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## 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)

### INSIDE INFORMATION LEGAL PROCEEDINGS AGAINST A SUBSIDIARY OF SUBSTANTIAL SHAREHOLDER

This announcement is made by Digital Hollywood Interactive Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### LEGAL PROCEEDINGS ON UNILATERAL TERMINATION OF GAME COOPERATION CONTRACT

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that Guangzhou Zhang Ying Kong Information Technology Company Limited\* (廣州掌贏控信息科技有限公司) (“**Guangzhou ZYK**”), a wholly-owned subsidiary of the Company, has instituted legal proceedings (the “**Legal Proceedings**”) against Shenzhen Qianhai Huanjing Network Technology Co., Ltd.\* (深圳市前海幻境網絡科技有限公司) (“**Qianhai Huanjing**”) at the People’s Court of Haizhu District, Guangzhou, the People’s Republic of China\* (中國廣州市海珠區人民法院) in relation to the losses and damages sustained by Guangzhou ZYK as a result of the unilateral termination by Qianhai Huanjing of the IP Licensing Agreements (as defined below). The Group received a notice from the court regarding the formal acceptance of the Legal Proceedings on 18 May 2020.

The Company and 7Road Holdings Limited (“**7Road**”, a company listed on the Main Board of the Stock Exchange (stock code: 0797)) have been partners in the mobile game sector since 2013. During 2013 to 2018, a series of intellectual property licensing agreements (the “**IP Licensing Agreements**”) have been entered into between, among others, Guangzhou ZYK, Qianhai Huanjing and Shenzhen 7Road Technology Co., Ltd.\* (深圳第七大道科技有限公司) (“**Shenzhen 7Road**”), pursuant to which, Shenzhen 7Road and/or Qianhai Huanjing shall be responsible for licensing certain intellectual property elements to Guangzhou ZYK and Guangzhou ZYK shall be responsible for developing and exclusively operating mobile games that incorporate such intellectual property elements within specified territories, and Shenzhen 7Road and/or Qianhai Huanjing shall be entitled to receive from Guangzhou ZYK a fixed advance payment of licensing fee and a revenue sharing arrangement based on revenue generated from the relevant games. The fixed advance payment of licensing fee was duly settled by the Group in June 2018.

In March 2020, the Group received a written notice from Qianhai Huanjing (the “**Termination Notice**”) informing Guangzhou ZYK that Qianhai Huanjing was expressly and unilaterally terminating the games development cooperation agreements on the ground that Guangzhou ZYK failed to settle payment of revenue-sharing in a timely manner and request again the provision of access right to certain product data.

The Group, after having made due enquiry (including seeking professional advice from the legal advisors of the Group), considered that Guangzhou ZYK did not commit any material default as stated in the Termination Notice and hence shall not give rise to any right for Qianhai Huanjing to unilaterally terminate the games development cooperation agreements. As such, the Group decided to commence the Legal Proceedings to safeguard the rights and interests of the Company and the Shareholders.

As one of the substantial shareholders of the Group, 7Road’s action not only directly affects the interests of the Group, but also the same of all Shareholders (including 7Road itself). We find such action inexplicable and express our deep regret.

## **INFORMATION ON QIANHAI HUANJING AND 7ROAD**

To the best knowledge and belief of the Directors having made due enquiries, each of Qianhai Huanjing and Shenzhen 7Road is a wholly-owned subsidiary of 7Road Holdings Limited (“**7Road**”), which in turn is a company listed on the Main Board of the Stock Exchange (stock code: 0797). As at the date of this announcement, 7Road is a substantial shareholder (as defined in the Listing Rules) and hence a connected person (as defined in the Listing Rules) of the Company holding approximately 14.71% of the total number of shares of the Company in issue. According to the information available on the website of the Stock Exchange, trading in the shares in 7Road on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 March 2020 (the “**7Road Suspension of Trading**”), and the Stock Exchange has issued guidance to 7Roads for resumption of trading in its shares on 12 May 2020.

## **NO MATERIAL ADVERSE IMPACT ON THE GROUP**

Since its listing on the Main Board of the Stock Exchange in 2017 (the “**Listing**”), the Company has been actively sourcing collaboration opportunities with game developers other than 7Road and, with its enhanced reputation and capability through the Listing, has successfully expanded its business portfolio and developed stable business relationships with a multitude of other developers in exploring the gaming markets. As a result of its effort in diversifying the business partners’ base, the Board therefore believes that the Company is not heavily reliant on 7Road and/or any particular developer and business partner for its business and operations.

As such, the Board reasonably believes that the Legal Proceedings and the 7Road Suspension of Trading will not have any material and adverse impacts on the overall business, operation or financial performance of the Group.

Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules to keep its Shareholders and potential investors informed of any material development in the Legal Proceedings.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

**Digital Hollywood Interactive Limited**

Guangzhou, Guangdong, the PRC, 18 May 2020

*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 Ms. Imma LING Kit-sum, Mr. LI Yi Wen and Mr. LU Qibo.*

*\* For identification purpose only*