DIGITAL DOMAIN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 547)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of Digital Domain Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Continuing operations			
Revenue	4	**467,311**	184,457
Cost of sales and services		**(398,113)**	(167,709)
Gross profit		**69,198**	16,748
Other revenue and gains	5	**1,590**	899
Selling and distribution expenses		**(8,223)**	(46)
Administrative expenses and other net operating expenses		**(192,904)**	(22,324)
Finance costs	7	**(19,957)**	(1,451)
Fair value gains on investment properties		**10,500**	12,200
Share of losses of joint ventures		**(828)**	–
Impairment loss on an intangible asset	13	**(132,481)**	–
(Loss)/profit before taxation		**(273,105)**	6,026
Taxation	8	**7,317**	(385)
(Loss)/profit for the year from continuing operations	6	**(265,788)**	5,641

CONSOLIDATED INCOME STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Discontinued operation			
Profit for the year from discontinued operation	9	**–**	577
(Loss)/profit for the year		**(265,788)**	6,218
(Loss)/profit attributable to:			
– Owners of the Company		**(192,215)**	5,959
– Non-controlling interest		**(73,573)**	259
		(265,788)	6,218
(Loss)/earnings per share from continuing and discontinued operations:	10		
– Basic and diluted		**HK cents (1.955)**	HK cent 0.061
(Loss)/earnings per share from continuing operations:	10		
– Basic and diluted		**HK cents (1.955)**	HK cent 0.057

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(265,788)**	6,218
Other comprehensive income		
Items that may be subsequently classified to profit or loss:		
Currency translation differences	**(511)**	30
Other comprehensive income for the year, net of tax	**(511)**	30
Total comprehensive income for the year	**(266,299)**	6,248
Total comprehensive income attributable to:		
– Owners of the Company	**(192,591)**	5,989
– Non-controlling interest	**(73,708)**	259
	(266,299)	6,248

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**47,887**	711
Investment properties		**155,100**	144,600
Intangible assets	13	**329,044**	–
Interests in joint ventures		**11,048**	–
		543,079	145,311
Current assets			
Trading merchandise goods		**8,626**	12,361
Trade receivables, other receivables and prepayments	11	**73,999**	31,205
Tax recoverable		**–**	27
Bank balances and cash		**209,338**	238,873
		291,963	282,466
Current liabilities			
Trade payables, other payables and accruals	12	**80,581**	16,078
Deferred revenue		**33,566**	–
Borrowings		**7,481**	7,397
Obligations under finance leases		**4,783**	–
Tax payable		**3,744**	108
Amount due to a related company		**1,824**	–
		131,979	23,583
Net current assets		**159,984**	258,883
Total assets less current liabilities		**703,063**	404,194

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Borrowings		**122,796**	63,399
Obligations under finance leases		**8,582**	–
Deferred tax liabilities		**7,398**	999
Convertible notes	14	**337,267**	–
		476,043	64,398
Net assets		**227,020**	339,796
EQUITY			
Capital and reserves			
Share capital		**98,327**	98,327
Reserves		**119,864**	241,469
Equity attributable to owners of the Company		**218,191**	339,796
Non-controlling interest		**8,829**	–
Total equity		**227,020**	339,796

NOTES

1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has its principal place of business at Rooms 1818-1823, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

Pursuant to a special resolution passed at the special general meeting of the Company held on 28 November 2013, the shareholders of the Company have approved to change the name of the Company from "Sun Innovation Holdings Limited" to "Digital Domain Holdings Limited" and to adopt "數字王國集團有限公司" to replace "奧亮集團有限公司" as the Chinese name of the Company for identification purposes only. With the approval of the Registrar of Companies in Bermuda, the name change of the Company became effective on 6 December 2013.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are property investment, trading and media entertainment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of revised HKFRSs – first effective on 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
Amendments to HKFRS 1	Government loans

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current year. The disclosures about the impairment of intangible assets in Note 13 have been modified accordingly.

(c) New/revised HKFRSs that have been issued but are not yet effective and not early adopted

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

4. REVENUE AND SEGMENT REPORTING

An analysis of the turnover, which represents the Group's revenue from its principal activities for the year, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Continuing operations:		
Provision of services of visual effects production	**238,185**	–
Sales of goods	**223,416**	179,041
Rental income	**5,710**	5,416
	467,311	184,457

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions and to assess the performance.

The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Property investment

– Trading

– Media entertainment (visual effects production)

– Entertainment media (mobile entertainment business) (discontinued during the year ended 31 December 2010 – *Note 9)*

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit or loss that is used by the chief operating decision-makers for assessment of segment performance.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before taxation. The adjusted (loss)/profit before taxation is measured consistently with the Group's (loss)/profit before taxation except that other revenue and gains, fair value gains on investment properties, share of losses of joint ventures and finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, convertible notes and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Continuing operations								Discontinued operation			
	Property investment		Trading		Media entertainment		Total		Entertainment media		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**5,710**	5,416	**223,416**	179,041	**238,185**	–	**467,311**	184,457	**–**	–	**467,311**	184,457
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**5,710**	5,416	**223,416**	179,041	**238,185**	–	**467,311**	184,457	**–**	–	**467,311**	184,457
Reportable segment (loss)/profit	**4,554**	4,278	**14,129**	10,584	**(254,015)**	–	**(235,332)**	14,862	**–**	(641)	**(235,332)**	14,221
Addition to non-current assets	**–**	–	**–**	–	**616,807**	–	**616,807**	–	**–**	–	**616,807**	–
Depreciation and amortisation	**–**	–	**–**	–	**103,612**	–	**103,612**	–	**–**	–	**103,612**	–
Impairment loss on an intangible asset	**–**	–	**–**	–	**132,481**	–	**132,481**	–	**–**	–	**132,481**	–
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**4,130**	–	**4,130**	–	**–**	–	**4,130**	–
Taxation	**–**	–	**666**	385	**(7,983)**	–	**(7,317)**	385	**–**	–	**(7,317)**	385
Reportable segment assets	**156,202**	146,041	**96,176**	61,674	**441,052**	–	**693,430**	207,715	**44**	44	**693,474**	207,759
Reportable segment liabilities	**1,440**	1,415	**31,198**	13,206	**155,316**	–	**187,954**	14,621	**5,800**	5,800	**193,754**	20,421

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit before taxation (include continuing and discontinued operations)		
Reportable segment (loss)/profit	**(235,332)**	14,221
Segment loss from discontinued operation	**–**	641
Other revenue and gains	**1,590**	899
Unallocated corporate expenses	**(29,078)**	(20,484)
Fair value gains on investment properties	**10,500**	12,200
Share of losses of joint ventures	**(828)**	–
Finance costs	**(19,957)**	(1,451)
Consolidated (loss)/profit before taxation from continuing operations	**(273,105)**	6,026

	2013	2012
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**693,474**	207,759
Unallocated bank balances and cash	**127,462**	217,519
Unallocated corporate assets	**14,106**	2,499
Consolidated total assets	**835,042**	427,777
Liabilities		
Reportable segment liabilities	**193,754**	20,421
Unallocated borrowings	**63,399**	65,889
Tax payable	**3,744**	108
Deferred tax liabilities	**7,398**	999
Convertible notes	**337,267**	–
Unallocated corporate liabilities	**2,460**	564
Consolidated total liabilities	**608,022**	87,981

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers in its continuing operations and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customers	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**5,710**	5,416
Mainland China	**223,416**	179,041
USA	**113,717**	–
Canada	**103,330**	–
Other countries	**21,138**	–
	467,311	184,457

The revenue information from continuing operations above is based on the location of customers.

	Specified non-current assets	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**166,603**	145,311
USA and Canada	**376,476**	–
	543,079	145,311

(d) Major customers

The Group's customer base is diversified and there were three (2012: four) customers with whom transactions have exceeded 10% of the Group's revenues.

During the current year, revenues from two customers in the trading segment amounted to approximately HK$96,736,000 and HK$72,826,000 respectively; and from one customer in media entertainment amounted to approximately HK$58,471,000. During the year ended 31 December 2012, revenues from four customers in trading segment amounted to approximately HK$66,522,000, HK$57,256,000, HK$28,641,000 and HK$26,622,000 respectively.

5. OTHER REVENUE AND GAINS

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Royalty income	**697**	–
Interest income	**533**	899
Others	**360**	–
	1,590	899

6. (LOSS)/PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
This is arrived at after charging/(crediting):		
Cost of inventories sold	**206,993**	166,738
Cost of services rendered *(Note)*	**191,120**	971
Loss on disposal of property, plant and equipment	**4,130**	–
Exchange differences, net	**(220)**	159
Auditor's remuneration:		
– audit services	**1,207**	724
– non-audit services	**1,335**	480
Depreciation of property, plant and equipment *(Note)*	**15,573**	359
Amortisation of intangible assets *(Note)*	**88,363**	–
Research and development	**3,046**	–
Operating lease rentals in respect of:		
– rented premises	**12,775**	2,451
– rented equipment	**8,468**	–
Staff costs *(Note)*:		
– Directors' remuneration	**2,378**	2,376
– Other staff costs:		
Salaries, wages and other benefits	**201,572**	6,964
Retirement benefit scheme contributions	**259**	239
Total staff costs	**204,209**	9,579

Note:

Cost of services rendered include HK$177,275,000 (2012: HK$Nil) relating to staff costs, depreciation of property, plant and equipment and amortisation of intangible assets, for which the amounts are also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Imputed interest on convertible notes *(Note 14)*	**16,253**	–
Interests on:		
Borrowings wholly repayable within five years	**604**	475
Borrowings not wholly repayable within five years	**2,105**	1,451
Finance leases	**995**	–
	19,957	1,926
Attributable to continuing operations reported in the consolidated income statement	**19,957**	1,451
Attributable to discontinued operation *(Note 9)*	**–**	475
	19,957	1,926

8. TAXATION

	2013	2012
	HK$'000	*HK$'000*
Taxation (credited)/charged in the consolidated income statement represents:		
Current taxation – Hong Kong profits tax		
– provision for the year	**684**	450
– over-provision in respect of prior years	**(18)**	(65)
Current taxation – Overseas tax		
– provision for the year	**3,376**	–
Deferred taxation	**(11,359)**	–
	(7,317)	385

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for both years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

9. DISCONTINUED OPERATION

During the year ended 31 December 2010, the Group ceased its operations in entertainment media business which is referred to as the "Discontinued Operation". On 20 December 2010, the Group decided not to continue to finance its entertainment media business. Further details were set out in the Company's announcement dated 20 December 2010. As at 31 December 2010, the Discontinued Operation ceased operation and accordingly the segment was classified as discontinued operation in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*. The revenue and results of the Discontinued Operation were as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue	**–**	–
Administrative expenses and other net operating expenses	**–**	(641)
Finance costs *(Note 7)*	**–**	(475)
Gain on deconsolidation of a subsidiary	**–**	1,693
Profit before taxation	**–**	577
Taxation	**–**	–
Profit for the year from the Discontinued Operation	**–**	577

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the basic (loss)/earnings per share is based on the following data:

From continuing and discontinued operations

	Year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(192,215)**	5,959

	Number of shares	
	2013	2012
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**9,832,685,768**	9,832,685,768

From continuing operations

	Year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit for the year for the purpose of basic (loss)/earnings per share from continuing operations	**(192,215)**	5,641

Diluted (loss)/earnings per share from continuing and discontinued operations

The denominators used are the same as those detailed above for calculating basic and diluted (loss)/earnings per share from continuing and discontinued operations.

As convertible notes outstanding during the year had an anti-dilutive effect on the basic (loss)/earnings per share for the year, the conversion of the above potential dilutive shares was not assumed in the computation of diluted (loss)/earnings per share. Except for the above, there is no other potential dilutive share during the current and prior years. Therefore, the basic and diluted (loss)/earnings per share for (i) continuing and discontinued operations and (ii) continuing operations in the current and prior years are equal.

From discontinued operation

Basic earnings per share for the discontinued operation is HK cent Nil (2012: HK cent 0.004), based on the profit for the year from the discontinued operation of HK$Nil (2012: HK$318,000) attributable to owners of the Company and the denominators detailed above for both basic and diluted (loss)/earnings per share of the continuing and discontinued operations.

Diluted (loss)/earnings per share from discontinued operation

As convertible notes outstanding during the year had an anti-dilutive effect on the basic loss per share in the year, the conversion of the above potential dilutive shares was not assumed in the computation of diluted loss per share of the discontinued operation. Except for the above, there is no other potential dilutive share during the current and prior years. Therefore, the basic and diluted (loss)/earnings per share for the discontinued operation in the current and prior years are equal.

11. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Trade receivables, net of allowance	**64,060**	29,217
Other receivables and prepayments, net of allowance	**9,939**	1,988
	73,999	31,205

(i) The directors consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2012 and 2013.

No interest is charged on trade and other receivables.

(ii) The Group normally allows an average credit period of 30 to 60 days (2012: 60 to 90 days) to trade customers. The ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the due date as of the end of reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current	**54,825**	20,729
1 to 30 days	**5,831**	8,488
31 to 60 days	**2,112**	–
61 to 90 days	**1,292**	–
	64,060	29,217

(iii) The movements in the allowance for doubtful debts on trade receivables during the year, including both specific and collective loss components, are as follows:

	2013	2012
	HK$'000	*HK$'000*
As at 1 January	**–**	1,767
Bad debts written off	**–**	(1,767)
As at 31 December	**–**	–

(iv) The movements in the allowance for doubtful debts on other receivables during the year, including both specific and collective loss components, are as follows:

	2013	2012
	HK$'000	*HK$'000*
As at 1 January	**–**	830
Bad debts written off	**–**	(830)
As at 31 December	**–**	–

(v) The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 1 month past due	**5,831**	8,488
1 to 3 months past due	**3,404**	–
As at 31 December	**9,235**	8,488

Receivables that were neither past due nor impaired relate to a wide range of debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent debtors that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**33,000**	12,535
Other payables and accruals	**47,581**	3,543
	80,581	16,078

The directors consider that the carrying amounts of trade payables, other payables and accruals approximate their fair values as at 31 December 2012 and 2013.

The ageing analysis of the Group's trade payables based on due date as of the end of reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current	**31,269**	–
1 to 30 days	**357**	12,521
31 to 60 days	**697**	–
61 to 90 days	**135**	–
Over 90 days	**542**	14
	33,000	12,535

13. INTANGIBLE ASSETS

	Goodwill	Trademarks	Proprietary software	Participation rights	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (a))*	*(Note (b))*	*(Note (c))*	
COST					
Additions from business combination *(Note 15)*	207,011	19,385	56,949	258,985	542,330
Additions	–	–	7,592	–	7,592
Exchange realignment	–	–	(40)	2	(38)
As at 31 December 2013	207,011	19,385	64,501	258,987	549,884
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS					
Amortisation for the period	–	–	14,275	74,088	88,363
Impairment loss *(Note (e))*	–	–	–	132,481	132,481
Exchange realignment	–	–	(4)	–	(4)
As at 31 December 2013	–	–	14,271	206,569	220,840
CARRYING AMOUNT					
As at 31 December 2013	207,011	19,385	50,230	52,418	329,044

Notes:

(a) The Group's goodwill and trademarks arise from the business combination as set out in Note 15.

Trademarks were considered as having indefinite useful lives as they are considered renewable at minimal costs. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. In the opinion of the directors of the Company, the trademarks can provide continuing economic benefits to the Group taking into account (i) the long-term expected usage of the trademarks by the Group with reference to the history of the operations and considering that such trademarks could be managed efficiently by another management team; and (ii) the long product life cycles for the trademarks.

The goodwill and trademarks are allocated to the Group's visual effects production business CGU for the purpose of impairment testing.

The recoverable amount of the visual effects production CGU has been determined by the directors of the Group on the basis of a value-in-use calculation with reference to a professional valuation report issued by BMI Appraisals Limited ("BMI"), an independent firm of professionally qualified valuers. The recoverable amount is based on certain key assumptions. The value-in-use calculation used cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years with 12% average growth rate, and at a pre-tax discount rate of 23%. The cash flow projections beyond the 5-year period are extrapolated using a 2% growth rate. Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budget gross margins have been determined based on past performance and the Group management's expectations for the market development and future performance of the visual effects production business.

(b) Proprietary software mainly represented internally developed and purchased software to produce various visual effects. Proprietary software was acquired through the business combination as set out in Note 15.

(c) Participation rights represented the contractual rights of profit-sharing on pre-determined percentages from movies. Participation rights were acquired through the business combination as set out in Note 15.

(d) As at 31 December 2013, net carrying amount of proprietary software of HK$6,097,000 was held under finance lease. The lease does not include contingent rental.

(e) During the year, the underlying movie of one of the Group's participation rights was released in the regions where the Group is eligible to share the profits under contractual right. The box office revenue and other related revenue of the movie were below expectation of the Group which is an impairment indicator of that related participation right. Therefore, the directors of the Company conducted an impairment assessment of the related participation right before impairment as follows:

The recoverable amount of the related participation right has been determined by the directors of the Company on the basis of a fair-value-less-costs-of-disposal calculation using discounted cash flow method with reference to a professional valuation report issued by BMI. The recoverable amount is based on certain key assumptions. The fair-value-less-costs-of-disposal calculation uses cash flow projections of the film based on the latest estimation approved by the Group's management covering a period of 5 years and at a post-tax discount rate of 20%. Cash flow projections are based on the normal pattern of cash flow stream from a movie in the industry and the Group management's expectation.

The recoverable amount of the related participation right was HK$49,626,000, which fell below the carrying value by the amount of HK$132,481,000 and therefore an impairment loss in the same amount was recognised in profit or loss. The fair-value-less-cost-of-disposal calculation of participation right is classified as a level 3 measurement.

14. CONVERTIBLE NOTES

On 4 July 2013, the Company issued convertible notes with the aggregate principal amount of HK$392,000,000 as part of the purchase consideration for the business combination, further details of which are set out in Note 15. The convertible notes bear zero interest and has maturity date of 24 months from date of issue (i.e. 3 July 2015) with a right to convert at a maximum of 9,800,000,000 shares of the Company at the initial conversion price of HK$0.04 per share (the "Convertible Notes"). Unless previously converted or purchased or redeemed, the Company shall redeem the Convertible Notes on the maturity date at the redemption amount which is 100% of the principal amount of the Convertible Notes then outstanding.

Since the exercise of conversion option embedded in the Convertible Notes would result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company, the embedded conversion option is therefore accounted for as an equity instrument. The aggregate principal amount of HK$392,000,000 from the issue of the Convertible Notes has been split into liability and equity components. On the issue of the Convertible Notes, the fair value of the liability component and the residual value of equity component were determined as approximately HK$321,014,000 and HK$70,986,000 respectively, based on the valuation by Knight Frank Asset Appraisal Limited, an independent firm of professionally qualified valuers. The liability component is carried as a non-current liability on the amortised cost basis until extinguished or conversion. The carrying amount of the conversion option credited to equity is not re-measured in subsequent periods.

The movements of the liability component and equity component of the Convertible Notes during the year ended 31 December 2013 are as follows:

	Liability component of Convertible Notes	**Equity component of Convertible Notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2013	–	–	–
Issue of the Convertible Notes	321,014	70,986	392,000
Effective imputed interest expense recognised *(Note 7)*	16,253	–	16,253
As at 31 December 2013, with liability component classified under non-current liabilities	337,267	70,986	408,253

Effective imputed interest on the Convertible Notes for the year ended 31 December 2013 is calculated using the effective interest method by applying the average effective interest rate of 10.86% per annum.

15. BUSINESS COMBINATION

On 4 July 2013, the Group completed the acquisition of the entire issued share capital of Upfield Sky Limited (together with its subsidiaries are referred to as the "Target Group") and the shareholder's loan due from the Target Group to one of the vendors. The Target Group is engaged in the provision of services of visual effects production. The acquisition was made by the Group with the aim to commence the business of visual effects production.

The fair values of the identifiable assets and liabilities acquired as at the date of acquisition were as follows:

	Carrying amount	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	41,994	7,724	49,718
Intangible assets other than goodwill	301,287	34,032	335,319
Deferred tax assets	3,506	–	3,506
Trade receivables, other receivables and prepayments	65,832	–	65,832
Bank balances and cash	30,868	–	30,868
Trade payables, other payables and accruals	(158,440)	–	(158,440)
Deferred revenue	(21,157)	–	(21,157)
Obligations under finance leases	(124)	–	(124)
Amounts due to related companies	(618)	–	(618)
Deferred tax liabilities	(1,389)	(19,885)	(21,274)
Net assets			283,630
Non-controlling interest			(82,537)
			201,093
Goodwill			207,011
Total consideration			408,104
Total consideration consisted of:			
– Fair value of the Convertible Notes			392,000
– Cash payment of the shareholder's loan to the Target Group			16,104
			408,104

An analysis of the cash flows in respect of the acquisition of the Target Group is as follows:

	HK$'000
Cash consideration	(16,104)
Cash and bank balances acquired	30,868
Net inflow of cash and cash equivalents included in cash flows from investing activities	14,764

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of the visual effects production business to diversify the revenue stream of the existing businesses of the Group.

Since the acquisition, the Target Group has contributed HK$238,185,000 to the Group's revenue and HK$245,793,000 to the Group's loss for the year. If the acquisition had occurred on 1 January 2013, the Group's revenue and loss for the year would have been HK$802,820,000 and HK$379,165,000 respectively. This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$6,861,000 have been expensed and are included in administrative expenses.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

REVIEW AND OUTLOOK

FINANCIAL AND BUSINESS REVIEW

For the year ended 31 December 2013, the Group achieved a revenue from continuing operations of HK$467,311,000 (2012: HK$184,457,000), showing an increase of approximately 153% compared to that of last year. The increase in revenue was mainly attributable to the revenue from new business segment (media entertainment – visual effects ("VFX") production) and growth in trading segment. Loss from continuing operations for the year ended 31 December 2013 was approximately HK$265,788,000 (2012: profit of HK$5,641,000). The loss from continuing operations for the year was mainly caused by the operating loss from media entertainment segment (VFX production), impairment loss on an intangible asset (participation right in the film Ender's Game), increment of finance costs (imputed interest on convertible notes) and professional fee incurred for the major transaction (acquisition). Excluding the above mentioned four factors, the adjusted profit from continuing operations for the year was HK$3,297,000. Loss attributable to owners of the Company was HK$192,215,000 (2012: profit of HK$5,959,000) for the year ended 31 December 2013.

Property Investment Segment

The Group owns two shops at the ground floor and 10 car parks in the Citicorp Centre, Causeway Bay. All shops and some of car parks were leased out as at 31 December 2013. For the year ended 31 December 2013, this segment reported a revenue and profit of approximately HK$5,710,000 (2012: HK$5,416,000) and HK$4,554,000 (2012: HK$4,278,000) respectively both with a mild increase of approximately 6% compared to the prior year. The revenue accounted for 1% of the Group's overall revenue during the year under review. Driven by the stable rental income, the revenue and profit of this segment have grown steadily and contributed as a stable income stream for the Group. The Group would review the existing investment properties portfolio constantly and continue to explore potential profitable investments in Hong Kong and/or Mainland China.

Trading Segment

For the year ended 31 December 2013, this segment recorded a revenue of approximately HK$223,416,000 (2012: HK$179,041,000), reflecting an uplift of approximately 25% over last year and a contribution of approximately 48% of the revenue of the Group. The profit of the trading segment also rose by approximately 33% to HK$14,129,000 (2012: HK$10,584,000).

In 2013, this segment was engaged in the trading of metal scraps (e.g. copper wire) among Hong Kong, Mainland China and other countries/regions. The Group would make relentless effort to boost the business and optimise the efficiency and product varieties of the trading segment so as to lay a solid foundation for the future growth of the Group.

Media Entertainment Segment

In order to diversify the existing business portfolio of the Group and to broaden its source of income, the Group has acquired the VFX production business in July 2013 as mentioned in the paragraph headed "Material Acquisition" below. The media entertainment segment mainly provides VFX for major motion picture studios and advertisers. The following list of recent awards and nomination is a recognition for the Group's VFX technology:

– **2013 CLIO Awards**

  Grand: Content & Contact, 'Virtual Tupac at Coachella'

– **2013 CLIO Awards**

  Silver: Film Crafts – Visual Effects, Nike 'Biomorph'

– **2013 CLIO Awards**

  Bronze: Film Craft – Animation, Toyota 'The Real Deal'

– **2013 VES Awards**

Outstanding Visual Effects in a Commercial, Nike 'Biomorph'

– **86th (2014) Academy Awards (Oscars)**

Nominee for Best Visual Effects - Iron Man 3

For the co-production film, Ender's Game, the first theatrical release took place in November 2013 in the United States of America ("U.S.") and whilst the film continues to generate income from distribution both within and outside the U.S. Ender's Game is based on the best-selling, award winning novel. Ender's Game is an epic adventure starring Harrison Ford, Asa Butterfield, Hailee Steinfeld, Viola Davis, with Abigail Breslin and Ben Kingsley. It is distributed by Summit Entertainment in association with OddLot Entertainment and is a Chartoff Productions/Taleswapper/OddLot Entertainment/K/O Paper Products/Digital Domain 3.0, Inc. production. Digital Domain 3.0, Inc. is a 70% indirectly owned subsidiary of the Company.

During the year under review, this segment recorded a turnover of approximately HK$238,185,000. The turnover of this segment accounted for approximately 51% of the Group's turnover for the year under review. This segment incurred loss of HK$254,015,000 even though margins have improved post acquisition. The loss was primarily due to the operating loss and the impairment loss on an intangible asset (participation right in the film Ender's Game). The adjusted segment loss by adjusting (a) depreciation of property, plant and equipment and amortisation of intangible assets and (b) impairment loss on an intangible asset was HK$17,922,000.

MATERIAL ACQUISITION

On 27 March 2013, the Group entered into a conditional sale and purchase agreement (as amended by a side letter dated 23 May 2013, referred as the "Sale and Purchase Agreement") with Harmony Energy Limited ("HEL") and Ms. Gegen Tana (collectively as the "Vendors") and Mr. Che Fung as the guarantor of HEL, pursuant to which the Vendors had agreed to sell and the Group had agreed to purchase the entire issued share capital of Upfield Sky Limited ("Upfield") at a consideration of HK$392 million which is to be satisfied by the issue of the convertible notes. In addition, HEL should assign to the Group all the right, title and interest in the shareholder's loan due from Upfield to HEL at its principal amount outstanding at the completion of the acquisition pursuant to the Sale and Purchase Agreement.

The principal asset of Upfield is its equity interest in a group of companies, including Digital Domain 3.0, Inc., Digital Domain Productions 3.0 (BC), Ltd. and Mothership Media, Inc. (collectively as the "DD US"). DD US is a leading provider of VFX for major motion picture studios and advertisers.

The acquisition constitutes a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The transactions contemplated under the Sale and Purchase Agreement and the issuance of the convertible notes have been approved by shareholders of the Company at the special general meeting of the Company held on 3 July 2013. On 4 July 2013, the completion of the Sale and Purchase Agreement took place and convertible notes in the aggregate principal amount of HK$392 million were issued to the Vendors apportioned as to the principal amount of HK$190.512 million to HEL and the principal amount of HK$201.488 million to Ms. Gegan Tana.

For details, please refer to the Company's announcements dated 19 November 2012, 28 March, 30 April, 30 May, 3 July and 4 July 2013 and circular dated 14 June 2013 respectively.

INTEREST IN JOINT VENTURE

In September 2013, the Group started our co-operation with Tencent group (the shares of which are listed on the Stock Exchange (stock code: 700)) through an acquisition of the entire issued share capital of Ever Ultra Limited ("Ever Ultra"). The principal asset of Ever Ultra is its 50% interest in DD Tencent Company Limited whereas the remaining 50% is held by Tencent group. Each of the Group and Tencent group has contributed US$1.5 million into this joint venture. The joint venture has not conducted any material business activity since its incorporation and will continue to explore potential investment opportunities in the coming years.

CAPITAL

As at 31 December 2013, the total number of issued shares of the Company was 9,832,685,768 shares. On 4 July 2013, convertible notes in the principal amount of HK$190.512 million were issued to HEL and convertible notes in the principal amount of HK$201.488 million were issued to Ms. Gegen Tana. Based on the initial conversion price of HK$0.04 per conversion share, a number of 9,800,000,000 conversion shares will be allotted and issued if the conversion rights attaching to the convertible notes are exercised in full. As at 31 December 2013, no convertible right attaching to the convertible notes had been exercised.

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON GROUP ASSETS AND GEARING RATIO

The Group has diverse sources of financing, including internal funds generated from the Group's business operations, general banking facilities on secured basis, non-bank loans on unsecured basis and non-regular contributions (such as placement of shares or issuance of convertible notes or financing by shareholder's loans) from the shareholders and other potential investors. The Group continues to adopt conservative funding and treasury policies.

During the financial year under review, the Group had banking facilities in form of instalment loans in principal amount of HK$63,399,000. These banking facilities were secured by the Group's investment properties with the aggregate net book value of HK$155,100,000 as at 31 December 2013.

In addition to the banking facilities mentioned above, an indirectly-owned subsidiary of the Group, among the entertainment media segment which was discontinued in end of December 2010, had obtained a banking facility amounted to HK$6,000,000 from a bank in Hong Kong in 2009 which consisted of a 5-year instalment loan ("Five Years Loan"). This facility was granted under the Special Loan Guarantee Scheme of the Government of the Hong Kong Special Administrative Region (the "Government") pursuant to which, the Government had provided 80% guarantee to the bank. A corporate guarantee was provided to the bank by an intermediate subsidiary of the Company which held the aforesaid indirectly-owned subsidiary. On 20 December 2010, the Company announced that it would not provide further financial assistance to the entertainment media segment. As a result, operation of the aforesaid subsidiary had been discontinued since end of December 2010. This Five Years Loan was fully classified as current liability.

The Group had a non-bank loan of approximately HK$61,969,000 as at 31 December 2013. This non-bank loan was denominated in United States dollars, unsecured, interest-free and not repayable within thirteen months from 31 December 2013.

As at 31 December 2013, the Group also had obligations under finance leases of approximately HK$13,365,000 and which were denominated in United States dollars. These obligations were for certain computer equipment and software (leased assets) and secured by the lessor's charge over the leased assets. The average term was 3 years. Interest rates underlying all obligations were fixed at respective contract dates. All obligations were on a fixed repayment basis and no arrangement had been entered into for contingent rental payments.

During the financial year under review, the Group issued convertible notes in the aggregate principal amount of HK$392,000,000 for settlement of the consideration for the major transaction for acquisition of VFX production business mentioned in the paragraphs headed "Material Acquisition" and "Capital" above.

The cash and bank balances as at 31 December 2013 was approximately HK$209,338,000. As at 31 December 2013, the Group had banking facilities of approximately HK$68,308,000. These bank loans were at floating interest rate and denominated in Hong Kong dollars. For the financial year under review, all bank loans of the Group (except the Five Years Loan mentioned above) were classified as current liability and non-current liability according to the agreed scheduled repayments dates. According to the agreed scheduled repayments dates, the maturity profile of the Group's bank borrowings (except the Five Years Loan that fully classified as current liability) as at 31 December 2013 was spread over a period of 19 years, with approximately 4% repayable within one year, 18% repayable between two to five years and 78% repayable over five years.

The Group's current assets were approximately HK$291,963,000 while the current liabilities were approximately HK$131,979,000 as at 31 December 2013. As at 31 December 2013, the Group's current ratio was 2.2 (as at 31 December 2012: 11.8).

As at 31 December 2013, the Group's gearing ratio, representing the Group's bank loans, non-bank loan, convertible notes and obligations under finance leases, if any, divided by the equity attributable to owners of the Company was 220% (as at 31 December 2012: 21%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's revenue, expenses, assets and liabilities were denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB"), United States dollars ("USD") and Canadian dollars ("CAD"). The exchange rates of USD against HKD remained relatively stable during the financial year under review. As the financial statements of the business operations in the North America were reported in USD, if the CAD strengthens relative to USD, reported earnings for Canadian portion would increase. Certain expenses of the Group incurred in RMB which had fluctuated in a relatively greater extent in the financial year under review. However, the amount of RMB expenses incurred were immaterial, the appreciation of RMB against HKD did not have material adverse effect on the operations of the Group for the financial year under review.

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations involving RMB and CAD. However, the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 31 December 2013, the total headcount of the Group was 487. The Group believes that its employees play an important role in its success. Under the Group's remuneration policy, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Other benefits include discretionary bonus, share option scheme and retirement schemes.

PROSPECT

During the year of 2013, the Group acquired the VFX production business. This provides the opportunity for the Group to re-enter the media related business which ceased in 2010 by tapping into the VFX market. The Group has provided VFX production for feature films, including some of the most recognisable and successful ones, such as Iron Man 3 which has been nominated for Best Visual Effects in 2014 Academy Awards (Oscars). Given the substantial experience in the VFX business, the

Group will be actively in negotiation to capture other available opportunities in 2014. On the other hand, the Group will continue to adopt cost control measures to further improve the profit margins of the VFX business after our acquisition.

In 2013, both the property investment segment and trading segment performed satisfactorily with a stable income stream generated for the Group. The Group will make continuous effort to improve their performance in the coming years.

Looking ahead, the Group shall strive to explore more potential opportunities for the benefit of our valued shareholders and investors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There has been no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

During the financial year of 2013, the Company has complied with most of the Code Provisions of the CG Code save for the following:

1. The chairman of the Board of the Company is not subject to retirement by rotation pursuant to bye-law 87(1) of the Company's bye-laws;

2. There is no separation of the role of the chairman and the chief executive officer ("CEO") or chief executive. Mr. Zhou Jian is the chairman of the Company and the Company does not have any chief executive or any officer with the title of CEO. The roles and functions of CEO or chief executive are performed by all the executive directors of the Company collectively in view of the current size of the Group. The Board will periodically review such arrangement and may adopt appropriate measures in future during the further development of the Group's businesses; and

3. The independent non-executive directors of the Company were not appointed for a specific term. However, they are subject to retirement by rotation and eligible for re-election at the annual general meeting pursuant to the Company's bye-laws and the CG Code. The service contracts of all the independent non-executive directors have a termination notice requirement of one month.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2013.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.digitaldomainhl.com and the Stock Exchange at www.hkexnews.hk respectively. The annual report of the Company will be despatched to shareholders and available at the same websites in due course.

By Order of the Board
Digital Domain Holdings Limited
Zhou Jian
Chairman

Hong Kong, 21 March 2014

As at the date of this announcement, Mr. Zhou Jian and Mr. Fan Lei are the executive directors of the Company and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Wong Ka Kong Adam are the independent non-executive directors of the Company.