

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

SUPPLEMENTAL AGREEMENT IN RELATION TO DISCLOSEABLE TRANSACTION ACQUISITION OF 40% EQUITY INTEREST IN JILIN XINYUE NETWORK TECHNOLOGY LIMITED*

This announcement is made by Homeland Interactive Technology Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 14.36 of the Listing Rules.

Reference is made to the announcement of the Company dated November 3, 2020 (the “**Announcement**”) in respect of the Acquisition. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

BACKGROUND

On November 3, 2020, Jilin Xinze (an operating company of the Group which is controlled by the Group through contractual arrangements), Xinbao Technology and the Target Company entered into 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 Consideration is RMB150,000,000, 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.

* *For identification purpose only*

The Consideration was 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.

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.

All conditions precedent in the Investment Agreement have been fulfilled and the Acquisition was completed in November 2020. Upon such completion, as of the date of this announcement, Jilin Xinze holds 40% interest in the Target Company. The investment in the Target Company is classified as investment in associated company in the Company's financial statements in accordance with the relevant accounting standards.

SUPPLEMENTAL AGREEMENT

The Board announces that on December 29, 2020, Jilin Xinze, Xinbao Technology and the Target Company entered into a supplemental agreement to the Investment Agreement (the “**Supplemental Agreement**”) pursuant to which the parties thereto agreed to supplement certain terms of the Investment Agreement as follows:

Profit Guarantee

Under the Supplemental Agreement, Xinbao Technology has undertaken to ensure that the audited net profit of the Target Company for the years ending December 31, 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 the Target Company for the years ending December 31, 2021 and 2022 shall be no less than RMB150,000,000 in aggregate.

Profit Compensation

Pursuant to the Supplemental Agreement, if the actual audited net profit of the Target Company falls short of the Guaranteed Net Profit for any of the years ending December 31, 2021 and 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:

$$\text{Profit Compensation} = \left[\left(\frac{A - B}{\text{RMB}150,000,000} \right) \times C \right] \times 40\%^{(note)} - D$$

where:

A = the cumulative Guaranteed Net Profit determined as at the end of the period;

B = the cumulative actual audited net profit of the Target Company determined as at the end of the period;

C = the agreed appraised assets value of the Target Company, 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 Target Company owned by Jilin Xinze

Profit Sharing

Pursuant to the Supplemental Agreement, the audited net profit of the Target Company for the years ending December 31, 2021 and 2022 will be fully distributed to its shareholders (including Jilin Xinze) as dividend in proportion to their respective equity interest in the Target Company (the “**Profit Sharing**”). The aggregate amount of dividends receivable by Jilin Xinze under the Profit Sharing arrangement for the years ending December 31, 2021 and 2022 shall not exceed RMB60,000,000.

Save as disclosed above, all other terms of the Investment Agreement shall remain in full force and effect. In particular, no consideration (in cash or in kind) is payable by Jilin Xinze under the Supplemental Agreement.

INFORMATION ON THE COMPANY, JILIN XINZE, XINBAO TECHNOLOGY AND THE TARGET COMPANY

Information on the Company and Jilin Xinze

The Company is an investment holding company. 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. Jilin Xinze is an operating company of the Group which is controlled by the Group through contractual arrangements.

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 Wei (“**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 Jilin Xinze, 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, the Target Company, Jilin Yimeng, Jilin Xinrui, Jilin Chenge and their ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

For reasons relating to the Acquisition, please refer to the Announcement.

The Profit Guarantee, the Profit Compensation and the Profit Sharing arrangements under the Supplemental Agreement will secure the Group's investment return under the Acquisition and will strengthen its cash flow to support its business operations. These arrangements were determined by the parties after arm's length negotiations. The Directors believe that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATION

This announcement is made by the Company pursuant to Rule 14.36 of the Listing Rules, as the entering into the Supplemental Agreement constitutes a variation to the terms of the transactions previously announced under the Announcement (being the Acquisition pursuant to the Investment Agreement, which constituted a discloseable transaction of the Company).

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

Xiamen, PRC, December 29, 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, Mr. Hu Yangyang and Ms. Guo Ying as independent non-executive Directors.