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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2017 amounted to approximately US$28.6 million, representing an increase of 0.7% from approximately US$28.4 million recorded in 2016.
- Gross profit for the year ended December 31, 2017 amounted to approximately US$15.9 million, representing an increase of 2.6% from approximately US$15.5 million recorded in 2016.
- Profit attributable to owners of the Company for the year ended December 31, 2017 amounted to approximately US$1.7 million, representing a decrease of 75.4% from approximately US$6.9 million in 2016.
- Non-IFRS adjusted profit attributable to owners of the Company for the year ended December 31, 2017 amounted to approximately US$6.5 million, representing a decrease of 14.5% as compared with approximately US$7.6 million in 2016.

In this announcement, "we", "us", "our" and "Digital Hollywood" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Digital Hollywood Interactive Limited (the "**Company**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2017 with the comparative figures in the corresponding period in 2016 are as follows:

CONSOLIDATED BALANCE SHEET
As at December 31, 2017

	Note	**2017**	2016
		USD	*USD*
ASSETS			
Non-current assets			
Property, plant and equipment, net		**270,592**	401,507
Intangible assets, net		**461,101**	68,748
Investment in an associate		**681,625**	684,873
Prepayments and other receivables		**191,005**	50,000
Deferred income tax assets		**239,452**	147,891
		1,843,775	1,353,019
Current assets			
Trade receivables	*4*	**4,192,093**	3,834,112
Prepayments and other receivables		**13,796,638**	13,206,541
Cash and cash equivalents		**43,997,614**	8,130,169
		61,986,345	25,170,822
Total assets		**63,830,120**	26,523,841
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*5*	**2,000,000**	10,000
Shares held for the Share Option Scheme	*5*	**(150,000)**	–
Reserves		**35,933,689**	(394,315)
Retained earnings		**12,279,521**	11,175,806
		50,063,210	10,791,491
Total equity		**50,063,210**	10,791,491
Liabilities			
Non-current liabilities			
Deferred revenue		**–**	17,347
Deferred income tax liabilities		**43,573**	27,362
		43,573	44,709
Current liabilities			
Trade payables	*6*	**4,522,484**	6,248,178
Deferred revenue		**3,436,567**	3,731,483
Receipt in advance		**740,726**	650,434
Other payables and accruals		**4,322,401**	3,193,451
Current income tax liabilities		**701,159**	1,864,095
		13,723,337	15,687,641
Total liabilities		**13,766,910**	15,732,350
Total equity and liabilities		**63,830,120**	26,523,841

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2017

	Note	2017 USD	2016 USD
Revenue	3	**28,620,609**	28,445,686
Cost of revenue		**(12,694,912)**	(12,910,243)
Gross profit		**15,925,697**	15,535,443
Selling and marketing expenses		**(3,424,909)**	(3,267,798)
Administrative expenses		**(7,536,629)**	(3,368,894)
Research and development expenses		**(452,743)**	(1,232,660)
Other (losses)/gains, net	7	**(539,913)**	976,497
Operating profit		**3,971,503**	8,642,588
Finance income		**97,298**	2,501
Finance costs		**(39,388)**	(56,277)
Finance income/(costs), net		**57,910**	(53,776)
Share of loss of an associate		**(47,274)**	(36,666)
Profit before income tax		**3,982,139**	8,552,146
Income tax expense	8	**(2,255,465)**	(1,612,619)
Profit for the year		**1,726,674**	6,939,527
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**557,128**	(577,510)
Total comprehensive income for the year		**2,283,802**	6,362,017
Profit attributable to:			
Owners of the Company		**1,726,674**	6,939,527
Total comprehensive income attributable to:			
Owners of the Company		**2,283,802**	6,362,017
Earnings per share (expressed in USD cents per share)	9		
– Basic		**0.13**	0.51
– Diluted		**0.13**	0.51
Dividends	10	**–**	–

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.

On December 15, 2017, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "IPO").

The Group's Game Business is carried out through several operating companies, namely Proficient City Limited ("PCL"), a limited liability company incorporated in the British Virgin Islands ("BVI"), Angame Inc. ("Angame"), a limited liability company incorporated in the BVI, Game Hollywood Hong Kong Limited ("Hollywood HK"), a limited liability company incorporated in Hong Kong, Now To Play Game Limited ("N2PG"), a limited liability company incorporated in Hong Kong, 廣州市年歲月年代軟件科技有限公司 (Guangzhou Suiyue Niandai Software Technology Company Limited, "Guangzhou Suiyue Niandai"), a limited company incorporated in the PRC and 廣州掌贏控信息科技有限公司 (Guangzhou Zhang Ying Kong Information Technology Company Limited, "Zhang Ying Kong"). Mr. Lu Yuanfeng, Mr. Huang Deqiang and Mr. Huang Guozhan (collectively as the "Founders") are the founders of the Group.

The financial statements are presented in United States Dollars ("USD"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on March 28, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies.

2.1.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the year ended December 31, 2017:

- *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and*
- *Disclosure initiative – amendments to IAS 7*

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 New standards, amendments to existing standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards, which are relevant to the Group, have been issued and are effective for further reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 2 (Amendment) *(Note(a))*	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRS 15 *(Note(b))*	Revenue from Contracts with Customers	January 1, 2018
IFRS 15 (Amendment) *(Note(b))*	Clarifications to IFRS 15	January 1, 2018
IFRS 9 *(Note(c))*	Financial Instruments	January 1, 2018
IFRIC 22 *(Note(a))*	Foreign Currency Transactions and Advance Consideration	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle *(Note(a))*	Retirement of Short-term Exemptions in IFRS 1 Clarifying Measurement of Investments under IAS 28	January 1, 2018
Amendment to IAS 28 *(Note(a))*	Investments in Associates and Joint Ventures	January 1, 2018
IFRIC 23 *(Note(a))*	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16 *(Note(d))*	Leases	January 1, 2019
IFRS 10 and IAS 28 (Amendments) *(Note(a))*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(a) 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.

(b) IFRS 15 establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5-step approach to revenue recognition:

(a) Step 1: Identify the contract(s) with a customer
(b) Step 2: Identify the performance obligations in the contract
(c) Step 3: Determine the transaction price
(d) Step 4: Allocate the transaction price to each performance obligation
(e) Step 5: Recognise revenue when each performance obligation is satisfied

The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under IFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. The new standard is not expected to apply until the financial year beginning on January 1, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 New standards, amendments to existing standards and interpretations not yet adopted (Continued)

Under IFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact of IFRS 15 on the revenue recognition may take into consideration when multiple performance obligations are identified. Based on the preliminary assessment, the Group has not identified multiple performance obligations and expects no material impact upon adoption of IFRS 15 to the financial statements other than the presentation of additional disclosure.

(c) IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which cannot be recycled. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

During the year ended December 31, 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs or fair value through profit or loss which would likely continue to be measured on the same basis under IFRS 9. While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

(d) The Group is a lessee of certain office spaces and servers which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the rental expenses in the Group's consolidated statement of comprehensive income. IFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while amortisation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard is not expected to apply until the financial year beginning on or after January 1, 2019. As at December 31, 2017, the operating lease commitments of the Group of the Group amounted to USD2,024,084, the impact of adoption of IFRS 16 is therefore not expected to have a significant effect on the financial statements of the Group.

3 REVENUE

	Year ended December 31,	
	2017	2016
	USD	*USD*
Online game revenue	**28,265,058**	27,588,973
Licensing revenue	**300,398**	566,727
Server rental revenue	**39,540**	238,770
Advertising revenue	**15,613**	51,216
	28,620,609	28,445,686

	Year ended December 31,	
	2017	2016
	USD	*USD*
Online game revenue		
Web-based games	**10,524,455**	10,199,039
Mobile games	**17,740,603**	17,389,934
	28,265,058	27,588,973

4 TRADE RECEIVABLES

	As at December 31,	
	2017	2016
	USD	*USD*
Trade receivables *(Note a)*	**5,890,782**	5,193,065
Less: allowance for impairment of trade receivables	**(1,698,689)**	(1,358,953)
	4,192,093	3,834,112

(a) 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 December 31,	
	2017	2016
	USD	*USD*
0-30 days	**1,278,010**	1,854,386
30-90 days	**1,757,240**	1,363,835
90-180 days	**948,332**	627,115
Over 180 days	**1,907,200**	1,347,729
	5,890,782	5,193,065

4 TRADE RECEIVABLES (CONTINUED)

(b) As at December 31, 2017, trade receivables of past due but not impaired were USD589,504 (2016: USD438,686). These related to a number of independent platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As at December 31,	
	2017	2016
	USD	*USD*
Outstanding after due dates:		
30-90 days	**82,792**	36,025
90-180 days	**506,712**	402,661
	589,504	438,686

(c) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	As at December 31,	
	2017	2016
	USD	*USD*
USD	**4,325,432**	3,774,127
RMB	**1,481,180**	1,364,343
HKD	**84,170**	54,595
	5,890,782	5,193,065

5 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 (2016: 50,000,000 ordinary shares) with par value of USD0.001 per share (2016: USD0.001 per share).

As at December 31, 2017, the total number of issued ordinary shares of the Company was 2,000,000,000 shares (2016: 10,000,100 shares) which included 149,999,973 shares (2016: nil) 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**	**Shares held for the Share Option Scheme**
		USD	*USD*
As at December 31, 2015, and 2016	10,000,100	10,000	–
Shares allotted for the share incentive scheme *(Note (a))*	1,111,122	1,111	(1,111)
Capitalisation issue *(Note (b))*	1,488,888,778	1,488,889	(148,889)
Issue of new shares pursuant to the IPO *(Note (c))*	500,000,000	500,000	–
At December 31, 2017	2,000,000,000	2,000,000	(150,000)

5 SHARE CAPITAL AND SHARES HELD FOR THE SHARE OPTION SCHEME (CONTINUED)

(a) According to the written resolutions of all the members of the Company dated November 2, 2015, an aggregate of 1,111,122 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 a total of 1,111,122 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. As at December 31, 2017, no options have been granted to the employees of the Group.

(b) Pursuant to the shareholders' resolutions passed on November 24, 2017, an aggregate of 1,488,888,778 shares of USD0.001 each were allotted issued, credited as fully paid at par, by way of capitalisation of the sum of USD1,488,889 from the share premium account, to the then existing shareholders of the Company on December 15, 2017.

Shares held for the Share Option Scheme were allotted and issued, debited as fully paid at par in proportion to Share Scheme Trust's respective shareholdings as of November 24, 2017, by way of capitalisation of the sum of USD148,889 from the share premium account on December 15, 2017.

(c) In connection with the IPO of the shares of the Company, 500,000,000 shares of USD0.001 per share for cash consideration of HKD0.63 each were issued and a net proceeds of HKD276,688,396 (equivalent to USD36,987,917) was raised on December 15, 2017.

6 TRADE PAYABLES

	As at December 31,	
	2017	2016
	USD	*USD*
Related parties	**3,394,467**	4,711,375
Third parties	**1,128,017**	1,536,803
	4,522,484	6,248,178

Trade payables primarily related to the revenue sharing collected by payment channels and platforms which is payable to cooperated game developers according to respective cooperation agreements. The credit terms of trade payables granted by the vendors are usually 30 to 90 days.

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

	As at December 31,	
	2017	2016
	USD	*USD*
0-90 days	**1,399,572**	1,882,301
91-180 days	**1,052,690**	1,848,766
180-360 days	**1,239,275**	1,392,100
Over 360 days	**830,947**	1,125,011
	4,522,484	6,248,178

6 TRADE PAYABLES (CONTINUED)

The carrying amount of the Group's trade payables are denominated in the following currencies:

	As at December 31,	
	2017	2016
	USD	*USD*
USD	**4,120,690**	4,998,024
RMB	**401,794**	1,250,154
	4,522,484	6,248,178

7 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2017	2016
	USD	*USD*
Other gains		
Foreign exchange gain, net	**–**	969,563
Others	**33,776**	7,766
	33,776	977,329
Other losses		
Foreign exchange losses, net	**(572,463)**	–
Others	**(1,226)**	(832)
	(573,689)	(832)
Other (losses)/gains, net	**(539,913)**	976,497

8 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended December 31, 2017 and 2016 is analysed as follows:

	Year ended December 31,	
	2017	2016
	USD	*USD*
Current income tax		
– PRC and Hong Kong	**1,895,444**	1,580,673
– Overseas withholding income tax	**429,579**	111,907
Deferred tax	**(69,558)**	(79,961)
	2,255,465	1,612,619

9 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit 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 year ended December 31, 2017.

	Year ended December 31,	
	2017	2016
Profit attributable to owners of the Company (USD)	**1,726,674**	6,939,527
Weighted average number of ordinary shares in issue less shares held for the Share Option Scheme *(Note a)*	**1,371,917,835**	1,350,000,027
– Basic earnings per share(in cents/share)	**0.13**	0.51
– Diluted earnings per share(in cents/share) *(Note b)*	**0.13**	0.51

(a) In determining the numbers of ordinary shares in issue for the year ended December 31, 2016, a total of 1,500,000,000 ordinary shares were deemed to be in issue since January 1, 2016 (see Note 6).

The earnings per share is based on that 1,371,917,835 and 1,350,000,027 shares were the weighted average number of ordinary shares in issue excluding the 149,999,973 (2016:149,999,973) shares held for the Share Option Scheme for the year ended December 31, 2017, without taking into account any shares which may be granted and issued by the Company pursuant to the Share Option Scheme.

(b) No options have been granted to the employees of the Group as at December 31, 2017. No adjustment (2016: same) has been made to basic earnings per share to derive the diluted earnings per share for the year ended December 31, 2017 as the Company did not have any potential ordinary shares outstanding as at December 31, 2017.

10 DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended December 31, 2017 (2016: same).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In spite of the fierce competition in the game industry, all our key financial and operating indicators for the year ended December 31, 2017 were basically satisfactory as compared with the corresponding period in 2016. Revenue of the Group slightly increased by 0.7% from US$28.4 million for the year ended December 31, 2016 to approximately US$28.6 million for the year ended December 31, 2017, of which, our web-based games revenue slightly increased by 2.9% from approximately US$10.2 million for the year ended December 31, 2016 to approximately US$10.5 million for the year ended December 31, 2017; our mobile game revenue increased by 1.7% from approximately US$17.4 million for the year ended December 31, 2016 to approximately US$17.7 million for the year ended December 31, 2017; our non-game revenue declined by 50% from approximately US$0.8 million for the year ended December 31, 2016 to approximately US$0.4 million for the year ended December 31, 2017. Our profit attributable to owners of the Company declined by 75.4% to approximately US$1.7 million for the year ended December 31, 2017 from approximately US$6.9 million for the year ended December 31, 2016. Our non-IFRS adjusted profit attributable to owners of the Company declined by 14.5% to approximately US$6.5 million for the year ended December 31, 2017 from approximately US$7.6 million for the year ended December 31, 2016. At the same time, our active users per month (MAUs) increased by 38.5% from approximately 1.3 million for the year ended December 31, 2016 to approximately 1.8 million for the year ended December 31, 2017; our paying users per month (MPUs) increased by 8.5% from 76,330 for the year ended December 31, 2016 to 82,797 for the year ended December 31, 2017; our average revenue per month per paying user (ARPPU) declined by 6.7% from US$30.0 for the year ended December 31, 2016 to US$28.0 for the year ended December 31, 2017.

In 2017, Digital Hollywood continued to engage in the research and development and distribution of games and achieved outstanding results.

In 2017, the Company launched four web game products and four mobile game products (including one HTML5 game) online in language versions covering Chinese, English, Spanish, Portuguese and Turkish, establishing a presence in the global market. The Company's long-running games were also recognised by global official platforms, of which, *Omega Zodiac* and *Dragon Awaken*, licensed web game products distributed by Digital Hollywood, were successively recommended by Facebook and Gameroom in 2017, and *Dragon Awaken* was even strongly recommended by Facebook officially on a global scale.

In addition, the Company continued to operate its proprietary products worldwide. In 2017, *DDTank Brasil*, *MMOG DDTank*, *BOOMZ DDTank* and *Gunny Mobi*, proprietary products of the Company, were repeatedly recommended by Google and Apple Store in countries including Brazil, Singapore, Malaysia, Thailand and Vietnam, of which *Gunny Mobi* ranked top amongst free games on Vietnam's App Store in July 2017.

In addition to web games and mobile games, in 2017, the Company distributed a HTML5 game product to *Wulin Community* in the South East Asian region, which was the Company's first appearance in the HTML5 game sector.

PROSPECTS

Carrying on its strategising in the HTML5 game sector in 2017, in 2018, the Company will launch a number of HTML5 game products including *Puzzle and Heroes*, an English casual game, on international official platforms such as Facebook Messenger. The Company will also build and launch a globalised HTML5 game distribution platform on our own to continue our undertakings in the emerging HTML5 game sector.

In the traditional web game sector, the Company will focus on the two major offerings of MMORPGs and casual tournament games globally, striving to make greater breakthroughs in terms of the number of users and revenue from game operations.

In addition, on the basis of consolidating its global distribution, the Company will step up its efforts in Southeast Asia, Latin America and other regions with a rapid growth in population and economy to expand local game markets.

FINANCIAL REVIEW

Overview

In 2017, profit attributable to owners of the Company amounted to approximately US$1.7 million, representing an decrease of approximately US$5.2 million from 2016. Non-IFRS adjusted profit[(1)] attributable to owners of the Company amounted to approximately US$6.5 million, representing a decrease of approximately US$1.1 million as compared with approximately US$7.6 million in 2016.

Revenue

In 2017, revenue of the Group amounted to approximately US$28.6 million, representing a slight increase of approximately US$0.2 million or 0.7% as compared with approximately US$28.4 million in 2016. The slight increase was due to the increase in game revenue.

In 2017, the revenue from web-based games amounted to approximately US$10.5 million, representing a slight increase of approximately US$0.3 million or 2.9% as compared with approximately US$10.2 million in 2016. Mobile games revenue increased by 1.7% from approximately US$17.4 million for the year ended December 31, 2016 to approximately US$17.7 million for the year ended December 31, 2017. Other revenue amounted to approximately US$0.4 million in 2017, representing a decrease of approximately US$0.4 million or 50% as compared with approximately US$0.8 million in 2016.

Cost of Revenue and Gross Profit Margin

In 2017, cost of revenue of the Group amounted to approximately US$12.7 million, representing a decrease of approximately US$0.2 million or 1.6% as compared with US$12.9 million in 2016. The resulting gross profit margin increased to 56% in 2017 from 55% in 2016.

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(1) Non-IFRS adjusted profit attributable to owners of the Company was derived from the profit for the year excluding listing expenses for the initial public offering of the Company in December 2017 ("**IPO**").

Other (losses)/gains, net

In 2017, other losses of the Group amounted to approximately US$0.5 million, representing a decrease of approximately US$1.5 million or 150% as compared with other gain amounted to approximately US$1.0 million in 2016. This was primarily due to foreign exchange losses for transactions conducted in currencies appreciately against USD.

Selling and Marketing Expenses

In 2017, selling and marketing expenses of the Group amounted to approximately US$3.4 million, representing an increase of approximately US$0.1 million or 3% from approximately US$3.3 million in 2016. The increase in selling and marketing expenses for the year under review was mainly due to launching new games and having more advertising activities.

Administrative Expenses

In 2017, administrative expenses of the Group amounted to approximately US$7.5 million, representing an increase of approximately US$4.1 million or 120.6% compared with approximately US$3.4 million in 2016. The increase in administrative expenses for the year under review was mainly due to listing expenses of USD4.8 million for the IPO.

Research and Development Expenses

In 2017, research and development expenses of the Group amounted to approximately US$0.5 million, representing a decrease of approximately US$0.7 million or 58.3% compared with approximately US$1.2 million in 2016. The decrease in research and development expenses for the year under review was mainly due to improved efficiency and our greater control over the research process.

Profit Attributable to Owners of the Company

In 2017, profit attributable to owners of the Company amounted to approximately US$1.7 million, representing a decrease of approximately US$5.2 million or 75.4% compared with approximately US$6.9 million in 2016. The decrease was primarily due to a significant increase in listing expenses and foreign exchange losses.

Non-IFRS adjusted profit attributable to owners of the Company

To supplement this annual results announcement which is presented in accordance with the IFRS, we also use unaudited non-IFRS adjusted profit[(1)] 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.

In 2017, non-IFRS adjusted profit attributable to owners of the Company amounted to approximately US$6.5 million, representing a decrease of approximately US$1.1 million or 14.5% as compared with approximately US$7.6 million in 2016. This was primarily due to the foreign exchange losses in mention to transaction conducted in currencies appreciately against USD. Our non-IFRS adjusted profit attributable to owners of the Company for 2017 and 2016 was derived from profit attributable to owners of the Company for the respective year excluding the listing expenses of approximately US$4.8 million in 2017 and approximately US$0.7 million in 2016, respectively.

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(1) Non-IFRS adjusted profit attributable to owners of the Company was derived from the profit for the year excluding the listing expense.

Income Tax Expense

In 2017, income tax expense of the Group amounted to approximately US$2.3 million, representing an increase of approximately US$0.7 million or 43.8% as compared with approximately US$1.6 million in 2016. The increase in income tax expense was primarily due to a higher effective tax rate from 19% to 57% for significant amount of non-deductible listing expenses and foreign exchange losses.

Liquidity and Source of Funding and Borrowing

As at December 31, 2017, the Group's total bank balances and cash increased by 443.2% from US$8.1 million as at December 31, 2016 to US$44.0 million. The increase in total bank balances and cash during the year under review primarily resulted from the IPO.

As at December 31, 2017, the current assets of the Group amounted to approximately US$62.0 million, including approximately US$44.0 million in bank balances and cash, and other current assets of approximately US$18.0 million. Current liabilities of the Group amounted to approximately US$13.7 million, of which approximately US$8.0 million were trade payables and deferred revenue, and other current liabilities of approximately US$5.7 million. As at December 31, 2017, the current ratio (the current assets to current liabilities ratio) of the Group was 4.5 as compared with 1.6 as at December 31, 2016.

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 December 31, 2017 and the resulting gearing ratio is nil (2016: 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 during the year ended December 31, 2017.

Material Acquisitions

The Group did not have any material acquisitions during the year ended December 31, 2017.

Material Disposals

The Group did not have any material disposals of subsidiaries or associated companies during the year ended December 31, 2017.

Pledge of Assets

As at December 31, 2017, none of the Group's assets was pledged (2016: nil).

Contingent Liabilities

The Group had no material contingent liabilities as at December 31, 2017 (2016: nil).

Foreign Exchange Exposure

During the year ended December 31, 2017, the Group mainly operated in global market and majority of its transactions were settled in U.S. dollars, being the functional currencies 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 low. As at December 31, 2017, the Group did not have significant foreign currency exposure from its operations.

Events Occurred since the end of the year ended December 31, 2017

On February 15, 2018, the Board approved to grant share options from the Company's share option scheme (the "**Share Option Scheme**") to eligible directors and employees for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group, the details of which are set out in the announcement of the Company dated February 20, 2018.

The options are conditionally vested upon satisfying specified service vesting condition, which is mutually agreed by the employees and the Company.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

On February 15, 2018, 49,498,610 share options were granted under the Share Option Scheme.

The vesting period of the share options granted is three years and the vesting schedule is 33.33% after twelve months from the grant date, 33.33% after twenty-four months from the grant date, and 33.34% after thirty-six months from the grant date.

Use of Proceeds from the IPO

The net proceeds raised by the Company from the IPO are approximately HK$276.7 million (after deduction of the underwriting commissions in respect of the offering and other estimated expenses). As at the date of this announcement, the net proceeds from the IPO had not yet been utilised and all of the net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group. In 2018, the Company will start utilising the net proceeds from the IPO and for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated December 5, 2017.

HUMAN RESOURCES

As at December 31, 2017, the Group had 136 employees (2016: 169), 29 of which were responsible for game development and maintenance, 70 for game operation and offline events organization, 37 for general administration and corporate management. The total remuneration expenses, excluding share-based compensation expense, for the year ended December 31, 2017 were US$2.8 million, representing a decrease of 26.3% as compared to the year ended December 31, 2016. 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 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2017.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2017.

CLOSURE OF REGISTER OF MEMBERS FOR 2018 AGM

The register of members of the Company will be closed from June 19, 2018 to June 22, 2018, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting to be held on June 22, 2018 (the "**2018 AGM**"). In order to be eligible to attend and vote at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on June 15, 2018.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of 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 Listing Rules 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 year under review, 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), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor its code of corporate governance 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 Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its 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 Group or the Company's securities.

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

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (being Mr. Darren Raymond SHAW, Mr. LI Yi Wen, Ms. Imma LING Kit-sum) has reviewed with management the consolidated financial information for the year ended December 31, 2017, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Auditor's Procedures Performed on this Results Announcement

PricewaterhouseCoopers, the auditor of the Company, obtained from the Company the preliminary draft of this results announcement (the "**Preliminary Announcement**") and the draft consolidated financial statements of the Group for the year ended December 31, 2017, and agreed the figures set out in the Preliminary Announcement in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes to the draft consolidated financial statements of the Group for the year ended December 31, 2017.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.gamehollywood.com). The annual report of the Company for the year ended December 31, 2017 will be despatched to the shareholders of the Company and published on the aforesaid 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, March 28, 2018

As at the date of this announcement, the Executive Directors are Mr. LU Yuanfeng, Mr. HUANG Guozhan and Mr. HUANG Deqiang; the Non-Executive Director is Mr. MENG Shuqi; and the Independent Non-Executive Directors are Mr. Darren Raymond SHAW, Mr. LI Yi Wen and Ms. Imma LING Kit-sum.

* *For identification purposes only*