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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, 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2023 (“**FY2023**”) amounted to approximately US\$9.9 million, representing a decrease of approximately 11.1% from approximately US\$11.1 million recorded in the year ended December 31, 2022 (“**FY2022**”).
- Gross profit for FY2023 amounted to approximately US\$4.1 million, representing a decrease of approximately 12.0% from approximately US\$4.7 million recorded in FY2022.
- Loss attributable to owners of the Company for FY2023 amounted to approximately US\$5.8 million, representing a decrease of approximately 1.6% from approximately US\$5.9 million recorded in FY2022.
- Non-IFRS adjusted loss attributable to owners of the Company⁽¹⁾ for FY2023 amounted to approximately US\$5.8 million, representing a decrease of approximately 1.6% from approximately US\$5.9 million recorded in FY2022.

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

2023 is the year of economic recovery and transition, during which the actual sales revenue of the game market in the PRC amounted to RMB302.964 billion, exceeding the major barrier of RMB300 billion for the first time. In 2023, against the backdrop of the turbulent international situation and fierce market competition, overseas marketing has become increasingly difficult and operating costs has increased, resulting in an actual overseas sales revenue of our PRC self-developed products of merely US\$16.36 billion.

With the full lifting of restrictions in the wake of the pandemic, various negative factors have significantly subsided and user sentiment and spending ability have recovered, which have been beneficial to the all-round development of game products, thus the game industry has been booming and is poised for further development. Facing the complex international situation and the increasingly fierce competition in the domestic game industry, the Group has comprehensively leveraged its own development process and experience and taken into account the current development status of the game industry at home and abroad, with a view to continuously promoting the Group's platform strategy and utilizing its technological advantages.

In 2023, the Group's GHG platform operation model was basically perfected, and the business ecosystem of the platform game industry has been gradually integrated and established. The Group has continued to improve the function of its platform and richly enhanced the function of the membership system. Currently, its platform currency Gcoins has been put into operation, which can connect with payment channels in various regions around the world. In the second half of the year, the Group continued to develop and launch systems of monthly membership cards and credits. We believe that by providing users with more convenient functions and member benefits, we can further enhance the attractiveness and user stickiness of the GHG platform, thereby boosting the market competitiveness of the platform.

In 2023, the Group's platform entered a stage of professional and systematic development, and has currently accumulated a large group of paying members. The number of game products published by the Group has further increased, among which products such as Eternal Fury, League of Angels: Pact, Dark Odyssey, 8ball Master and Gold Tower Defence have become prominent brands on the GHG platform. By 2023, the Group has published more than 100 web games, mobile games and HTML5 games, and has gradually penetrated into the markets of five continents around the world, linking to major internationally renowned platforms including Steam, Facebook, Google play and Ios. The Group has also cumulatively issued and operated multi-category and multi-lingual products in French, German, Portuguese, Spanish, English, Polish, Vietnamese and other languages. As such, the platform development of the Group is greatly diversified and the outlook is flourishing.

In 2024, the Group will follow the trend of the domestic and overseas markets to engage in the game operation market with a more active approach and keener insight, so as to further enhance the influence and operational effectiveness of the Group's own platform, provide domestic and overseas game companies with more high-quality choices for creating higher returns, and provide players with more abundant, integrated and convenient services and experiences. At the same time, the Group will also leverage its accumulated experience in game operations at home and abroad over the years to promote and display more game products integrating Chinese elements and Chinese culture to other regions around the world, thus becoming an underwriter of Chinese games and the overseas game markets. The Group believes that relying on platform-based operations, the development path of "bringing in" and "going overseas" of game products will be established smoothly.

Looking forward to the future, the Group is confident in the "going overseas" operation and development of the game industry. It is believed that with the further development of the Group's platform operation model, the Group will develop its business advantages in a more efficient, convenient and accurate way. Driven by the global system, the Group will continue to rely on the domestic market and promote deeper cultural integration and cultural identity based on its development and operation advantages over the years, with a view to launching more excellent products to various regions around the world.

FINANCIAL REVIEW

Overview

For FY2023, loss attributable to owners of the Company amounted to approximately US\$5.8 million, representing a decrease of approximately US\$0.1 million or 1.6% from approximately US\$5.9 million for FY2022. Non-IFRS adjusted loss attributable to owners of the Company amounted to approximately US\$5.8 million for FY2023, representing a decrease of approximately US\$0.1 million or 1.6% from approximately US\$5.9 million for FY2022.

Revenue

For FY2023, revenue of the Group amounted to approximately US\$9.9 million, representing a decrease of approximately US\$1.2 million or 11.1% from approximately US\$11.1 million for FY2022. The decline in revenue was mainly due to (i) a decrease in revenue from certain matured games; and (ii) newly launched games are still in promotion period and yet to generate sizable income. In response to market trends and in an effort to adapt to an open market environment, the Group is actively refining its layout of HTML5 games.

Cost of Revenue and Gross Profit Margin

For FY2023, cost of revenue of the Group amounted to approximately US\$5.8 million, representing a decrease of approximately US\$0.7 million or 10.4% as compared with approximately US\$6.5 million for FY2022. The gross profit margin of the Group slightly decreased from 41.8% for FY2022 to 41.4% for FY2023.

Other (Losses)/Gains, Net

For FY2023, other losses of the Group amounted to approximately US\$0.13 million, as compared with other gains of the Group amounted to approximately US\$0.55 million for FY2022. The other losses of the Group for FY2023 primarily consisted of (i) the net exchange gains resulting from exchange rate fluctuations in the current year; (ii) the reversal of impairment of prepaid royalty fees in the current year; and (iii) donations paid in the current year.

Selling and Marketing Expenses

For FY2023, selling and marketing expenses of the Group amounted to approximately US\$3.6 million, representing an increase of approximately US\$0.4 million or 10.8% from approximately US\$3.2 million for FY2022, primarily due to the Group's increased advertising and promotion for newly launched games.

Administrative Expenses

For FY2023, administrative expenses of the Group amounted to approximately US\$4.1 million, representing a decrease of approximately US\$1.0 million or 20.6% from approximately US\$5.1 million for FY2022. The decrease in administrative expenses was mainly due to (i) corresponding employee benefits decrease in natural turnover of headcount; and (ii) a decrease in provision for impairment of prepayments.

Research and Development Expenses

For FY2023, research and development expenses of the Group amounted to approximately US\$1.8 million, representing a decrease of approximately US\$0.3 million or 15.6% from approximately US\$2.1 million for FY2022, primarily due to outsourcing program reduction.

Net Impairment Losses on Financial Assets

For FY2023, net impairment losses on financial assets of the Group amounted to approximately US\$0.2 million, as compared to approximately US\$0.2 million for FY2022.

Income Tax Expense

For FY2023, income tax expense of the Group amounted to approximately US\$0.1 million, as compared to approximately US\$0.1 million for FY2022.

Loss Attributable to Owners of the Company

As a result of the above, loss attributable to owners of the Company decreased by approximately US\$0.1 million or 1.6% from approximately US\$5.9 million for FY2022 to approximately US\$5.8 million for FY2023.

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 FY2023, non-IFRS adjusted loss attributable to owners of the Company amounted to approximately US\$5.8 million, representing a decrease of approximately US\$0.1 million or 1.6% from approximately US\$5.9 million in FY2022. Our non-IFRS adjusted loss attributable to owners of the Company in FY2023 and FY2022 was calculated according to the loss attributable to the owners of the Company for the respective years, excluding share-based compensation of nil in FY2023 and FY2022.

Liquidity, Treasury Policy and Source of Funding and Borrowing

As at December 31, 2023, the Group’s total bank balances, cash and short-term deposits amounted to approximately US\$22.3 million, representing a decrease of approximately 11.1% as compared with approximately US\$25.0 million as at December 31, 2022. The decrease in total bank balances, cash and short-term deposits during the year was primarily resulted from the decrease in the net cash flow generated from operating activities.

As at December 31, 2023, current assets of the Group amounted to approximately US\$32.2 million, including bank balances, cash and short-term deposits of approximately US\$22.3 million and other current assets of approximately US\$9.9 million. Current liabilities of the Group amounted to approximately US\$9.1 million, including trade payables and contract liabilities of approximately US\$3.0 million and other current liabilities of approximately US\$6.1 million. As at December 31, 2023, the current ratio (the current assets divided by current liabilities) of the Group was 3.5, as compared with 4.0 as at December 31, 2022. 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, 2023 and the gearing ratio is nil (as at December 31, 2022: nil). The Group intends to finance the expansion, investments and business operations with internal resources.

Significant Investments

The Group did not have any material investments during FY2023.

Material Acquisitions

The Group did not have any material acquisitions of subsidiaries, associates and joint ventures during FY2023.

Material Disposals

The Group did not have any material disposals of subsidiaries, associates and joint ventures during FY2023.

Pledge of Assets

As at December 31, 2023, none of the Group's assets was pledged (as at December 31, 2022: nil).

Contingent Liabilities

The Group had no material contingent liabilities as at December 31, 2023 (as at December 31, 2022: nil).

Foreign Exchange Exposure

As at December 31, 2023, 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 Renminbi ("RMB"), Euro ("EUR") and Hong Kong dollar ("HKD"). As at December 31, 2023, 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 FY2023, 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\$2.2 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 2024, 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, 2022 <i>USD’000</i>	Actual net amount utilised during FY2023 <i>USD’000</i>	Unutilised amount as at December 31, 2023 <i>USD’000</i>	Expected timeline for utilising the remaining net proceeds ^(Note)
Investment	2,522.8	355.7	2,167.1	Expected to be fully utilised on or before June 30, 2025
Development and research	–	–	–	Had been fully utilised
Expansion of online game business	–	–	–	Had been fully utilised
Marketing and advertisement	–	–	–	Had been fully utilised
Working capital and other general corporate purposes	–	–	–	Had been fully utilised
Total	<u>2,522.8</u>	<u>355.7</u>	<u>2,167.1</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, 2023, the Group had 142 employees (December 31, 2022: 153), 50 of which were responsible for game development and maintenance, 62 for game operation and offline events organisation, and 30 for general administration and corporate management. The total remuneration expenses, excluding share-based compensation expense, for FY2023 were approximately US\$3.9 million, representing a decrease of approximately 11.0% as compared to FY2022. 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 FY2023.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of the final dividend for FY2023 (FY2022: nil).

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceedings during FY2023.

EVENTS OCCURRED SINCE THE END OF FY2023

The Group did not have any significant events after December 31, 2023 and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS FOR 2024 AGM

The register of members of the Company will be closed from Monday, June 17, 2024 to Thursday, June 20, 2024, 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 Thursday, June 20, 2024 (the "**2024 AGM**"). In order to be eligible to attend and vote at the 2024 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Friday, June 14, 2024.

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 C1 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 C.2.1 of Part 2 of the Corporate Governance Code as disclosed below.

Pursuant to code provision C.2.1 of Part 2 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 four 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 C3 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, Professor CHAU Chi Wai, Wilton (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 FY2023, including accounting principles and practices adopted by the Group, and annual results and discussed internal controls and financial reporting matters.

Scope of Work of ZHONGHUI ANDA CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on this annual results announcement.

The Board is pleased to announce the consolidated financial results of the Group for FY2023 with the comparative figures for FY2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>USD</i>	2022 <i>USD</i>
Revenue	3	9,908,941	11,142,371
Cost of revenue		<u>(5,807,551)</u>	<u>(6,483,418)</u>
Gross profit		4,101,390	4,658,953
Selling and marketing expenses		(3,595,583)	(3,244,375)
Administrative expenses		(4,053,054)	(5,106,172)
Research and development expenses		(1,804,481)	(2,138,944)
Net impairment losses on financial assets		(249,805)	(224,881)
Other (losses)/gains, net	4	<u>(132,872)</u>	<u>548,503</u>
Operating loss		(5,734,405)	(5,506,916)
Finance income		169,099	25,617
Finance costs		(65,722)	(267,175)
Share of profits/(losses) of associates		<u>4,871</u>	<u>(17,481)</u>
Loss before income tax		(5,626,157)	(5,765,955)
Income tax expense	5	<u>(144,774)</u>	<u>(97,513)</u>
Loss for the year		<u>(5,770,931)</u>	<u>(5,863,468)</u>
Other comprehensive expense:			
<i>Item that will not be reclassified to profit or loss:</i>			
– Changes in fair value of equity investments at fair value through other comprehensive income		(40,506)	(210,040)
<i>Item that may be reclassified to profit or loss:</i>			
– Exchange differences on translating foreign operations		<u>(302,486)</u>	<u>(821,380)</u>
Other comprehensive expense for the year, net of income tax		<u>(342,992)</u>	<u>(1,031,420)</u>
Total comprehensive expense for the year		<u>(6,113,923)</u>	<u>(6,894,888)</u>

	<i>Notes</i>	2023 <i>USD</i>	2022 <i>USD</i>
Loss for the year attributable to:			
– Owners of the Company		<u><u>(5,770,931)</u></u>	<u><u>(5,863,468)</u></u>
Total comprehensive expense for the year attributable to:			
– Owners of the Company		<u><u>(6,113,923)</u></u>	<u><u>(6,894,888)</u></u>
Loss per share (USD cents)			
	7		
– Basic		<u><u>(0.31)</u></u>	<u><u>(0.32)</u></u>
– Diluted		<u><u>(0.31)</u></u>	<u><u>(0.32)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>USD</i>	2022 <i>USD</i>
ASSETS			
Non-current assets			
Property, plant and equipment		743,952	1,035,197
Right-of-use assets		783,276	990,857
Intangible assets		201,412	194,405
Interests in associates		30,485	26,367
Equity investments at fair value through other comprehensive income		121,523	162,029
Prepayments and other receivables		3,705,817	5,260,646
Deferred tax assets		160,356	154,656
		5,746,821	7,824,157
Current assets			
Trade receivables	<i>8</i>	1,167,784	932,850
Contract costs		543,869	591,896
Prepayments and other receivables		8,243,951	9,915,972
Bank and cash balances		22,258,994	25,032,539
		32,214,598	36,473,257
TOTAL ASSETS		37,961,419	44,297,414
EQUITY AND LIABILITIES			
Equity			
Share capital	<i>10</i>	2,000,000	2,000,000
Reserves		26,184,817	32,298,740
Total equity		28,184,817	34,298,740
Liabilities			
Current liabilities			
Trade payables	<i>9</i>	1,293,778	1,259,567
Contract liabilities		1,755,200	1,745,077
Accruals and other payables		5,471,552	5,482,683
Lease liabilities		364,212	321,501
Current tax liabilities		234,036	242,025
		9,118,778	9,050,853
Non-current liabilities			
Lease liabilities		657,824	947,821
Total liabilities		9,776,602	9,998,674
TOTAL EQUITY AND LIABILITIES		37,961,419	44,297,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Digital Hollywood Interactive Limited (the “**Company**”) was incorporated in the Cayman Islands on 24 November 2014 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is 11/F, Tai Sang Bank Building, 784 Nathan Road, Kowloon, Hong Kong. The address of its headquarters is 2nd Floor, No. 368 Jiang Nan Da Dao (South), Haizhu District, Guangzhou, the People’s Republic of China (the “**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as 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 PRC and other regions.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

	2023	2022
	<i>USD</i>	<i>USD</i>
Online game revenue	9,908,937	11,141,954
Advertising revenue	4	417
	<hr/>	<hr/>
Total revenue	9,908,941	11,142,371
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition		
Over time	9,908,941	11,142,371
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Segment information

For management purpose, the executive directors of the Company consider that the Group generates revenue primarily from the provision of online game services. The executive directors of the Company review the operating results of the business as one segment to make strategic decisions about resources to be allocated. Therefore, the executive directors of the Company consider that there is only one segment of the Group and no further analysis is presented.

Revenue from major customers:

The Group has a large number of game players, no individual game players generated revenue which exceeded 10% or more of the Group's revenue for the year ended 31 December 2023 (2022: nil).

The revenue generated from top five largest revenue collection platforms, accounted for 71% (2022: 69%) of the Group's revenue for the year ended 31 December 2023.

The following table summarises the percentage of revenue from games licensed by a single company or group exceeding 10% of the Group's revenue during the year ended 31 December 2023:

	2023	2022
Game licensor A	<u>13%</u>	<u>20%</u>

Geographical information

Non-current assets other than financial instruments and deferred tax assets, by country:

	2023	2022
	<i>USD</i>	<i>USD</i>
BVI	–	1,448,656
The PRC	5,173,099	5,825,692
Hong Kong	237,498	179,674
Other locations	<u>54,345</u>	<u>53,450</u>
	<u>5,464,942</u>	<u>7,507,472</u>

No geographical information for revenue is presented as 99.99% of the Group's revenue are derived from global online customers.

Game publishing service revenue

The Group is a publisher of online games developed by third party game developers or its own. The Group licenses online games from game developers and earns game publishing service revenue by making a localised version of the licensed games and publishing them to the game players through distribution platforms, include major social networking websites (such as Facebook), online application stores (such as Apple Inc.'s App Store ("Apple App") and Google Play installed in mobile telecommunications devices), web-based and mobile game portals in certain countries and regions (collectively referred to as "Platforms"), including the Group's websites. The games licensed to the Group are operated under a free-to-play model whereby game players can play the games free of charge and are charged for the purchase of Game Tokens or other virtual items via payment channels, such as the various mobile carriers and third-party internet payment systems (collectively referred to as "payment channels").

(i) Principal Agent Consideration

Third party developed games

Proceeds earned from selling Game Tokens and other virtual items are shared between the Group and game developers, with the amount paid to game developers generally calculated based on face value of Game Tokens or other virtual items determined by game developers, after deducting certain deductible fees, multiplied by a predetermined percentage for each game. The deductible fees are predetermined and negotiated game by game, including the fees paid to the payment channels and the Platforms, as well as the credit allowable for deduction for each game.

(1) The Group acts as Agent

With respect to the Group's game licenses arrangements entered into during the years ended 31 December 2023 and 2022, the Group considered that the (i) game developers are responsible for providing the game product desired by the game players; (ii) the costs incurred by the game developers to develop the games are more than the licensing costs and game localisations costs incurred by the Group; (iii) game developers have the right to determine the pricing of in-game virtual items and the specification, modification or update of the game proposed by the Group. The Group's responsibilities are publishing, providing payment solution and market promotion service, and thus the Group views game developers to be its customers and considers itself as the agent of game developers in the arrangements with game players. Accordingly, the Group records the game publishing service revenue from these licensed games, net of amounts paid to game developers.

Games operated directly by the Group:

Games operated directly by the Group are in the form of self-operation on its own websites and cooperation with Platforms, which the Group is responsible for determining Platforms and payment channels, hosting and maintenance of game servers for game running, providing customer service as well as marketing activities. For games self-operated by the Group, payment channels are responsible for payment collections related to the games. For games cooperated with Platforms, Platforms are responsible for distribution, platform maintenance, paying player authentication and payment collections related to the games.

As the Group is responsible for identifying, contracting with and maintaining the relationships of Platforms and payment channels, commission fees paid to Platforms and payment channels are included in cost of revenues and presented on a gross basis. The Group considers it is the primary obligor to game developers for the reasons identified above as it has been given latitude by game developers in selecting Platform and payment channels for its service to game developers.

Different from the above analysis, for games cooperated with Facebook if it had been specified by game developers and Apple App, the game developers are fully aware of Facebook and Apple App's roles and responsibilities. The Group considered that Facebook, Apple App and itself provide services to the game developers together, as the Group does not have the latitude in selecting and negotiation with Facebook and Apple App and does not have the primary responsibility to game developers for the service provided by them, commission charges by Facebook and Apple App are deducted from revenue.

Games subcontracted to Platforms:

Certain games are subcontracted to Platforms to operate directly. For such subcontracted games, Platforms are responsible for determining secondary Platforms and payment channels, hosting and maintenance of game servers for game running, providing customer service as well as marketing activities. The Group's responsibilities are delivering games to Platforms, and thus the Group views the game developers to be its customers and considers itself as the agent of game developers in the arrangements with Platforms, as the Group does not have the primary responsibility to game developers for the service provided by these Platforms. Accordingly, the Group records revenue on a net basis, amounts paid to game developers and revenue-sharing amounts paid to Platforms or third party payment vendors are deducted from revenue.

(2) The Group acts as Principal

During the years ended 31 December 2023 and 2022, there was a game license arrangement under which the Group takes primary responsibilities of further game development and updates, game operation, including determining Platforms and payment channels, providing customer services, hosting game servers, if needed, and controlling pricing and game and services specifications during the license period. The Group bears the cost incurred to further develop the game. Under this type of game license arrangement, the Group considers itself as a principal in this arrangement. Accordingly, the Group records the online game revenue from this third party licensed game on a gross basis. Commission fees paid to Platforms and payment channels and amortisation of license fees paid to third party game developer are recorded as cost of revenues.

Self-developed games

The Group sometimes enters into license arrangements under which the Group takes primary responsibilities of game development and game operation, including determining Platforms and payment channels, providing customer services, hosting game servers, if needed, and controlling pricing and game and services specifications. The Group bears the cost incurred to develop the games. Under this type of agreements, the Group considers itself the principal. Accordingly, the Group records the online game revenues from these games on a gross basis. Commission fees paid to Platforms and payment channels and amounts paid to licensor are recorded as cost of revenue.

The Group self-develops mobile games. Revenues derived from self-developed games are recorded on a gross basis as the Group acts as a principal to fulfil most obligations related to the mobile game operation. Commission fees paid to Platforms and payment channels are recorded as cost of revenue.

(ii) Timing of revenue recognition

Third party developed games

(1) The Group acts as Agent

Games operated directly by the Group:

For the purposes of determining when services have been provided to the respective players, the Group has determined the following:

- Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The paying players will not continue to benefit from the virtual items thereafter. Revenue is recognised at a point in time (as a release from contract liabilities) when the items are consumed and the related services are rendered.
- Durable virtual items represent items that are accessible and beneficial to paying players over an extended period of time. Revenue is recognised ratably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be average Player Relationship Period.

The Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period.

Games subcontracted to Platforms:

Revenue of games subcontracted to Platforms are recognised ratably over the Player Relationship Period, for (i) the Group has a continuous obligation to game developers to coordinate Platforms for providing service to game players, and (ii) the Group does not have the ability to differentiate revenue from games subcontracted to Platforms attributable to durable virtual items from consumable virtual items for a specific game.

(2) The Group acts as Principal

Revenue of third party developed games when the Group acts as a Principal are recognised ratably over the Player Relationship Period or as the durable virtual items are consumed, which is similar to the policy of third party developed games operated directly by the Group when the Group acts as an Agent mentioned above.

Self-developed games

Revenue of self-developed games are recognised ratably over the Player Relationship Period or as the durable virtual items are consumed, which is similar to the policy of third party developed games when the Group acts as a Principal mentioned above.

Advertising revenue

The Group provides advertising placement for a specified period on the interface of online games. The Group recognises revenue ratably over the period during which the advertising services are provided.

4. OTHER (LOSSES)/GAINS, NET

	2023	2022
	<i>USD</i>	<i>USD</i>
Government grants	47,340	253,915
Net foreign exchange gains	188,462	295,070
Donations	(675,566)	–
Reversal of impairment of prepaid royalty fees	305,980	–
Gain on disposal of property, plant and equipment	25	–
Others	887	(482)
	<u>(132,872)</u>	<u>548,503</u>

5. INCOME TAX EXPENSE

	2023	2022
	<i>USD</i>	<i>USD</i>
Current tax – Overseas withholding income tax (“WHT”)		
– Provision for the year	150,474	153,075
Deferred tax	(5,700)	(55,562)
	<u>144,774</u>	<u>97,513</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Pursuant to the rules and regulations of the BVI, the company incorporated in BVI are not subject to any income tax.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2023 and 2022 as the Group did not generate any assessable profits arising in Hong Kong during both years.

Guangzhou You Lai Information Technology Company Limited was qualified as “Advanced Technology Service Enterprises” in 2023 and 2022 and was entitled to a preferential income tax rate of 15% for the years ended 31 December 2023 and 2022.

Guangzhou Zhang Ying Kong Information Technology Company Limited and Guangzhou Suiyue Niandai Software Technology Company Limited were qualified as “Small Low-Profit Enterprise” for the years ended 31 December 2023 and 2022 and were entitled to a preferential income tax rate. From 1 January 2022 to 31 December 2022, the first RMB1 million of profits of qualifying corporation are taxed 2.5%, and profits between RMB1 million and RMB3 million are taxed at 5%. From 1 January 2023 to 31 December 2027, the profits no more than RMB3 million are taxed at 5%.

No income tax provision of the Group in respect of operations in the PRC has been made for the years ended 31 December 2023 and 2022 as the Group did not generate any assessable profits during the both years.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the years ended 31 December 2023 and 2022, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on PRC WHT was accrued as of the end of each reporting period.

The Group has subcontracted games to a platform operating in Vietnam. According to the applicable the Vietnam tax regulations, royalty fees generated from Vietnam are subject to a 10% WHT.

The Group cooperates with a platform in Brazil. According to the applicable the Brazil tax regulations, income generated from Brazil is subject to 10% remittance tax and 15% income tax, which is withheld by the platform.

The reconciliation between the income tax expense and the product of loss before income tax multiplied by the PRC enterprise income tax rate of 25% is as follows:

	2023	2022
	USD	USD
Loss before income tax	<u>(5,626,157)</u>	<u>(5,765,955)</u>
Tax calculated at a tax rate of 25%	(1,406,539)	(1,441,489)
Effect of different tax rates available to different subsidiaries	988,545	952,357
Tax effect of temporary differences and tax losses not recognised	423,367	347,148
Tax effect of income that is not taxable	(51,654)	(1,156)
Tax effect of expenses not deductible for tax purpose	40,581	87,578
Overseas WHT	150,474	153,075
Income tax expense	<u>144,774</u>	<u>97,513</u>

6. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: nil).

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2023	2022
	<i>USD</i>	<i>USD</i>
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(5,770,931)</u>	<u>(5,863,468)</u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares in issue		
less shares held for the Share Option Scheme for the purpose of calculating basic and diluted loss per share (Note a)	<u>1,861,021,877</u>	<u>1,861,021,877</u>

Notes:

- (a) The loss per share is determined based on that 1,861,021,877 (2022:1,861,021,877) shares were the weighted average number of ordinary shares in issue excluding the 138,978,123 (2022: 138,978,123) shares which were the weighted average number held for the Share Option Scheme for the year ended 31 December 2023, without taking into account any shares which may be granted and issued by the Company pursuant to the Share Option Scheme.
- (b) The 23,649,722 (2022: 31,156,997) options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the years ended 31 December 2023 and 2022. These options could potentially dilute basic loss per share in the future.

8. TRADE RECEIVABLES

	2023	2022
	<i>USD</i>	<i>USD</i>
Trade receivables	3,599,221	3,169,489
Less: allowance for impairment	<u>(2,431,437)</u>	<u>(2,236,639)</u>
Carrying amount	<u>1,167,784</u>	<u>932,850</u>

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 0 to 120 days and 0 to 30 days, respectively.

The aging analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

	2023	2022
	<i>USD</i>	<i>USD</i>
0-30 days	409,335	329,305
31-90 days	353,209	292,128
91-180 days	215,252	175,465
Over 180 days	<u>189,988</u>	<u>135,952</u>
	<u>1,167,784</u>	<u>932,850</u>

Reconciliation of loss allowance for trade receivables:

	2023 <i>USD</i>	2022 <i>USD</i>
At 1 January	2,236,639	2,167,044
Increase in loss allowance for the year	249,805	224,881
Exchange difference	(55,007)	(155,286)
	<hr/>	<hr/>
At 31 December	<u>2,431,437</u>	<u>2,236,639</u>

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, which is calculated using a provision matrix (including the use of internal and external data sources) 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.

On that basis, the loss allowance as at 31 December 2023 and 2022 was determined as follows for trade receivables:

	Category 1*	Category 2*	Category 3*	Category 4*	Total
Expected loss rate	5%	30%	50%	100%	
Loss allowance as at 31 December 2023 (USD)	61,059	3,193	213	2,366,972	2,431,437
Loss allowance as at 31 December 2022 (USD)	48,743	2,678	482	2,184,736	2,236,639

* The Group's loss allowance categories of trade receivables are as follows:

- Category 1 – Highest grade, lowest credit risk
- Category 2 – Medium grade, low credit risk
- Category 3 – Poor standing, high credit risk
- Category 4 – High likelihood of default, very high credit risk

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2023 <i>USD</i>	2022 <i>USD</i>
USD	993,697	830,980
RMB	91,328	75,844
HKD	82,759	26,026
	<hr/>	<hr/>
	<u>1,167,784</u>	<u>932,850</u>

9. TRADE PAYABLES

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

	2023 <i>USD</i>	2022 <i>USD</i>
0-90 days	421,301	362,139
91-180 days	231,464	276,076
181-360 days	166,008	296,292
Over 360 days	475,005	325,060
	1,293,778	1,259,567

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

	2023 <i>USD</i>	2022 <i>USD</i>
USD	811,971	881,275
RMB	481,807	378,292
	1,293,778	1,259,567

10. SHARE CAPITAL AND SHARES HELD FOR THE SHARE OPTION SCHEME

	Number of ordinary shares	Amount <i>USD</i>
Authorised: Ordinary shares of USD0.001 (2022: USD0.001) each At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	4,000,000,000	4,000,000

As at 31 December 2023, the total number of issued ordinary shares of the Company was 2,000,000,000 shares (2022: 2,000,000,000 shares) with par value of USD0.001 per share (2022: USD0.001 per share) which included 138,978,123 shares (2022: 138,978,123 shares) held under the share incentive scheme. They have been fully paid up.

A summary of 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)
At 31 December 2023	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>(138,978)</u>
At 31 December 2022	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>(138,978)</u>

Note: According to the written resolutions of all the members of the Company dated 2 November 2015 and capitalisation issue dated 24 November 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 27 May 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 years ended 31 December 2023 and 31 December 2022 , no ordinary share of the Company was transferred by the Share Scheme Trust to the grantees exercising of the awarded shares.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital and capital reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In the opinion of the Directors, the Group's capital risk is low.

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/company/). The annual report of the Company for FY2023 will be dispatched (if necessary) 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 26, 2024

As at the date of this announcement, the executive Directors are Mr. LU Yuanfeng, Mr. HUANG Guozhan, Mr. HUANG Deqiang and Ms. LUO Simin, and the independent non-executive Directors are Professor CHAU Chi Wai, Wilton, Mr. LI Yi Wen and Mr. LU Qibo.

* *For identification purposes only*