized Mahjong and poker games. The Target Company is principally engaged in the development and operation of card and board games, with a focus on localized Mahjong games, and sale of private game room cards business in a number of provinces in the northern part of the PRC, including Heilongjiang, Jilin, Liaoning, Shanxi, Hebei and Gansu provinces.

As part of the Group's business strategies, the Group intends to achieve external growth by strategically pursuing partnership and acquisition opportunities. The Directors consider that the Acquisition, if materializes, presents a good opportunity for the Group and complements the Group's business. It would allow the Group to gain access to wider local market, expand its player base and further increase its presence in the PRC market, which in turn allows the Group to capitalize on the emerging opportunities presented by the growing demand for private game room cards, increase market share and solidify its leading market position. The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As the Acquisition is subject to fulfilment and/or waiver, if applicable, of various conditions precedent which may or may not be fulfilled, there is no assurance that the Acquisition will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

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

Xiamen, PRC, November 3, 2020

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