DIGITAL HOLLYWOOD INTERACTIVE LIMITED
遊萊互動集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2022)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period amounted to approximately US$9.0 million, representing a decrease of 36.2% from approximately US$14.1 million for the corresponding period in 2018.
- Gross profit for the Reporting Period amounted to approximately US$4.1 million, representing a decrease of 50.0% from approximately US$8.2 million for the corresponding period in 2018.
- Non-IFRS adjusted loss attributable to owners of the Company for the Reporting Period amounted to approximately US$3.9 million, as compared to non-IFRS adjusted profit attributable to owners of the Company of approximately US$3.3 million for the corresponding period in 2018.
- Loss attributable to owners of the Company for the Reporting Period amounted to approximately US$4.8 million, as compared to profit attributable to owners of the Company of approximately US$2.2 million for the corresponding period in 2018.

In this announcement "we", "us" and "our" refer to Digital Hollywood Interactive Limited (the "**Company**", together with its subsidiaries, the "**Group**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

For the six months ended June 30, 2019 (the "**Reporting Period**"), due to changes in the Chinese game market and regulatory environment, the supply of game products from China complying with relevant laws and regulations and available to the Group for release in the overseas markets decreased dramatically, which limited the number of the Group's new game releases in the overseas markets and in turn imposed an adverse effect on the Group's financial performance.

In the face of a complex and changing market environment, we insisted on taking the advantage of global distribution. With respect to our products, the English versions of *Legend of Warships* (a naval battle strategic game) and *Eternal Fury 2* (a massively multiple online role-play game), both of which are hardcore and select hypertext markup language 5 ("**HTML5**") games, were launched globally in 2019. Going forward, the Group will launch more HTML5 games and release HTML5 games in more countries and regions.

Looking forward, we will continue to extend our game portfolio, insist on the philosophy of "focusing on products' long lifecycle", and maintain continuous operation with long-term data flow. At the same time, the Group will continue to improve the layout of HTML5 games and take advantage of our global distribution. We will deepen our involvement in the HTML5 game distribution markets and cooperate closely with our outstanding business partners in research and development, distribution and promotion in the global HTML5 field, to vigorously enlarge our market shares in emerging markets for HTML5 games and further strengthen our leading position in overseas distribution.

FINANCIAL REVIEW

Overview

Non-IFRS adjusted loss attributable to owners of the Company[1] for the Reporting Period amounted to approximately US$3.9 million, as compared to non-IFRS adjusted profit attributable to owners of the Company of approximately US$3.3 million for the corresponding period in 2018. Loss attributable to owners of the Company for the Reporting Period amounted to approximately US$4.8 million, as compared to profit attributable to owners of the Company of approximately US$2.2 million for the corresponding period in 2018.

Revenue

During the Reporting Period, revenue of the Group amounted to approximately US$9.0 million, representing a decrease of approximately US$5.1 million or 36.2% as compared with approximately US$14.1 million for the corresponding period in 2018. The decrease in revenue was mainly due to the reasons that (i) certain games entered into the mature stage of their lifecycles and generated less revenue than that of the corresponding period in 2018; (ii) certain newly launched games of the Group failed to achieve the expected performance level; and (iii) the revenue of a one-off licensing fees amounting US$2.6 million was recognized for the corresponding period in 2018 while there was no such one-off licensing fees recognised for the Reporting Period.

Cost of revenue and gross profit margin

For the Reporting Period, cost of revenue of the Group amounted to approximately US$4.9 million, representing a decrease of approximately US$1.0 million or 16.9% as compared with approximately US$5.9 million for the corresponding period in 2018. The resulting gross profit margin decreased to 45.6% in 2019 from 58.0% for the corresponding period in 2018.

Other gains, net

For the Reporting Period, other gains of the Group amounted to approximately US$0.1 million, representing a decrease of approximately US$0.4 million or 80.0% as compared with approximately US$0.5 million for the corresponding period in 2018. The decrease in other gains was mainly due to recognition of a one-off other gain from termination of a licensing agreement for the corresponding period in 2018.

Selling and marketing expenses

For the Reporting Period, selling and marketing expenses of the Group amounted to approximately US$1.9 million, representing a decrease of approximately US$0.7 million or 26.9% from approximately US$2.6 million for the corresponding period in 2018, primarily due to a decrease in advertising and promotion expenses.

Administrative expenses

For the Reporting Period, administrative expenses of the Group amounted to approximately US$5.4 million, which represents an increase of approximately US$3.4 million or 170.0% from approximately US$2.0 million for the corresponding period in 2018. The increase in administrative expenses for the Reporting Period was mainly due to: (i) impairment loss arising from the balances due from the Group's customers; and (ii) write-down of prepaid license fees and prepayments for certain newly launched games of the Group, which failed to achieve the expected performance level.

---

(1) Non-IFRS adjusted loss/profit attributable to owners of the Company was derived from the loss/profit for the period, excluding share-based payments of the Company.

Research and development expenses

For the Reporting Period, research and development expenses of the Group amounted to approximately US$0.7 million, representing an increase of approximately US$0.1 million or 16.7% as compared with approximately US$0.6 million for the corresponding period in 2018. The increase in research and development expenses for the Reporting Period was mainly due to greater staff cost because of more new games under development.

Impairment of investment in an associate

For the Reporting Period, impairment of investment in an associate of the Group amounted to approximately US$0.7 million, which was nil for the corresponding period in 2018. The impairment of investment in an associate for the Reporting Period was mainly due to the reason that the Group did not anticipate any future cash flow generated from the investment in an associate as the entity has substantially wound down its operations.

Loss/profit attributable to owners of the Company

For the Reporting Period, loss attributable to owners of the Company amounted to approximately US$4.8 million, as compared to profit attributable to owners of the Company of approximately US$2.2 million for the corresponding period in 2018. The change of position was mainly due to the following reasons: (i) due to the changes of the Chinese game market and regulatory environment, the supply of the game products from China complying with relevant laws and regulations and available to the Group for release in the overseas markets decreased dramatically in the Reporting Period, which limited the number of the Group's new game releases in the overseas markets and in turn imposed an adverse effect on the Group's financial performance; (ii) impairment loss arising from the balances due from the Group's customers and the Group's investment in an associate; and (iii) write-down of prepaid license fees and prepayments for certain newly launched games of the Group, which failed to achieve the expected performance level.

Non-IFRS adjusted loss/profit attributable to owners of the Company

To supplement this interim result announcement which is presented in accordance with the International Financial Reporting Standards (the "**IFRS**"), we also use unaudited non-IFRS adjusted profit attributable to owners of the Company as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business.

For the Reporting Period, non-IFRS adjusted loss attributable to owners of the Company amounted to approximately US$3.9 million, as compared to non-IFRS adjusted profit attributable to owners of the Company of approximately US$3.3 million for the corresponding period in 2018. Our non-IFRS adjusted loss/profit attributable to owners of the Company for the Reporting Period and the corresponding period of 2018 was calculated according to the loss/profit attributable to the owners of the Company for the period, excluding share-based payments of approximately US$0.9 million for the Reporting Period and approximately US$1.1 million for the corresponding period of 2018. The reasons for the change of position were elaborated in the sub-section headed "Loss/profit attributable to owners of the Company" above.

Income tax expense

For the Reporting Period, income tax expense of the Group amounted to approximately US$0.2 million, representing a decrease of approximately US$0.8 million or 80.0% as compared with approximately US$1.0 million for the corresponding period in 2018. The decrease in income tax expense was primarily due to the decrease of assessable profit.

Liquidity and source of funding and borrowing

As at June 30, 2019, the Group's total bank balances and cash amounted to approximately US$25.4 million, representing a decrease of approximately 22.1% as compared with approximately US$32.6 million as at December 31, 2018. The decrease in total bank balances and cash during the Reporting Period was primarily resulted from decrease in revenue income and prepaid royalty fees of new games.

As at June 30, 2019, current assets of the Group amounted to approximately US$48.7 million, including bank balances and cash of approximately US$25.4 million and other current assets of of approximately US$23.3 million. Current liabilities of the Group amounted to approximately US$10.0 million, including trade payables and contract liabilities of approximately US$7.1 million and other current liabilities of approximately US$2.9 million. As at June 30, 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 4.9, as compared with 5.0 as at December 31, 2018.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group does not have any bank borrowings and other debt financing obligations as at June 30, 2019 and the resulting gearing ratio is nil (as at December 31, 2018: nil). The Group intends to finance the expansion, investments and business operations with internal resources.

Material investments

The Group did not have any new material investment during the Reporting Period.

Material acquisitions

The Group did not have any material acquisitions for the Reporting Period.

Material disposals

The Group did not have any material disposals of subsidiaries or associated companies for the Reporting Period.

Pledge of assets

As at June 30, 2019, none of the Group's assets was pledged (as at December 31, 2018: nil).

Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2019 (as at December 31, 2018: nil).

Foreign exchange exposure

As at June 30, 2019, the Group mainly operated in the global market and majority of its transactions were settled in U.S. dollars, being the functional currency of the group entities to which the transactions relate. We currently do not hedge transactions undertaken in foreign currencies but manage our exposure through constant monitoring to limit as much as possible the amount of our foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. We have certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of our foreign operations is not significant. As at June 30, 2019, the Group did not have significant foreign currency exposure from its operations.

USE OF PROCEEDS FROM THE IPO

The net proceeds from the initial public offering of the Company dated December 15, 2017 (the "**IPO**") amounted to US$35.4 million after deducting share issuance costs and listing expenses. During the Reporting Period, the net proceeds from the listing were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated December 5, 2017 (the "**Prospectus**"), with the balance amounted to approximately US$21.9 million. The balance of fund will continue to be utilized according to the manner as disclosed in the Prospectus. The Group held the unutilized net proceeds in short-term deposits with licensed institutions in Hong Kong. In the second half of 2019, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds. Details are set out in the following table:

	Net amount available as at December 31, 2017 *USD'000*	Actual net amount utilized during the year ended December 31, 2018 *USD'000*	Actual net amount utilized during the Reporting Period *USD'000*	**Unutilized amount as at June 30, 2019** ***USD'000***
Investment	14,166.1	421.0	6,308.3	**7,436.8**
Development and research	8,853.8	780.3	755.6	**7,317.9**
Expansion of online game business	5,312.3	1,084.5	796.1	**3,431.7**
Marketing and advertisement	3,541.5	1,625.3	1,002.7	**913.5**
Working capital and other general corporate purposes	3,541.5	501.3	273.7	**2,766.5**
Total	35,415.2	4,412.4	9,136.4	**21,866.4**

HUMAN RESOURCES

As at June 30, 2019, the Group had 188 employees (December 31, 2018: 182), 57 of which were responsible for game development and maintenance, 80 for game operation and offline events organization, 51 for general administration and corporate management. The total remuneration expenses, excluding share-based compensation expense, for the Reporting Period were US$2.0 million, representing an increase of 25.0% as compared to the corresponding period in 2018. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Company's board of directors (the "**Directors**") (the "**Board**") on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders (the "**Shareholders**") as a whole. The Company has adopted the code provisions as set out in the Code of Corporate Governance (the "**Corporate Governance Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code during the Reporting Period, save for deviation from code provision A.2.1 of the Corporate Governance Code.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibility between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. LU Yuanfeng currently performs these two roles. 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 individuals. The Board currently comprises three executive Directors (including Mr. LU Yuanfeng) and two independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Upon the resignation of Mr. Darren Raymond SHAW as an independent non-executive Director with effect from July 5, 2019, (i) the Board comprises only three executive Directors and two independent non-executive Directors; and (ii) there are only two members in each of the Board's audit committee, remuneration committee and nomination committee (collectively, the "**Board Committees**"). Therefore, the composition of the Board and the Board Committees does not meet the requirements under Rule 3.10(1), Rule 3.21 and Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code. The Company will identify a suitable candidate for the position of independent non-executive Director as well as members of each of the Board Committees within three months from the effective date of the resignation of Mr. Darren Raymond SHAW to comply with the requirements of Rule 3.10(1), Rule 3.21, Rule 3.25 of the Listing Rules and Code Provision A.5.1 under the Corporate Governance Code.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Board, comprising Ms. Imma LING Kit-sum and Mr. LI Yi Wen, has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period and confirms that the applicable accounting principles, standards and requirements have been compiled with, and that adequate disclosures have been made.

Auditor

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's unaudited interim condensed consolidated financial information for the Reporting Period in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

The Board is pleased to announce the unaudited interim condensed consolidated financial results of the Group for the Reporting Period, together with the comparative figures for the corresponding period in 2018:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2019

	Note	**Six months ended June 30, 2019 USD (Unaudited)**	2018 USD (Unaudited)
Revenue	*4*	**8,958,904**	14,103,874
Cost of revenue		**(4,860,543)**	(5,920,545)
Gross profit		**4,098,361**	8,183,329
Selling and marketing expenses		**(1,935,402)**	(2,565,375)
Administrative expenses		**(5,382,466)**	(2,033,052)
Research and development expenses		**(731,754)**	(584,118)
Impairment of investment in an associate		**(652,596)**	–
Other gains, net	*8*	**117,674**	523,319
Operating (loss)/ profit		**(4,486,183)**	3,524,103
Finance income		**13,271**	1,997
Finance costs		**(83,600)**	(328,916)
Finance costs, net		**(70,329)**	(326,919)
Share of profit of an associate		**–**	2,360
(Loss)/Profit before income tax		**(4,556,512)**	3,199,544
Income tax expense	*9*	**(218,165)**	(1,005,439)
(Loss)/Profit for the period		**(4,774,677)**	2,194,105
Other comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**113,952**	(148,435)
Items that may not be reclassified subsequently to profit or loss			
– Changes in fair value of investment in equity securities		**(743,813)**	–
Total comprehensive (loss)/ income for the period		**(5,404,538)**	2,045,670
(Loss)/Profit attributable to:			
Owners of the Company		**(4,774,677)**	2,194,105
Total comprehensive (loss)/ income attributable to:			
Owners of the Company		**(5,404,538)**	2,045,670
(Loss)/Earnings per share (expressed in USD cents per share)	*10*		
– Basic		**(0.26)**	0.12
– Diluted		**(0.26)**	0.12
Dividends	*11*	**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET
As at June 30, 2019

	Note	As at June 30, 2019 USD (Unaudited)	As at December 31, 2018 USD (Audited)
Assets			
Non-current assets			
Property, plant and equipment, net		**2,138,696**	2,107,128
Right-of-use assets		**1,950,998**	–
Intangible assets, net		**2,218,327**	2,316,324
Investment in an associate		**–**	640,233
Prepayments and other receivables		**3,696,385**	4,342,699
Deferred income tax assets		**123,702**	173,875
Financial assets at fair value through other comprehensive income		**1,905,366**	2,670,518
		12,033,474	12,250,777
Current assets			
Contract costs		**688,874**	695,396
Trade receivables	*5*	**2,341,792**	3,625,121
Prepayments and other receivables		**20,198,995**	14,561,573
Cash and cash equivalents		**25,429,447**	32,598,242
		48,659,108	51,480,332
Total assets		**60,692,582**	63,731,109
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*6*	**2,000,000**	2,000,000
Shares held for the Share Option Scheme	*6*	**(150,000)**	(150,000)
Reserves		**38,539,712**	38,282,476
Retained earnings		**8,306,013**	13,144,180
Total equity		**48,695,725**	53,276,656
Liabilities			
Non-current liabilities			
Lease liabilities		**1,923,849**	–
Deferred income tax liabilities		**70,025**	56,021
		1,993,874	56,021
Current liabilities			
Trade payables	*7*	**3,486,066**	3,177,289
Contract liabilities		**3,662,196**	3,806,299
Lease liabilities		**228,303**	–
Receipt in advance		**175,874**	136,193
Other payables and accruals		**2,049,250**	2,652,333
Current income tax liabilities		**401,294**	626,318
		10,002,983	10,398,432
Total liabilities		**11,996,857**	10,454,453
Total equity and liabilities		**60,692,582**	63,731,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Digital Hollywood Interactive Limited (the "**Company**") was incorporated in the Cayman Islands on November 24, 2014 as an exempted company with limited liability. The address of the Company's registered office is P.O. Box 2075, George Town, Grand Cayman KY1-1105, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the development, operations and publishing of web-based games and mobile games business ("**Game Business**") in North America, Europe, The People's Republic of China (the "**PRC**") and other regions.

The financial statements are presented in the United States Dollars ("**USD**"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on August 30, 2019.

2 BASIS OF PREPARATION

This condensed consolidated interim financial statements for the six months ended June 30, 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 CHANGE OF ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2018, as described in those annual financial statements, except for the following:

(a) The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2019:

Annual Improvements to IFRSs 2015-2017 Cycle	Previously held interest in a joint operation, income tax consequences of payments on financial instruments classified as equity and borrowing costs eligible for capitalisation	January 1, 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or settlement	January 1, 2019
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16	Leases	January 1, 2019

Amendments to IFRSs effective for the financial year beginning on or after January 1, 2019 do not have a material impact on the Group's accounting policies and did not require retrospective adjustments, except for IFRS 16. The impact of the adoption of IFRS 16 are disclosed in note (b) below.

(b) Impact of adoption of IFRS 16

The group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

(i) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.6% for leases below 5 years (inclusive) and 5.8% for leases over 5 years.

	2018
	USD
Operating lease commitments disclosed as at December 31, 2018	2,877,310
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,295,267
Less: short-term leases recognised on a straight-line basis as expense	(28,461)
Lease liability recognised as at January 1, 2019	2,266,806
Of which are:	
Current lease liabilities	224,760
Non-current lease liabilities	2,042,046
	2,266,806

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	As at June 30, 2019	As at January 1, 2019
	USD	*USD*
Properties	**1,950,998**	2,090,782

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increase by USD2,090,782
- lease liabilities – increase by USD2,266,806
- Other payables and accruals – decrease by USD112,534

The net impact on retained earnings on January 1, 2019 was a decrease of USD63,490.

(ii) The group's leasing activities and how these are accounted for

The group leases various offices. Rental contracts are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

By December 31, 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments) less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(c) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning January 1, 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	January 1, 2020
IFRS 3 (Amendment)	Definition of a Business	January 1, 2020
IAS 1 and IAS 8 (Amendment)	Definition of Material	January 1, 2020
IFRS 10 and IAS 28 (Amendments) *(Note(i))*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(i) The Group has already commenced an assessment of the impact of these new or revised standards, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

4 REVENUE AND SEGMENT INFORMATION

	Six months ended June 30,	
	2019	2018
	USD	*USD*
	(Unaudited)	(Unaudited)
Service		
Online game revenue	**8,881,414**	11,438,835
Licensing revenue	**73,333**	2,656,100
Server rental revenue	**–**	4,079
Advertising revenue	**4,157**	4,860
	8,958,904	14,103,874

For management purpose, the executive directors of the Company consider that the Group generates revenue primarily from the provision of game services. The executive directors of the Company review the operating results of the business as one segment to make strategic decisions about resources to be allocated. Therefore, the executive directors of the Company consider that there is only one segment of the Group.

5 TRADE RECEIVABLES

	As at June 30, 2019 ***USD*** **(Unaudited)**	As at December 31, 2018 *USD* (Audited)
Trade receivables	**5,303,664**	5,260,697
Less: allowance for impairment of trade receivables	**(2,961,872)**	(1,635,576)
	2,341,792	3,625,121

Trade receivables are arising from the development and operation of online game business. The credit terms of trade receivables granted to the Platforms and third party payment vendors are usually zero to 120 days and zero to 30 days, respectively. Aging analysis based on invoice date of the gross trade receivables at the respective balance sheet dates is as follows:

	As at June 30, 2019 ***USD*** **(Unaudited)**	As at December 31, 2018 *USD* (Audited)
0-30 days	**1,499,211**	1,085,622
31-90 days	**322,121**	1,106,756
91-180 days	**862,999**	764,506
Over 180 days	**2,619,333**	2,303,813
	5,303,664	5,260,697

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	As at June 30, 2019 ***USD*** **(Unaudited)**	As at December 31, 2018 *USD* (Audited)
At beginning of the period/year	**1,635,576**	1,698,689
Provision for/(Reversal of) impairment recognised during the period/year	**1,401,001**	(33,113)
Receivables written off during the period/year as uncollectible	**(74,705)**	(30,000)
At end of the period/year	**2,961,872**	1,635,576

6 SHARE CAPITAL AND SHARES HELD FOR THE SHARE OPTION SCHEME

The total authorised share capital of the Company comprises 4,000,000,000 ordinary shares (December 31, 2018: 4,000,000,000 ordinary shares) with par value of USD0.001 per share (December 31, 2018: USD0.001 per share).

As at June 30, 2019, the total number of issued ordinary shares of the Company was 2,000,000,000 shares (December 31, 2018: 2,000,000,000 shares) which included 149,999,973 shares (December 31, 2018: 149,999,973) held under the share incentive scheme. They have been fully paid up.

A summary of movements in the Company's share capital and shares held for the Share Option Scheme are as follows:

	Number of shares in issue	**Share capital** *USD*	**Shares held for the Share Option Scheme** *USD* *(Note (a))*
As at December 31, 2018 and June 30, 2019	2,000,000,000	2,000,000	(150,000)

(a) According to the written resolutions of all the members of the Company dated November 2, 2015 and capitalisation issue dated November 24, 2017, an aggregate of 150,000,000 ordinary shares were authorised and reserved for the issuance to the employees, directors of the Group and other persons pursuant to the share incentive scheme (the "**Share Option Scheme**") to be adopted by the Company.

The Company has appointed Core Trust Company Limited as the trustee to assist with the administration and vesting of options granted pursuant to the Share Option Scheme. On May 27, 2017, the Company allotted and issued shares to Epic City Limited ("**Share Scheme Trust**"), a wholly-owned subsidiary of Core Trust Company Limited, which are or will be used to satisfy the options upon exercise. The shares held by Share Scheme Trust are presented as a deduction in equity as shares held for the Share Option Scheme.

During the six months ended June 30, 2019, the Share Scheme Trust has not transferred any ordinary shares of the Company (June 30, 2018: nil) to the grantees vesting of the awarded shares.

7 TRADE PAYABLES

The aging analysis of trade payables based on invoice date is as follows:

	As at June 30, 2019 ***USD*** **(Unaudited)**	As at December 31, 2018 *USD* (Audited)
0-90 days	**933,287**	1,043,598
91-180 days	**824,709**	978,536
181-360 days	**1,077,683**	345,849
Over 360 days	**650,387**	809,306
	3,486,066	3,177,289

8 OTHER GAINS, NET

	Six months ended June 30,	
	2019	2018
	USD	*USD*
	(Unaudited)	(Unaudited)
Other gains		
Initial license fee forfeited by a licensee	**-**	500,000
Foreign exchange gain, net	**-**	12,333
Others	**125,998**	12,038
	125,998	524,371
Other losses		
Foreign exchange losses, net	**(8,311)**	-
Others	**(13)**	(1,052)
	(8,324)	(1,052)
Other gains, net	**117,674**	523,319

9 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2019 and 2018 is analysed as follows:

	Six months ended June 30,	
	2019	2018
	USD	*USD*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC and Hong Kong	**16,923**	837,057
– Overseas withholding income tax	**113,999**	163,321
Deferred tax	**87,243**	5,061
	218,165	1,005,439

10 (LOSS)/EARNINGS PER SHARE

Basic

Basic (loss)/earnings per share ("**EPS**") is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for the Share Option Scheme during the six months ended June 30, 2019.

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to owners of the Company (USD)	**(4,774,677)**	2,194,105
Weighted average number of ordinary shares in issue less shares held for the Share Option Scheme	**1,850,000,027**	1,850,000,027
– Basic EPS (in cents/share)	**(0.26)**	0.12

The EPS is based on that 1,850,000,027 and 1,850,000,027 shares were the weighted average number of ordinary shares in issue excluding the 149,999,973 (June 30, 2018:149,999,973) shares held for the Share Option Scheme for the six months ended June 30, 2019 and 2018 respectively, without taking into account any shares which may be granted and issued by the Company pursuant to the Share Option Scheme.

Diluted

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue less shares held for the Share Option Scheme outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS). No adjustment is made to (loss)/earnings (numerator).

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to owners of the Company (USD)	**(4,774,677)**	2,194,105
Weighted average number of ordinary shares in issue less shares held for the Share Option Scheme	**1,850,000,027**	1,850,000,027
Adjustments for share options and awarded shares	**–**	5,013,127
– Diluted EPS (in cents/share)	**(0.26)**	0.12

No adjustment has been made to basic loss per share to derive at the diluted loss per share for the six months ended June 30, 2019. The share options are not included in the calculation of diluted loss per share because they are antidilutive for the six months ended June 30, 2019.

11 DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the six months ended June 30, 2019 (June 30, 2018: same).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at *www.hkexnews.hk* and on the website of the Company at *www.gamehollywood.com*. The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Digital Hollywood Interactive Limited
LU Yuanfeng
Chairman and Chief Executive Officer

Hong Kong, August 30, 2019

As at the date of this announcement, the executive Directors are Mr. LU Yuanfeng, Mr. HUANG Guozhan, Mr. HUANG Deqiang and the independent non-executive Directors are Mr. LI Yi Wen and Ms. Imma LING Kit-sum.

* *For identification purpose only*