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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

#### FINANCIAL HIGHLIGHTS

- Revenue for the six months ended June 30, 2020 (the “**Reporting Period**”) amounted to approximately US\$9.8 million, representing an increase of approximately 8.9% from approximately US\$9.0 million for the corresponding period in 2019.
- Gross profit for the Reporting Period amounted to approximately US\$5.4 million, representing an increase of approximately 31.7% from approximately US\$4.1 million for the corresponding period in 2019.
- Loss attributable to owners of the Company for the Reporting Period amounted to approximately US\$1.4 million, representing a decrease of approximately 70.8% from approximately US\$4.8 million for the corresponding period in 2019.
- Non-IFRS adjusted loss attributable to owners of the Company<sup>(1)</sup> for the Reporting Period amounted to approximately US\$1.0 million, representing a decrease of approximately 74.4% from approximately US\$3.9 million for the corresponding period in 2019.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND FUTURE PROSPECTS

During the Reporting Period, the global games industry remained highly competitive, which was affected by market competition and government regulation. Despite market volatility, the Group has maintained its focus on developing and publishing high-quality games, and strengthening the Group's capabilities on global marketing and operations of games including tapping into local knowledge for more effective game operations. During the Reporting Period, the Group continued to improve the layout of the hypertext markup language 5 ("**HTML5**") games and has released certain HTML5 games. The Group continued to integrate operations and development, and actively responded to the rapidly changing market environment with its large user base and rich high-quality content.

Looking forward, the Group will continue to invest heavily in its operation of HTML5 games and take advantage of its global distribution. The Group is seeking out strong research and development teams with innovative, high-quality products worldwide to explore investment opportunities and further drive long-term growth. The Group believes its competitive position has notably improved. Despite facing challenges in the game industry, the right team and technology will enhance return on investment and increase our market share, while continuing to provide appealing consumer experiences.

After entering 2020, the Group faced the challenges of the coronavirus pandemic (the "**Pandemic**"), which has profoundly impacted the global economy. During the Pandemic, the Group launched the online office system in a timely manner, thereby ensured that all tasks have been carried out in a normal and orderly manner. At the same time, the Group utilised its own advantages and resources to fulfil its corporate social responsibility by donating anti-epidemic supplies to medical teams and personnel who worked at the frontline combating the virus and thus contributed to the country's orderly fight against the Pandemic. The Group has been closely monitoring the development of the outbreak of the Pandemic and will continue to evaluate its impact on the financial position and operating results of the Group from time to time.

## FINANCIAL REVIEW

### Overview

Loss attributable to owners of the Company for the Reporting Period amounted to approximately US\$1.4 million, representing a decrease of approximately US\$3.4 million or 70.8% from approximately US\$4.8 million for the corresponding period in 2019. Non-IFRS adjusted loss attributable to owners of the Company for the Reporting Period amounted to approximately US\$1.0 million, representing a decrease of approximately US\$2.9 million or 74.4% from approximately US\$3.9 million for the corresponding period in 2019.

### Revenue

For the Reporting Period, revenue of the Group amounted to approximately US\$9.8 million, representing an increase of approximately US\$0.8 million or 8.9% as compared with approximately US\$9.0 million for the corresponding period in 2019. The increase in revenue was mainly due to the Group's enhancement of its marketing promotions and provision of quality services to seize the opportunity of the "home-based" economy spurred by the Pandemic outbreak, leading to a rebound in online game business of the Group during the Reporting Period.

### Cost of revenue and gross profit margin

For the Reporting Period, cost of revenue of the Group amounted to approximately US\$4.5 million, representing a decrease of approximately US\$0.4 million or 8.2% as compared with approximately US\$4.9 million for the corresponding period in 2019. The resulting gross profit margin increased to 55.1% in 2020 from 45.6% for the corresponding period in 2019.

### Other gains, net

For the Reporting Period, other gains of the Group amounted to approximately US\$0.1 million, as compared to approximately US\$0.1 million for the corresponding period in 2019.

### Selling and marketing expenses

For the Reporting Period, selling and marketing expenses of the Group amounted to approximately US\$3.3 million, representing an increase of approximately US\$1.4 million or 73.7% from approximately US\$1.9 million for the corresponding period in 2019, primarily due to increase in advertising and promotion expenses.

### Administrative expenses

For the Reporting Period, administrative expenses of the Group amounted to approximately US\$2.7 million, which represents a decrease of approximately US\$1.3 million or 32.5% from approximately US\$4.0 million for the corresponding period in 2019. The decrease in administrative expenses for the Reporting Period was mainly due to (i) decrease of staff cost amounted to approximately US\$0.6 million; and (ii) impairment loss on license fees amounted to approximately US\$1.2 million for the unilateral termination by Shenzhen Qianhai Huanjing Network Technology Co., Ltd.\* (深圳市前海幻境網絡科技有限公司) ("**Qianhai Huanjing**") of a series of intellectual property licensing agreements (the "**IP Licensing Agreements**"), as compared with impairment loss mainly due to write-down of prepayment and intangible assets for certain games of the Group amounted to approximately US\$1.5 million for the corresponding period in 2019.

## **Research and development expenses**

For the Reporting Period, research and development expenses of the Group amounted to approximately US\$0.9 million, representing an increase of approximately US\$0.2 million or 28.6% as compared with approximately US\$0.7 million for the corresponding period in 2019. The increase in research and development expenses for the Reporting Period was mainly due to the increased research and development personnel.

## **Net impairment reversal of/losses on financial assets**

For the Reporting Period, net impairment reversal of financial assets of the Group amounted to approximately US\$0.1 million, which was primarily due to the reversal of previous impairment on the balances due from the Group's customers. Net impairment losses on financial assets of the Group amounted to approximately US\$1.4 million for the corresponding period in 2019, which were attributable to impairment on the balances due from the Group's customers.

## **Impairment of investment in an associate**

For the Reporting Period, impairment of investment in an associate of the Group was nil, compared to approximately US\$0.7 million for the corresponding period in 2019.

## **Income tax expense**

For the Reporting Period, income tax expense of the Group amounted to approximately US\$0.1 million, representing a decrease of approximately US\$0.1 million or 50.0% as compared with approximately US\$0.2 million for the corresponding period in 2019. The decrease in income tax expense was primarily due to the decrease of assessable profit and the change of deferred tax.

## **Loss attributable to owners of the Company**

As a result of the above, loss attributable to owners of the Company decreased by approximately US\$3.4 million or 70.8% from approximately US\$4.8 million for the corresponding period in 2019 to approximately US\$1.4 million for the Reporting Period.

## **Non-IFRS adjusted loss attributable to owners of the Company**

To supplement this interim results announcement which is presented in accordance with the International Financial Reporting Standards (the “**IFRS**”), we also use unaudited non-IFRS adjusted loss 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\$1.0 million, representing a decrease of approximately US\$2.9 million or 74.4% from approximately US\$3.9 million for the corresponding period in 2019. Our non-IFRS adjusted loss attributable to owners of the Company for the Reporting Period and the corresponding period of 2019 was calculated according to the loss attributable to the owners of the Company for the period, excluding share-based compensation of approximately US\$0.4 million for the Reporting Period and approximately US\$0.9 million for the corresponding period in 2019.

## **Liquidity and source of funding and borrowing**

As at June 30, 2020, the Group's total bank balances and cash amounted to approximately US\$27.2 million, representing an increase of approximately 7.5% as compared with approximately US\$25.3 million as at December 31, 2019. The increase in total bank balances and cash during the Reporting Period was primarily resulted from the increase in the net cash flow generated from operating activities.

As at June 30, 2020, current assets of the Group amounted to approximately US\$49.1 million, including bank balances and cash of approximately US\$27.2 million and other current assets of approximately US\$21.9 million. Current liabilities of the Group amounted to approximately US\$10.1 million, including trade payables and contract liabilities of approximately US\$7.0 million and other current liabilities of approximately US\$3.1 million. As at June 30, 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 4.9, as compared with 4.7 as at December 31, 2019.

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, 2020 and the resulting gearing ratio is nil (December 31, 2019: 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 investments for 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 associates for the Reporting Period.

## **Pledge of assets**

As at June 30, 2020, none of the Group's assets was pledged (as at December 31, 2019: nil).

## **Contingent liabilities**

The Group had no material contingent liabilities as at June 30, 2020 (as at December 31, 2019: nil).

## Foreign exchange exposure

As at June 30, 2020, the Group mainly operated in the global market and majority of its transactions were settled in United States Dollars (the “USD”), 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 recognised 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, 2020, 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 approximately US\$35.4 million after deducting share issuance costs and listing expenses. During the Reporting Period, the net proceeds from the listing were utilised 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 unutilised amounted to approximately US\$13.0 million. The balance of fund will continue to be utilised according to the manner as disclosed in the Prospectus. The Group held the unutilised net proceeds in short-term deposits with licensed institutions in Hong Kong. In the second half of 2020, 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, 2019 <i>USD’000</i>	Actual net amount utilised during the Reporting Period <i>USD’000</i>	Unutilised amount as at June 30, 2020 <i>USD’000</i>	Expected timeline for utilising the remaining net proceeds <sup>(Note)</sup>
Investment	7,436.8	3.5	7,433.3	Expected to be fully utilised on or before June 30, 2022
Development and research	5,882.7	942.5	4,940.2	Expected to be fully utilised on or before December 31, 2022
Expansion of online game business	2,656.3	2,066.6	589.7	Expected to be fully utilised on or before December 31, 2021
Marketing and advertisement	–	–	–	Fully utilised
Working capital and other general corporate purposes	1,288.2	1,269.9	18.3	Expected to be fully utilised on or before December 31, 2021
Total	<u>17,264.0</u>	<u>4,282.5</u>	<u>12,981.5</u>	

*Note:* The expected timeline for utilising the remaining net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to changes based on the current and future development of the market conditions.



## HUMAN RESOURCES

As at June 30, 2020, the Group had 178 employees (December 31, 2019: 187), 63 of which were responsible for game development and maintenance, 87 for game operation and offline events organisation, and 28 for general administration and corporate management. The total remuneration expenses, excluding share-based compensation expense, for the Reporting Period were approximately US\$1.9 million, representing a decrease of approximately 5.0% as compared to the corresponding period in 2019. 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 (the "**Board**") of directors (the "**Directors**") 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 (six months ended June 30, 2019: nil).

## MATERIAL LEGAL PROCEEDINGS

For the Reporting Period, 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 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. Details of the Legal Proceedings are set out in the announcement of the Company dated 18 May 2020.

Save as disclosed above, the Group was not involved in any material legal proceedings during the Reporting Period.

## THE IMPACT OF THE PANDEMIC OUTBREAK

Since the outbreak of the Pandemic in early 2020, the Group has acted swiftly and adopted a number of measures. All departments of the Group are required to fully comply with the epidemic-prevention and control requirements, and resume operation in an orderly manner. In this way, the Group has ensured good working environment for employees and has maintained sound work order. The Group has assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the Reporting Period and up to the date of this announcement. The Group will keep continuous attention on the situation of the Pandemic and react actively to its impact on the operation and financial position of the Group.

## EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2020 and up to the date of this announcement.

## CORPORATE GOVERNANCE PRACTICES

The Company recognises 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 principles and 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 (the “**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 as disclosed below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibility between the chairman and chief executive officer should be separate 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. With extensive experience in the internet industry, Mr. LU Yuanfeng is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company’s growth and business expansion since its establishment on November 24, 2014. 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 three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, the Company is in compliance with the requirements under all code provisions of the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company with an aim to maintain 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 (chairman), Mr. LI Yi Wen and Mr. LU Qibo, 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 2019:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended June 30, 2020*

	<i>Note</i>	<b>Six months ended June 30,</b> <b>2020</b> <b>USD</b> <b>(Unaudited)</b>	<b>2019</b> <b>USD</b> <b>(Unaudited)</b>
Revenue	4	9,811,273	8,958,904
Cost of revenue		(4,455,891)	(4,860,543)
<b>Gross profit</b>		<b>5,355,382</b>	<b>4,098,361</b>
Selling and marketing expenses		(3,342,899)	(1,935,402)
Administrative expenses		(2,738,051)	(3,981,465)
Research and development expenses		(877,430)	(731,754)
Net impairment reversal of/(losses on) financial assets		148,902	(1,401,001)
Impairment of investment in an associate		–	(652,596)
Other gains, net	8	116,499	117,674
<b>Operating loss</b>		<b>(1,337,597)</b>	<b>(4,486,183)</b>
Finance income		95,148	13,271
Finance costs		(57,740)	(83,600)
Finance income/(costs), net		37,408	(70,329)
<b>Loss before income tax</b>		<b>(1,300,189)</b>	<b>(4,556,512)</b>
Income tax expense	9	(106,604)	(218,165)
<b>Loss for the period</b>		<b>(1,406,793)</b>	<b>(4,774,677)</b>
<b>Other comprehensive loss</b>			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		(128,383)	113,952
Items that may not be reclassified subsequently to profit or loss			
– Changes in fair value of investment in equity securities		(403,742)	(743,813)
<b>Total comprehensive loss for the period</b>		<b>(1,938,918)</b>	<b>(5,404,538)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(1,406,793)	(4,774,677)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(1,938,918)	(5,404,538)
<b>Loss per share (expressed in USD cents per share)</b>	10		
– Basic		(0.08)	(0.26)
– Diluted		(0.08)	(0.26)
Dividends	11	–	–

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2020

	Note	As at June 30, 2020 USD (Unaudited)	As at December 31, 2019 USD (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,789,989	1,975,917
Right-of-use assets		1,665,152	1,843,078
Intangible assets		596,878	1,862,822
Prepayments and other receivables		3,769,059	3,881,573
Deferred income tax assets		–	11,779
Financial assets at fair value through other comprehensive income		559,443	963,185
		<b>8,380,521</b>	<b>10,538,354</b>
<b>Current assets</b>			
Contract costs		900,773	771,402
Trade receivables	5	2,452,327	2,234,622
Prepayments and other receivables		18,599,324	20,471,647
Cash and cash equivalents		27,177,353	25,320,274
		<b>49,129,777</b>	<b>48,797,945</b>
<b>Total assets</b>		<b>57,510,298</b>	<b>59,336,299</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	6	2,000,000	2,000,000
Shares held for the share option scheme	6	(145,120)	(147,560)
Reserves		37,956,717	38,104,404
Retained earnings		5,912,091	7,318,884
<b>Total equity</b>		<b>45,723,688</b>	<b>47,275,728</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,654,133	1,800,872
Deferred income tax liabilities		–	5,757
		<b>1,654,133</b>	<b>1,806,629</b>
<b>Current liabilities</b>			
Trade payables	7	3,459,193	3,095,087
Contract liabilities		3,588,488	3,508,007
Lease liabilities		257,240	270,123
Other payables and accruals		2,651,779	3,057,942
Current income tax liabilities		175,777	322,783
		<b>10,132,477</b>	<b>10,253,942</b>
<b>Total liabilities</b>		<b>11,786,610</b>	<b>12,060,571</b>
<b>Total equity and liabilities</b>		<b>57,510,298</b>	<b>59,336,299</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, 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 information is 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 31, 2020.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2020 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2019, 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, 2019, 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, 2020**

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 (Amendments)	Definition of Material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7 (Amendments)	IBOR Reform and its Effects on Financial Reporting-Phase 1	January 1, 2020
IFRS 16 (Amendment)	Covid-19-Related Rent Concessions	January 1, 2020

Amendments to IFRSs effective for the financial year beginning on or after January 1, 2020 do not have a material impact on the Group’s accounting policies and did not require retrospective adjustments.

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning January 1, 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	January 1, 2022
IAS 16 (Amendment)	Proceeds before intended use	January 1, 2022
IAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 3 (Amendment)	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)	January 1, 2022
IFRS 17	Insurance Contract	January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 these standards become effective.

#### 4 REVENUE AND SEGMENT INFORMATION

	Six months ended June 30,	
	2020	2019
	USD	USD
	(Unaudited)	(Unaudited)
<b>Service</b>		
Online game revenue	9,799,358	8,881,414
Licensing revenue	10,417	73,333
Advertising revenue	1,498	4,157
	<u>9,811,273</u>	<u>8,958,904</u>

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 <b>June 30,</b> <b>2020</b> <i>USD</i> (Unaudited)	As at December 31, 2019 <i>USD</i> (Audited)
Trade receivables	<b>5,249,997</b>	5,181,194
Less: allowance for impairment of trade receivables	<b>(2,797,670)</b>	(2,946,572)
	<b><u>2,452,327</u></b>	<b><u>2,234,622</u></b>

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 <b>June 30,</b> <b>2020</b> <i>USD</i> (Unaudited)	As at December 31, 2019 <i>USD</i> (Audited)
0-30 days	<b>1,392,948</b>	866,395
31-90 days	<b>324,309</b>	1,026,677
91-180 days	<b>799,711</b>	451,415
Over 180 days	<b>2,733,029</b>	2,836,707
	<b><u>5,249,997</u></b>	<b><u>5,181,194</u></b>

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

	As at <b>June 30,</b> <b>2020</b> <i>USD</i> (Unaudited)	As at December 31, 2019 <i>USD</i> (Audited)
<b>At beginning of the period/year</b>	<b>2,946,572</b>	1,635,576
(Reversal of)/Provision for impairment recognised during the period/year	<b>(148,902)</b>	1,384,675
Receivables written off during the period/year as uncollectible	<b>–</b>	(73,679)
<b>At end of the period/year</b>	<b><u>2,797,670</u></b>	<b><u>2,946,572</u></b>



## 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, 2019: 4,000,000,000 ordinary shares) with par value of USD0.001 per share (December 31, 2019: USD0.001 per share).

As at June 30, 2020, the total number of issued ordinary shares of the Company was 2,000,000,000 shares (December 31, 2019: 2,000,000,000 shares) which included 145,120,041 shares (December 31, 2019: 147,560,007) 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 June 30, 2020	<u>2, 000,000,000</u>	<u>2,000,000</u>	<u>(145,120)</u>
As at December 31, 2019	<u>2, 000,000,000</u>	<u>2,000,000</u>	<u>(147,560)</u>

- (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, 2020, the Share Scheme Trust transferred 2,439,996 ordinary shares of the Company (June 30, 2019: nil) to the grantees exercising of the awarded shares.

## 7 TRADE PAYABLES

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

	As at June 30, 2020 USD (Unaudited)	As at December 31, 2019 USD (Audited)
0-90 days	843,301	754,509
91-180 days	689,792	675,408
181-360 days	986,860	867,897
Over 360 days	<u>939,240</u>	<u>797,273</u>
	<u>3,459,193</u>	<u>3,095,087</u>

## 8 OTHER GAINS, NET

	Six months ended June 30,	
	2020	2019
	USD	USD
	(Unaudited)	(Unaudited)
<b>Other gains</b>		
Foreign exchange gain, net	37,975	–
Others	80,424	125,998
	<u>118,399</u>	<u>125,998</u>
<b>Other losses</b>		
Foreign exchange losses, net	–	(8,311)
Others	(1,900)	(13)
	<u>(1,900)</u>	<u>(8,324)</u>
<b>Other gains, net</b>	<u>116,499</u>	<u>117,674</u>

## 9 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2020 and 2019 is analysed as follows:

	Six months ended June 30,	
	2020	2019
	USD	USD
	(Unaudited)	(Unaudited)
Current income tax		
– PRC and Hong Kong	–	16,923
– Overseas withholding income tax	100,647	113,999
Deferred tax	5,957	87,243
	<u>106,604</u>	<u>218,165</u>

## 10 LOSS PER SHARE

### Basic

Basic loss 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, 2020 and 2019.

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to owners of the Company (USD)	<u><b>(1,406,793)</b></u>	<u>(4,774,677)</u>
Weighted average number of ordinary shares in issue		
less shares held for the Share Option Scheme	<b>1,854,276,670</b>	1,850,000,027
– Basic EPS (in USD cents/share)	<u><b>(0.08)</b></u>	<u>(0.26)</u>

The EPS is based on that 1,854,276,670 and 1,850,000,027 shares were the weighted average number of ordinary shares in issue excluding the 145,723,329 (June 30, 2019: 149,999,973) shares held for the Share Option Scheme for the six months ended June 30, 2020, 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 earnings (numerator).

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to owners of the Company (USD)	<u><b>(1,406,793)</b></u>	<u>(4,774,677)</u>
Weighted average number of ordinary shares in issue		
less shares held for the Share Option Scheme	<b>1,854,276,670</b>	1,850,000,027
Adjustments for share options and awarded shares	<b>–</b>	<b>–</b>
Weighted average number of ordinary shares for the calculation of diluted EPS	<u><b>–</b></u>	<u><b>–</b></u>
– Diluted EPS (in USD cents/share)	<u><b>(0.08)</b></u>	<u>(0.26)</u>

The 37,324,295 options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the six months ended June 30, 2020. These options could potentially dilute basic loss per share in the future.

## 11 DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the six months ended June 30, 2020 (June 30, 2019: 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](http://www.hkexnews.hk) and on the website of the Company at [www.gamehollywood.com](http://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 31, 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*