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, 2018

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period amounted to approximately US$14.1 million, representing an increase of 2.2% as compared with approximately US$13.8 million for the corresponding period in 2017.

- Gross profit for the Reporting Period amounted to approximately US$8.2 million, representing an increase of 6.5% as compared with approximately US$7.7 million for the corresponding period in 2017.

- Non-IFRS adjusted profit attributable to owners of the Company for the Reporting Period amounted to approximately US$3.3 million, representing an increase of 6.5% as compared with approximately US$3.1 million for the corresponding period in 2017.

- Profit attributable to owners of the Company for the Reporting Period amounted to approximately US$2.2 million, representing a decrease of 4.3% as compared with approximately US$2.3 million for the corresponding period in 2017.

In this announcement "we", "us" and "our" 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**" or "**Digital Hollywood**" and, together with its subsidiaries, collectively the "**Group**") is pleased to announce the unaudited interim condensed consolidated financial results of the Group for the six months ended June 30, 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2017:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	Note	**Six months ended June 30, 2018 USD (Unaudited)**	2017 USD (Audited)
Revenue	*3*	**14,103,874**	13,829,731
Cost of revenue		**(5,920,545)**	(6,163,937)
Gross profit		**8,183,329**	7,665,794
Selling and marketing expenses		**(2,565,375)**	(1,468,046)
Administrative expenses		**(2,033,052)**	(2,043,499)
Research and development expenses		**(584,118)**	(349,760)
Other gains/(losses), net	*8*	**523,319**	(411,372)
Operating profit		**3,524,103**	3,393,117
Finance income		**1,997**	14,472
Finance costs		**(328,916)**	–
Finance (costs)/income, net		**(326,919)**	14,472
Share of profit/(loss) of an associate		**2,360**	(54,603)
Profit before income tax		**3,199,544**	3,352,986
Income tax expense	*9*	**(1,005,439)**	(1,084,098)
Profit for the period		**2,194,105**	2,268,888
Other comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(148,435)**	387,339
Total comprehensive income for the period		**2,045,670**	2,656,227
Profit attributable to:			
Owners of the Company		**2,194,105**	2,268,888
Total comprehensive income attributable to:			
Owners of the Company		**2,045,670**	2,656,227
Earnings per share (expressed in USD cents per share)			
– Basic	*10*	**0.12**	0.17
– Diluted	*10*	**0.12**	0.17
Dividends	*11*	**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2018

	Note	**As at June 30, 2018** *USD* **(Unaudited)**	As at December 31, 2017 *USD* (Audited)
Assets			
Non-current assets			
Property, plant and equipment, net		**2,178,895**	270,592
Intangible assets, net		**2,397,226**	461,101
Investment in an associate		**672,360**	681,625
Prepayments and other receivables		**3,870,766**	191,005
Deferred income tax assets		**263,081**	239,452
		9,382,328	1,843,775
Current assets			
Contract costs		**603,326**	899,724
Trade receivables	*4*	**3,098,272**	4,192,093
Prepayments and other receivables		**14,831,287**	12,896,914
Cash and cash equivalents		**37,660,353**	43,997,614
		56,193,238	61,986,345
Total assets		**65,575,566**	63,830,120
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*5*	**2,000,000**	2,000,000
Shares held for the Share Option Scheme	*5*	**(150,000)**	(150,000)
Reserves		**37,063,657**	35,933,689
Retained earnings		**14,314,084**	12,279,521
Total equity		**53,227,741**	50,063,210
Liabilities			
Non-current liabilities			
Contract liabilities		**32,917**	–
Deferred income tax liabilities		**73,872**	43,573
		106,789	43,573
Current liabilities			
Trade payables	*7*	**4,323,230**	4,522,484
Contract liabilities		**3,354,552**	4,069,400
Receipt in advance		**411,700**	107,893
Other payables and accruals		**3,080,478**	4,322,401
Current income tax liabilities		**1,071,076**	701,159
		12,241,036	13,723,337
Total liabilities		**12,347,825**	13,766,910
Total equity and liabilities		**65,575,566**	63,830,120

NOTES TO THE INTERIM CONDENSED 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, 廣州游萊信息科技有限公司 (Guangzhou Youlai Information Technology Company Limited, "**Guangzhou Youlai**"), 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**"), a limited company incorporated in the PRC. 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 the United States Dollars ("**USD**"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on August 31, 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICY

2.1 Basis of preparation

This condensed consolidated interim financial statements for the six months ended June 30, 2018 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, 2017, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2.2 Change of accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, 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, 2018:***

IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to IFRSs 2014-2016 Cycle	Retirement of Short-term Exemptions in IFRS 1 Clarifying Measurement of Investments under IAS 28
Amendment to IAS 28	Investments in Associates and Joint Ventures

Amendments to IFRSs effective for the financial year beginning on or after January 1, 2018 do not have a material impact on the Group's interim financial statements and did not require retrospective adjustments, except for IFRS 15. The impact of the adoption of IFRS 15 are disclosed in note (b) below.

(b) Impact of adoption of IFRS 15

The Group has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (January 1, 2018):

	Note	**As at December 31, 2017** *USD* **(IAS 18 carrying amount)**	**Reclassification** *USD*	**As at January 1, 2018** *USD* **(IFRS 15 carrying amount)**
Assets				
Current assets				
Contract costs	*i*	–	899,724	899,724
Prepayments and other receivables	*i*	13,796,638	(899,724)	12,896,914
Liabilities				
Current liabilities				
Contract liabilities	*i*	–	4,069,400	4,069,400
Deferred revenue	*i*	3,436,567	(3,436,567)	–
Receipt in advance	*i*	740,726	(632,833)	107,893

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15：

- Contract costs recognised in relation to contract acquisition costs were previously presented as part of prepayments and other receivables (USD899,724 as at January 1, 2018, net of impairment allowance).

- Contract liabilities in relation to game publishing service revenues were previously presented as part of deferred revenue and receipt in advance (USD3,491,201 as at January 1, 2018). Contract liabilities in relation to licensing revenues were previously presented as part of deferred revenue and receipt in advance (USD578,199 as at January 1, 2018).

(c) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning January 1, 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
Annual Improvements to IFRSs 2015-2017 Cycle *(Note(i))*	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
IFRS 19(Amendments) *(Note(i))*	Financial Instruments	January 1, 2019
IFRS 28(Amendments) *(Note(i))*	Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRIC 23 *(Note(i))*	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16 *(Note(ii))*	Leases	January 1, 2019
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.

(ii) 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 for the current Period. 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 June 30, 2018, the operating lease commitments of the Group amounted to USD1,849,308, the impact of adoption of IFRS 16 is therefore not expected to have a significant effect on the financial statements of the Group.

(d) Investments and other financial assets

Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through profit or loss or other comprehensive income ("**OCI**"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group currently only classifies its debt instruments at amortised cost, as these assets are only held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, that is to measure the loss allowance at the amount equal to lifetime expected credit loss at initial recognition and through its life of the asset. The Group use practical expedients when estimating life time expected credit losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the shared credit risk characteristics of the trade receivables.

In assessing the shared credit risk characteristics of the trade receivables, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

(e) Share-based payments

The Group operates the Share Option Scheme (as defined in Note 5), which is an equity-settled shared based compensation plan under which share awards are granted to employees as part of their remuneration package.

The fair value of the employee services received in exchange for the grant of the share-based awards is recognised as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share premium under equity. The total amount to be expensed is determined by reference to the fair value of the share-based awards granted：

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of share-based awards that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

If the terms of a share-based award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payments arrangement, or is otherwise beneficial to the employee and other qualifying participants, as measured at the date of modification.

(f) Revenue recognition

Licensing revenue

The Group authorises third parties to operate its online games. The Group receives additional up-front license fees from certain third-party licensee operators who are entitled to an exclusive right to operate the Group's games in specified geographic areas. The revenue from licensing agreements is recognised when the content has been delivered and the Group has no further obligations. Depending on the terms of the respective agreements, revenue is recognised either upfront upon the beginning of the licensing agreement to the extent of the fixed and non-refundable amount received upfront or ratably over the license period under which the Group need to provide consistent services.

Contract liabilities and contract costs

For game publishing service revenues, contract liabilities primarily consist of the unamortised revenue from sales of Game Tokens and virtual items for web-based games and mobile games, where there is still an implied obligation to be provided by the Group and will be recognised as revenue when all of the revenue recognition criteria are met. For licensing revenue, contract liabilities represent the unamortised balance of the initial license fee paid by licensees.

Contract costs are mainly related to contract acquisition costs, which primarily consists of unamortised commission cost charged by distribution platforms.

3 REVENUE

	Six months ended June 30,	
	2018	2017
	USD	*USD*
	(Unaudited)	(Audited)
Service		
Online game revenue	**11,438,835**	13,613,159
Licensing revenue	**2,656,100**	176,947
Server rental revenue	**4,079**	29,820
Advertising revenue	**4,860**	9,805
	14,103,874	13,829,731

4 TRADE RECEIVABLES

	As at June 30,	As at December 31,
	2018	2017
	USD	*USD*
	(Unaudited)	(Audited)
Trade receivables	**4,663,439**	5,890,782
Less: allowance for impairment of trade receivables	**(1,565,167)**	(1,698,689)
	3,098,272	4,192,093

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,	As at December 31,
	2018	2017
	USD	*USD*
	(Unaudited)	(Audited)
0-30 days	**1,869,681**	1,278,010
31-90 days	**333,278**	1,757,240
91-180 days	**417,802**	948,332
Over 180 days	**2,042,678**	1,907,200
	4,663,439	5,890,782

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

	As at June 30, 2018 *USD* **(Unaudited)**	As at December 31, 2017 *USD* (Audited)
At beginning of the period/year	**1,698,689**	1,358,953
(Reversal of)/provision for impairment recognised during the period/year	**(103,522)**	339,736
Receivables written off during the period/year as uncollectible	**(30,000)**	–
At end of the period/year	**1,565,167**	1,698,689

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 (December 31, 2017: 4,000,000,000 ordinary shares) with par value of USD0.001 per share (December 31, 2017: USD0.001 per share).

As at June 30, 2018, the total number of issued ordinary shares of the Company was 2,000,000,000 shares (December 31, 2017:2,000,000,000 shares) which included 149,999,973 shares (December 31, 2017: 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, 2017 and June 30, 2018	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, 2018, the Share Scheme Trust has not transferred any ordinary shares of the Company (June 30, 2017: nil) to the grantees vesting of the awarded shares.

6 SHARE-BASED PAYMENTS

On February 15, 2018, 21,419,696 and 28,078,914 shares options were granted under the Share Option Scheme, with exercise price of Hong Kong Dollar 0.0074 and USD0.0074 per share, respectively. 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.

The directors have used the Binomial option-pricing model to determine the fair value of the share options as at the grant date. Key assumptions, such as risk-free interest rate, expected volatility and dividend yield, are required to be determined by the directors with best estimates. The risk-free interest rate, expected volatility and dividend yield were assessed to be 2.65%, 54.58% and 0%, respectively.

Movements of the number of share options outstanding and their related weighted average exercise prices are as follows:

		Number of shares under the option Six months ended June 30,	
		2018	2017
		USD	*USD*
		(Unaudited)	(Audited)
	Average exercise price		
At beginning of the period		**–**	–
Granted	USD0.0046	**49,498,610**	–
Forfeited	USD0.0043	**(6,656,109)**	–
At end of the period		**42,842,501**	–

7 TRADE PAYABLES

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

	As at June 30, 2018	As at December 31, 2017
	USD	*USD*
	(Unaudited)	(Audited)
0-90 days	**1,316,632**	1,399,572
91-180 days	**1,047,127**	1,052,690
181-360 days	**1,044,107**	1,239,275
Over 360 days	**915,364**	830,947
	4,323,230	4,522,484

8 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2018	2017
	USD	*USD*
	(Unaudited)	(Audited)
Other gains		
Initial license fee forfeited by the licensee	**500,000**	–
Foreign exchange gain, net	**12,333**	–
Others	**12,038**	5,072
	524,371	5,072
Other losses		
Foreign exchange losses, net	**–**	(416,399)
Others	**(1,052)**	(45)
	(1,052)	(416,444)
Other gains/(losses), net	**523,319**	(411,372)

9 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2018 and 2017 is analysed as follows:

	Six months ended June 30,	
	2018	2017
	USD	*USD*
	(Unaudited)	(Audited)
Current income tax		
– PRC and Hong Kong	**837,057**	1,126,078
– Overseas withholding income tax	**163,321**	81,919
Deferred tax	**5,061**	(123,899)
	1,005,439	1,084,098

10 EARNINGS PER SHARE

Basic

Basic earnings per share ("**EPS**") 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 six months ended June 30, 2018.

	Six months ended June 30,	
	2018	2017
	(Unaudited)	(Restated)
Profit attributable to owners of the Company (USD)	**2,194,105**	2,268,888
Weighted average number of ordinary shares in issue less shares held for the Share Option Scheme *(Note a)*	**1,850,000,027**	1,350,000,027
– Basic EPS (in cents/share)	**0.12**	0.17

(a) 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. In determining the numbers of ordinary shares in issue for June 30, 2017, a total of 1,500,000,000 ordinary shares were deemed to be in issue since January 1, 2017.

The EPS is based on that 1,850,000,027 and 1,350,000,027 shares were the weighted average number of ordinary shares in issue excluding the 149,999,973 (June 30, 2017:149,999,973) shares held for the Share Option Scheme for the the six months ended June 30, 2018, 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).

	Six months ended June 30,	
	2018	2017
	(Unaudited)	(Restated)
Profit attributable to owners of the Company (USD)	**2,194,105**	2,268,888
Weighted average number of ordinary shares in issue less shares held for the Share Option Scheme	**1,850,000,027**	1,350,000,027
Adjustments for share options and awarded shares	**5,013,127**	–
– Diluted EPS (in cents/share)	**0.12**	0.17

No adjustment has been made to basic earnings per share to derive the diluted earnings per share for the six months ended June 30, 2017 as the Company did not have any potential ordinary shares outstanding as at June 30, 2017.

11 DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the six months ended June 30, 2018 (June 30, 2017: same).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Entering into 2018, Digital Hollywood has been continuously improving its management, attracting talent and developing its existing creative teams. For the business aspect, the Company adhered to the integration of research and development, continuously improved the quality of games, increased investment in research and development, and continued to actively expand its business in the overseas markets.

For the operation and promotion aspect, Digital Hollywood continued to boost user activity and increase its marketing efforts in the overseas markets by various means, resulting in improved gross billings in various games and a rapid growth in its business. For the web-based game product "*Dragon Awaken*", apart from the maintenance of the stable operation of its English version and the launch of its Spanish and Portuguese versions last year, we launched three additional language versions in French, Polish and German during the Reporting Period. During the Reporting Period, the Company penetrated into the Brazilian market and launched another ballistic leisure game "*Bomb You Brasil*". Such two popular games have been well received by players and large platforms around the world, and were recommended by Facebook Gameroom and Google Play since the launch of such games.

As a world-renowned game publisher, Digital Hollywood achieved the results recognized by the industry both domestically and abroad during the Reporting Period. In January 2018, Digital Hollywood won the title of "*Best Export Game Enterprise of 2017*" in the Golden Tea Award. During the Reporting Period, Digital Hollywood was invited by the Spanish Gamelab Organization to attend its conference and give guidance on local game development teams and their work in Barcelona.

In April 2018, Digital Hollywood launched an HTML5 game "*Puzzle and Heores*", which became one of the first products available on the Facebook Instant Game platform since such platform opened to the public and one of the few HTML5 games from China that launched on such platform. "*Puzzle and Heroes*" has taken the lead to connect the advertising monetization system and provide the in-app purchase function, and technically realized the data exchange between personal computers and mobile terminals.

FUTURE PROSPECTS

In the second half of 2018, Digital Hollywood will continue to move forward following its positive development trend in the Reporting Period.

In the second half of 2018, the Company will launch several different types of action games including the Chinese martial arts web-based game *"Legend of Junior"*.

While steadily developing its domestic business, the Company will take advantage of its edge in overseas distribution. The Company will continue to expand its business in the game markets in Southeast Asia and North America and increase income sources in order to enhance the Company's performance.

FINANCIAL REVIEW

Overview

Non-IFRS adjusted profit attributable to owners of the Company[(1)] for the Reporting Period amounted to approximately US$3.3 million, representing an increase of approximately US$0.2 million as compared with approximately US$3.1 million for the corresponding period in 2017. Profit attributable to owners of the Company for the Reporting Period amounted to approximately US$2.2 million, representing a decrease of approximately US$0.1 million as compared with approximately US$2.3 million for the corresponding period in 2017.

Revenue

During the Reporting Period, revenue of the Group amounted to approximately US$14.1 million, representing a slight increase of approximately US$0.3 million or 2.2% as compared with approximately US$13.8 million for the corresponding period in 2017. The increase in revenue was mainly due to the increase in revenue from web-based games from approximately US$0.2 million to approximately US$2.7 million.

For the Reporting Period, revenue from web-based games amounted to approximately US$5.1 million, representing an increase of approximately US$0.7 million or 15.9% as compared with approximately US$4.4 million for the corresponding period in 2017. For the Reporting Period, revenue from mobile games, licensing fee and other income amounted to approximately US$9.0 million, representing a decrease of 4.3% as compared with approximately US$9.4 million for the corresponding period in 2017.

Cost of revenue and gross profit margin

For the Reporting Period, cost of revenue of the Group amounted to approximately US$5.9 million, representing a decrease of approximately US$0.3 million or 4.8% as compared with approximately US$6.2 million for the corresponding period in 2017. The resulting gross profit margin increased to 58% in 2018 from 55% for the corresponding period in 2017.

Other gains/(losses), net

For the Reporting Period, other gains of the Group amounted to approximately US$0.5 million, representing an increase of approximately US$0.9 million or 225.0% as compared with other losses amounting to approximately US$0.4 million for the corresponding period in 2017. Other gains for the Reporting Period were mainly other gain from the termination of a licensing agreement.

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

Selling and marketing expenses

For the Reporting Period, selling and marketing expenses of the Group amounted to approximately US$2.6 million, representing an increase of approximately US$1.1 million or 73.3% from approximately US$1.5 million for the corresponding period in 2017. The increase in selling and marketing expenses for the Reporting Period was mainly due to more expenditure in advertising and marketing promotion for promoting new games and share-based payments attributable to the employee stock option scheme.

Administrative expenses

For the Reporting Period, administrative expenses of the Group amounted to approximately US$2.0 million, which was relatively consistent with approximately US$2.0 million for the corresponding period in 2017.

Research and development expenses

For the Reporting Period, research and development expenses of the Group amounted to approximately US$0.6 million, representing an increase of approximately US$0.3 million or 100.0% as compared with approximately US$0.3 million for the corresponding period in 2017. The increase in research and development expenses for the Reporting Period was mainly due to the increase in labor cost and other expenditure of research and development and share-based payments attributable to the employee stock option scheme.

Profit attributable to owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately US$2.2 million, representing a decrease of approximately US$0.1 million or 4.3% as compared with approximately US$2.3 million for the corresponding period in 2017. The decrease was mainly due to additional amortisation expenses on employee stock ownership plan for the Reporting Period.

Non-IFRS adjusted 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 profit attributable to owners of the Company amounted to approximately US$3.3 million, representing an increase of approximately US$0.2 million or 6.5% as compared with approximately US$3.1 million for the corresponding period in 2017. Our non-IFRS adjusted profit attributable to owners of the Company for the Reporting Period and the corresponding period of 2017 was calculated according to the profit attributable to the owners of the Company for the period, excluding share-based payments of US$1.1 million for the Reporting Period and the listing expenses of US$0.9 million for the corresponding period of 2017.

Income tax expense

For the Reporting Period, income tax expense of the Group amounted to approximately US$1.0 million, representing a decrease of approximately US$0.1 million or 9.1% as compared with approximately US$1.1 million for the corresponding period in 2017.

Liquidity and source of funding and borrowing

As at June 30, 2018, the Group's total bank balances and cash amounted to approximately US$37.7 million, representing a decrease of approximately 14.3% as compared with approximately US$44.0 million as at December 31, 2017. The decrease in total bank balances and cash during the Reporting Period was primarily resulted from the prepayment of US$3.5 million for investment in Nouveau Capital Partners Corp., the increase in the expenditure on office building renovation and the payment of listing expenses.

As at June 30, 2018, current assets of the Group amounted to approximately US$56.2 million, including bank balances and cash of approximately US$37.7 million and other current assets of approximately US$18.5 million. Current liabilities of the Group amounted to approximately US$12.2 million, including trade payables and contract liabilities of approximately US$7.7 million and other current liabilities of approximately US$4.5 million. As at June 30, 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 4.6, as compared with 4.5 as at December 31, 2017.

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, 2018 and the resulting gearing ratio is nil (December 31, 2017: 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, except for the subscription of the prepayment for ordinary shares issued by Nouveau Capital Partners Corp. with an initial aggregate principal amount of US$3.5 million in April 2018. Please refer to the announcement of the Company dated April 22, 2018 for details.

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, 2018, none of the Group's assets was pledged (corresponding period in 2017: nil).

Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2018 (corresponding period in 2017: nil).

Foreign exchange exposure

As at June 30, 2018, the Group mainly operated in the 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 not significant. As at June 30, 2018, the Group did not have significant foreign currency exposure from its operations.

Use of Proceeds from the IPO

The net proceeds raised by the Company from the initial public offering of the Company dated December 15, 2017 (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 the second half of 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 June 30, 2018, the Group had 163 employees (June 30, 2017: 145), 47 of which were responsible for game development and maintenance, 67 for game operation and offline events organization, 49 for general administration and corporate management. The total remuneration expenses, excluding share-based compensation expense, for the Reporting Period were approximately US$1.6 million, representing an increase of 14.2% as compared to the corresponding period in 2017. 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. The Group provide regular training to its 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 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 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. The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

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), 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 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 and employees 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 or employees 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 Company, comprising Ms. Imma LING Kit-sum, Mr. Darren Raymond SHAW and Mr. LI Yi Wen, has discussed with the management and the external auditor, 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.

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".

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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 31, 2018

As at the date of this announcement, the executive Directors are Mr. LU Yuanfeng, Mr. HUANG Guozhan, 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 purpose only*