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DIGITAL HOLLYWOOD INTERACTIVE LIMITED

遊萊互動集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2022)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2020 (“**FY2020**”) amounted to approximately US\$17.6 million, representing a slight decrease of approximately 1.7% from approximately US\$17.9 million recorded in the year ended December 31, 2019 (“**FY2019**”).
- Gross profit for FY2020 amounted to approximately US\$9.2 million, representing an increase of approximately 9.5% from approximately US\$8.4 million recorded in FY2019.
- Loss attributable to owners of the Company for FY2020 amounted to approximately US\$3.6 million, representing a decrease of approximately 37.9% from approximately US\$5.8 million recorded in FY2019.
- Non-IFRS adjusted loss attributable to owners of the Company⁽¹⁾ for FY2020 amounted to approximately US\$3.0 million, representing a decrease of approximately 28.6% from approximately US\$4.2 million recorded in FY2019.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

In 2020, the outbreak of the novel coronavirus (“**COVID-19 Outbreak**”) posed challenges across countries and industries. However, on the other hand, the quarantine measures during the epidemic resulted in the rise of “Stay-at-Home Economy”, which contributed to new users traffic to the Internet industry. Leveraging on such social circumstances, with its years of experience accumulated in the mobile and online game industry, the Group is committed to continuously providing all of its users with the best quality products and services.

In addition to the COVID-19 Outbreak, since January 2021, all popular browsers no longer support the use of flash player. Faced with the challenge of the discontinuing flash player, the Group strategically converted flash based games into HTML5 games as early as the beginning of 2020, and at the same time, using its excellent technical capabilities, developed clients for multiple game products. With many years of rich experience in game operation and excellent technical prowess, the Group has successfully completed the technical replacement of flash player to HTML5 and clients.

Entering 2021, the Group will continue to leverage its advantages in overseas publishing and develop new HTML5-based games and publish on multi-terminal and multi-platform. The Group will continue to optimise game contents, enhance player experience, boost player stickiness and loyalty, and actively optimise our product launch strategy. At the same time, in order to further expand its overseas market share and upscale international competitiveness, the Group will continue to develop a global gaming platform and continue to explore business opportunities in overseas markets. Under this development trend, the Group is expected to further deepen the diversified development of game products.

Since the COVID-19 Outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across China and other countries in the world. As at the date of this announcement, the Company’s board (the “**Board**”) of directors (the “**Director(s)**”) was not aware of any material adverse effects on the financial statements as a result of the COVID-19 Outbreak. To shoulder our social responsibilities and offer humanitarian support, the Group promptly launched an assistance scheme in response to the COVID-19 Outbreak. Under this scheme, the Group has mobilised its global subsidiaries to procure medical masks, protective gowns and other medical supplies and has donated the same to front-line medical professionals and institutions in China. The Group has been closely monitoring the development of the COVID-19 Outbreak and will continue to evaluate its impact on the financial position and operating results of the Group from time to time.

FINANCIAL REVIEW

Overview

For FY2020, loss attributable to owners of the Company amounted to approximately US\$3.6 million, representing a decrease of approximately US\$2.2 million or 37.9% from approximately US\$5.8 million for FY2019. Non-IFRS adjusted loss attributable to owners of the Company amounted to approximately US\$3.0 million for FY2020, representing a decrease of approximately US\$1.2 million or 28.6% from approximately US\$4.2 million for FY2019.

Revenue

For FY2020, revenue of the Group amounted to approximately US\$17.6 million, representing a slight decrease of approximately US\$0.3 million or 1.7% from approximately US\$17.9 million for FY2019. Despite market volatility, the Group enhanced its marketing promotions and provision of quality services, actively responded to the impact of market changes, and continued to improve the layout of the HTML5 games. The revenue for FY2020 remained stable compared with FY2019.

Cost of Revenue and Gross Profit Margin

For FY2020, cost of revenue of the Group amounted to approximately US\$8.4 million, representing a decrease of approximately US\$1.1 million or 11.6% as compared with approximately US\$9.5 million for FY2019. The gross profit margin of the Group increased from 46.9% for FY2019 to 52.3% for FY2020.

Other Losses/Gains, Net

For FY2020, other losses of the Group amounted to approximately US\$0.03 million, as compared with other gains of the Group which amounted to approximately US\$0.3 million for FY2019. The other losses of the Group for FY2020 primarily consisted of the net exchange loss, partly offset by other gains from reversal of contract liabilities related to the ceased operation of certain games.

Selling and Marketing Expenses

For FY2020, selling and marketing expenses of the Group amounted to approximately US\$5.4 million, representing an increase of approximately US\$1.3 million or 31.7% from approximately US\$4.1 million for FY2019, primarily due to the increase in advertising and promotion expenses.

Administrative Expenses

For FY2020, administrative expenses of the Group amounted to approximately US\$4.9 million, representing a decrease of approximately US\$0.8 million or 14.0% from approximately US\$5.7 million for FY2019. The decrease was mainly due to (i) decrease in staff cost which amounted to approximately US\$0.6 million; and (ii) impairment loss on license fees which amounted to approximately US\$1.2 million for the unilateral termination by Shenzhen Qianhai Huanjing Network Technology Co., Ltd.* (深圳市前海幻境網絡科技有限公司) (“**Qianhai Huanjing**”) of a series of intellectual property licensing agreements (the “**IP Licensing Agreements**”), as compared with impairment loss mainly due to write-down of prepayment and intangible assets for certain games of the Group which amounted to approximately US\$1.5 million for FY2019.

Research and Development Expenses

For FY2020, research and development expenses of the Group amounted to approximately US\$1.9 million, representing a decrease of approximately US\$0.5 million or 20.8% compared with approximately US\$2.4 million for FY2019. The decrease in research and development expenses in FY2020 was mainly due to decrease in staff cost.

Net Impairment Losses on Financial Assets

For FY2020, net impairment losses on financial assets of the Group amounted to approximately US\$0.5 million, representing a decrease of approximately US\$0.9 million or 64.3% compared with approximately US\$1.4 million for FY2019. The impairment losses on financial assets were attributable to impairment losses on the balances due from the Group's customers.

Impairment of Investment in an Associate

For FY2020, impairment of investment in an associate of the Group was nil (FY2019: approximately US\$0.7 million).

Income Tax Expense

For FY2020, income tax expense of the Group amounted to approximately US\$0.2 million, as compared to approximately US\$0.2 million for FY2019.

Loss Attributable to Owners of the Company

As a result of the above, loss attributable to owners of the Company decreased by approximately US\$2.2 million or 37.9% from approximately US\$5.8 million for FY2019 to approximately US\$3.6 million for FY2020.

Non-IFRS Adjusted Loss Attributable to Owners of the Company

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

For FY2020, non-IFRS adjusted loss attributable to owners of the Company amounted to approximately US\$3.0 million, representing a decrease of approximately US\$1.2 million or 28.6% from approximately US\$4.2 million in FY2019. Our non-IFRS adjusted loss attributable to owners of the Company in FY2020 and FY2019 was calculated according to the loss attributable to the owners of the Company for the respective years, excluding share-based compensation of approximately US\$0.7 million in FY2020 and approximately US\$1.6 million in FY2019.

Liquidity, Treasury Policy and Source of Funding and Borrowing

As at December 31, 2020, the Group's total bank balances, cash and short-term deposits amounted to approximately US\$31.9 million, representing an increase of approximately 26.1% as compared with approximately US\$25.3 million as at December 31, 2019. The increase in total bank balances, cash and short-term deposits during the year was primarily resulted from the increase in the net cash flow generated from operating activities.

As at December 31, 2020, current assets of the Group amounted to approximately US\$47.6 million, including bank balances, cash and short-term deposits of approximately US\$31.9 million and other current assets of approximately US\$15.7 million. Current liabilities of the Group amounted to approximately US\$9.5 million, including trade payables and contract liabilities of approximately US\$6.3 million and other current liabilities of approximately US\$3.2 million. As at December 31, 2020, the current ratio (the current assets divided by current liabilities) of the Group was 5.0, as compared with 4.7 as at December 31, 2019. The Group adopts a prudent treasury management policy to ensure that our Group maintains a healthy financial position.

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 (excluding lease liabilities) as at December 31, 2020 and the gearing ratio is nil (as at December 31, 2019: nil). The Group intends to finance the expansion, investments and business operations with internal resources.

Significant Investments

The Group did not have any significant investments during FY2020.

Material Acquisitions

The Group did not have any material acquisitions of subsidiaries, associates and joint ventures during FY2020.

Material Disposals

The Group did not have any material disposals of subsidiaries, associates and joint ventures during FY2020.

Pledge of Assets

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

Contingent Liabilities

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

Foreign Exchange Exposure

As at December 31, 2020, the Group mainly operated in the global market and majority of its transactions were settled in United States Dollars (the “USD”), being the functional currency of the group entities to which the transactions relate. We currently do not hedge transactions undertaken in foreign currencies but manage our exposure through constant monitoring to limit as much as possible the amount of our foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Reminbi (“RMB”), EURO (“EUR”) and Hong Kong dollar (“HKD”). As at December 31, 2020, the Group did not have significant foreign currency exposure from its operations.

Use of Proceeds from the IPO

The net proceeds from the initial public offering of the Company dated December 15, 2017 (the “IPO”) amounted to approximately US\$35.4 million after deducting share issuance costs and listing expenses. During FY2020, the net proceeds from the listing were utilised in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Company’s prospectus dated December 5, 2017 (the “Prospectus”), with the balance unutilised amounted to approximately US\$11.3 million. The balance of fund will continue to be utilised according to the manner as disclosed in the Prospectus. The Group held the unutilised net proceeds in short-term deposits with licensed institutions in Hong Kong. In 2021, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds. Details are set out in the following table:

	Net amount available as at December 31, 2019 <i>USD’000</i>	Actual net amount utilised during FY2020 <i>USD’000</i>	Unutilised amount as at December 31, 2020 <i>USD’000</i>	Expected timeline for utilising the remaining net proceeds ^(Note)
Investment	7,436.8	7.1	7,429.7	Expected to be fully utilised on or before June 30, 2022
Development and research	5,882.7	1,974.4	3,908.3	Expected to be fully utilised on or before December 31, 2022
Expansion of online game business	2,656.3	2,656.3	–	Had been fully utilised
Marketing and advertisement	–	–	–	Had been fully utilised
Working capital and other general corporate purposes	1,288.2	1,288.2	–	Had been fully utilised
Total	<u>17,264.0</u>	<u>5,926.0</u>	<u>11,338.0</u>	

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

HUMAN RESOURCES

As at December 31, 2020, the Group had 175 employees (December 31, 2019: 187), 63 of which were responsible for game development and maintenance, 84 for game operation and offline events organisation, and 28 for general administration and corporate management. The total remuneration expenses, excluding share-based compensation expense, for FY2020 were approximately US\$4.1 million, representing a decrease of approximately 8.9% as compared to FY2019. 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 memorandum and articles of association of the Company, 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 FY2020.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of the final dividend for FY2020 (FY2019: nil).

MATERIAL LEGAL PROCEEDINGS

For FY2020, Guangzhou Zhang Ying Kong Information Technology Company Limited* (廣州掌贏控信息科技有限公司) (“**Guangzhou ZYK**”), a wholly-owned subsidiary of the Company, instituted legal proceedings (the “**Legal Proceedings**”) against Qianhai Huanjing in relation to the losses and damages sustained by Guangzhou ZYK as a result of the unilateral termination by Qianhai Huanjing of the IP Licensing Agreements. Hearing of the Legal Proceedings by the Guangzhou Intellectual Property Court has been scheduled on April 2, 2021. Details of the Legal Proceedings are set out in the announcements of the Company dated May 18, 2020 and March 8, 2021.

Save as disclosed above, the Group was not involved in any material legal proceedings during FY2020.

THE IMPACT OF THE COVID-19 OUTBREAK

Since the COVID-19 Outbreak the Group has acted swiftly and adopted a number of measures. All departments of the Group were required to fully comply with the epidemic-prevention and control requirement, and resume operation in an orderly manner. In this way, the Group has ensured good working environment for employees and has maintained sound work order. The Group has assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to FY2020 and up to the date of this announcement. The Group will pay continuous attention to the situation of the COVID-19 Outbreak and react actively to its impact on the operation and financial position of the Group.

EVENTS OCCURRED SINCE THE END OF FY2020

The Group did not have any significant events after December 31, 2020 and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS FOR 2021 AGM

The register of members of the Company will be closed from May 20, 2021 to May 25, 2021, 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 May 25, 2021 (the "**2021 AGM**"). In order to be eligible to attend and vote at the 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on May 18, 2021.

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 announcement, the Company has maintained the public float as required under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 its shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (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 as disclosed below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. LU Yuanfeng currently performs these two roles. With extensive experience in the internet industry, Mr. LU Yuanfeng is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment on November 24, 2014. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises three executive Directors (including Mr. LU Yuanfeng), and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, the Company is in compliance with the requirements under all code provisions of the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company with an aim to maintain a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed 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.

Having made 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 Board, comprising Ms. Imma LING Kit-sum (chairman), Mr. LI Yi Wen and Mr. LU Qibo, has discussed with the management and the external auditor and reviewed the consolidated financial information for FY2020, including accounting principles and practices adopted by the Group, its annual results 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 FY2020, 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 FY2020.

The Board is pleased to announce the consolidated financial results of the Group for FY2020 with the comparative figures for FY2019 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2020

	<i>Note</i>	Year ended December 31,	
		2020	2019
		<i>USD</i>	<i>USD</i>
Revenue	3	17,550,312	17,918,989
Cost of revenue		<u>(8,389,947)</u>	<u>(9,522,439)</u>
Gross profit		9,160,365	8,396,550
Selling and marketing expenses		(5,419,249)	(4,145,546)
Administrative expenses		(4,850,805)	(5,700,502)
Research and development expenses		(1,877,748)	(2,365,790)
Net impairment losses on financial assets		(527,229)	(1,384,675)
Impairment of investment in an associate		–	(652,596)
Other (losses)/gains, net	7	<u>(34,232)</u>	<u>307,106</u>
Operating loss		(3,548,898)	(5,545,453)
Finance income		224,209	57,075
Finance costs		(114,026)	(114,612)
Finance income/(costs), net		<u>110,183</u>	<u>(57,537)</u>
Loss before income tax		(3,438,715)	(5,602,990)
Income tax expense	8	<u>(200,265)</u>	<u>(158,816)</u>
Loss for the period		<u>(3,638,980)</u>	<u>(5,761,806)</u>
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss			
– Currency translation differences		599,596	(75,831)
Item that may not be reclassified subsequently to profit or loss			
– Changes in fair value of investment in equity securities		<u>201,060</u>	<u>(1,685,994)</u>
Total comprehensive loss for the period		<u>(2,838,324)</u>	<u>(7,523,631)</u>
Loss attributable to:			
Owners of the Company		<u>(3,638,980)</u>	<u>(5,761,806)</u>
Total comprehensive loss attributable to:			
Owners of the Company		<u>(2,838,324)</u>	<u>(7,523,631)</u>
Loss per share (expressed in USD cents per share)			
– Basic	9	<u>(0.20)</u>	<u>(0.31)</u>
– Diluted		<u>(0.20)</u>	<u>(0.31)</u>
Dividends	10	<u>–</u>	<u>–</u>

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

	<i>Note</i>	As at December 31, 2020 <i>USD</i>	As at December 31, 2019 <i>USD</i>
Assets			
Non-current assets			
Property, plant and equipment		1,743,556	1,975,917
Right-of-use assets		1,633,824	1,843,078
Intangible assets		418,830	1,862,822
Prepayments and other receivables		3,714,391	3,881,573
Deferred income tax assets		–	11,779
Financial assets at fair value through other comprehensive income		<u>1,164,245</u>	<u>963,185</u>
		<u>8,674,846</u>	<u>10,538,354</u>
Current assets			
Contract costs		616,740	771,402
Trade receivables	4	1,282,604	2,234,622
Prepayments and other receivables		13,783,691	20,471,647
Short-term deposits		5,000,000	–
Cash and cash equivalents		<u>26,914,401</u>	<u>25,320,274</u>
		<u>47,597,436</u>	<u>48,797,945</u>
Total assets		<u><u>56,272,282</u></u>	<u><u>59,336,299</u></u>

	<i>Note</i>	As at December 31, 2020 <i>USD</i>	As at December 31, 2019 <i>USD</i>
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	(144,224)	(147,560)
Reserves		39,569,808	38,104,404
Retained earnings		3,679,904	7,318,884
Total equity		45,105,488	47,275,728
Liabilities			
Non-current liabilities			
Lease liabilities		1,623,045	1,800,872
Deferred income tax liabilities		–	5,757
		1,623,045	1,806,629
Current liabilities			
Trade payables	6	3,866,255	3,095,087
Contract liabilities		2,448,797	3,508,007
Lease liabilities		295,702	270,123
Other payables and accruals		2,721,422	3,057,942
Current income tax liabilities		211,573	322,783
		9,543,749	10,253,942
Total liabilities		11,166,794	12,060,571
Total equity and liabilities		56,272,282	59,336,299

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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 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 30, 2021.

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 IFRS and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost basis, except for the financial assets at fair value through other comprehensive income which is measured at fair value.

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 following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2020:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
IFRS 3 (Amendment)	Definition of a Business
IAS 1 and IAS 8 (Amendment)	Definition of Material
IFRS 9, IAS 39 and IFRS 7 (Amendment)	IBOR Reform and its Effects on Financial Reporting

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

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

		Effective for annual periods beginning on or after
IFRS 3 (Amendment)	Amendment to IFRS 3 on Reference to the Conceptual Framework	January 1, 2022
IAS 37 (Amendments)	Amendment to IAS 37 on Cost of Fulfilling a Contract	January 1, 2022
IAS 16 (Amendments)	Amendment to IAS 16 on Proceeds before Intended Use	January 1, 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements 2018-2020 cycle	January 1, 2022
IFRS 17	IFRS 17 Insurance contracts. The eligible insurers can still apply IFRS 9 alongside IFRS 17	January 1, 2023
IAS 1 (Amendments)	Amendments to IAS 1 on Classification of liabilities as current or non-current	January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, and amendments, 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.

3 REVENUE AND SEGMENT INFORMATION

	Year ended December 31,	
	2020	2019
	USD	USD
Disaggregation of revenue from contracts with customers		
Online game revenue	17,537,512	17,807,719
Licensing revenue	10,417	101,962
Advertising revenue	2,383	9,308
	17,550,312	17,918,989

4 TRADE RECEIVABLES

	As at December 31,	
	2020	2019
	<i>USD</i>	<i>USD</i>
Trade receivables (<i>Note (a)</i>)	4,812,624	5,181,194
Less: allowance for impairment of trade receivables (<i>Note (b)</i>)	<u>(3,530,020)</u>	<u>(2,946,572)</u>
	<u>1,282,604</u>	<u>2,234,622</u>

- (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,	
	2020	2019
	<i>USD</i>	<i>USD</i>
0-30 days	497,510	866,395
31-90 days	397,996	1,026,677
91-180 days	631,658	451,415
Over 180 days	<u>3,285,460</u>	<u>2,836,707</u>
	<u>4,812,624</u>	<u>5,181,194</u>

- (b) As at December 31, 2020, trade receivables of USD3,530,020 (2019: USD2,946,572) were impaired. Movements on the Group's provision for impairment of trade receivables are as follows:

	As at December 31,	
	2020	2019
	<i>USD</i>	<i>USD</i>
At beginning of the year	2,946,572	1,635,576
Provision for trade receivables	513,351	1,384,675
Receivables written off during the year as uncollectible	(20,567)	(73,679)
Currency translation differences	<u>90,664</u>	<u>—</u>
At end of the year	<u>3,530,020</u>	<u>2,946,572</u>

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

As at December 31, 2020, the total number of issued ordinary shares of the Company was 2,000,000,000 shares (2019: 2,000,000,000 shares) which included 144,224,041 shares (2019: 147,560,007 shares) 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, 2020	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>(144,224)</u>
As at December 31, 2019	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>(147,560)</u>

- (a) According to the written resolutions of all the members of the Company dated November 2, 2015 and capitalisation issue dated November 24, 2017, an aggregate of 150,000,000 ordinary shares were authorised and reserved for the issuance to the employees, directors of the Group and other persons pursuant to the share incentive scheme (the “**Share Option Scheme**”) 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 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 year ended December 31, 2020, the Share Scheme Trust transferred 3,335,966 ordinary shares of the Company (December 31, 2019: the Share Scheme Trust transferred 2,439,966 ordinary shares of the Company) to the grantees exercising of the awarded shares.

6 TRADE PAYABLES

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

	As at December 31,	
	2020	2019
	USD	USD
0-90 days	573,828	754,509
91-180 days	602,035	675,408
181-360 days	1,179,648	867,897
Over 360 days	1,510,744	797,273
	<u>3,866,255</u>	<u>3,095,087</u>

7 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2020	2019
	USD	USD
Other gains		
Reversal of contract liabilities	352,537	–
Government grant	70,964	134,333
Foreign exchange gains, net	–	125,890
Others	41,382	47,279
	<u>464,883</u>	<u>307,502</u>
Other losses		
Foreign exchange losses, net	(497,069)	–
Others	(2,046)	(396)
	<u>(499,115)</u>	<u>(396)</u>
Other (losses)/gains, net	<u>(34,232)</u>	<u>307,106</u>

8 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended December 31, 2020 and 2019 is analysed as follows:

	Year ended December 31,	
	2020	2019
	USD	USD
Current income tax		
– Overseas withholding income tax	194,180	203,037
– PRC and Hong Kong	–	(177,259)
Deferred tax	6,085	133,038
	<u>200,265</u>	<u>158,816</u>

9 LOSS PER SHARE

Basic

Basic loss per share (“EPS”) is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for the Share Option Scheme during the years ended December 31, 2020 and 2019.

	Year ended December 31,	
	2020	2019
Loss attributable to owners of the Company (USD)	(3,638,980)	(5,761,806)
Weighted average number of ordinary shares in issue less shares held for the Share Option Scheme	1,855,371,418	1,850,176,135
– Basic EPS (in USD cents/share)	<u>(0.20)</u>	<u>(0.31)</u>

The EPS is determined based on that 1,855,371,418 (2019: 1,850,176,135) shares were the weighted average number of ordinary shares in issue excluding the 144,628,582 (2019: 149,823,865) shares which were the weighted average number held for the Share Option Scheme for the year ended December 31, 2020, without taking into account any shares which may be granted and issued by the Company pursuant to the Share Option Scheme.

Diluted

The share options 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 granted by the Company (collectively forming the denominator for computing the diluted EPS). No adjustment is made to loss/earnings (numerator).

	Year ended December 31,	
	2020	2019
Loss attributable to owners of the Company (USD)	(3,638,980)	(5,761,806)
Weighted average number of ordinary shares in issue less shares held for the Share Option Scheme	1,855,371,418	1,850,176,135
Adjustments for share options	–	–
Weighted average number of ordinary shares for the calculation of diluted EPS	<u>1,855,371,418</u>	<u>1,850,176,135</u>
Diluted EPS (in USD cents/share)	<u>(0.20)</u>	<u>(0.31)</u>

The 36,428,295 (2019: 39,977,019) options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the year ended December 31, 2020. These options could potentially dilute basic loss per share in the future.

10 DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended December 31, 2020 (2019: same).

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 FY2020 will be dispatched 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 30, 2021

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

** For identification purposes only*