DIGITALDOMAIN

DIGITAL DOMAIN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "Directors" and the "Board" respectively) 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 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	4	**527,341**	849,952
Cost of sales and services		**(443,122)**	(700,543)
Gross profit		**84,219**	149,409
Other revenue and gains	5	**14,084**	39,146
Selling and distribution expenses		**(28,658)**	(22,769)
Administrative expenses and other net operating expenses		**(251,478)**	(205,763)
Finance costs	7	**(39,801)**	(41,182)
Gain on disposal and dissolution of subsidiaries		**–**	183
Fair value gains on investment properties		**18,054**	34,500
Share of loss of an associate	8	**(425)**	–
Gain on re-measurement of previously held equity interest in an associate	8	**35,777**	–
Share of losses of joint ventures		**(5,790)**	(94)
Gain on modification of terms of convertible notes		**–**	77,121
(Loss)/profit before taxation		**(174,018)**	30,551
Taxation	9	**(5,489)**	2,930
(Loss)/profit for the year	6	**(179,507)**	33,481
(Loss)/profit attributable to:			
– Owners of the Company		**(156,298)**	43,323
– Non-controlling interest		**(23,209)**	(9,842)
		(179,507)	33,481
(Loss)/earnings per share:	10		
Basic		**HK cents (1.572)**	HK cent 0.441
Diluted		**HK cents (1.572)**	HK cent 0.008

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
(Loss)/profit for the year		**(179,507)**	33,481
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(8,594)**	20
Share of other comprehensive income of an associate	*8*	**(431)**	–
Other comprehensive income for the year, net of tax		**(9,025)**	20
Total comprehensive income for the year		**(188,532)**	33,501
Total comprehensive income attributable to:			
– Owners of the Company		**(162,983)**	43,341
– Non-controlling interest		**(25,549)**	(9,840)
		(188,532)	33,501

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**33,330**	42,720
Investment properties		**208,600**	189,600
Intangible assets	*11*	**873,972**	278,657
Interests in joint ventures		**12,576**	10,738
		1,128,478	521,715
Current assets			
Inventories		**329**	–
Trade receivables, other receivables and prepayments	*12*	**66,820**	88,033
Bank balances and cash		**344,726**	140,998
		411,875	229,031
Current liabilities			
Trade payables, other payables and accruals	*13*	**58,979**	38,094
Deferred revenue		**33,735**	29,612
Borrowings		**78,657**	7,577
Obligations under finance leases		**3,096**	7,725
Tax payable		**5,279**	4,832
		179,746	87,840
Net current assets		**232,129**	141,191
Total assets less current liabilities		**1,360,607**	662,906
Non-current liabilities			
Borrowings		**281,559**	95,473
Obligations under finance leases		**–**	3,098
Deferred tax liabilities		**45,944**	1,927
Convertible notes		**330,863**	295,648
		658,366	396,146
NET ASSETS		**702,241**	266,760
Capital and reserves			
Share capital		**107,006**	98,327
Reserves		**566,422**	169,444
Equity attributable to owners of the Company		**673,428**	267,771
Non-controlling interest		**28,813**	(1,011)
TOTAL EQUITY		**702,241**	266,760

NOTES

1. ORGANISATION AND OPERATIONS

Digital Domain Holdings Limited (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 Suite 7003, 70th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

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

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

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2015

During the year, the Group has adopted the following amendments to HKFRSs which are first effective for the current year and relevant to the Group. The adoption of these amendments has no material impact on the Group's financial statements.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

(b) 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.

		Effective date
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle	(i)
Amendments to HKAS 1	Disclosure Initiative	(i)
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	(i)
HKFRS 9 (2014)	Financial Instruments	(ii)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(iii)
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	(i)
HKFRS 15	Revenue from Contracts with Customers	(ii)

Effective date:

(i) Annual periods beginning on or after 1 January 2016
(ii) Annual periods beginning on or after 1 January 2018
(iii) Mandatory effective date is yet to be determined but early application is permitted

Annual Improvements 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

(c) New Hong Kong Companies Ordinance provisions relating to the disclosure requirements for financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the disclosure requirements for financial statements apply to the Company in this financial year.

The directors of the Company consider that there is no impact on the Group's financial position or performance, however the disclosure requirements of the new Hong Kong Companies Ordinance, Cap. 622, have impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than a primary statement and the related notes to the financial statements of the Company are generally no longer presented.

3. SIGNIFICANT ACCOUNTING POLICIES

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 Group's revenue from its principal activities for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Provision of services of visual effects production, and sales of 360 degree digital capture device and application	**521,781**	524,595
Sales of goods	**–**	319,707
Rental income	**5,560**	5,650
	527,341	849,952

(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:

- Media entertainment (visual effects production and 360 degree digital capture technology application)
- Trading
- Property investment

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 fair value gains on investment properties, share of loss of an associate, gain on re-measurement of previously held equity interest in an associate, share of losses of joint ventures, equity-settled share-based payment expenses, finance costs, unallocated other revenue and gains (including (loss)/gain on disposal of property, plant and equipment, royalty income, interest income and sundry income), 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.

	Media entertainment		Trading		Property investment		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**521,781**	524,595	**–**	319,707	**5,560**	5,650	**527,341**	849,952
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**521,781**	524,595	**–**	319,707	**5,560**	5,650	**527,341**	849,952
Reportable segment (loss)/profit	**(78,067)**	(36,019)	**(1,187)**	21,843	**4,261**	4,519	**(74,993)**	(9,657)
Additions to non-current assets	**638,653**	19,700	**–**	–	**–**	–	**638,653**	19,700
Depreciation and amortisation	**50,407**	87,360	**–**	–	**–**	–	**50,407**	87,360
Gain on disposal of property, plant and equipment	**–**	952	**–**	–	**–**	–	**–**	952
Taxation	**5,511**	(3,291)	**(22)**	1,360	**–**	(999)	**5,489**	(2,930)
Reportable segment assets	**959,322**	404,015	**15,247**	91,582	**211,404**	192,525	**1,185,973**	688,122
Reportable segment liabilities	**376,523**	109,036	**700**	865	**3,100**	2,557	**380,323**	112,458

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

	2015	2014
	HK$'000	*HK$'000*
(Loss)/profit before taxation		
Reportable segment loss	**(74,993)**	(9,657)
Gain on re-measurement of previously held equity interest in an associate	**35,777**	–
Gain on disposal and dissolution of subsidiaries	**–**	183
Fair value gains on investment properties	**18,054**	34,500
Gain on modification of terms of convertible notes	**–**	77,121
Share of loss of an associate	**(425)**	–
Share of losses of joint ventures	**(5,790)**	(94)
Auditor's remuneration	**(2,385)**	(1,467)
Depreciation of unallocated property, plant and equipment	**(2,353)**	(288)
Finance costs	**(39,801)**	(41,182)
Equity-settled share-based payment expenses	**(37,553)**	(6,239)
Unallocated rental expenses	**(8,808)**	(3,623)
Unallocated other revenue and gains	**2,774**	2,188
Other unallocated corporate expenses*	**(58,515)**	(20,891)
Consolidated (loss)/profit before taxation	**(174,018)**	30,551
Assets		
Reportable segment assets	**1,185,973**	688,122
Unallocated bank balances and cash	**297,219**	49,685
Unallocated corporate assets	**57,161**	12,939
Consolidated total assets	**1,540,353**	750,746
Liabilities		
Reportable segment liabilities	**380,323**	112,458
Tax payable	**5,279**	4,832
Deferred tax liabilities	**45,944**	1,927
Convertible notes	**330,863**	295,648
Unallocated borrowings	**63,085**	65,747
Unallocated corporate liabilities	**12,618**	3,374
Consolidated total liabilities	**838,112**	483,986

* The balance mainly represented unallocated corporate operating expenses that are not allocated to operating segments including directors' remuneration and staff costs, professional fees and other head office expenses.

(c) Geographic information

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

(i) Revenue from external customers

	2015	2014
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**5,560**	5,650
Mainland China	**3,084**	319,707
The United States of America ("USA")	**294,916**	355,860
Canada	**193,912**	167,046
Other countries	**29,869**	1,689
	527,341	849,952

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

(ii) Specified non-current assets

	2015	2014
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**260,527**	200,621
USA and Canada	**867,951**	321,094
	1,128,478	521,715

(d) Major customers

The Group's customer base is diversified and there was one customer (2014: three customers) with whom transactions have exceeded 10% of the Group's revenues.

During the current year, revenues from a customer in media entertainment segment amounted to approximately HK$60,882,000. During the year ended 31 December 2014, revenues from two customers in the trading segment amounted to approximately HK$152,842,000 and HK$110,481,000 respectively; and from one customer in media entertainment segment amounted to approximately HK$88,921,000.

5. OTHER REVENUE AND GAINS

	2015	2014
	HK$'000	*HK$'000*
Profit sharing from participation rights in movies	**10,992**	36,958
(Loss)/gain on disposal of property, plant and equipment	**(60)**	952
Royalty income	**318**	55
Interest income	**82**	351
Others	**2,752**	830
	14,084	39,146

6. (LOSS)/PROFIT FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
This is arrived at after charging/(crediting):		
Cost of inventories sold	**–**	295,417
Cost of services rendered *(Note)*	**443,122**	405,126
Loss/(gain) on disposal of property, plant and equipment	**60**	(952)
Exchange differences, net	**(4,600)**	(1,939)
Auditor's remuneration:		
– audit services	**1,336**	1,247
– non-audit services	**1,049**	220
Depreciation of property, plant and equipment *(Note)*	**27,058**	23,262
Amortisation of intangible assets *(Note)*	**25,702**	64,386
Research and development	**3,631**	31
Operating lease rentals in respect of:		
– rented premises	**26,325**	20,063
– rented equipment	**13,203**	13,865
Staff costs *(Note)*:		
– Directors' remuneration	**14,898**	5,572
– Other staff costs:		
Salaries, wages and other benefits	**433,911**	391,167
Retirement benefit scheme contributions	**398**	275
Equity-settled share-based payment expenses	**30,041**	3,667
Total staff costs	**479,248**	400,681

Note:

Cost of services rendered include HK$399,103,000 (2014: HK$404,180,000) 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

	2015	2014
	HK$'000	*HK$'000*
Imputed interest on convertible notes	**35,215**	35,502
Interests on:		
Borrowings	**3,295**	3,562
Finance leases	**1,291**	2,118
	39,801	41,182

8. SHARE OF LOSS OF AN ASSOCIATE

On 17 February 2015, the Group acquired a 12.91% equity interest in Immersive Ventures Inc. ("Immersive") and its subsidiaries (collectively referred to as the "Immersive Group"), whose principal activities were the provision of interactive media technology through 360 degree video. Although the Group's ownership interest in Immersive Group was less than 20%, the directors of the Company considered they had the power to exercise significant influence over the Immersive Group through the Group's representation on the board of directors of Immersive.

Details of the associate during the year ended 31 December 2015 are as follows:

Name	**Place of incorporation/ operation**	**Form of business structure**	**Principal activity**
Immersive	Canada/USA	Corporation	Provision of interactive media technology through 360 degree video

The above table lists the associate of the Group, which, in the opinion of the directors of the Company, principally affected the results of the period.

On 30 December 2015, the Group has completed the acquisition of additional equity interest in Immersive, and the Immersive Group has become subsidiaries of the Company since then. Changes in fair value on interest in an associate upon further acquisition to subsidiaries were approximately HK$35,777,000. Further details of the acquisition of subsidiaries are set out in Note 14.

The share of loss and other comprehensive income of an associate (Immersive) for the period from 17 February 2015 to 30 December 2015 amounted to approximately HK$425,000 (2014: Nil) and HK$431,000 (2014: Nil), respectively.

9. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Taxation charged/(credited) to the consolidated income statement represents:		
Current taxation – Hong Kong profits tax		
– provision for the year	**–**	1,370
– over-provision in respect of prior years	**(22)**	(10)
Current taxation – Overseas tax		
– provision for the year	**6,480**	1,074
– under-provision in respect of prior years	**219**	–
Deferred taxation	**(1,188)**	(5,364)
	5,489	(2,930)

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.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
(Loss)/earnings for the purposes of basic (loss)/earnings per share	**(156,298)**	43,323
Effect of dilutive potential ordinary shares: *(Note)*		
– Imputed interest on convertible notes	**–**	35,502
– Gain on modification of terms of convertible notes	**–**	(77,121)
(Loss)/earnings for the purposes of diluted (loss)/earnings per share	**(156,298)**	1,704

	Number of shares	
	2015	2014
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**9,942,830,290**	9,832,685,768
Effect of dilutive potential ordinary shares: *(Note)*		
– share options	**–**	581,628,164
– convertible notes	**–**	9,800,000,000
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**9,942,830,290**	20,214,313,932

Note:

For the year ended 31 December 2015, since both the convertible notes and share options outstanding had an anti-dilutive effect on the basic loss per share, the conversion of the outstanding convertible notes and the exercise of outstanding share options were not assumed in the computation of diluted loss per share.

11. INTANGIBLE ASSETS

	Goodwill	Trademarks	Proprietary software	Participation rights	Patents	License for intellectual property right	Virtual human know-how	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	*(Note (c))*	*(Note (d))*	*(Note (e))*	*(Note (f))*	*(Note (g))*	
COST								
As at 1 January 2014	207,011	19,385	64,501	258,987	–	–	–	549,884
Additions	–	–	13,250	–	–	–	–	13,250
Exchange realignment	1,032	5	(316)	59	–	–	–	780
As at 31 December 2014 and 1 January 2015	208,043	19,390	77,435	259,046	–	–	–	563,914
Additions from business combination	378,506	124,733	–	–	59,719	–	–	562,958
Additions	–	–	15,216	–	775	22,000	19,943	57,934
Exchange realignment	1,190	(13)	(1,221)	(173)	–	–	–	(217)
As at 31 December 2015	587,739	144,110	91,430	258,873	60,494	22,000	19,943	1,184,589
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS								
As at 1 January 2014	–	–	14,271	206,569	–	–	–	220,840
Amortisation for the year	–	–	21,271	43,115	–	–	–	64,386
Exchange realignment	–	–	(23)	54	–	–	–	31
As at 31 December 2014 and 1 January 2015	–	–	35,519	249,738	–	–	–	285,257
Amortisation for the year	–	–	21,900	1,612	116	1,121	953	25,702
Exchange realignment	–	–	(175)	(167)	–	–	–	(342)
As at 31 December 2015	–	–	57,244	251,183	116	1,121	953	310,617
CARRYING AMOUNT								
As at 31 December 2015	587,739	144,110	34,186	7,690	60,378	20,879	18,990	873,972
As at 31 December 2014	208,043	19,390	41,916	9,308	–	–	–	278,657

Notes:

(a) For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	2015	2014
	HK$'000	*HK$'000*
Visual effects production	**209,233**	208,043
360 degree digital capture technology	**378,506**	–
	587,739	208,043

Visual effects production CGU

The Group's goodwill and trademarks allocated to visual effects production CGU arose from the business combination during the year ended 31 December 2013.

The recoverable amount of the visual effects production CGU has been determined by the directors of the Company 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 22% average growth rate, and at a pre-tax discount rate of 22%. The cash flow projections beyond the 5-year period are extrapolated using a growth rate of 2%. 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.

360 degree digital capture technology CGU

The Group's goodwill, trademarks and patents allocated to 360 degree digital capture technology CGU arose from the business combination during the year as further detailed in Note 14.

The recoverable amount of the 360 degree digital capture technology CGU has been determined by the directors of the Company from fair-value-less-costs-of-disposal calculation. Since the acquisition of the 360 degree digital capture technology CGU was completed by the Group on 30 December 2015 and the sellers are considered knowledgeable willing third parties, the consideration paid by the Group for the acquisition is regarded as an appropriate indicator of the fair-value-less-costs-of-disposal of the 360 degree digital capture technology CGU as at 31 December 2015.

The fair-value-less-costs-of-disposal of 360 degree digital capture technology CGU as at 31 December 2015 has been determined by the directors of the Company using discounted cash flow method. The fair-value-less-costs-of-disposal calculation is based on certain key assumptions. The fair-value-less-costs-of-disposal calculation uses cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years and at a post-tax discount rate of 15%. 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 360 degree digital capture technology business.

The fair-value-less-costs-of-disposal calculation of the 360 degree digital capture technology CGU was classified as a Level 3 measurement.

(b) 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 trademarks are allocated to the Group's visual effects production business CGU for the purpose of impairment testing.

(c) Proprietary software mainly represented internally developed and purchased software to produce various visual effects.

As at 31 December 2015, net carrying amount of proprietary software of HK$553,000 (2014: HK$3,536,000) was held under finance lease. The lease does not include contingent rental.

The proprietary software is allocated to the Group's visual effects production business CGU for the purpose of impairment testing.

(d) Participation rights represented the contractual rights of profit-sharing on pre-determined percentages from movies.

The participation rights are allocated to CGUs in connection with respective movies involved.

(e) Patents mainly represent certain intellectual properties are licensed including patents, trademarks and software.

Patents are allocated to the Group's 360 degree digital capture technology CGU for the purpose of impairment testing.

(f) License for intellectual property right granted the Group an exclusive right of development, exploitation, production, publishing and distribution of the works of virtual human and holograms of a well-known deceased singer using three-dimensional technology and exploitation of these works in the entertainment business.

The license is allocated to the CGU on virtual human and holograms.

(g) Virtual human know-how represented the capitalised costs incurred directly attributable to the development of the virtual human and holograms of a well-known deceased singer.

The license is allocated to the CGU on virtual human and holograms.

12. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**34,158**	61,930
Accrued income	**9,903**	12,635
Other receivables and prepayments	**22,759**	13,468
	66,820	88,033

(i) The directors of the Company consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2015 and 2014.

No interest is charged on trade and other receivables.

(ii) The Group normally allows an average credit period of 30 days (2014: 30 to 60 days) to trade customers. The ageing analysis of the Group's trade receivables based on the due date as of the end of reporting period is as follows:

	2015	2014
	HK$'000	*HK$'000*
Current	**1,122**	39,834
1 to 30 days	**8,792**	19,199
31 to 60 days	**3,666**	235
61 to 90 days	**2,201**	2,662
Over 90 days	**18,377**	–
	34,158	61,930

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

	2015	2014
	HK$'000	*HK$'000*
Less than 1 month past due	**8,792**	19,199
1 to 3 months past due	**5,867**	2,897
Over 3 months past due	**18,377**	–
As at 31 December	**33,036**	22,096

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.

(iv) The Group has not recognised any impairment losses on trade and other receivables during the years ended 31 December 2015 and 2014.

(v) Accrued income represented contract costs incurred plus recognised profits less recognised losses to date.

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**10,324**	3,920
Other payables and accruals	**48,655**	34,174
	58,979	38,094

The directors of the Company consider that the carrying amounts of trade payables, other payables and accruals approximate their fair values as at 31 December 2015 and 2014.

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

	2015	2014
	HK$'000	*HK$'000*
Current	**5,362**	1,494
1 to 30 days	**3,726**	30
31 to 60 days	**854**	–
61 to 90 days	**19**	2,355
Over 90 days	**363**	41
	10,324	3,920

14. BUSINESS COMBINATION

On 30 December 2015, the Group completed its further acquisition of issued share capital of the Immersive Group ("Acquisition") in consideration of HK$442,628,000 (including (i) cash of HK$58,869,000, (ii) 71,218,144 shares of the Company issued on 30 December 2015 and 230,939,919 shares of the Company to be issued in 3 annual instalments by 30 December 2018 to the former shareholders of Immersive, (iii) 26,643,494 shares of the Company issued on 31 December 2015 and 79,930,442 shares to be issued in 3 annual instalments by 31 December 2018 to the former option holders of share options of Immersive (the "Immersive Options") for replacement of the Immersive Options; and (iv) secured note payable amounting to HK$176,508,000). Subsequent to the Acquisition completion, the Group's aggregate equity interest in the Immersive Group is 83.10%. The Immersive Group is principally engaged in the provision of interactive media technology through 360 degree video. The Acquisition was made by the Group with the aim to commence the business of 360 degree digital capture technology.

	Carrying amount *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Property, plant and equipment	226	–	226
Intangible assets other than goodwill	33,412	151,040	184,452
Investment in an associate	20,009	–	20,009
Inventories – merchandise goods	329	–	329
Trade receivables, other receivables and prepayments	356	–	356
Amount due from an associate	114	–	114
Bank balances and cash	4,234	–	4,234
Trade payables, other payables and accruals	(2,993)	–	(2,993)
Deferred revenue	(8,119)	–	(8,119)
Borrowings	(9,598)	–	(9,598)
Deferred tax liabilities	–	(45,312)	(45,312)
Net assets			143,698
Fair value of previously held equity interest			(55,291)
Non-controlling interest			(24,285)
			64,122
Goodwill			378,506
Total consideration			442,628
Total consideration consisted of:			
– Fair value of the 71,218,144 shares of the Company issued on Acquisition completion date			39,455
– Acquisition completion date fair value of the Immersive Options replaced by 26,643,494 shares of the Company issued on 31 December 2015			14,760
– Cash consideration			58,869
– Fair value of the 230,939,919 shares of the Company to be issued			127,941
– Acquisition completion date fair value of the Immersive Options replaced by 79,930,442 shares of the Company to be issued			44,281
– Acquisition completion date fair value of the Immersive Options attributable to post-combination services of certain former Immersive Options holders #			(19,186)
– Secured note payable			176,508
			442,628

Since three years of post-combination services are required for certain former holders of the Immersive Options, the Acquisition completion date fair value of the Immersive Options attributable to these post-combination services amounting to approximately HK$19,186,000 will be recognised as remuneration costs in profit or loss over the three-year period after the Acquisition completion date.

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

	HK'000
Cash consideration	(58,869)
Cash and bank balances acquired	4,234
Net outflow of cash and cash equivalents included in cash flows from investing activities	(54,635)

The goodwill, which was not deductible for tax purposes, comprised 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 completion of the Acquisition on 30 December 2015, the Immersive Group has no material contribution of revenue and loss to the Group for the year. If the Acquisition had occurred on 1 January 2015, the Group's revenue and loss for the year would have been HK$550,330,000 and HK$185,121,000 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 2015, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$9,219,000 have been expensed and are included in administrative expenses.

15. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 22 January 2016, the Group entered into sale and purchase agreements with:

(i) Magic Well Holdings Limited, an indirect wholly-owned subsidiary of See Corporation (whose shares are listed on the main board of the Stock Exchange (stock code: 491)) for the purchase of 60% of the issued share capital of Lucrative Skill Holdings Limited (the "Target") at a consideration of HK$95 million, as to HK$30 million payable in cash and as to HK$65 million by the issuance of a promissory note at completion; and

(ii) An independent third party for the purchase of 25% of the issued share capital of the Target at a consideration of HK$40 million, which is to be satisfied by the allotment and issue of 87,051,143 shares of the Company at the issue price of HK$0.4595 per share at completion.

The Target and its subsidiaries (collectively the "Target Group"), is principally engaged in conducting post production work on advertisements, featured films, TV programmes, music videos, internet and mobile applications content, visual matters on corporate events. The Target Group has set up a comprehensive visual effect ("VFX") and computer graphic production house in Beijing and Shanghai for large budget VFX-intensive movies.

On completion of the above sales and purchase agreements, the Group will own 85% of the equity interest in the Target. As of the date of approval of the financial statements, the acquisition has not been completed. Further details are set out in the Company's announcement dated 22 January 2016.

(b) On 29 January 2016, the board of directors of the Company resolved that a total of 379,500,000 share options were granted to certain employees and advisors of the Group, as well as Mr. Amit Chopra, Executive Director and Chief Operating Officer of the Company (collectively the "Grantees"), pursuant to the Company's share option scheme and subject to the acceptance of the Grantees. Amongst the share options granted, an aggregate of 100,000,000 share options granted to Mr. Amit Chopra is subject to the approval of the shareholders of the Company at the general meeting.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

REVIEW AND OUTLOOK

FINANCIAL AND BUSINESS REVIEW

For the year ended 31 December 2015, the Group achieved a revenue of HK$527,341,000 (2014: HK$849,952,000), showing a decrease of approximately 38% compared to that of last year. The gross profit of the Group amounted to HK$84,219,000 (2014: HK$149,409,000) for the year ended 31 December 2015. The decrease in revenue and gross profit were mainly attributable to the changes in trading segment as mentioned below. As at 31 December 2015, the total assets of the Group amounted to HK$1,540,353,000 (2014: HK$750,746,000). The loss attributable to the owners of the Company was HK$156,298,000 (2014: profit of HK$43,323,000). The loss for the year ended 31 December 2015 was approximately HK$179,507,000 (2014: profit of HK$33,841,000). The loss for the year was mainly caused by (i) the recognition of non-cash outflow expenses, including (a) equity-settled share-based payments for the share options granted on 28 May 2014 and 6 May 2015, to the value of HK$37,553,000 (2014: HK$6,239,000) and (b) deemed interest expenses for the convertible notes, to the value of HK$35,215,000 (2014: HK$35,502,000), (ii) reduction of fair value gains on investment properties (2015: HK$18,054,000 and 2014: HK$34,500,000), (iii) no recognition of gain on the modification of the terms of convertible notes (2014: HK$77,121,000) for this year, and (iv) operating losses from the Media Entertainment Segment.

Media Entertainment Segment

During the year under review, this segment recorded revenue of approximately HK$521,781,000 (2014: HK$524,595,000). The revenue from this segment accounted for approximately 99% of the Group's revenue for the year. This segment incurred a loss of approximately HK$78,067,000 (2014: HK$36,019,000). The loss was primarily due to operating losses (including the amortisation expenses of an intangible asset: participation rights in the film "Ender's Game"). The adjusted segment loss, taking into account adjustments due to (i) depreciation of property, plant and equipment and (ii) amortisation of intangible assets, was HK$27,660,000 (2014: profit of HK$51,341,000).

A. Visual Effects ("VFX") Productions

This business unit mainly provides VFX production services for major motion picture studios, advertisers and games. Since 1 January 2015, the artists of Digital Domain 3.0, Inc. ("DD3I", a 70% indirect non-wholly owned subsidiary of the Company) have provided VFX production services for feature films "Furious 7" and "Pixels"; the Starz cable channel show "Black Sails"; and marketing campaigns for major brands including Oculus Rift, Gatorade, Nike, Toyota, Cadillac and the NBC "Heroes Reborn" Super Bowl commercial. This year, DD3I's artists were nominated for four Visual Effects Society (VES) awards for their VFX work on Nike: "The Neymar Jr. Experience" and "Black Sails".

B. Virtual Reality and 360° Camera

In addition to VFX productions, this segment includes businesses offering virtual reality ("VR") technology services using 360° digital capture technology.

On 17 February 2015 (US time), DDVR, Inc. ("DDVR", an indirect wholly-owned subsidiary of the Company), Immersive Ventures Inc. ("Immersive") and a Canadian company (currently known as "IM360 Entertainment Inc." ("IM360") and formerly known as "X Media Entertainment Inc.") entered into a joint venture shareholders' agreement in relation to the governance of rights and obligations of the two shareholders. Following the completion of the subscription of shares in IM360 by DDVR and Immersive, IM360 is now 51% (US$3,000,000) owned by DDVR and 49% (US$2,882,351.50) owned by Immersive. IM360 has become an indirect non-wholly owned subsidiary of the Company. IM360's principal business is the application of virtual reality technology (including 360° digital capture technology) in the media and entertainment field. Immersive (together with its subsidiaries) have granted IM360 certain exclusive (in media and entertainment products and services) and non-exclusive license rights with respect to the licensed technology, pursuant to a technology license agreement.

On 17 February 2015 (US time), DDVR and Immersive entered into a subscription agreement, pursuant to which DDVR subscribed 3,333,333 subscription shares (representing approximately 12.91% of the issued share capital of Immersive as enlarged by the subscription at that time) for a subscription price of US$3,000,000 (the "Subscription").

For details, please refer to the Company's announcements dated 15 January 2015 and 18 February 2015.

Immersive is principally engaged in the business of interactive media technology including 360° capture, multi-camera stitching, dynamic streaming, digital live optimisation, multi-camera and multi-input synchronisation, digital transmission and observation, multi-channel, capturing multi-panoramic views, camera to image identification, and internal GPS data capture. Immersive is known as one of the top players in the 360° and virtual reality industry specialising in producing high-end virtual reality and 360° content. Immersive and its affiliates are the owners of certain patents, copyrights, trade secrets, and intellectual property for a variety of inventions and technology which are core to the businesses in relation to the development, exploitation, production, publishing and distribution of 360° live-streaming and pre-recorded 360° video, virtual reality, augmented reality, and similar immersive media content.

Further to DDVR's investment in Immersive and the formation of IM360 with Immersive in February 2015, the Group made significant progress in developing its offerings in the 360° video, virtual reality and augmented reality industry, supported by technology licensed by Immersive to IM360. In addition to the projects in Greater China reported in the Company's latest interim report, IM360 has rapidly developed new customers such as the New York Times which saw IM360 develop, host and distribute a dynamic VR app from concept to design to platform, providing the largest VR distribution outlet available on the market to date. Samsung continues to turn to IM360 for live and VOD immersive experiences from soccer matches to surf competitions and concerts. Other live productions included the first-ever, fully integrated, live 360° broadcast of a major awards show, the MTV VMAs. Commercials by IM360 included an immersive VR experience for Nike featuring international soccer star Neymar Jr, combining 360° video with motion capture animation, positioning fans through Neymar's point of view as he played against his biggest rivals, as well as the 360° fan experience for the Syfy show "The Expanse". Meanwhile, IM360's VR production of Taylor Swift's "Blank Space" music video earned an Emmy Award for Outstanding Original Interactive Programming, the first virtual reality project ever to be recognised in this way.

In July 2015, the Group teamed up with China's leading digital sports broadcaster, LeTV Sports Culture Development (Beijing) Company Limited (樂視體育文化產業發展（北京）有限公司) ("LeTV Sports") to broadcast the 2015 International Champions Cup (ICC) China in a record-breaking 360° virtual reality livestream. The event featured premier European clubs including AC Milan, Inter Milan and Real Madrid, playing matches in Shenzhen, Guangzhou and Shanghai on 25, 27 and 30 July 2015 respectively. LeTV Sports turned to IM360 to provide groundbreaking immersive video and virtual reality technology for this, China's first major sports event to be aired live via immersive video. The technology was previously used to capture Asia's first ever virtual concert of Taiwanese pop diva Miss Teresa Teng, held in Taipei on 9 May 2015 to commemorate the 20th anniversary of her death.

On 2 December 2015, the Group joined forces with CTi TV and Gin Star Entertainment Co., Ltd. ("Gin Star Entertainment") owned by Mr. Wang Wei-chung, a well-known producer in Taiwan, to bring in 360° digital capture technology for the last day of shooting of "康熙來了" ("Kangxi Lai Le" for identification purposes), an iconic Taiwanese TV show. 360° cameras were used to capture multi-angle shots of every exciting moment, providing a cutting-edge entertainment experience and enabling the audience to witness the historic moment with the two hosts – Mr. Kevin Tsai and Ms. Dee Hsu – along with the production crew and guests. A 360° camera was also set up in the dressing room to film behind-the-scenes footage.

On 11 January 2016, the 360° VR version of "Kangxi Lai Le" was officially launched on the Company's website and "im360" app. To celebrate this groundbreaking and innovative breakthrough in the Taiwanese TV entertainment industry, the Company, CTi TV and Gin Star Entertainment held a press conference at Taipei New Horizon Building. During the press conference, Mr. Hank Chen, assistant host of the show, served as a "virtual reality guru" and showed the participants how to watch and enjoy the virtual reality version of "Kangxi Lai Le". The use of the Group's virtual reality technologies for the shooting of the "Kangxi Lai Le" episodes enabled so much more than a mere recording of the show. An ambitious commitment to produce a synchronised and faithful rendition of the lively and diverse screen design features and wonderful VR content in the show led the Group to break out from the visual boundaries associated with traditional cinematic techniques. Original colour text effects were brought into "Kangxi Lai Le" during the production process, and VR screens were carefully placed to ensure that every meticulously prepared detail in the show was fully reproduced in the virtual reality version, thus offering both viewers of the virtual reality version and TV viewers the same joyful and lighthearted experience.

On 16 January 2016, IM360 produced a multi-camera live VR experience of "Haye Day 2016: David 'The Haymaker' Haye vs Mark 'The Dominator' de Mori". The event was broadcast online worldwide via YouTube; on UK television on the Dave channel; and in virtual reality by IM360. This was the first ever live-streamed virtual reality boxing match. The event can be viewed using the "im360" app, laptop or desktop computer.

As virtual reality and 360° production and distribution will become the core part of the Group's business in the coming years, the Company decided that it would be strategically desirable to acquire control of Immersive and (therefore indirectly) the technology that is licensed to IM360, to provide the Company with greater flexibility and control over the development of its 360° and virtual reality business operations.

On 11 December 2015, the Company announced the proposed acquisition of further shareholding interests in Immersive. At that point in time, DDVR held 3,333,333 Immersive shares, representing approximately 12.74% of the total number of issued Immersive shares. DDVR signed a sale and purchase agreement with the main vendors who held 14,097,057 Immersive shares, representing 53.88% of the issued share capital of Immersive. Under the terms of the proposed acquisition, DDVR would acquire not less than 14,097,057 Immersive shares from the main vendors (comprising only the sale shares and assuming no remaining Immersive shareholders sold their Immersive shares (for cash or otherwise)) and up to 22,832,010 Immersive shares (comprising the sale shares and all Immersive shares held by the remaining Immersive shareholders, representing 87.26% of the issued share capital of Immersive). Upon completion of the proposed acquisition, Immersive would become – at least indirectly – a 66.62%-owned subsidiary of the Company.

The total consideration for the sale shares from the main vendors was calculated to be approximately US$38.77 million (approximately HK$302.41 million), being US$2.75 (approximately HK$21.45) per sale share. The terms stated that this would be satisfied on the closing date as follows: (a) approximately US$5.82 million (approximately HK$45.40 million), by payment in cash; (b) approximately US$3.88 million (approximately HK$30.26 million), by the issue and allotment of 54,581,565 initial consideration shares at an issue price of HK$0.554 (approximately US$0.071) per share, rounded down to the nearest whole number of initial consideration shares for each main vendor; and (c) approximately US$29.07 million (approximately HK$226.75 million) by the issuance of secured notes (the terms of which are described further below).

Interest on the secured notes was set to accrue at 4% per annum, calculated and paid annually. The principal amount of the secured notes and accrued interest would be settled in three equal instalments on the first, second and third anniversaries of the closing date as 60% in cash and 40% by the issue of the deferred consideration shares at HK$0.554 (approximately US$0.071) per deferred consideration share. The number of deferred consideration shares issued would be rounded down to the nearest whole number of deferred consideration shares for each vendor.

DDVR agreed to purchase the 8,734,953 Immersive shares held by the remaining Immersive shareholders on the same terms as those that apply to the main vendors. Each remaining Immersive shareholder wishing to sell all or some of their Immersive Shares on the same terms as the main vendors was required to execute and deliver a joinder agreement to DDVR on or before 29 December 2015. In addition, DDVR retained the right to acquire some of the Immersive shares held by the remaining Immersive shareholders for cash on terms to be agreed between DDVR and the relevant remaining Immersive shareholders. The cash-only sale price per Immersive share was offered at a substantial discount to the price payable for each sale share and the fair value per Immersive share was based on independent valuation to discourage election for cash consideration by the remaining Immersive shareholders and conserve the cash resources of the Group. Any remaining Immersive shareholders wishing to sell Immersive their shares for cash will enter into a separate agreement with DDVR for that purpose.

DDVR also agreed to pay US$2.25 (approximately HK$17.55), (being the difference between the price per sale share and the exercise price per Immersive option, each of which is exercisable to acquire one Immersive share at a price of US$0.50) for the voluntary forfeiture by holders of each of the outstanding 3,363,000 Immersive options for cancellation should they elect to take option consideration shares in satisfaction of such price. No cash consideration will be paid in this case. The price is to be settled in four equal parts on the day after the closing date and on the first, second and third anniversaries of the closing date by the issue of option consideration shares at the price of HK$0.554 (approximately US$0.071) per Company's share. No interest will accrue on the amount payable. There are total of 30 holders of Immersive options all of whom are current directors, employees or advisors/consultants of Immersive or its subsidiaries, including the main vendors who hold a total of 1,180,000 Immersive Options. Each holder that wishes to forfeit their Immersive options will enter into a separate agreement with DDVR for that purpose.

On 30 December 2015, the Company announced that the proposed acquisition was completed. DDVR acquired (i) a total of 14,097,057 Immersive shares from the main vendors, (ii) a total of 4,305,567 Immersive shares from 27 non-active vendors who executed and delivered joinder agreements on or before 29 December 2015 and (iii) a total of 6,562 Immersive shares from 1 remaining Immersive shareholder for cash only, for an aggregate cash consideration of US$4,199.68 (approximately HK$32,757.50), or US$0.64 (approximately HK$4.992) per Immersive share.

As a result of the successful acquisition of Immersive, DDVR now owns 21,742,519 Immersive shares, representing approximately 83.10% of the Immersive shares issued. As part-settlement of the consideration for the proposed acquisition, the Company issued a total of 71,218,144 initial consideration shares and secured notes for an aggregate value of US$37,955,412. The Company will issue a further 230,939,919 deferred consideration shares pursuant to the terms of the secured notes over the next three years. In addition, 30 holders of a total of 3,363,000 Immersive options have agreed to forfeit their Immersive options, in respect to which the Company issued 26,643,494 option consideration shares on 31 December 2015 and will issue a further 79,930,442 option consideration shares over the next three years. The initial consideration shares, the deferred consideration shares and the option consideration shares were/will be issued at the issue price of HK$0.554 (approximately US$0.071) per share. The 71,218,144 initial consideration shares, 230,939,919 deferred consideration shares and 106,573,936 option consideration shares issued/to be issued together represent 3.85% of the Company's shares in issue immediately before the completion of the acquisition, and 3.71% of the Company's shares in issue as enlarged by the issue of such shares.

For details, please refer to the Company's announcements dated 11 December 2015, 30 December 2015 and 31 December 2015.

C. Virtual Human Business

On 20 October 2014, Digital Domain Media (HK) Limited ("DDM"), an indirectly wholly-owned subsidiary of the Company, and TNT Production Limited ("TNT") entered into a co-operation joint venture framework agreement ("Framework Agreement") for the formation of a joint venture company to engage in the production and utilisation of holograms of Miss Teresa Teng, subject to the conditions precedent contained in the Framework Agreement. The joint venture company, DD & TT Company Limited ("DDTT"), was formed in 2015. DDTT is 60% owned by DDM and 40% owned by TNT. DDTT's business is the production of new holograms of Miss Teresa Teng using digital 3-Dimensional technology, and the exploitation of such new holograms in the entertainment business, including – but not limited to – concerts, albums, movies, advertisements etc., around the world.

TNT warrants the exclusivity of rights conferred to the joint venture company, DDTT, under the Framework Agreement and the authenticity of the certificates and licences of the intellectual property rights ("IP Rights"), and TNT and 財團法人鄧麗君文教基金會 ("Teresa Teng Foundation" for identification purposes) and/or 鄧麗君文化事業有限公司 ("Teresa Teng Culture Corporation Limited" for identification purposes) not having made any transfer, franchise, licence, pledge or any other disposals in relation to the IP Rights which may affect or restrain TNT from fulfilling its obligations under the Framework Agreement. An exclusive intellectual property license agreement was entered into in favour of DDTT for such purpose.

20th anniversary virtual image memorial concerts for Miss Teresa Teng, on the theme "「如果能許一個願」, If A Wish Could Be Made (for identification purposes)" were held in Taipei on 9 May 2015 and in Shanghai on 8 August 2015. Making use of a virtual image reconstruction technique known as "MOVA", DD3I reproduced the glamour of the Taiwanese pop diva Miss Teresa Teng on stage and, even more impressively, arranged a soulful duet with famous Taiwanese singer 費玉清先生 (Mr. Fei Yuqing), transcending time and space. DDTT is planning to arrange a series of Virtual Human Miss Teresa Teng Concerts in China and/or other countries in 2016.

Supported by DD3I as part of the Group, Miss Teresa Teng became the first Chinese singer to be "resurrected" through MOVA. A professional team stationed in Hollywood was responsible for transforming the initial concept into reality. This major success has laid a solid foundation for the Group to enter the high-end media entertainment market.

For details, please refer to the Company's announcements dated 20 October 2014 and 29 January 2015.

D. Film Co-production

The film "Ender's Game" was released in November 2013 in the United States of America ("U.S.A."). The film continues to generate income from non-box office channels both within and outside the U.S.A. "Ender's Game" is based on a best-selling, award winning novel. It is an epic adventure starring Harrison Ford, Asa Butterfield, Hailee Steinfeld, Viola Davis, 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/DD3I production. The profit sharing from DD3I's participation rights in "Ender's Game" was recognised in "Other revenue and gains" in the Group's consolidated income statement.

Property Investment Segment

The Group owns two shops on the ground floor and ten car parking spaces in the Citicorp Centre, Causeway Bay, Hong Kong. Both shops and most of the car parking spaces were leased out during the year. The investment properties portfolio of this segment continues to contribute as a steady income stream for the Group.

For the year ending 31 December 2015, the revenue of this segment decreased by approximately 2% to HK$5,560,000 (2014: HK$5,650,000). The decrease was caused by a short vacant period due to a change of tenant. The revenue accounted for approximately 1% of the Group's overall revenue during the year under review. The profit from this segment decreased during the year under review, amounting to HK$4,261,000 (2014: HK$4,519,000).

Trading Segment

A. Metal Scraps Trading

During the year under review, the trading segment did not recognise any revenue (2014: HK$319,707,000). This segment was engaged in the trading of metal scraps (e.g. copper wire) in Hong Kong, Mainland China and other countries/regions in 2014. The performance of metal scraps trading is highly dependent on economic conditions and market prices and the Group chose to adopt conservative business strategies this year.

B. Termination of the Acquisition of a Trading/e-commerce Business in Mainland China

On 30 December 2014, an indirect wholly-owned subsidiary ("Purchaser") of the Company entered into an acquisition agreement ("Acquisition Agreement") for the purchase by the Group of the entire issued share capital of a target company ("Target Company") and all related shareholder's loans for a total consideration of HK$312.5 million, subject to reduction if the Target Company's subsidiary (which would be 51% owned by the Target Company at the completion date) did not meet the 2015 target profit as stated in the Acquisition Agreement. Completion was set to take place only after the fulfilment (to the extent not waived by the Purchaser) of certain conditions precedent as described in the Acquisition Agreement. The initial consideration payable for the acquisition was to be settled at completion by the issue of a principle amount of HK$312.5 million in the form of convertible bonds. The convertible bonds were not transferrable or convertible during the restricted period described in the Acquisition Agreement. The Target Company's subsidiary, 北京嘉玲國際電子商務有限公司 ("Beijing Carina International E-Commerce Co. Ltd." for identification purposes), is engaged in the distribution of "嘉玲" ("Carina" for identification purposes) branded skincare products. As additional time was required for the fulfilment of the conditions precedent to the Acquisition Agreement, the parties to the Acquisition Agreement entered into a deed of extension dated 29 April 2015 to extend the long stop date to 31 July 2015. On 30 July 2015, as the conditions precedent described in the Acquisition Agreement were not fulfilled, parties to the Acquisition Agreement entered into a deed of termination and this acquisition was terminated. For further details, please refer to the Company's announcements dated 30 December 2014, 29 April 2015 and 30 July 2015.

INTERESTS IN JOINT VENTURES

A. Joint Venture with Tencent

During the year under review, the shared loss from the 50% owned joint venture between the Group and Tencent Holdings Limited (the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 700)) was approximately HK$153,000. The co-operation started in September 2013. The joint venture has not conducted any material business activity since its incorporation and will explore potential investment opportunities.

B. Formation of a U.S. Joint Venture Company with POW!

On 19 January 2015, an indirectly wholly-owned subsidiary of the Company and POW! Entertainment, LLC ("POW!", a wholly-owned subsidiary of POW! Entertainment, Inc. ("POW! Entertainment") whose common stock is quoted on the OTCQB Market in the U.S.) entered into a term sheet ("Term Sheet") for the formation of a U.S. joint venture company with respect to the development, production, and distribution of projects based on certain characters and other content developed by POW! or by the two parties jointly for distribution throughout the world. The US joint venture company, DD-POW US, LLC ("DDPOW"), was formed in 2015. DDPOW is 75% owned by the Group and 25% owned by POW!.

Mr. Stan Lee, founder of POW!, is the chairman of the board, director and chief creative officer of POW! Entertainment. POW! Entertainment is a multimedia production and licensing company that creates and licenses animated and live-action fantasy and superhero entertainment content and merchandise, leveraging the creative output and branded image of Mr. Stan Lee.

POW! made Mr. Stan Lee available for a digital facial scan to enable DDPOW to use his likeness to create content using virtual human technologies.

Mr. Lee currently remains chairman emeritus of Marvel Entertainment, LLC, as well as a member of the editorial board of Marvel Comics. Mr. Lee was employed on a full time basis by Marvel Comics or its predecessor entities for over 50 years. He started in the comic book industry in 1940 with Timely Comics which eventually became Marvel Comics. Mr. Lee's co-creations include Spider-Man™[1], The Incredible Hulk™[1], X-Men™[1], The Fantastic Four™[1], Iron Man™[1] and hundreds of others. He introduced Spider-Man™* as a newspaper strip which became the most successful of all syndicated adventure comic strips, having appeared in more than 500 newspapers worldwide.

Notes:

[1] These are the registered trademarks and characters of Marvel Characters, Inc.

* All trademarks are owned by Marvel Entertainment, LLC.

For details, please refer to the Company's announcement dated 19 January 2015.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Acquisition of a Group of Companies Engaged in Post Production Work Business

On 22 January 2016 (after trading hours), DDPO (BVI) Company Limited (the "Purchaser"), an indirectly wholly-owned subsidiary of the Company, entered into the following sale and purchase agreements ("SPA"):

(a) A SPA with Magic Well Holdings Limited, an indirect wholly-owned subsidiary of See Corporation Limited (stock code: 491) whose shares are listed on the main board of the Stock Exchange for the purchase of 60% of the issued share capital of Lucrative Skill Holdings Limited (the "Target Company") at a consideration of HK$95 million, as to HK$30 million payable in cash and HK$65 million by the issuance of a promissory note at completion; and

(b) A SPA with Mr. Nicholas Tse ("Mr. Tse") for the purchase of 25% of the issued share capital of the Target Company at a consideration of HK$40 million, which is to be satisfied by the allotment and issue of 87,051,143 shares of the Company at the issue price of HK$0.4595 per share ("Consideration Shares") at completion.

On completion of the acquisition, the Purchaser and Mr. Tse will own 85% and 15% of the equity interest in the Target Company respectively, and they will enter into a shareholders' agreement to regulate their relationship as shareholders of the Target Company.

The 87,051,143 Consideration Shares represent approximately 0.81% of the total number of shares of the Company in issue, and approximately 0.81% of the total number of shares of the Company in issue as enlarged by the issue of the Consideration Shares. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the shares of the Company then in issue. The issue price for the Consideration Shares of HK$0.4595 represents a 12.07% premium on the closing price of HK$0.41 per share of the Company as quoted on the Stock Exchange on 22 January 2016, the date of the announcement; and 8.37% premium to the average closing price of HK$0.424 per share of the Company as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the date of the announcement. The Consideration Shares are to be issued under the general mandate of the Company.

The Target Company and its subsidiaries, including Post Production Office Limited, (the "Target Group" or "PO Group") are principally engaged in conducting post production work on advertisements, feature films, TV programmes, music videos, internet and mobile application content, and visual matters for corporate events. The Target Group has set up comprehensive VFX and computer graphic ("CG") production houses in Beijing and Shanghai for large budget VFX-intensive movies. The Company believes that the acquisition will help build on the Target Group's footprint in the Mainland China, expand the Group's VFX business in the Mainland China, and bring synergy to the Group's existing VFX business based in North America through more efficient deployment of resources and talents.

As of the date of this announcement, the acquisition has not been completed yet. For details, please refer to the Company's announcement dated 22 January 2016.

CAPITAL

On 25 June 2015, Wise Sun Holdings Limited (the "Vendor"), the Company and Head & Shoulders Securities Limited (the "Placing Agent") entered into a placing and subscription agreement pursuant to which (1) the Vendor appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Vendor, to procure a minimum of six placees to purchase 210,000,000 placing shares held by the Vendor at the placing price of HK$0.471 per share; (2) the Vendor conditionally agreed to subscribe for 210,000,000 subscription shares, at the subscription price of HK$0.471 per share on the subscription completion date. The 210,000,000 placing shares represented (i) approximately 2.14% of the Company's existing issued share capital as at 25 June 2015; and (ii) approximately 2.09% of the Company's issued share capital as enlarged by the allotment and issue of the subscription shares (assuming that there would be no change in the Company's issued share capital between 25 June 2015 and the completion of the subscription, save for the issue of the subscription shares).

Completion of the above-mentioned placing took place on 30 June 2015, whereby a total of 210,000,000 existing placing shares were placed by the Placing Agent to not less than six placees at the placing price of HK$0.471 per share. All the conditions of the subscription were fulfilled and completion of the subscription took place on 8 July 2015, whereby a total of 210,000,000 subscription shares were issued to the Vendor at the subscription price of HK$0.471 per share under the general mandate.

The gross proceeds of the subscription were approximately HK$98.91 million. The net proceeds of the subscription were approximately HK$96.17 million and are intended for the media entertainment segment and as general working capital for the Group. For details, please refer to the Company's announcements dated 25 June 2015 and 8 July 2015.

On 16 December 2015, the Company and the Placing Agent entered into a placing agreement pursuant to which the Company appointed the Placing Agent in relation to the placing of the placing shares. Pursuant to the placing agreement, the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, 560,000,000 placing shares to not less than six placees at the placing price of HK$0.425 per placing share. The placing shares represented approximately 5.58% of the Company's existing issued share capital as at 16 December 2015 and approximately 5.28% of the Company's issued share capital as enlarged by the placing (assuming that there would be no change in the Company's issued share capital between 16 December 2015 and the completion of the share placing, save for the issue of the placing shares).

Completion of the above-mentioned placing took place on 28 December 2015, whereby a total of 560,000,000 placing shares were placed by the Placing Agent to not less than six placees at the placing price of HK$0.425 per share. The placing shares were allotted and issued pursuant to the general mandate of the Company.

The gross proceeds of the share placing were approximately HK$238 million. The net proceeds of the share placing were approximately HK$235.34 million and are intended for the media entertainment segment and as general working capital for the Group. For details, please refer to the Company's announcements dated 16 December 2015 and 28 December 2015.

On 11 December 2015, the Company announced the proposed acquisition of further shareholding interests in Immersive. On 30 December, 2015, the Company announced that the proposed acquisition was completed. As part-settlement of the consideration for the acquisition, the Company issued an aggregate of 71,218,144 initial consideration shares and secured notes for an aggregate principal amount of US$37,955,412. The Company will issue an aggregate of 230,939,919 deferred consideration shares pursuant to the terms of the secured notes over the next three years. Furthermore, 30 holders of Immersive options holding an aggregate of 3,363,000 Immersive options have agreed to forfeit their Immersive options, in respect of which the Company issued 26,643,494 option consideration shares on 31 December 2015 and will issue an aggregate of 79,930,442 option consideration shares over the next three years. The initial consideration shares, the deferred consideration shares and the option consideration shares were/will be issued at the issue price of HK$0.554 (approximately US$0.071) per share. The 71,218,144 initial consideration shares, 230,939,919 deferred consideration shares and 106,573,936 option consideration shares issued/to be issued together represent 3.85% of the Company's shares in issue immediately before the completion of the acquisition, and 3.71% of the Company's shares in issue as enlarged by the issue of such shares. For details, please refer to the Company's announcements dated 11 December 2015, 30 December 2015 and 31 December 2015.

On 28 May 2014, a total of 980,060,000 share options were granted under the Company's share option scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 980,060,000 new shares at an exercise price of HK$0.098 per share. For details, please refer to the Company's announcements dated 28 May 2014 and 23 July 2014, and the circular dated 2 July 2014. During the year under review, no share option was exercised. 94,020,000 share options were cancelled or lapsed during the year under review and 103,840,000 share options were cancelled or lapsed since the date of grant (28 May 2014).

On 6 May 2015, a total of 78,000,000 share options were granted under the Company's share option scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 78,000,000 new shares at an exercise price of HK$1.32 per share. For details, please refer to the Company's announcement dated 6 May 2015. During the year under review, 10,000 share options were exercised and no share option was cancelled or lapsed.

As at 31 December 2015, the total number of shares of HK$0.01 each of the Company in issue was 10,700,557,406 shares.

As at 31 December 2015, the aggregate outstanding principal amount of the convertible notes was HK$392 million. Based on the initial conversion price of HK$0.04 per conversion share, a number of 9,800,000,000 conversion shares would be allotted and issued if the conversion rights attached to the convertible notes were exercised in full. During the year under review, no convertible rights attached to the convertible notes were 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 a secured basis, non-bank loans on an unsecured basis and non-regular contributions (such as placement of shares, issuance of convertible notes or financing through shareholder loans) from shareholders and other potential investors. The Group continues to adopt conservative funding and treasury policies.

During the year under review, the Group had banking facilities in the form of instalment loans for a principal amount of approximately HK$58,175,000, and a working capital loan for a principal amount of approximately HK$12,167,000. These banking facilities were secured by (a) the Group's investment properties with the aggregate net book value of HK$208,600,000 as at 31 December 2015, (b) future receipts from participation rights in the film Ender's Game and (c) equity interests in two indirectly 70% owned subsidiaries in the media entertainment segment (VFX production).

In addition to the banking facilities mentioned above, an indirectly-owned subsidiary of the Group in the entertainment media segment, which was discontinued at the end of December 2010, obtained a banking facility amounting to HK$6,000,000 from a bank in Hong Kong in 2009 which consisted of a 5-year instalment loan ("Five Year 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 provided an 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, the operation of the aforesaid subsidiary has been discontinued since the end of December 2010. The Five Year Loan has been fully classified as a current liability.

The Group had other loans of approximately HK$108,456,000 as at 31 December 2015. Other loans include a loan in amount of approximately HK$30,949,000 which is denominated in United States dollars, is unsecured, interest-free and is not repayable within 13 months from 31 December 2015. An indirectly wholly-owned subsidiary also had a term loan facility of US$10 million, with a guarantee provided by the Company. The subsidiary drew down the facility in December 2015 and the outstanding balance of this shareholder's loan as at 31 December 2015 was US$10 million. This loan is denominated in United States dollars, is unsecured, with a floating interest rate (prime rate quoted by a bank in Hong Kong) and is not repayable within 36 months of the draw down date (i.e. 36 months from December 2015).

As at 31 December 2015, the Group also had obligations under finance leases of approximately HK$3,096,000 which were denominated in United States dollars. These obligations were for certain items of computer equipment and software (leased assets) and are secured by the lessor's charge over the leased assets. The average term for these obligations is 3 years. The interest rates underlying all obligations were fixed at the respective contract dates. All obligations were made on a fixed repayment basis and no arrangements were entered into for contingent rental payments.

On 11 December 2015, the Company announced the proposed acquisition of further shareholding interests in Immersive. As part-settlement of the consideration for the proposed acquisition, secured notes for an aggregate principal amount of US$37,955,412 were issued to the vendors of Immersive by DDVR. The secured notes were secured by (i) a general security agreement granted by DDVR and Immersive for all their respective current and future personal property and (ii) a share pledge agreement in favour of the vendors of Immersive in respect of the DDVR shares and Immersive shares held by DDVR. For details, please refer to the Company's announcements dated 11 December 2015, 30 December 2015 and 31 December 2015.

The total cash and bank balance as at 31 December 2015 was approximately HK$344,726,000. As at 31 December 2015, the Group had banking facilities of approximately HK$75,252,000. These bank loans were set at a floating interest rate. Of these bank loans, loans amounting to HK$63,085,000 are denominated in Hong Kong dollars and loans amounting to approximately HK$12,167,000 are denominated in United States dollars. During the year under review, all of the Group's bank loans (except the Five Year Loan mentioned above) were classified as either current liabilities or non-current liabilities according to the agreed scheduled repayment dates. According to the agreed scheduled repayment dates, the maturity profile of the Group's bank borrowings (except the Five Year Loan which is fully classified as a current liability) as at 31 December 2015 was spread over a period of 17 years, with approximately 21% repayable within one year, 4% repayable between one to two years, 13% repayable between two to five years and 62% repayable after five years.

The Group's current assets were approximately HK$411,875,000 while the current liabilities were approximately HK$179,746,000 as at 31 December 2015. As at 31 December 2015, the Group's current ratio was 2.3 (as at 31 December 2014: 2.6).

As at 31 December 2015, the Group's gearing ratio, representing the Group's bank loans, other loans, convertible notes, obligations under finance leases and secured notes divided by the equity attributable to owners of the Company was 103% (as at 31 December 2014: 153%).

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 for the USD against the HKD remained relatively stable during the year under review. As some of the financial statements for the business operations in North America were reported in CAD, if the CAD were to depreciate relative to the HKD, the reported earnings for the Canadian portion would decrease. Some of the Group's expenses were incurred in RMB which fluctuated to a relatively greater extent in the year under review. However, the amount of RMB expenses incurred were immaterial, so the fluctuation of RMB against the HKD did not have any material adverse effect on the operations of the Group for the 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, the 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 2015, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 31 December 2015, the total headcount of the Group was 671. 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 bonuses, a share option scheme and retirement schemes.

PROSPECT

The Group will continue to ride on the Group's track record and substantial experience in the VFX industry and be proactive in seeking new projects and business opportunities, although its markets remain highly competitive. The Group has already adopted cost control measures (including outsourcing where appropriate discreet parts of its VFX work to external vendors and minimising the number of under-utilised production employees, etc.) to improve the profit margins of the VFX business. The effectiveness of the improvements made will be reflected in the coming years.

Building on the acquisition of Immersive, the formation of IM360, and the year's successes in 360° virtual reality shooting, live-streaming and broadcasting for (1) sport events, TV shows and concerts, (2) music videos, (3) news reporting and (4) commercial advertisements, the Group is looking to the future by tirelessly pursing new opportunities in the areas of VR, virtual humans and immersive entertainment. The Group is well positioned to significantly expand the VR business in the media and entertainment sector.

Through the acquisition of PO Group, the Group is proactively exploring and seeking opportunities to develop its Greater China market in the VFX, CG, VR and virtual human and immersive entertainment business. In addition to this acquisition, the Group will continue to explore opportunities to collaborate with more content owners, producers and distributors for the purpose of expanding its market share and influence in the Greater China region.

The Group is committed to developing and producing a broad range of original and derivative content and establishing a revenue-driven business model through various distribution mechanism and channels worldwide. The Group is committed to transforming itself into a global media, entertainment and technology leader.

Driven by the stable rental income, the revenue and profit from the property investment segment have grown steadily and produced a stable income stream for the Group. The Group will review the existing investment properties portfolio constantly and continue to explore potential profitable investments in the Greater China region.

Following the rapid expansion of business operations and investment opportunities, the Group continues to seek opportunities for financing and collaboration with strategic partners as well as the recruitment of global talent as to upgrade its shareholding and management structures from a corporate perspective.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

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 2015, the Company was in compliance with the Code Provisions set out in the CG Code except for the following:

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

2. There is no separation of the roles of the chairman and the chief executive officer ("CEO") or chief executive during the period from 12 January 2015 to 10 September 2015. Mr. Seah Ang ("Mr. Seah"), an executive Director and the CEO of the Company, was appointed as the Chairman of the Board following the resignation of Mr. Zhou Jian as the executive Director and the Chairman of the Board with effect from 12 January 2015. The Board believed that it was in the best interest of the Company at that time for Mr. Seah to assume the roles of the Chairman of the Board and the CEO of the Company in view of the composition of the Board, the in-depth knowledge of Mr. Seah of the Company's operations, and his extensive business network and connections. On 11 September 2015, Mr. Seah stepped down as the Chairman of the Board and Mr. Peter Chou, an executive Director, was appointed as the Chairman of the Board. The roles of the Chairman and the CEO are separated and performed by different individuals;

3. The independent non-executive Directors were not appointed for a specific term. However, they are subject to retirement and eligible for re-election at the general meeting pursuant to the Bye-laws and the CG Code. The service contracts of all the independent non-executive Directors have a termination notice requirement of one month; and

4. Due to other pre-arranged business commitments which must be attended to by Ms. Lau Cheong, an independent non-executive Director, she was not present at the annual general meeting of the Company held on 15 May 2015.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2015.

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 2015 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.ddhl.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
Seah Ang
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2016

As at the date of this announcement, Mr. Peter Chou, Mr. Seah Ang and Mr. Amit Chopra 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.