

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “Directors” and the “Board” respectively) of Digital Domain Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	736,501	958,651
Cost of sales and services rendered		(616,310)	(741,789)
Gross profit		120,191	216,862
Other income and gains	5	43,550	28,024
Selling and distribution expenses		(6,805)	(8,861)
Administrative expenses and other net operating expenses		(434,370)	(401,294)
Finance costs	7	(35,335)	(28,372)
Fair value loss on financial assets measured at fair value through profit or loss	13	(8,318)	(24,430)
Fair value (loss)/gain on investment properties	10	(3,841)	14,266
Gain on disposal of subsidiaries		2,456	-
Impairment loss on goodwill	11	(44,746)	-
Impairment loss on intangible assets	11	(104,423)	-
(Recognition)/reversal of impairment loss on trade receivables and contract assets		(2,422)	936
Reversal/(recognition) of impairment loss on other receivables		6,824	(3,963)
Impairment loss on investment in a joint venture		-	(71)
Impairment loss on amounts due from associates, net	12	(3,248)	(12,180)
Share of losses of associates		(2)	(2)
Share of losses of a joint venture		(8)	-
Loss before taxation	6	(470,497)	(219,085)
Taxation	8	(5,279)	3,820
Loss for the year		(475,776)	(215,265)

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Loss attributable to:			
- Owners of the Company		(394,571)	(206,320)
- Non-controlling interests		(81,205)	(8,945)
		<u>(475,776)</u>	<u>(215,265)</u>
Loss per share attributable to the owners of the Company:			(Re-presented)
Basic and diluted	9	HK cents (6.48)	HK cents (4.24)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	<u>(475,776)</u>	<u>(215,265)</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	7,343	(2,552)
Share of other comprehensive income of associates	<u>-</u>	<u>1</u>
Other comprehensive income for the year	<u>7,343</u>	<u>(2,551)</u>
Total comprehensive income for the year	<u>(468,433)</u>	<u>(217,816)</u>
Total comprehensive income attributable to:		
- Owners of the Company	(387,031)	(210,164)
- Non-controlling interests	<u>(81,402)</u>	<u>(7,652)</u>
	<u>(468,433)</u>	<u>(217,816)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		34,562	50,919
Investment properties	10	-	24,668
Right-of-use assets		76,711	82,292
Goodwill and intangible assets	11	340,857	522,211
Interests in associates	12	28,406	30,048
Interests in joint ventures		-	8
Loan to a joint venture		916	-
Financial assets measured at fair value through profit or loss ("FVTPL")	13	31,719	41,349
Deposits and consideration receivable	14	18,279	10,239
Deferred tax assets		1,746	1,551
		<u>533,196</u>	<u>763,285</u>
Current assets			
Trade receivables, other receivables and prepayments	14	76,958	107,670
Contract assets		7,915	2,536
Tax recoverable		-	2,659
Cash and cash equivalents and pledged bank deposits		635,854	153,553
		<u>720,727</u>	<u>266,418</u>
Current liabilities			
Trade payables, other payables and accruals	15	198,521	193,558
Lease liabilities		38,797	25,061
Contract liabilities		51,668	53,624
Borrowings		104,719	149,016
Tax payable		4,229	3,621
		<u>397,934</u>	<u>424,880</u>
Net current assets/(liabilities)		<u>322,793</u>	<u>(158,462)</u>
Total assets less current liabilities		<u>855,989</u>	<u>604,823</u>
Non-current liabilities			
Borrowings		246,019	192,846
Lease liabilities		58,159	75,508
Deferred tax liabilities		44,478	43,450
		<u>348,656</u>	<u>311,804</u>
NET ASSETS		<u>507,333</u>	<u>293,019</u>
Capital and reserves			
Share capital		73,792	43,290
Reserves		597,681	332,467
Equity attributable to owners of the Company		<u>671,473</u>	<u>375,757</u>
Non-controlling interests		<u>(164,140)</u>	<u>(82,738)</u>
TOTAL EQUITY		<u>507,333</u>	<u>293,019</u>

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 2005, 20/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Company’s principal subsidiaries are media entertainment business and trading business.

As at 31 December 2023, in the opinions of the directors of the Company (“the Directors”), the Company has no immediate and ultimate holding company or ultimate controlling party.

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

(a) Adoption of new or amended HKFRSs – effective on 1 January 2023

The HKICPA has issued a new and a number of amended HKFRSs that are first effective for the current accounting period of the Company and its subsidiaries (collectively the “Group”):

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts

Except as disclosed below, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

Disclosure of Accounting Policies (Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements)

The HKICPA issued HKFRS Practice Statement 2 Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

New Guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“MPF”) to offset severance payment (“SP”) and long service payments (“LSP”) (the “Abolition”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the “Transition Date”). The following key changes will take effect since the Transition Date:

Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer’s MPF contributions and its LSP obligation and hence the impact arising from the Abolition, in July 2023 the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong’ (the “Guidance”) to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of Hong Kong Accounting Standard 19.93(a)

Approach 2: Account for the employer’s MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the Approach 1 above retrospectively since the effective date of the Amendment Ordinance (i.e. June 2022). The application of the accounting policy does not have material impact on the Group’s financial statements for the current and prior years.

(b) Amended HKFRSs that have been issued but are not yet effective and not early adopted

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause, Non-current Liabilities with Covenants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date determined but available for adoption

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to HKAS 1 will have a significant impact on the classification of its liabilities. The Group does not expect any other standards issued by the HKICPA, but are yet to be effective, to have a material impact on the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all 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, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the same as the functional currency of the Company.

4. REVENUE AND SEGMENT REPORTING

An analysis of the Group’s revenue from its principal activities for the year is as follows:

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of		
- visual effects production and post production services	697,167	933,714
- virtual human services	12,566	23,935
- granting of licence for virtual reality contents	-	1,002
Sales of goods	26,768	-
	736,501	958,651

Disaggregation of revenue from contracts with customers

Segment	Media entertainment		Trading		Consolidated	
	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Types of goods or service						
Provision of						
- visual effects production and post production services	697,167	933,714	-	-	697,167	933,714
- virtual human services	12,566	23,935	-	-	12,566	23,935
- granting of licence for virtual reality contents	-	1,002	-	-	-	1,002
Sales of goods	-	-	26,768	-	26,768	-
Total revenue from contracts with customers	709,733	958,651	26,768	-	736,501	958,651

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Geographical markets		
Hong Kong	26,768	975
The People's Republic of China (the "PRC")	58,380	76,947
The United States of America ("USA")	249,928	316,265
Canada	391,306	546,929
United Kingdom ("UK")	1,837	13,685
India	8,190	3,126
Other countries/regions	92	724
Total revenue from contracts with customers	736,501	958,651

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition		
A point in time	28,968	24,937
Over time	707,533	933,714
Total revenue from contracts with customers	736,501	958,651

(a) Reportable segment

The Group determines its operating segment based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. During the year, the Group commenced the business engaging in sales of semiconductor memory chips in Hong Kong, and it is considered as a new operating and reportable segment by the chief operating decision-makers.

The following summary describes the operations in the Group's two reportable segments, media entertainment and trading:

- provision of visual effects production and post production services, virtual human services, and granting of licence for virtual reality contents ("Media entertainment")
- sales of semiconductor memory chips ("Trading")

Management monitors the results of its operating segments for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/gains, which is a measure of adjusted loss before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation, except that, reversal/(recognition) of impairment loss on other receivables, share of losses of a joint venture, impairment loss on amounts due from associates, impairment loss on investment in a joint venture, fair value loss on financial assets measured at FVTPL, fair value (loss)/gain on investment properties, loss on disposal of unallocated property, plant and equipment, gain on disposal of subsidiaries, share of losses of associates, auditor's remuneration, depreciation of unallocated property, plant and equipment, depreciation of unallocated right-of-use assets and amortisation of unallocated intangible assets, professional fees, unallocated finance costs, equity-settled share-based payment expenses, unallocated short-term lease expenses, unallocated other income and gains or losses (including royalty income, interest income and sundry income), as well as head office and corporate expenses, are excluded from such measurement.

Segment assets exclude investment properties, interests in associates, interests in joint ventures, loan to a joint venture, financial assets measured at FVTPL, unallocated cash and cash equivalents and pledged bank deposits, other unallocated head office and corporate assets as these assets are managed on a group basis.

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

	Media		Trading		Consolidated	
	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	709,733	958,651	26,768	-	736,501	958,651
Reportable segment (loss)/gains	(324,385)	(100,960)	3,297	-	(321,088)	(100,960)
Additions to non-current assets	77,897	95,360	-	-	77,897	95,360
Depreciation and amortisation	(129,386)	(97,504)	-	-	(129,386)	(97,504)
Finance costs	(11,401)	(9,604)	-	-	(11,401)	(9,604)
Impairment loss on goodwill	(44,746)	-	-	-	(44,746)	-
Impairment loss on intangible assets	(104,423)	-	-	-	(104,423)	-
Recognition of impairment loss on other receivables	(1,226)	-	-	-	(1,226)	-
Loss on disposal of property, plant and equipment, net	(26)	(4,188)	-	-	(26)	(4,188)
Taxation (charged)/credited	(5,238)	3,895	-	-	(5,238)	3,895
Reportable segment assets	682,080	782,143	26,827	-	708,907	782,143
Reportable segment liabilities	285,263	290,340	11	-	285,274	290,340

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before taxation		
Segment loss	(321,088)	(100,960)
Reversal/(recognition) of impairment loss on other receivables	8,050	(3,963)
Impairment loss on investment in a joint venture	-	(71)
Impairment loss on amounts due from associates	(3,248)	(12,180)
Fair value loss on financial assets measured at FVTPL	(8,318)	(24,430)
Fair value (loss)/gain on investment properties	(3,841)	14,266
Gain on disposal of subsidiaries	2,456	-
Loss on disposal of unallocated property, plant and equipment	-	(1,632)
Share of losses of associates	(2)	(2)
Share of losses of a joint venture	(8)	-
Auditor's remuneration	(2,442)	(2,361)
Depreciation of unallocated property, plant and equipment and unallocated right-of-use assets	(2,182)	(5,620)
Professional fees	(70,246)	(34,778)
Unallocated finance costs	(23,934)	(18,768)
Equity-settled share-based payment expenses	-	(49)
Unallocated short-term lease expenses	(161)	(741)
Unallocated other income and gains	21,351	23,971
Other unallocated corporate expenses*	(66,884)	(51,767)
Consolidated loss before taxation	<u>(470,497)</u>	<u>(219,085)</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets		
Reportable segment assets	708,907	782,143
Investment properties	-	24,668
Interests in associates	28,406	30,048
Interests in joint ventures	-	8
Loan to a joint venture	916	-
Financial assets measured at FVTPL	31,719	41,349
Unallocated cash and cash equivalents and pledged bank deposits	460,525	120,841
Unallocated corporate assets	23,450	30,646
Consolidated total assets	1,253,923	1,029,703
Liabilities		
Reportable segment liabilities	285,274	290,340
Tax payable	4,229	3,621
Deferred tax liabilities	44,478	43,450
Borrowings	350,738	341,862
Unallocated corporate liabilities	61,871	57,411
Consolidated total liabilities	746,590	736,684

(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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	26,768	975
The PRC	58,380	76,947
USA	249,928	316,265
Canada	391,306	546,929
UK	1,837	13,685
India	8,190	3,126
Other countries/regions	92	724
	<u>736,501</u>	<u>958,651</u>

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

(ii) Specified Non-current Assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	33,055	37,113
The PRC	55,793	113,495
Other regions of Asia	10,553	13,653
USA and Canada	381,135	545,885
	<u>480,536</u>	<u>710,146</u>

The information of Specified Non-current Assets from the above is based on the location of assets.

(d) Major customers

The Group's customer base is diversified and there was three customers (2022: two) from the media entertainment segment with whom transactions have exceeded 10% of the Group's total revenue as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	146,723	N/A ¹
Customer B	105,819	N/A ¹
Customer C	82,209	N/A ¹
Customer D	-	242,315
Customer E	-	190,655

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

(e) Revenue

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	37,397	45,140
Contract assets	7,915	2,536
Contract liabilities	51,668	53,624

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provision of visual effects production and post production services. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

The contract liabilities mainly relate to the advance consideration received from customers.

The Group has applied the practical expedient to its sales contracts for visual effects production and post production services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for visual effects production and post production services that had an original expected duration of one year or less.

5. OTHER INCOME AND GAINS

	2023 HK\$'000	2022 HK\$'000
Income arising from broadcasting movies and TV dramas	34,221	4,053
Interest income	6,835	1,531
Government subsidies (<i>Note</i>)	333	17,664
Effect of lease modification	318	49
COVID-19-Related rent concessions	-	1,703
Imputed interest on consideration receivable	-	600
Others	1,843	2,424
	<u>43,550</u>	<u>28,024</u>

Note:

There are no unfulfilled conditions or other contingencies attaching to these grants, all government subsidies have been received during the year. The Group did not benefit directly from any other forms of government assistance.

6. LOSS BEFORE TAXATION

	2023 HK\$'000	2022 HK\$'000
This is arrived at after charging:		
Cost of sales and services rendered (<i>Note</i>)	616,310	741,789
Loss on disposal of property, plant and equipment, net	26	5,820
Exchange differences, net	12,410	840
Auditor's remuneration:		
– audit services	2,239	2,107
– non-audit services	203	254
Depreciation of property, plant and equipment (<i>Note</i>)	25,453	37,760
Depreciation of right-of-use assets (<i>Note</i>)	42,508	30,303
Amortisation of intangible assets (<i>Note</i>)	63,607	35,061
Short-term lease expenses	615	2,203
Staff costs (<i>Note</i>):		
– Directors' remuneration	5,783	4,030
– Other staff costs:		
Salaries, wages and other benefits	602,298	768,166
Retirement benefit scheme contributions	11,235	15,012
Equity-settled share-based payment expenses	-	49
Total staff costs	<u>619,316</u>	<u>787,257</u>

Note:

Cost of sales and services rendered include HK\$484,023,000 (2022: HK\$615,066,000) relating to staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets, for which the amounts are also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Imputed interest on lease liabilities	11,818	9,890
Interest on bank and other loans	23,517	18,482
	<u>35,335</u>	<u>28,372</u>

8. TAXATION

Taxation charged/(credited) to the consolidated income statement represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current taxation - Hong Kong profits tax	-	-
Current taxation - Overseas tax		
- provision for the year	3,668	(731)
- under/(over)-provision in respect of prior years	1,815	(2,098)
Deferred taxation	<u>(204)</u>	<u>(991)</u>
	<u>5,279</u>	<u>(3,820)</u>

During the year ended 31 December 2023, the Group utilised tax loss of HK\$707,000 to set off assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made for the year ended 31 December 2022 as there was no assessable profits arising in Hong Kong.

Taxation on overseas profits has been calculated on the estimated assessable profits for the years at the rates of taxation prevailing in the countries in which the Group operates.

9. LOSS PER SHARE

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(394,571)</u>	<u>(206,320)</u>
	2023	2022
<i>Number of shares</i>		(Re-presented)
Weighted average number of ordinary shares for the purposes of basic loss per share, adjusted (<i>Note</i>)	<u>6,092,812,952</u>	<u>4,865,827,051</u>

Note: The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the bonus elements in the issue of shares through share subscriptions on 3 May 2023, 20 June 2023, 29 December 2023 and 24 January 2024.

For the years ended 31 December 2023 and 2022, since the share options outstanding had an anti-dilutive effect on the basic loss per share, the exercise of outstanding share options were not assumed in the computation of diluted loss per share.

Except for the above, there is no other dilutive potential ordinary share during the current and prior years. Therefore, the basic and diluted loss per share in the current and prior years are the same.

10. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
As at 1 January	24,668	-
Addition	-	10,402
Change in fair value	(3,841)	14,266
Disposal of subsidiaries	(20,884)	-
Exchange realignment	57	-
	<hr/>	<hr/>
As at 31 December	-	24,668

During the year ended 31 December 2022, two residential properties located in the USA have been obtained by the Group from the debtor to settle other receivable with carrying amount of HK\$10,402,000.

The Group's investment properties were valued at 20 November 2023 (disposal date of the investment properties) and 31 December 2022 by the management and Knight Frank Asset Appraisal Limited ("KF"), an independent firm of professionally qualified valuers, respectively, with recent experience valuing investment properties in the location held by the Group.

These valuations gave rise to fair value loss of HK\$3,841,000 during the year (2022: gain of HK\$14,266,000).

The fair value of the investment properties is a Level 3 recurring fair value measurement.

The fair values have been determined using direct comparison approach by making reference to comparable sales evidence available as in the relevant market. Under the direct comparison approach, significant inputs of the Group's residential properties in the USA include price per square foot ranging from US\$766.7 to US\$861.1 (equivalent to approximately from HK\$5,987.5 to HK\$6,725.1) (2022: from US\$760.4 to US\$1,166.7 (equivalent to approximately from HK\$5,935.9 to HK\$9,107.6)) with an average of US\$817.2 (equivalent to approximately of HK\$6,381.9) (2022: ranging from US\$825 to US\$1,025 (equivalent to approximately of HK\$6,440.2 to HK\$8,001.5)). Premium of approximately ranging from 1.6% and 6.4% specific to the location of the Group's residential properties located in the USA compared to recent sales on the comparable transactions was included in the valuation of the fair value of the investment properties as at 31 December 2022.

The fair value measurement of investment properties is positively correlated to the price per square foot where appropriate and a favourable adjustment on the comparable transactions under the direct comparison approach.

The fair value measurement is based on the above properties highest and best use, which does not differ from their current use.

Fair value adjustments of investment properties are recognised in the profit or loss. All the gains or losses recognised in consolidated income statement for the years arise from the investment properties held at the end of the reporting period or at the date of disposal.

As at 31 December 2022, the Group's investment properties were pledged to secure the borrowings of the Group.

On 20 November 2023, the Group disposed of the investment properties through disposal of subsidiaries.

11. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trademarks	Proprietary software	Participation rights	Patents	Licences for intellectual property rights	Film rights	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 2022	689,585	157,169	228,751	381,940	107,918	10,917	128,628	1,704,908
Additions	-	-	25,185	-	-	21	-	25,206
Write off	-	(137,678)	-	-	-	-	-	(137,678)
Exchange realignment	464	25	(4,105)	327	4	-	(129)	(3,414)
As at 31 December 2022 and 1 January 2023	690,049	19,516	249,831	382,267	107,922	10,938	128,499	1,589,022
Additions	-	-	28,635	-	-	-	1,654	30,289
Write off	-	-	-	(58,891)	-	(10,938)	-	(69,829)
Exchange realignment	(142)	9	1,762	117	1,424	-	58	3,228
As at 31 December 2023	689,907	19,525	280,228	323,493	109,346	-	130,211	1,552,710
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS								
As at 1 January 2022	395,708	137,678	138,574	381,940	107,918	9,096	-	1,170,914
Amortisation for the year	-	-	33,389	-	-	1,672	-	35,061
Write off	-	(137,678)	-	-	-	-	-	(137,678)
Exchange realignment	-	-	(1,817)	327	4	-	-	(1,486)
As at 31 December 2022 and 1 January 2023	395,708	-	170,146	382,267	107,922	10,768	-	1,066,811
Amortisation for the year	-	-	37,331	-	-	170	26,106	63,607
Impairment for the year	44,746	-	-	-	-	-	104,423	149,169
Write off	-	-	-	(58,891)	-	(10,938)	-	(69,829)
Exchange realignment	-	-	872	117	1,424	-	(318)	2,095
As at 31 December 2023	440,454	-	208,349	323,493	109,346	-	130,211	1,211,853
CARRYING AMOUNT								
As at 31 December 2023	249,453	19,525	71,879	-	-	-	-	340,857
As at 31 December 2022	294,341	19,516	79,685	-	-	170	128,499	522,211

Notes:

- (a) For the purpose of impairment testing to be performed, the carrying amount of goodwill is allocated to CGUs in the media entertainment segment identified as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Visual effects production services	209,013	209,155
Post production services	<u>85,186</u>	<u>85,186</u>
	<u>294,199</u>	<u>294,341</u>

In addition to goodwill above, certain intangibles assets (as stated in notes 11(b), 11(c) and 11(e)), property, plant and equipment, right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGUs for the purpose of impairment assessment.

The recoverable amounts of the CGUs have been determined by the Directors on the basis of value-in-use calculations with reference to professional valuation reports issued by KF.

The value-in-use calculations for CGUs used cash flows projections based on latest financial budgets approved by the Group's management covering a period of 5 years, which is consistent with the cash flows projections period in 2022.

The cash flow projections beyond the budget period are extrapolated using a growth rate of 2.0% to 2.5% (2022: 2.0% to 2.5%), which do not exceed the long-term growth rates for the industry in the corresponding countries.

The key assumptions used for the value-in-use calculations are as follows:

	Visual effects production services CGU	Post production services CGU
2023		
Average revenue growth rate within budget period	14.4%	3.6%
Pre-tax discount rate	18.7%	13.9%
Average gross margin	21.5%	47.5%
Recoverable amount (HK\$'000)	555,266	81,663
	Visual effects production services CGU	Post production services CGU
2022		
Average revenue growth rate within budget period	12.0%	5.3%
Pre-tax discount rate	19.1%	16.4%
Average gross margin	21.7%	44.6%
Recoverable amount (HK\$'000)	806,262	226,785

The pre-tax discount rate and other key assumptions for the value-in-use calculation, as disclosed in the above table, relate to the estimation of cash inflows/outflows which include budgeted service revenue and gross margin. Such estimations are based on the CGUs' past performance and the management's expectations for the market development.

(i) Visual effects production services CGU

As at 31 December 2023, the recoverable amount for the visual effects production services CGU is HK\$555,266,000 (2022: HK\$806,262,000). The recoverable amount is significantly above the carrying amount of the visual effects production CGU. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

(ii) Post production services CGU

As at 31 December 2023, the recoverable amount for the post production services CGU is HK\$81,663,000 (2022: HK\$226,785,000). During 2023, the number of projects from post production services CGU decreased. Management is of the opinion that the possibility for increment of the number of projects to a higher level is remote. Accordingly, impairment loss on the related goodwill of HK\$44,746,000 for post production services CGU was recognised in profit or loss during the year ended 31 December 2023.

- (b) Trademarks were considered as having indefinite useful lives as they are considered renewable at minimal costs. Trademarks for 360 degree digital capture technology application CGU had not been renewed and therefore expired during the year ended 31 December 2022. The Directors are of the opinion that the Group anticipated there is no future economic benefits generated from the trademarks.

Except as described above, the Group renewed the other trademark during the year. In the opinion of the Directors, the other trademark can provide continuing economic benefits to the Group taking into account (i) the long-term expected usage of the other trademark by the Group with reference to the history of operations and considering that such trademark could be managed efficiently by another management team; and (ii) the long product life cycles for the other trademark.

As at 31 December 2023, the other trademark is allocated to the Group's visual effects production services CGU for the purpose of impairment testing.

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

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

- (d) Participation rights represented the contractual rights to income arising from broadcasting movies and TV dramas.

The participation rights are tested on asset level for a stand-alone basis in connection with respective movies and TV dramas involved.

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

Patents are allocated to the Group's 360 degree digital capture technology application CGU for the purpose of impairment testing. Accumulated impairment loss on intangible assets – patents of HK\$77,669,000 for 360 degree digital capture technology application CGU was recognised in profit or loss in the prior years.

- (f) Licences for intellectual property rights granted to the Group is a right of development, sale/distribution and promotion of digital articles of merchandise (such as 360 degree video, interactive virtual reality, augmented reality environment experience, and similar immersive media content) incorporating the licensed material, which were tested for impairment on asset level for a stand-alone basis.

- (g) Film rights represent films produced or films production in progress by the Group. As at 31 December 2022, there was only one film under production. The film is internally produced by the Group which is entitled to all retained profit generated from the film right, after sharing with producers and other independent parties of certain percentages specified in the agreements between the Group and those parties.

During the year ended 31 December 2023, the film has been released in the USA and various locations in the world. Accordingly, amortisation of the capitalised production costs associated with the film right commenced over its useful life of 5 years during the year. In view of the unfavourable box office result during the year, the Directors have carried out the impairment testing on the film rights. The recoverable amount of this asset has been determined based on the value in use calculation. The calculation uses cash flow projections based on latest revised financial budgets approved covering a 5-year period. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted broadcasting income, such estimation is based on the asset's past performance from box office and other receipts of the film during the year and management's expectations for the market development. The lower-than-expected box office results following the release of the film which would have represented the main source of net cash inflow for the film (similar to other theatrically released films) and consequential reduction of estimated revenue from other forms of exploitation of the film rights led to the impairment loss in respect of the film rights of HK\$104,423,000 (equivalent to the remainder of the capitalized production costs of the film after amortization) being recognised in profit or loss for the year ended 31 December 2023. Other key assumptions for the value-in-use calculations for the film rights included a risk free rate of 3.88% (2022: 3.99%) and equity risk premium of 6.87% (2022: 5.5%).

12. INTERESTS IN ASSOCIATES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Share of net assets	579	580
Amounts due from associates (<i>Note</i>)	<u>227,020</u>	<u>227,116</u>
	227,599	227,696
Less: Accumulated impairment loss on amounts due from associates	<u>(199,193)</u>	<u>(197,648)</u>
	<u>28,406</u>	<u>30,048</u>

Note:

The amounts due from associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these amounts due from associates are unlikely to be repaid in the foreseeable future and are considered as long-term interests in associates, which are part of the Group's net investments in the associates. Management reassessed the ECL of amounts due from associates at the reporting date.

The Group's interests in associates are accounted for using the equity method in the consolidated financial statements.

As at 31 December 2023 and 2022, impairment assessment has been performed by the Group. Based on the assessment, the recoverable amount is not higher than the carrying amount of the interests in associates.

Impairment loss on amounts due from associates of HK\$3,248,000 (2022: HK\$12,180,000) including net share of losses of HK\$1,680,000 (2022: HK\$12,180,000) recognised in excess of investment in associates, were recognised for the year ended 31 December 2023. The impairment loss on amounts due from associates comprise of the followings:

- (i) During the year ended 31 December 2023, the Group received a repayment of HK\$926,000 from Lead Turbo Group. Accordingly, a reversal of impairment loss of HK\$926,000 (2022: impairment loss of HK\$6,776,000) in interest in Lead Turbo Group was recognised in profit or loss for the year ended 31 December 2023.
- (ii) The Group advanced HK\$2,494,000 to Digital Domain Space (Beijing) Media Technology Company Limited (“DD Space (Beijing)”) during the year ended 31 December 2023. Management assessed the ECL of the amount due from DD Space (Beijing) and recognised an impairment of HK\$2,494,000 (2022: HK\$3,966,000) for the year ended 31 December 2023.
- (iii) The Group recognised share of losses for the year of HK\$1,680,000 (2022: HK\$1,438,000) on the Group’s long-term interest in Digital Domain Virtual Human Group, in excess of its investment in the associate.

13. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

- (a) On 3 February 2021, the Group acquired 248,431 common shares of asknet Solutions AG (“asknet”), a publicly traded German ecommerce company, the shares of which are traded on the Frankfurt Stock Exchange (ticker code: ASKN) at the consideration of approximately EUR3,709,000 (equivalent to approximately HK\$34,586,000). The shares represented approximately 19% of the total issued common shares of asknet on 3 February 2021.

In November 2021, asknet proposed to increase its capital from 1,307,530 shares to 3,268,825 shares. Therefore the shares held by the Group was diluted which represented approximately 7.6% of the total issued common shares of asknet since then.

On 30 May 2022, asknet announced that its Executive Board with the approval of the Supervisory Board decided to delist its shares on the Frankfurt Stock Exchange with effective from 31 August 2022, because the economic benefit of the inclusion of its shares in the Regulated Unofficial Market of the Frankfurt Stock Exchange no longer justifies the associated expenses.

On 31 August 2022, the common shares of asknet were delisted from the Frankfurt Stock Exchange. Immediately before the delist, the fair value of the Group’s interests in asknet, based on quoted market price, amounted to HK\$881,000. In the opinion of the Directors, upon the delist of asknet the fair value of the Group’s interests in asknet becomes minimal and accordingly a further fair value loss of HK\$881,000 was recognised in profit or loss during the year ended 31 December 2022.

As at 31 December 2023, asknet remains its delisted status. In the opinion of the Directors, the fair value of the Group’s equity interests in asknet remains minimal and there is no changes on fair value of asknet.

- (b) On 26 February 2021 and 6 May 2021, the Group acquired 260,000 and 5,000, respectively, bearer shares of Highlight Event and Entertainment AG (“HLEE”), a publicly traded Swiss media and sports marketing company, the shares of which are traded on the Swiss Stock Exchange (ticker code: HLEE.SW) at the consideration of approximately EUR7,064,000 (equivalent to approximately HK\$66,405,000) and EUR150,000 (equivalent to approximately HK\$1,403,000), respectively. The shares represented approximately 2.91% and 0.06% of the total issued bearer shares of HLEE on 26 February 2021 and 6 May 2021, respectively. Upon the completion of these two acquisitions, the total shares represented approximately 3.01% of the total issued bearer shares of HLEE on 6 May 2021.

As at 31 December 2022, the shares held by the Group represented approximately 2.8% of the total issued bearer shares of HLEE.

In November 2023, HLEE increased its capital from 9,460,000 shares to 12,960,000 shares. Since then and as at 31 December 2023, the shares held by the Group was diluted which represented approximately 2.04% of the total issued bearer shares of HLEE.

The above investments are classified as non-current because the management expects to realise these financial assets after twelve months after the reporting period.

The fair value of the listed equity securities is determined based on the quoted market closing prices available on the relevant stock exchanges at the end of the reporting period.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed equity securities outside Hong Kong, at fair value	<u>31,719</u>	<u>41,349</u>

The movements of the Group's financial assets measured at FVTPL were as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
As at 1 January	41,349	70,151
Additions of debt securities	79,298	-
Fair value loss recognised in profit or loss	(8,318)	(24,430)
Disposals of debt securities	(81,731)	-
Exchange realignment	<u>1,121</u>	<u>(4,372)</u>
As at 31 December	<u>31,719</u>	<u>41,349</u>

14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current portion:		
Consideration receivable (<i>Notes (i) and (iv)</i>)	7,831	-
Deposits (<i>Note (i)</i>)	<u>10,448</u>	<u>10,239</u>
	<u>18,279</u>	<u>10,239</u>
Current portion:		
Trade receivables (<i>Notes (i) and (ii)</i>)	37,397	45,140
Consideration receivables (<i>Notes (i) and (iv)</i>)	7,831	-
Other receivables (<i>Notes (i) and (iii)</i>)	17,627	34,476
Deposits (<i>Note (i)</i>)	670	678
Prepayments	<u>13,433</u>	<u>27,376</u>
	<u>76,958</u>	<u>107,670</u>
Total trade receivables, other receivables and prepayments	<u>95,237</u>	<u>117,909</u>

Notes:

- (i) The Directors consider that the carrying amounts of trade receivables, consideration receivable, other receivables, and deposits approximate their fair values as at 31 December 2023 and 2022.
- (ii) The Group normally allows an average credit period of 30 days (2022: 30 days) to trade customers. The ageing analysis of the Group's trade receivables, net of allowance of impairment losses, based on the invoice date as of the end of reporting period, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	22,499	34,758
31 to 60 days	933	813
61 to 90 days	1,482	2,110
91 to 365 days	9,894	2,408
Over 365 days	2,589	5,051
	<u>37,397</u>	<u>45,140</u>

No interest is charged on trade receivables.

- (iii) Other receivables mainly represent advance to third parties, value-added tax recoverable and the following:

As at 31 December 2022, included in other receivables was a receivable from an independent third party with gross carrying amount of approximately HK\$29,127,000 related to income arising from broadcasting movies and TV dramas. In prior years, pursuant to the debt assignment agreement signed on 20 January 2020, two trade receivables of the independent third party are assigned to the Group to settle the remaining outstanding balances. The transferred receivable is unsecured, interest-free and repayable on demand.

The Directors were of the opinion that, after taking into account the historical credit loss experience and quantitative and qualitative forward-looking information that is reasonable and supportive of the principal and related interest receivables, accumulated impairment of the other receivable of HK\$8,050,000 was recognised as at 31 December 2022.

During the year ended 31 December 2023, the Group recovered the abovementioned other receivable of HK\$29,127,000. Accordingly, the accumulated impairment of the corresponding other receivable of HK\$8,050,000 is fully reversed during the year.

- (iv) Consideration receivables as at 31 December 2023 comprised:
- (a) The second to the fifth instalments of the deferred cash consideration due from an independent third party arising from the disposal of subsidiaries amounted to HK\$15,662,000 during the year ended 31 December 2023. The amounts are unsecured, interest-free and repayable as to HK\$7,831,000 in 2024 and as to HK\$7,831,000 in 2025.
- (b) The second and the third instalments of the deferred consideration from disposal of subsidiaries amounted to HK\$68,000,000 in 2020. The amounts are secured by the 22.29% equity interests of the Lead Turbo Group, interest-free and repayable on the first and the second anniversary dates of the completion date of the disposal.

The Directors are of the opinion that, after taking into account the overdue status on the debt from the purchaser and the recoverable amount of the pledged equity interests of the Lead Turbo Group, accumulated impairment loss of HK\$68,000,000 (2022: HK\$68,000,000) has been made at the end of the reporting period.

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	28,955	39,985
Other payables	83,420	64,866
Interest payables	34,038	32,182
Accruals	52,108	56,525
	<hr/>	<hr/>
Total trade payables, other payables and accruals	198,521	193,558
	<hr/>	<hr/>

Trade payables are non-interest bearing and are normally settled within 30-180 days (2022: 30-180 days).

The Directors consider that the carrying amounts of trade payables, other payables and accruals approximate their fair values as at 31 December 2023 and 2022.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	4,585	16,312
31 to 60 days	3,144	7,226
61 to 90 days	1,151	2,258
91 to 365 days	12,925	8,643
Over 365 days	7,150	5,546
	<hr/>	<hr/>
	28,955	39,985
	<hr/>	<hr/>

16. CONTINGENT LIABILITIES

- (a) A wholly-owned subsidiary of the Company based in the United States (the “US Subsidiary”) has been acknowledged by several clients in the USA in connection with the possible indemnification of losses suffered by these clients as a result of their involvements in other lawsuits (the “Other Lawsuits”) filed by a claimant (the “Claimant”) against these clients. This Claimant had dispute over ownership of certain physical equipment and intellectual property (the “Disputed IP”) with the original owner (the “Original Owner”) and a court in the USA concluded that the Claimant owns the Disputed IP on 11 August 2017. The Group had used these Disputed IP under a licence from the Original Owner and completed certain visual effect projects for these clients.

The US Subsidiary submitted these indemnity requests to one of its insurance companies that may provide insurance coverage for indemnity claims brought against it. The insurance company believed that coverage was no longer existed under the insurance policy but would continue to negotiate with the US Subsidiary about contributing to the defence of the clients in the Other Lawsuits.

On 20 January 2022, Claimant, US Subsidiary’s clients, US Subsidiary and its insurance company commenced a settlement process through a neutral third-party mediator. The insurance company initially acknowledged its obligation to provide a defence for the US Subsidiary’s clients, but subsequently communicated to the US Subsidiary that it no longer believed that coverage existed under the insurance policy but would continue to negotiate with the US Subsidiary about contributing to the defence of the clients in the Other Lawsuits.

No specific monetary amount has been identified in the indemnity requests by these clients. The insurance company and the US Subsidiary are continuing their discussion with respect to whether, and to what extent the insurance company will pay the defence costs of the US Subsidiary’s clients in the Other Lawsuits.

As at 31 December 2023, the litigation of Other Lawsuits is continuing.

No provision for the indemnity has been recognised for the year ended 31 December 2023 (2022: Nil) as, in the opinion of the Directors, the Group may or may not require a significant outflow of resource for the indemnification.

- (b) On 21 April 2022, the Claimant filed a lawsuit against one of the US Subsidiary’s clients and its affiliates’ copyright infringement against those entities with respect to two films that are not part of the Other Lawsuits (the “New Lawsuit”). However, the US Subsidiary did not use the Disputed IP on either of these films. On 21 February 2023, the court dismissed the New Lawsuit on the grounds that the facts, as pleaded, in the lawsuit did not give rise to legally-actionable claims. The court has given the Claimant three opportunities to file amendments that rectify the legal defects that the court identified with respect to the New Lawsuit and each subsequent amended complaint. The US Subsidiary’s clients filed a motion to dismiss the latest amended complaint which the court heard on 5 October 2023. The court has not yet issued its decision on whether it will dismiss all or portions of the latest amended complaint.

No provision for the indemnity has been recognised for the year ended 31 December 2023 (2022: Nil) as, in the opinion of the Directors, the Group may or may not require a significant outflow of resource for the indemnification.

17. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequently to 31 December 2023:

On 24 January 2024, 600,000,000 new ordinary shares of par value HK\$0.01 each were issued at subscription price of HK\$0.207 each to an independent party of the Group at an aggregate consideration of approximately HK\$124,162,000 net of issuing expenses.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK\$Nil).

REVIEW AND OUTLOOK

FINANCIAL AND BUSINESS REVIEW

During the year ended 31 December 2023, the Group achieved a revenue of HK\$736,501,000 (2022: HK\$958,651,000), showing a decrease of approximately 23% compared to that of the previous year. The gross profit of the Group amounted to HK\$120,191,000 (2022: HK\$216,862,000) during the year under review, showing a decrease of approximately 45%. The decrease in turnover and gross profit were attributable to the reduction in the media entertainment segment. As at 31 December 2023, the total assets of the Group amounted to HK\$1,253,923,000 (as at 31 December 2022: HK\$1,029,703,000). The loss attributable to the owners of the Company for the year was HK\$394,571,000 (2022: HK\$206,320,000). The loss for the year was approximately HK\$483,604,000 (2022: HK\$215,265,000). The loss for the year was mainly caused by:

- (i) the recognition of non-cash outflow expenses, including:
 - (a) amortisation and depreciation expenses excluding depreciation related to Right-of-use Assets and amortisation of film rights mentioned in (e) below amounted to the value of HK\$62,954,000 (2022: HK\$72,821,000);
 - (b) the impairment losses on goodwill and intangible assets attributable to a cash generating unit (CGU) of HK\$44,746,000 (2022: HK\$ Nil) and impairment losses attributable to associates of HK\$3,248,000 (2022: HK\$12,180,000);
 - (c) share of losses of associates of HK\$2,000 (2022: HK\$2,000);
 - (d) fair value loss on financial assets measures at fair value through profit or loss of HK\$8,318,000 (2022: HK\$24,430,000);
 - (e) amortisation of film rights of HK\$26,106,000;
 - (f) impairment on film rights of HK\$104,423,000; and
 - (g) there was no impairment losses on investment in a joint venture (2022: HK\$71,000);
- (ii) administrative and other project expenses; and
- (iii) operating losses from the media entertainment segment.

MEDIA ENTERTAINMENT SEGMENT

During the year under review, this segment recorded a revenue of approximately HK\$709,733,000 (2022: HK\$958,651,000) and incurred a loss of approximately HK\$324,385,000 (2022: HK\$100,960,000). The loss included the impairment loss on goodwill and related intangible assets (if applicable) of HK\$149,169,000 (2022: HK\$ Nil) and research and development costs incurred during the year under review relating to virtual human technology.

“The earnings before interest, tax, depreciation and amortisation (EBITDA)” of the media entertainment segment (including the impairment loss on goodwill and related intangible assets (if applicable) of HK\$149,169,000 (2022: HK\$ Nil)) for the year ended 31 December 2023 was a loss of HK\$183,598,000 (2022: profit of HK\$6,148,000). EBITDA is not a standard measure under the Hong Kong Financial Reporting Standards (HKFRS) but is a widely used financial indicator of a company’s operating performance. EBITDA should not be considered in isolation or be construed as an alternative to cash flows, net income or any other measure of performance, or as an indicator of the Group’s operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA for the media entertainment segment is calculated based on the loss of the segment for the period but does not account for taxes, interest expenses, depreciation (of the segment’s property, plant and equipment) and amortisation charges (on the segment’s intangible assets).

A. Visual Effects Production and Post-Production Business

This segment provides visual effects (“VFX”) production and post-production services which include visualisation, pre-visualisation, post-visualisation, visual effects, computer graphics (“CG”), animation, motion capture, facial capture, virtual production, real-time game engine production, live action filming, editing, design, and finishing for major motion picture studios, networks, streaming services, advertisers, brands and games.

Digital Domain North America (“DDNA”) – USA and Canada:

The following list of recent awards and nominations offers recognition for Digital Domain’s artists and technology:

Telly Awards

Mr. Jan Philip CRAMER, Mr. Michael MELCHIORRE, Ms. Elizabeth BERNARD, Mr. Daniel BROVERMAN and Mr. Eric KIMELTON were awarded a Silver Telly Award for the studio’s exceptional visual effects contributions to ***“She-Hulk: Attorney at Law”***.

The Visual Effects Society Awards

Mr. Jan Philip CRAMER and Ms. Elizabeth BERNARD were nominated for the Outstanding Animated Character in an Episode, Commercial or Real-Time Project award for Digital Domain’s exceptional work on ***“She-Hulk: Attorney at Law”***.

Mr. Aruna INVERSIN, Mr. Paul PIANEZZA, and Ms. Kimberly CHEIFER received a nomination for Outstanding Visual Effects in a Real-Time Project for Digital Domain’s exceptional work on ***“The Quarry”***, a 2022 interactive drama horror video game developed by Supermassive Games.

The Hollywood Professional Association Awards

Mr. Aladino DEBERT, Mr. Greg TEEGARDEN, Mr. James REID, Mr. Mathew ROTMAN and Mr. Viv JIM received an HPA Award win for their team's incredible work on Amazon Prime Video's "*Citadel*" in the Outstanding Supporting Visual Effects – Episode or Series Season category.

Clio Awards

The Digital Domain team was recognised for their digital human work recreating three historic figures for the "*Citadel*" *MYTH* Trailer which worked as the marketing tool to launch the series, which won two Clio Bronze Awards in the Television | Series: Trailer and Television | Series: Video Promo - Special Shoot categories.

The artists of Digital Domain 3.0, Inc. ("DD3I"), a subsidiary of the Company, have provided VFX services for work including:

- "*Ant-Man and the Wasp: Quantumania*" – VFX Supervisor, Mr. David HODGINS and his talented team completed work on the film, bringing the Marvel villain, MODOK to life, that follows the adventures of Ant-Man and the Wasp, which was released in February 2023. The work made the Top 10 list for this year's Academy Awards in the VFX category.
- VFX Supervisor, Mr. Mitch DRAIN completed work with Netflix Studios as the production-side VFX on the film "*Chupa*", which was released in April 2023.
- "*Extraction 2*" – VFX Supervisor, Mr. Jean-Luc DINSDALE and his team of artists worked on the sequel for the Netflix action thriller film directed by San HARGRAVE, which was released in June 2023. The team created a thrilling and action-packed 22 minutes oner for the film.
- "*Blue Beetle*" – VFX Supervisor, Mr. Jay BARTON and his team of Digital Domain artists worked on the Warner Bros. film, which was released in August 2023. Mr. BARTON and his team delivered almost 700 shots and utilised the studio's proprietary machine learning cloth tool, ML Cloth, for the first time on a feature film.
- VFX Supervisor, Mr. Joel BEHRENS is continuing work alongside production VFX Supervisor, Mr. Matthew BUTLER on an upcoming Netflix film.
- VFX Supervisor, Mr. Piotr KARWAS and his team began work on an upcoming George Nolfi film.
- VFX Supervisor, Mr. Scott EDELSTEIN and his team completed work on Sony Pictures film, "*Madame Web*". The film was released in February 2024.

Digital Domain's visual effects teams have completed work on several episodes for hit television and streaming shows such as:

- ***“The Last of Us” Season 1*** – The Digital Domain team completed exceptional environmental work on Season 1 of HBO's “The Last of Us” in 2022 and the series released on 15 January 2023.
- ***“Carnival Row” Season 2*** – Digital Domain finished the production of Season 2 of “Carnival Row” for Amazon in 2021, and the show was made available to viewers on 17 February 2023 featuring brilliant digital human, environment and creature work created by our artists.
- ***“The Mandalorian” Season 3*** – Digital Domain's first Lucasfilm project led by VFX Supervisor, Mr. Nikos KALAITZIDIS, Mr. KALAITZIDIS and his outstanding team completed work on the Disney+ series, creating an intense battle between Bo-Katan and Moff Gideon, which released on 1 March 2023.
- ***“Citadel”*** – VFX Supervisor, Mr. Aladino DEBERT and his team of creatives completed work on the first season of one of Amazon's newest series, and was asked to include work in the client's Emmy submission. The work included captivating visual effects with intricate water work, employing a groundbreaking, proprietary ocean simulation technique known as the “Water Kit”.
- ***“Secret Invasion” Season 1*** – VFX Supervisor, Mr. David CUNNINGHAM, and his team of visual effects experts completed work for Season 1 of the Marvel Studios series, which showcased our team's incredible creature work and released in June 2023.
- ***“Ahsoka” Season 1*** – VFX Supervisor, Mr. Nikos KALAITZIDIS and his talented team of Digital Domain artists completed work on the first season of the Disney+ series, “Ahsoka”, which was released on 23 August 2023. The Digital Domain team was responsible for the colourful lightsaber duel between Sabine and Shin, and Ahsoka and Marrok.
- ***“The Morning Show”*** – VFX Supervisor, Mr. Nikos KALAITZIDIS, and his talented team completed work on the third season of the series produced by Apple Studios. The series premiered in September 2023.
- ***“Echo”*** – VFX Supervisor, Mr. Aladino DEBERT, and his skilful team completed work on the new Marvel Studios series that released in January 2024.
- VFX Supervisors, Mr. Kelly PORT and Mr. Michael MELCHIORRE along with their teams are currently working on an upcoming Marvel Studios series expected to release in 2024.
- VFX Supervisor, Mr. Nikos KALAITZIDIS, and his artistic team began work on an upcoming HBO series.
- The award-winning Digital Domain team, led by VFX Supervisor, Mr. Nikos KALAITZIDIS, is working on an upcoming series for Sony Pictures Television.

Digital Domain's visualisation studio provided previsualisation services for features and shows such as:

- Netflix's "*Extraction 2*"
- Sony Pictures' "*Madame Web*"
- Three upcoming Marvel Studios' films
- An upcoming Netflix film
- An upcoming Marvel Studios' series
- An upcoming film directed by Francis Ford COPPOLA
- An upcoming New Line Cinema film
- An upcoming Twentieth Century Fox film
- An upcoming George NOLFI film
- An upcoming 20th Century Studios film
- Season 2 of an upcoming HBO Max series

The team also provided motion capture services for a number of projects including:

- Legendary's "*Dune : Part 2*"
- An upcoming Skydance video game
- A trailer for an upcoming Skydance video game
- A project in collaboration with Something Wicked Games
- An upcoming game for Sucker Punch Studios
- A commercial for CrowdStrike in collaboration with Radical Media

We provided VFX services for advertisements, special venue projects and games. Work completed in 2023 include:

- For **The Brand Agency and Amazon Studios**, the Digital Domain advertising team worked with the VHG team, utilising the studio's proprietary technology Charlatan to recreate three historical figures that were used in a promo to launch the **Citadel** Season 1 series marketing campaign. The work earned two Clio Awards.
- In collaboration with Trailer Park, the Digital Domain team created dynamic simulation water advertisement for NDO H2O bottled water.

Possible Indemnification

A wholly-owned subsidiary of the Company based in the United States (the “US Subsidiary”) has used a combination of physical equipment and intellectual property to record images of human faces (the “Disputed IP”). The Disputed IP is one of several different technologies available to capture elements of a human face prior to visual effects enhancements that create the final image. The US Subsidiary’s use of the Disputed IP had been under a 2013 license from an unaffiliated company based in the PRC (the “Original Owner”).

In 2014, a dispute over the ownership of the Disputed IP between the Original Owner and another company based in the United States (the “Claimant”) resulted in the filing of a lawsuit (the “Lawsuit”) in the United States District Court, Northern District of California. Neither the Original Owner nor the Claimant is a member company of the Group. Another subsidiary of the Company agreed in 2015 to purchase the Disputed IP. The completion of the transfer of such Disputed IP is subject to the favourable outcome of the Lawsuit. On 11 August 2017, the court issued a statement of decision which concluded that the Claimant owned the Disputed IP. The US Subsidiary had already used alternative technologies. On appeal of the statement of decision, the court of appeal upheld the decision of the trial court that the Claimant was the owner of the Disputed IP.

During 2017, the Claimant filed four separate lawsuits against certain clients of the US Subsidiary relating to the use of the Disputed IP for certain visual effects projects that the US Subsidiary had completed (the “Other Lawsuits”). The US Subsidiary’s clients filed a number of separate motions to dismiss all or portions of the lawsuits brought against them. In response to these motions, the court dismissed a significant portion of the claims, but allowed the Claimant to proceed with litigation on the remaining portion of the claims with respect to only one of the seven motion pictures (the “Picture”) that were originally part of the lawsuit for unspecified monetary damages. The case concerning the other six motion pictures was stayed pending the conclusion of the trial of the Other Lawsuits concerning the Picture.

The jury trial of the Other Lawsuits concerning only the Picture commenced on 4 December 2023. After the close of evidence but prior to submitting the case to the jury, the court ruled that the jury would decide the amount of any compensatory damages, if any, that should be awarded and provide an advisory opinion to the court with respect to disgorgement of the Picture’s profits allocable to the use of the Disputed IP, if any. On 21 December 2023, the jury returned a verdict in favour of the Claimant, awarding US\$250,638 in compensatory damages and an advisory opinion that US\$345,098 of the Picture’s profits were allocable to the use of the Disputed IP and this should be disgorged to the Claimant. The court will in due course to prepare Findings of Fact and Conclusions of the Law based on the evidence presented at the trial and issue its decision on the disgorgement of profits. After the court has issued its decision, it is expected that there will be an appeal to United States Court of Appeal for the Ninth Circuit.

On 21 April 2022, the Claimant filed a lawsuit against one of the US Subsidiary's clients and its affiliates' copyright infringement against those entities with respect to two films that are not part of the Other Lawsuits (the "New Lawsuit"). However, the US Subsidiary did not use the Disputed IP on either of these films. On 21 February 2023, the court dismissed the New Lawsuit on the grounds that the facts, as pleaded, in the lawsuit did not give rise to legally-actionable claims. The court has given the Claimant three opportunities to file amendments that rectify the legal defects that the court has identified with respect to the New Lawsuit and each subsequent amended complaint. The US Subsidiary's clients filed a motion to dismiss latest amended complaint which the court heard on 5 October 2023. The court has not yet issued its decision on whether it will dismiss all or portions of the latest amended complaint.

In its production services agreements for the films that are the subject of the Other Lawsuits, the US Subsidiary agreed to certain indemnification obligations with respect to claims brought against these clients arising from allegations that the technology it used was not properly licensed or acquired. As a result, these clients have requested that the US Subsidiary acknowledge its obligation to indemnify them for any losses suffered as a result of their involvement in the Other Lawsuits. The US Subsidiary has submitted these indemnity requests to one of its insurance companies that may provide insurance coverage for indemnity claims brought against it. The insurance company initially acknowledged its obligation to provide a defence for the US Subsidiary's clients, but subsequently communicated to the US Subsidiary that it no longer believed that coverage existed under the insurance policy but would continue to negotiate with the US Subsidiary about contributing to the defence of the clients in the Other Lawsuits. The US Subsidiary has renewed its discussions with the insurance company in an attempt to obtain insurance coverage for the indemnity claims brought against it in view of the developments with the jury trial described above.

In its production services agreements for the films that are subject of the New Lawsuit, the US Subsidiary agreed to certain indemnification obligations with respect to claims brought against these clients arising from allegations that the technology it used was not properly licensed or acquired. As a result, these clients have requested that the US Subsidiary acknowledge its obligation to indemnify them for any losses suffered as a result of their involvement in the New Lawsuit. The US Subsidiary has denied that it is obligated to indemnify these clients on the grounds that the US Subsidiary did not use the Disputed IP during the production of the motion pictures that are subject of the New Lawsuit and thus did not breach a warranty to the clients. US Subsidiary also submitted these indemnity requests to one of its insurance companies that may provide insurance coverage for indemnity claims brought against it with respect to the New Lawsuit, but the request for insurance coverage was denied on the grounds that all claims arising from the Disputed IP were specifically excluded from coverage.

Digital Domain China:

With the establishment of Digital Domain China ("DD China"), the Group has a strong operating platform in China.

DD China provides VFX production and post-production services for commercials, TV drama series, and feature films in China, including offline and online editing, compositing, colour grading, design, music and audio, CG and VFX production. It also provides production services for commercials and feature films.

Visual effects and colour grading services delivered for feature films and episodic this year include ***"Ride On"***, ***"The Legends of Monkey King"***, ***"Lost You-Forever"***, as well as the upcoming ***"Ali's Dream Castle"*** and ***"Supernova Era"***.

In 2023, DD China continues to provide post-production and production services (e.g. shooting, editing, colour grading and music production) for various high-profile clients, including: **AUPRES, Bosideng, BULL, BYD, Cadillac, Clinique, Corona, Estée Lauder, GUANZHU, HUAWEI, HONOR, Lancôme, L'ORÉAL, L'Oréal Paris, MEIZU, Minute Maid, Moonton Games “Mobile Legends: Bang Bang”** and **“Watcher of Realms”, Pechoin, Schwarzkopf and Yili.**

Digital Domain’s visual artistry and technology innovation have been recognised by the following recent awards:

- In December 2023 – “*Lore, Watcher of Realms*” cinematic trailer that was created by Digital Domain received a **Bronze DAwards under Craft - Art Direction.**

Digital Domain India:

2023 was a busy year for Digital Domain India (“DD India”) in terms of producing diversified work and rising up the value chain. It achieved the goal of having local resources work with our North American teams on a common platform with improved efficiency and establishing a global ‘Round The Clock’ production model. DD India will focus on developing sales efforts in the local market offering Digital Domain’s varied services and technical expertise.

- The DD India team is currently working on three upcoming films for DD North American team.
- **“Black Mirror” Season 6** – The DD India team completed work on Netflix’s “Black Mirror”. The series released in June 2023.
- DD India team completed work on the Amazon Studios series, **“The Village”**.

In addition to collaborating with our North American team delivering great work across shows and platforms, DD India made a significant stride in the local market producing visual effects for **Season 1 of “The Village”** across all six episodes, which is now streaming on Amazon Prime. DD India is also working on two of the biggest anticipated features releasing in 2024. This is in line with DD India’s roadmap of targeting the growing domestic entertainment market.

DD India provides services across platforms for features, television, web and over-the-top (OTT) media. DD India considers data security to be of the utmost importance and is a certified facility under the Trusted Partner Network (TPN), a joint venture between two major entertainment industry associations, The Motion Picture Association of America, Inc. (MPAA) and the Content Delivery & Security Association (CDSA), the worldwide leaders in third-party entertainment industry assessments. This is in addition to Walt Disney Studios Motion Pictures (Disney) and Marvel Studios, LLC (Marvel) content security certification.

B. New Media and Virtual Human Business

The Group remains strongly committed to business development in the area of virtual human technology, and continues to seek opportunities for financing and collaboration with strategic partners, and the recruitment of appropriate global talent.

North America Region:

- Digital Domain is continuing its relationship with the team from Studio Wildcard as they prepare for the highly anticipated release of **ARK 2**, the follow up to its award-winning predecessor, ARK.
- Digital Domain has partnered with **Madison Square Garden (MSG)** and **Sphere Entertainment** for a one-of-a-kind, immersive film, **“Postcard from Earth”** by filmmaker Darren ARONOFSKY, only available in Vegas, United States. The film was shot with an 18k resolution at 60 frames per second, making it a grand, but challenging project for the entire production.

Digital Domain’s Virtual Human Group (“VHG”) in North America – research and development aided multiple projects and resulted in new developments in 2023:

- **Charlatan:** VHG partnered with the advertising and games team, utilising the studio’s proprietary tool, Charlatan, for Amazon Studios **“Citadel”** and the series’ **“Myth”** promo. The technology was also used on Netflix’s **“Extraction 2”**, as well as Marvel Studios’ **“Secret Invasion”**. Additionally, the technology, which allows for precise and realistic face replacement, is being tested on an upcoming Marvel Studios film.
- **ML Cloth System:** Digital Domain’s ML Cloth System was used on projects including Warner Brother’s **“Blue Beetle”**, and also a Sony feature film **“Madame Web”**. The technology and its capabilities was featured in several press outlets including *“digital media world”*, *“VFX Voice”* and *“befores & afters”*, highlighting our team’s work on **“Blue Beetle”**, which marks its first use on a major feature film.
- **Samson:** The hair technology tool, Digital Domain’s Samson has been utilised for several projects including **“Secret Invasion”**, **“Ahsoka”**, **“Blue Beetle”**, **“Madame Web”**, an upcoming Netflix film, and **“The Morning Show”**.

VHG participated in several events this year, including:

- VHG’s Mr. Peter RABEL and Mr. Rickey CLOUDSDALE alongside VFX Supervisor, Mr. Aruna INVERSIN attended Game Developers Conference (GDC) 2023 where they presented their work on Supermassive Games’ **“The Quarry”**.
- Software Developer, Mr. Jose SERRA, presented on markerless facial mocap online for **SPARK FX 2023** and participated in Q&A.
- VFX Supervisor, Mr. Matthias WITTMANN participated on a panel at **Digital Hollywood - The AI Summit: Breaking the Net** where he discussed how Digital Domain is leading charge in virtual human development.
- VFX Supervisor, Mr. Matthias WITTMANN also spoke on a panel titled **“Exploring Human Interaction with AI: The “Her” Phenomenon – Productivity vs. Dependency vs. Addiction”** at the **AI Bill of Rights, Ethics & the Law Summit**.

- Chief Technology Officer, Mr. Hanno BASSE, VFX Supervisor, Matthias WITTMANN, and Virtual Human Zoey were interviewed for a documentary series on the “**Future of AI**” for the Germany’s top public television with global reach, **ARD German Television** and featured on streaming platform, **Mediathek**.
- Chief Technology Officer, Mr. Hanno BASSE, participated in several events to keep the company up to date with the current trends in the industry. These events included a keynote presentation and panel discussions at the **Society of Motion Pictures and Television Engineers (SMPTE) Media Summit**, as well as the GABA Southern California where he discussed the “**Future of Cinema**”.
- Chief Technology Officer, Mr. Hanno BASSE, was also part of a virtual panel for the **RealTime Conference** where the topic of discussion was “**VFX, Smart Technologies, and the Changing Face of Filmmaking**”. In collaboration with **Variety Intelligence Platform (VIP+)**. Mr. BASSE took part in a discussion that focused on the opportunities and uses of generative AI in film and TV production. Mr. BASSE also contributed to a research for VIP+ on AI and virtual humans.
- Chief Technology Officer, Mr. Hanno BASSE, had a conversation with the **Better Etch Podcast** where they discussed the impact of AI and data analytics.

The Greater China Region:

The virtual human team of the Greater China region participated in several events or projects (including those with business partners):

- From March 2023, **MetaAge Group** has partnered with Digital Domain to create a series of internal training videos. These videos feature virtual HR consultant who introduce new employees to the company, course platform, and operational guidelines. The project aims to streamline the company’s training procedures and enhance efficiency.
- Featuring “**Digital Transformation & Green Transition**”, 2023 Smart City Summit and Expo (SCSE) took place in Taipei from 28 March to 31 March 2023. The organisers specially arranged an AI virtual tour guide, so that visitors can have the opportunity to experience the latest technology interaction up close. The AI virtual tour guide is the latest technology of cooperation between MomentX and Digital Domain, behind which is the virtual human control software Momentum Cloud independently developed by Digital Domain. Visitors can not only ask the virtual tour guide questions related to the expo, but also ask anything you want to chat or learn about, including weather, food and attractions around the exhibition hall.
- In April 2023, Digital Domain participated in the “**AI EXPO Taiwan 2023**” to showcase an AI virtual fortune teller. The booth attracted a large audience who gathered to experience the personalised and real-time interactive fortune-telling.
- In May 2023, Digital Domain exhibited an AI virtual business assistant at the “**Computex 2023**”. The virtual assistant interacted with visitors, answering questions about client companies for international business professionals.

- In June 2023, the prestigious AI industry event, “**FUTURE COMMERCE 2023 AI TAIWAN**” with the theme “**AI FOR ALL**”, featured Digital Domain’s virtual human, **Nonoka**, as the protagonist in the opening video. Through its connection and contrast with real-world humans, virtual human conveyed the message that AI solutions applied across industries are already transforming human lives, heralding the dawn of a new era.
- In June 2023, Digital Domain demonstrated AI virtual human solutions at the “**FUTURE COMMERCE 2023 AI TAIWAN**”. The exhibition showcased three interactive modes, featuring a poetic young girl, a compassionate soul guide, and a friendly café server. These diverse personas represented the versatility of service-oriented virtual humans.
- **MomentX** and Digital Domain once again cooperated to participate in the “**FUTURE COMMERCE 2023 AI TAIWAN**” and unveiled a brand new AI assistant in the “AI New Imagination” exhibition area. Combining interactive experience and co-creation participation, the AI assistant not only answers questions related to the exhibition, but also can lead the audience to understand the influence and creation of generative AI before 2030.
- In June 2023, **Digital Signage Japan 2023**, the largest exhibition for display, signage, and applications, prominently featured Virtual Human as one of its main themes. Numerous talk sessions and seminars were held, highlighting the concept of the Virtual Human. Japanese partner **WAS**, in collaboration with **NewPhoria**, showcased an application that enables communication with a Virtual Human, powered by OpenAI and Digital Domain’s Momentum Cloud. The Virtual Human was displayed on transparent screens, making many booth visitors feel as though the Virtual Human truly existed there.
- In July 2023, **Red Hat**, a leading brand in open-source software solutions, conducted a conference focusing on the digital transformation of financial institutions. This conference addressed the contemporary challenges confronting fintech operators. Red Hat arranged for Virtual Receptionists, created by Digital Domain, to be deployed at the event for welcoming guests and providing information about the event, along with corporate introductions and explanations of various solutions.
- In July 2023, Digital Domain collaborated with **Cathay United Bank** to create the world’s first pair of virtual influencer twins, **Virtual Human Luna and Virtual Human Apollo**, serving as the image ambassadors for Cathay United Bank’s digital brand “**CUBE**”. They will be sharing a personal, simple, textured, and beautiful financial life by documenting their daily experiences within CUBE’s official IG community.

The creation of these virtual twins involved meticulous simulation, encompassing head and hair modelling, skin material rendering, as well as detailed light effects including pores and skin texture. Notably, the simulation accounted not only for pores but also for muscle structure, leveraging real facial features and advanced AI technology to produce more natural and authentic facial expressions. This effort results in a more comfortable, approachable, and relatable appearance.

In addition, Digital Domain’s Virtual Human team also used the lighting effects of the 3D scene to 100% restore the real space and colours, allowing Virtual Human Luna and Virtual Human Apollo to appear more realistically and delicately in life scenes.

- In September 2023, at the **2023 Marketeers Hangout “Metamorphosis”** themed event, Digital Domain’s **Indonesian** partner **V2** showcased a real-time interactive AI virtual human on a high-resolution screen. This innovative technology not only represents a new way of interaction between brands and consumers in the digital era but also highlights innovative explorations in marketing strategies. It resonates with the event’s emphasis on creative and technological transformation, symbolising the continuous evolution of marketing and technology.
- In September 2023, A virtual human made its debut at the **GBI Praise Revival for Jesus (CK7)** event was held at the Integrity Convention Centre, introducing a unique perspective on Biblical stories. This innovative integration of technology with storytelling not only adds a new dimension to historically rich stories and myths but also underscores the immense potential of combining virtual and real elements to engage modern audiences and create immersive experiences.
- In October 2023, the **2023 Japan IT Week Autumn**, Japan’s largest IT trade exhibition, showcased a myriad of the latest IT solutions and technologies, heralding the future trends in technology. In this exhibition, the collaboration between Japanese partner **WAS** and software company **SoftNet** particularly stood out. Their joint display of the Digital Domain’s real-time AI virtual human technology captivated extensive interest, heralding a new era in the field of virtual interactions.
- In October 2023, at the **Taiwan Innotech Expo (TIE)**, the **Industrial Technology Research Institute (ITRI)** showcased a conversational AI guide integrating Digital Domain's Momentum Cloud – a cloud based virtual human engine coupled an advanced Large Language Model (LLM), the system provided on-site tours and answered questions in real time. Featuring highly interactive and lifelike virtual characters, Momentum Cloud effectively enhances the user experience in both guiding and customer service systems. This development paves the way for the emerging trend of integrating AI into various services.
- In November 2023, at the **DIGITIMES Supply Chain Summit 2023** themed “Reinventing the Future”, convened experts and industry leaders globally amid the reconstruction of the supply chain, focusing on six tracks — semiconductors, future cars, advanced manufacturing, information security, artificial intelligence (AI), and cloud services. **Virtual anchor Sabrina** expertly navigated the audience through a comprehensive review of global dynamics and the latest industry trends, signalling the start of the forum.
- On 24 November 2023, the **Taipei International Financial Expo 2023** unfolded grandly at Taipei World Trade Centre 1, where the Digital Domain announced exciting news by unveiling its development of “**Generative AI in Financial Services**”. This groundbreaking initiative involves upgrading virtual entities through the integration of AI technology and forging close collaborations with major financial giants such as **CTBC Bank** and **Taishin International Bank**. Teaming up with Taishin International Bank, Digital Domain created “**Virtual Human Teller Rose & Sunny**,” incorporating AI semantic recognition technology along with large language model. The virtual human teller Rose displayed in the expo area can instantly respond to various inquiries related to consumer benefits and credit cards, providing personalised services.

In addition to the virtual human teller, Digital Domain has also crafted different personas of “**AI Assistants**” for **CTBC Bank**. These assistants offer services related to financial management and credit card consultations. The intelligent assistants integrate the bank's product knowledge base and provide personalised investment advice, savings strategies, and more based on customer account history. With human-like expressions, interactions, smiles, and gestures, the AI assistants aim to make the user experience feel less like interacting with a cold machine.

Digital Domain is at the forefront of the AI-powered virtual human race, and this technology has now matured. Through widespread application, the goal is to more precisely address corporate and customer issues. Technology always originates from human histories and cultures. Meeting the modern consumer’s demand for innovative technology applications in life, artificial intelligence, and virtual humans are set to become indispensable elements of the next generation.

- In November 2023, **InterBEE 2023**, a technology exhibition for broadcasting and content creation in Japan, was visited by industry experts to explore cutting-edge technologies, solutions, and platforms. Digital Domain’s **Japanese** partner, **WAS**, in collaboration with the smart voice company **ReadSpeaker** (a subsidiary of Hoya Corporation, Japan), demonstrated the advanced virtual human technology of Digital Domain’s Momentum Cloud. This showcased technological innovation and promoted technical cooperation, brand development, content creation, and information dissemination.
- **V2 Indonesia**’s permeant technology demo site (House of Future) at Plaza Indonesia located in Central Jakarta, Indonesia constantly showcasing digital technologies and applications related to virtual human.

C. Digital Domain staff from the global studio participated in several events:

North America Region

- VFX Supervisor, Mr. Jan Philip CRAMER and Animation Supervisor, Ms. Elizabeth BERNARD presented their work on “*She-Hulk: Attorney at Law*” at **SPARK FX 2023**.
- VFX Supervisor, Mr. Jan Philip CRAMER presented his team’s work on “*She-Hulk: Attorney at Law*” at **Film and Media Exchange (FMX) 2023** in Stuttgart, Germany.
- Ms. Lala GAVGAVIAN, the President for VFX Business and Chief Operating Officer for the Group, and VFX Supervisor, Mr. Piotr KARWAS attended the **Mastercard OFF CAMERA International Festival of Independent Cinema**. Mr. KARWAS participated in two panels during the event, discussing his work on **Apex Legends**’ “**Northstar**” as a case study. He highlighted the extensive VFX work involved in game development and the use of AI in the VFX industry.
- Ms. Charlotte NELSON, Vice President of Strategic Organisation Planning, participated on a panel at **Production Summit** where the topic of discussion was machine learning and where the technology will take us.

- In addition to SPARK FX and FMX, Mr. CRAMER participated in several other speaking opportunities. At **SIGGRAPH 2023**, VFX Supervisor, Mr. Jan Philip CRAMER, was part of a Short Talk, discussing our Digital Domain’s work on *“She-Hulk: Attorney at Law”*. In collaboration with **Bow Valley Centre For Entertainment Arts**, Mr. CRAMER also discussed his work on *“She-Hulk: Attorney at Law”* in a presentation titled “She-Hulk: The Art and Science of Animation, Simulation and AI”. Alongside Mr. Eric KIMELTON, Head of Production and Executive Producer, and Mr. Matt SMITH, Charlatan Department Supervisor, Mr. CRAMER took part in a roundtable discussion about the future of animation and VFX hosted by the **Academy of Art**. Lastly, Mr. CRAMER participated in a roundtable webinar titled “3D Animation Beyond 24: Insights from Industry Leaders” where speakers dived into the future of 3D Animation and Visual Effects in the exclusive online event created by the **Centre for Entertainment Arts**.
- Digital Domain hosted an event at their Los Angeles studio to commemorate the first-of-its-kind co-brand partnership with **PRG** (Production Resource Group), the global leader in entertainment and live event solutions. Through the specialised expertise of both parties, Digital Domain and PRG are now able to offer seamless end-to-end service covering ideation to execution as individual entities, all under one roof.
- The Digital Domain Human Resources team also held several presentations, forging connections with Animation and VFX film students in **Vancouver** and **Montreal**, offering guidance on Breaking Into the VFX Industry. The Human Resources team visited universities and schools including, Emily Carr University, Vancouver Film School, Think Tank, Infocus Film School, Lost Boys | School of Visual Effects (Quebec), and Kwantlen Polytechnic University - Wilson School of Design.

The Greater China Region

- In May 2023, VFX Supervisor, Mr. Wang GUO discussed how generative artificial intelligence is revolutionising the creative landscape, through **YiMagazine’s** special edition.
- In July 2023, Public Relations Director & Deputy General Manager, China, Mr. Allen CHEN, joined the **20th China Digital Entertainment Expo and Conference, or ChinaJoy 2023**, where he shared the insights on how artificial intelligence is reshaping filmmaking.
- In December 2023, Public Relations Director & Deputy General Manager, China, Mr. Allen CHEN, was invited to present at **Fresh Look Icons Talk 2023** held by **Caijing**.
- In September 2023, **The School of Creative Media at City University of Hong Kong (CityU)** collaborated with Digital Domain to announce the launch of the **“Digital Domain Scholarships”**. The scholarship scheme marks the 30th anniversary of the establishment of Digital Domain and aims to cultivate the next generation of film and television pioneers. With its expertise in virtual humans, visual effects, and visualisation, Digital Domain is committed to providing strong support for this scholarship scheme, which will begin in the 2023/2024 academic year and will last for three years.
- In November 2023, Digital Domain was invited by the **City University of Hong Kong Foundation** to be the technological sponsorship for the gala dinner, and Virtual Human Teresa Teng had a singing performance with the guests. There were over 550 distinguished guests that attended the dinner, and which the donations raised were to support the strategic research development of the University.

- In December 2023, the Group's CEO, Mr. SEAH Ang, was invited by the **South China Morning Post** to attend the “**Hong Kong Principals’ Forum**” as a guest speaker. He showcased the potential applications and developments of AI and virtual humans in the future of education to over 200 outstanding leaders, professionals, and principals from the education sector. During the presentation, Virtual Human Teresa Teng interacted with the guests, bringing everyone a pleasant surprise.

D. Co-Productions

Feature Films:

Titanic 25th Anniversary 4K 3D release

James CAMERON, a director, writer, and producer, is known for his iconic film “*Titanic*”. The film won 11 Oscars and is famous for its romantic storyline. In 2023, the film celebrated its 25th anniversary. In honour of this milestone, the remastered 4K 3D version of the film was released on 10 February 2023. This new version includes updated technology, such as variable-frame-rate and high-frame-rate capabilities, making the viewing experience even more immersive than the previous version released in 2017. The new remastered version was released in 48 markets worldwide.

The Group partnered with **Mr. Lucas FOSTER**, a renowned film producer responsible for producing blockbuster films like “*Ford v Ferrari*”, “*Mr. & Mrs. Smith*”, “*Man on Fire*” and more. Together, we produce the film titled “*Children of the Corn*”. Filming for the film took place in Australia despite the pandemic in 2020. The film was later released in March 2023, followed by a worldwide release. The amortisation cost of the film rights was recognised under “Administrative expenses and other net operating expenses” in the Company’s consolidated income statement.

The film “*Ender’s Game*” was released in November 2013 in the US. The film is based on a best-selling and award-winning novel. It features an all-star cast including Harrison Ford, Asa Butterfield, Hailee Steinfeld, Viola Davis, Abigail Breslin and Ben Kingsley. The film is an epic adventure that continues to generate income from non-box office channels both within and outside the US. Summit Entertainment distributed the film in association with OddLot Entertainment and is a Chartoff Productions/Taleswapper/OddLot Entertainment/K/O Paper Products/DD3I.

The profit sharing from participation rights in “*Titanic*”, “*Children of the Corn*” and “*Ender’s Game*” were recognised under “Other income and gains” in the Company’s consolidated income statement.

E. DDCP and Investments in Europe

Formation of DDCP

Digital Domain Capital Partners S.à r.l. (“DDCP”), an indirect wholly-owned subsidiary of the Company, was incorporated in the Grand Duchy of Luxembourg in 2021.

Investment in asknet

On 3 February 2021, DDCP as the purchaser entered into a sale and purchase agreement with a seller pursuant to which DDCP agreed to purchase and the seller agreed to sell 248,431 common shares (“asknet Sale Shares”) of asknet Solutions AG (“asknet”), a publicly traded German e-commerce company, the shares of which are traded on the Frankfurt Stock Exchange (ticker code: ASKN) for an aggregate consideration of approximately EUR3,709,000 (approximately HK\$34,586,000), i.e. amounting to approximately EUR14.93 (approximately HK\$140.79) per asknet Sales Share. The asknet Sale Shares represented approximately 19% of the total issued common shares of asknet on 3 February 2021. Founded in 1995, asknet is an established procurement, e-commerce and payment specialist in the German-speaking academic market providing access to software solutions and IT services with a focus on academic and educational sectors. On 30 May 2022, asknet announced that its executive board with the approval of the supervisory board decided to delist its shares on the Frankfurt Stock Exchange with effect from 31 August 2022 because the economic benefit of the inclusion of its shares in the Regulated Unofficial Market of the Frankfurt Stock Exchange no longer justifies the associated expenses. By order of the Karlsruhe District Court, insolvency proceedings were opened against asknet's assets on 1 December 2023 due to asknet's application for insolvency. The insolvency proceedings are still in progress. As at 31 December 2023, the asknet Sale Shares represented 7.6% of the total issued common shares of asknet. The investment has already been fully impaired.

Investment in HLEE

During the first half of 2021, DDCP as the purchaser entered into two sale and purchase agreements with a seller pursuant to which DDCP agreed to purchase and the seller agreed to sell a total of 265,000 bearer shares (“HLEE Sale Shares”) of Highlight Event and Entertainment AG (“HLEE”), a publicly traded Swiss media and sports marketing company, the shares of which are traded on the Swiss Stock Exchange (ticker code: HLEE.SW) for an aggregate consideration of EUR7,214,000 (approximately HK\$67,808,000), i.e. amounting to approximately EUR27.22 (approximately HK\$255.88) per HLEE Sale Share. The HLEE Sale Shares represented approximately 3.01% of the total issued bearer shares of HLEE on 6 May 2021. HLEE announced on 24 October 2023 the publication of the prospectus for the capital increase by means of subscription rights offer and further announced on 2 November 2023 3,500,000 new bearer shares were subscribed. Its share capital therefore increased from 9,460,000 bearer shares to 12,960,000 bearer shares with a nominal value of CHF9.00 each. As at 31 December 2023, the HLEE Sale Shares represented approximately 2.04% of the total number of bearer shares of HLEE in issue. HLEE carries its business in segments of film, sport- and event-marketing and sport events through its subsidiaries and affiliates in Europe.

TRADING SEGMENT

2023 has been a groundbreaking year for Generative AI (artificial Intelligence) across various fields, the Group had focused on Generative AI related to our VH and VFX businesses and also the overall AI ecosystem. With the tech industry steadfastly focused on AI, with the continued rollout of advanced AI chips leading to significant enhancements in processing speeds. This advancement is set to drive growth in DRAM (Dynamic Random Access Memory) across various AI applications, including smartphones, servers and notebooks. DRAM is a type of random-access semiconductor memory that stores each bit of data in a memory cell, usually consisting of a tiny capacitor and transistor, both typically based on a MOS (metal-oxide-semiconductor) technology.

During the year under review, with the suitable business partners (suppliers and purchasers) being identified and secured, the Group resumed its trading capabilities and started the trading DRAM the result of which are reported in the trading segment to generate supplemental income for the Group given the continued challenging operating environment. The trading segment recorded a turnover of approximately HK\$ 26,768,000 (2022: HK\$ Nil) and the profit of this segment is HK\$ 3,297,000 (2022: HK\$ Nil). We believe the growth in demand of DRAM will continue in financial year 2024 and will adopt a steady business strategy for this product to seek to optimise the economic benefits for the Group.

INTERESTS IN ASSOCIATES

The Group invested in several associates and the review of the significant associates are summarised as below. The Group will continue to monitor the development and opportunities in this challenging operating environment with respect to the Group's other associates.

Virtual Human Teresa Teng

In 2014, Digital Domain Media (HK) Limited ("DDM"), (originally an indirect wholly-owned subsidiary of the Company but became an associate of the Company since 1 February 2019), and TNT Production Limited ("TNT") entered into a cooperation framework agreement for the formation of a joint venture company to engage in the production and utilisation of 3D hologram technology relating to the music works of the deceased Taiwanese pop diva, Miss Teresa Teng ("Virtual Human Teresa Teng"). The joint venture company, DD & TT Company Limited ("DDTT"), was formed in 2015. DDTT's business focuses on the production of a series of Virtual Human Teresa Teng events and activities, targeting audiences in Chinese communities around the world. The latest 3D hologram technology can be widely applied in the entertainment business, including but not limited to concerts, albums, movies and advertisements.

- In January 2023, **Virtual Human Teresa Teng** performed The Magic Blade's iconic theme song "**Tianya**" at its online **Spring Festival Gala**.
- On 17 January 2023, "**Kugou Live**" organised an immersive Chinese New Year (CNY) Festival online concert, allowing all players to participate. The event featured a special appearance by a legendary superstar, the Virtual Human Teresa Teng, created by Digital Domain. With her sweet and gentle voice, the Virtual Human Teresa Teng enchanted the audience with a performance of the game's theme song, leaving them mesmerised. She enthusiastically interacted with the online viewers and extended CNY blessings to everyone.
- On 23 January 2023, **The 2023 Beijing Radio and Television Spring Festival Gala** invited Virtual Human Teresa Teng, to make a stunning appearance, performing "I Only Care About You" alongside female singers **Cyndi WANG** and **Cecilia HAN**. This awe-inspiring cross-temporal collaboration became the highlight of the night's news. Virtual Human Teresa Teng, created by a team of artists from Digital Domain, took approximately six weeks to construct. In addition, the visual effects that impressed the audience during the performance were also crafted by the Digital Domain team, including lighting, special effects, and pre-compositing.
- On 1 February 2023, **Malaysia United Overseas Bank** hosted an exclusive event for VIP clients. They specially invited the Virtual Human Teresa Teng, who made a remarkable comeback on stage using the latest hologram projection technology, delivering an incredibly lifelike performance. When the audience saw the Virtual Human Teresa Teng appear so realistically before their eyes, they could not help but gasp in astonishment, as if transported back to that classic era, overwhelmed by emotions and memories. The legendary revival of Virtual Human Teresa Teng was made possible through the exclusive technology of Digital Domain. This technology allowed the grace and charm of the superstar diva to be authentically showcased, leading the audience to relive this

musical legend.

- On 12 August 2023, “**2023 Teresa Teng Hologram Concert**” was held at the True Icon Hall in **Bangkok, Thailand**. This concert was jointly organised by the Teresa Teng Foundation and Digital Domain.

In addition to Virtual Human Teresa Teng’s performance, there were also four singers from around the world who are famous for imitating Teresa Teng. They performed Teresa Teng’s classic songs one after another throughout the night, allowing fans to relive the sweetest and most unforgettable songs of Teresa Teng.

- From 25 August 2023 to September 2023, to celebrate the Mid-Autumn Festival, the **Overseas Community Affairs Council “OCAC”** has specially organised the “**2023 Cultural Goodwill Mission**” to tour 12 cities in five Asian countries. With the theme of “The Moon Represents My Heart”, the performance combines new technology and live performance to present “Teresa Teng” returning to the stage with many of her classic songs.
- In August 2023, Virtual Human Teresa Teng performed at the “**OneSong Orchestra: Crazy for Taiwan Concert**”, an event combining instrumental, vocal, and technological elements to create a mesmerising audiovisual experience.

OneSong Orchestra presented a surprise for the audience by using technology to interact between the Virtual Human Teresa Teng and singer “**Winnie Hsin**” on stage. This technology was produced in collaboration with Digital Domain and Teresa Teng Foundation, and has already been showcased in multiple performance venues, appearing alongside renowned singers. This is the first collaboration with OneSong Orchestra.

When Virtual Human Teresa Teng appeared on the big screen, greeted the audience with a sweet smile, and started singing the familiar song “**The Moon Represents My Heart**”, the audience erupted in astonishment. Then "Winnie Hsin" took the stage and sang "May Ever Last" together, blurring the boundaries between the virtual and the reality through their voices, creating a fantastic and emotionally-moving scene.

Beijing Xu Gu (虛谷未來科技(北京)有限公司)

In 2019, Beijing Xu Gu was set up as an associate of the Company and operates several virtual human projects within Mainland of China. Using Digital Domain Group’s virtual human technology, Beijing Xu Gu continues to innovate and develop virtual IP live broadcasts, content marketing and business development, around the four core strengths of “new technology lightweight operation, multi-form virtual person creation, multi-content development, and multi-scenario business development”. Beijing Xu Gu’s projects break the barriers between virtual space and the real world, and create a “real person + virtual human” immersive live broadcast experience based on high-precision real-time interaction, and lightweight operation. Beijing Xu Gu brings innovation and new opportunities to the live broadcast industry.

- In December 2022, **Tencent Music Entertainment Group (TME)** co-created by **TME, RM LABS,** and **Beijing Xu Gu**, launched **super-realistic virtual idol LUCY**, which immediately sparked a circle-breaking interest. From January to May 2023, Beijing Xu Gu continued to provide virtual content production for its daily operations.

- In January 2023, Beijing Xu Gu joined the **“Chaoyang Dark Horse Digital Human Application Scene Accelerator”**, which is an industrial co-creation base for digital human enterprises nationwide under the guidance of the Chaoyang District People’s Government of Beijing Municipality and co-created by the Zhongguancun Science Park Administrative Committee, Dark Horse Technology Group Co., Ltd. (“Dark Horse”) and Beijing Chaoyang International Technology Innovation Service Co., Ltd (“CITIS”).
- In February 2023, Beijing Xu Gu was honoured to be listed in the first **Metaverse ∞ Billboard**, and was awarded **“Top 10 Metaverse Enterprises of 2022”**. In addition, the General Manager of Beijing Xu Gu was invited to attend and deliver a keynote speech.
- In March 2023, Beijing Xu Gu appeared at the **Web 3.0 Eco Release Conference “Towards a Vibrant Web 3.0 Building for the Future”** organised by the Beijing Municipal Science and Technology Commission, Administrative Commission of Zhongguancun Science Park, Beijing Municipal Bureau of Economy and Information Technology, Beijing Association for Science and Technology and Chaoyang District People’s Government of Beijing Municipality, where the Virtual Human Teresa Teng, Virtual Human Elbor, Virtual Human Nonoka and Virtual Human Alice, demonstrated around super-realistic virtual human real-time interaction, super-realistic fabric real-time calculation and lightweight virtual live broadcast solutions.
- In March 2023, Beijing Xu Gu appeared at the **2023 (2nd) China Virtual Human Industry Conference and AIGC Innovation and Development Forum**. During the event, Virtual Human Alice was selected as one of the **“Top 100 Chinese Virtual Humans in 2023”** published by iiMedia Research, and was honoured with the **“Most Influential Virtual Idol Award of China in 2023”**, becoming the only children’s virtual IP on the list and receive such awards. In addition, the General Manager of Beijing Xu Gu was invited to participate in the summit dialogue.
- In May 2023, the **「悦然址上」 brand strategy launch and 23rd anniversary celebration** was held as scheduled, for which Beijing Xu Gu provided virtual human holographic show solutions.
- In June 2023, Beijing Xu Gu joined the **“Beijing Digital Human Base Deposit Platform”**. This platform will focus on the process of intellectual property rights confirmation, rights protection and transaction security, and provide notary legal services such as intellectual property rights protection, evidence collection, and rights protection for digital human enterprises, so as to solve the problem of intellectual property rights protection for the property rights of digital human beings and related digital assets.
- In October 2023, the **“Three Year Action Plan for Web 3.0 Innovation and Development of Chaoyang District, Beijing (2023-2025)”** was announced to foster leading-edge application and vigorous growth of Web 3.0 ecosystem. Beijing Xu Gu’s creation approach and lightweight application mode of virtual humans has been selected as one of the **“Demonstration Solutions”**, due to the significant technological advancement leading to establishment of the industry.

Goodwill and intangible assets of the Group

As at 31 December 2023, the Group had intangible assets of approximately HK\$340,857,000 (being approximately 27% of the Group’s total assets as at the same date). Such intangible assets comprised goodwill of approximately HK\$249,453,000 that has been allocated to two cash generating units (or “CGUs”) of our media entertainment segment, namely the CGUs for (i) visual effects production (“VE CGU”) and (ii) post-production (“PP CGU”).

For the purposes of impairment testing, the recoverable amounts of the CGUs have been determined by the Directors on the basis of value-in-use calculations with reference to professional valuation reports issued by Knight Frank Asset Appraisal Limited, an independent firm of professional qualified valuers. The recoverable amount of each CGU, the period of cashflow projections, the key assumptions used for the value-in-use calculations (including the average growth rate and pre-tax discount rate) for each CGU as at 31 December 2023 are set out in Note 11 to the financial statements included in this announcement.

The pre-tax discount rate, corporate income tax rate, post-tax weighted average cost of capital, market rate of return and levered equity beta and terminal rates adopted in the valuations as at 31 December 2023 were determined on a basis consistent with that which was applied in the value-in-use calculations of the same CGUs as at 31 December 2022, with the absolute values of each rate varying by reference to the market data of the jurisdiction(s) in which the relevant CGU operates.

The average growth rate of each CGU was determined based on the projected revenue for the financial year ending 31 December 2024 that the Company expects to be derived from (i) projected work supported by signed contracts (“Committed Work”), (ii) budgeted engagements based on prospective identified projects and subject to negotiations (discounted for likelihood of success (“Success Discount”), based on management assessment by reference to historical success rate as well relationships with the counterparty (“Likely Work”) and (iii) other projects that are not under negotiation at the time of forecast but may become available during the year, based on the prior year’s operating experience (“Possible Work”), while cost projections were based largely on historical rates with adjustment for inflation. This approach is consistent with that adopted in prior years.

The Group’s revenues are generally project based and the projects are often the subject of competitive tender, so it is not possible to make predictions with certainty. Shareholders should note that in addition to the goodwill and intangible assets of the Group that are subject to impairment review or are amortised over the years, certain research and development costs of technology being developed in-house are also expensed and charged to the income statement in the year of incurrence (instead of being capitalised) contributing to the Group’s losses in the media entertainment segment over the years.

VE CGU

As at 31 December 2023, the goodwill allocated to the VE CGU was approximately HK\$209,013,000 (2022: HK\$209,155,000) with headroom of approximately HK\$112,592,000 (2022: HK\$335,866,000) based on the value-in-use ascribed to this CGU. Key assumptions for the value-in-use calculations for this CGU included an average growth rate within the 5 years budget period of 14.4% (2022: 12.0%) and a pre-tax discount rate of 18.7% (2022: 19.1%). Based on a sensitivity analysis carried out by the independent valuer, the headroom attributable to the VE CGU would adequately cover a +/-0.5% change in the weighted average cost of capital and a +/- 0.5% change on the terminal growth rate. As the average growth rate is (as explained above) based on reasonable projections by management with reference to information currently available to them, any material changes in this CGU’s market or operating environment that reduce its cash inflow or gross profit margin could have an adverse impact on the recoverable amount of this CGU.

Please see the sections titled “Visual Effects Production and Post -Production Business – Digital Domain North America (USA and Canada)” and “Prospect” for a further discussion of the projects and prospects for this CGU.

PP CGU

As at 31 December 2023, the goodwill allocated to the PP CGU was approximately HK\$85,186,000 (2022: HK\$85,186,000) without headroom for the year (2022: 92,978,000) based on the value-in-use ascribed to this CGU, as a result of which an impairment loss of approximately HK\$44,746,000 was made against this CGU as at 31 December 2023. Key assumptions for the value-in-use calculations for this CGU included an average growth rate within the 5 years budget period of 3.6% (2022: 5.3%) and a pre-tax discount rate of 13.9% (2022: 16.4%) respectively, due to lower amount of Committed Work and tax losses carried forward. Based on a sensitivity analysis carried out by the independent valuer, the headroom attributable to the PP CGU would adequately cover a +/-0.5% change in the weighted average cost of capital and a +/- 0.5% change on the terminal growth rate. As the average growth rate is (as explained above) based on reasonable projections by management with reference to information currently available to them, any material changes in this CGU's market or operating environment that reduce its cash inflow or gross profit margin could have an adverse impact on the recoverable amount of this CGU.

Please see the sections titled “Visual Effects Production and Post-Production Business – Digital Domain China” and “Prospect” for a further discussion of the projects and prospects for this CGU.

Film Rights

Film rights represent films produced or films production in progress by the Group. As at 31 December 2022, there was only one film under production. The film is internally produced by the Group which is entitled to all retained profit generated from the film right, after sharing with producers and other independent parties of certain percentages specified in the agreements between the Group and those parties.

During the year ended 31 December 2023, the film has been released in the USA and various locations in the world. Accordingly, amortisation of the capitalised production costs associated with the film right commenced over its useful life of 5 years during the year. In view of the unfavourable box office result during the year, the Directors have carried out the impairment testing on the film rights. The recoverable amount of this asset has been determined based on the value in use calculation. The calculation uses cash flow projections based on latest revised financial budgets approved covering a 5-year period. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted broadcasting income, such estimation is based on the asset's past performance from box office and other receipts of the film during the year and management's expectations for the market development. The lower-than-expected box office results following the release of the film which would have represented the main source of net cash inflow for the film (similar to other theatrically released films) and consequential reduction of estimated revenue from other forms of exploitation of the film rights led to the impairment loss in respect of the film rights of HK\$104,423,000 (equivalent to the remainder of the capitalized production costs of the film after amortization) being recognised in profit or loss for the year ended 31 December 2023. Other key assumptions for the value-in-use calculations for the film rights included a risk free rate of 3.88% (2022: 3.99%) and equity risk premium of 6.87% (2022:5.5%).

EVENT AFTER THE REPORTING PERIOD

Subscription of New Shares under Specific Mandate

As disclosed under the section titled “Capital” below, the Company on 19 October 2023 entered into the subscription agreement with Whole Share Capital Inc. (“Whole Share”). Pursuant to the subscription agreement, the Company conditionally agreed to allot and issue 600,000,000 shares to Whole Share at the subscription price of HK\$0.207 per subscription share. The Subscription to Whole Share was completed on 24 January 2024. The Subscription shares to Whole Share was allotted and issued pursuant to the specific mandate of the Company. The Subscription shares issued to Whole Share represent approximately 9.62% of the issued share capital of the Company of 6,233,798,625 shares as at the date of announcement of the 4th Subscription (i.e. 19 October 2023) as defined in the below section titled “Capital” and approximately 7.52% of the issued share capital of the Company of 7,979,248,625 shares as enlarged by the Subscription to Whole Share.

The gross proceeds and net proceeds from the Subscription to Whole Share are approximately HK\$124,200,000 and approximately HK\$124,100,000 respectively, and are intended to be applied towards the continued development of the research projects of DD Lab and general working capital of the Group. For details, please refer to the Company’s announcement dated 19 October 2023 and circular dated 14 November 2023.

CAPITAL

Shares

As at 31 December 2023, the total number of the Company shares of HK\$0.01 each in issue (the “Shares”) was 7,379,248,625 Shares. As at 24 January 2024 (upon the issue of the Shares mentioned in above section titled “Event After the Reporting Period”), the total number of the Shares issued was 7,979,248,625.

Subscription of New Shares under General Mandate

On 17 January 2023, the Company entered into the subscription agreements with ADATA Technology Co., Ltd. (“ADATA”) and Mr. Choi Chiu Fai Stanley (“Mr. Choi”). Pursuant to the subscription agreements, the Company conditionally agreed to allot and issue 146,250,000 shares to ADATA and 73,125,000 shares to Mr. Choi respectively at the subscription price of HK\$0.32 per subscription share (the “Subscription”). The Subscription was completed on 2 February 2023 and the Subscription shares were allotted and issued pursuant to the general mandate of the Company. The Subscription shares represent approximately 5.07% of the issued share capital of the Company of 4,329,027,625 shares as at the date of announcement of the Subscription (i.e. 17 January 2023) and approximately 4.83% of the issued share capital of the Company of 4,548,402,625 shares as enlarged by the Subscription.

The gross proceeds and net proceeds from the Subscription are HK\$70,200,000 and approximately HK\$69,760,000 respectively, and are intended to be applied towards the development of the Group’s media entertainment segment and general working capital of the Group. For details, please refer to the Company’s announcements dated 17 January 2023 and 2 February 2023.

On 20 April 2023, the Company entered into the subscription agreement with One Music Investment Co., Ltd. (“One Music”). Pursuant to the subscription agreement, the Company conditionally agreed to allot and issue 646,430,000 shares to One Music at the subscription price of HK\$0.222 per subscription share (the “2nd Subscription”). The 2nd Subscription was completed on 3 May 2023 and the 2nd Subscription shares were allotted and issued pursuant to the general mandate of the Company. The 2nd Subscription shares represent approximately 14.21% of the issued share capital of the Company of 4,548,402,625 shares as at the date of announcement of the 2nd Subscription (i.e. 20 April 2023) and approximately 12.44% of the issued share capital of the Company of 5,194,832,625 shares as enlarged by the 2nd Subscription.

The gross proceeds and net proceeds from the 2nd Subscription are approximately HK\$143,500,000 and approximately HK\$143,100,000 respectively, and are intended to be applied towards the development of the Group's media entertainment segment and general working capital of the Group. For details, please refer to the Company's announcements dated 20 April 2023 and 3 May 2023.

On 12 June 2023, the Company entered into the subscription agreements with Allied Talent Global Limited ("Allied Talent") and Delight On Group Limited ("Delight On"). Pursuant to the subscription agreements, the Company conditionally agreed to allot and issue 528,966,000 shares to Allied Talent and 510,000,000 shares to Delight On respectively at the subscription price of HK\$0.224 per subscription share (the "3rd Subscription"). The 3rd Subscription was completed on 20 June 2023 and the 3rd Subscription shares were allotted and issued pursuant to the general mandate of the Company. The 3rd Subscription shares represent approximately 20.00% of the issued share capital of the Company of 5,194,832,625 shares as at the date of announcement of the 3rd Subscription (i.e. 12 June 2023) and approximately 16.67% of the issued share capital of the Company of 6,233,798,625 shares as enlarged by the 3rd Subscription.

The gross proceeds and net proceeds from the 3rd Subscription are HK\$232,700,000 and approximately HK\$232,500,000 respectively, and are intended to be applied towards the development of the Group's media entertainment segment and general working capital of the Group. For details, please refer to the Company's announcements dated 12 June 2023 and 20 June 2023.

Subscription of New Shares under Specific Mandate

On 19 October 2023, the Company entered into the subscription agreements with Meiyin Investment Co., Ltd. ("Meiyin"), Irobot Innovation Co., Ltd. ("Irobot") and Whole Share. Pursuant to the subscription agreements, the Company conditionally agreed to allot and issue 580,000,000 shares to Meiyin, 565,450,000 shares to Irobot and 600,000,000 shares to Whole Share respectively at the subscription price of HK\$0.207 per subscription share (the "4th Subscription"). The Subscription of such new shares under specific mandate was approved by the shareholders of the Company at the special general meeting held on 1 December 2023. The Subscriptions to Meiyin and Irobot were completed on 29 December 2023. The Subscription shares to Meiyin and Irobot were allotted and issued pursuant to the specific mandate of the Company. The Subscription shares issued to Meiyin and Irobot represent approximately 18.37% of the issued share capital of the Company of 6,233,798,625 shares as at the date of announcement of 4th Subscription (i.e. 19 October 2023) and approximately 15.52% of the issued share capital of the Company of 7,379,248,625 shares as enlarged by the Subscriptions to Meiyin and Irobot. The subscription to Whole Share was completed in January 2024 (please refer to the above section titled "Event After the Reporting Period").

The gross proceeds and net proceeds from the Subscriptions to Meiyin and Irobot are approximately HK\$237,100,000 and approximately HK\$236,800,000 respectively, and are intended to be applied towards the continued development of the research projects of DD Lab and general working capital of the Group. For details, please refer to the Company's announcement dated 19 October 2023 and circular dated 14 November 2023.

Share Options

The share option scheme of the Company was adopted on 27 April 2012 and amended on 3 April 2014 (the "2012 Option Scheme"). The 2012 Option Scheme was effective for a period of 10 years and expired on 27 April 2022. The adoption of a new share option scheme (the "2022 Option Scheme") was approved by the shareholders of the Company at the special general meeting held on 16 June 2022. The 2022 Option Scheme is valid and effective for a period of 10 years commencing on 16 June 2022. For illustrative purpose, the exercise price and the number of the share options under the 2012 Option Scheme have been adjusted for the effect of capital reorganisation effective on 11 October 2021.

On 28 May 2014, a total of 98,006,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 98,006,000 new Shares at an exercise price of HK\$0.98 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, cancelled or has lapsed. 4,657,000 share options were exercised and 14,076,000 share options were cancelled or have lapsed since the grant-date (28 May 2014).

On 6 May 2015, a total of 7,800,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 7,800,000 new Shares at an exercise price of HK\$13.20 per Share. For details, please refer to the Company's announcement dated 6 May 2015. During the year under review, no share option was exercised, cancelled or has lapsed. 1,000 share options were exercised and 300,000 share options were cancelled or have lapsed since the grant-date (6 May 2015).

On 29 January 2016, a total of 37,950,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 37,950,000 new Shares at an exercise price of HK\$4.13 per Share. For details, please refer to the Company's announcements dated 29 January 2016 and 7 June 2016, and the circular dated 30 April 2016. During the year under review, no share option was exercised, cancelled or has lapsed. No share option was exercised and 2,566,669 share options were cancelled or have lapsed since the grant-date (29 January 2016).

On 22 June 2016, a total of 10,000,000 share options were granted under the 2012 Option Scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 10,000,000 new Shares at an exercise price of HK\$4.95 per Share. For details, please refer to the Company's announcement dated 22 June 2016. During the year under review and since the grant-date (22 June 2016), no share option was exercised, cancelled or has lapsed.

On 29 July 2016, a total of 5,000,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 5,000,000 new Shares at an exercise price of HK\$5.66 per Share. For details, please refer to the Company's announcement dated 29 July 2016. During the year under review, no share option was exercised, cancelled or has lapsed. No share option was exercised and 1,320,007 share options were cancelled or have lapsed since the grant-date (29 July 2016).

On 13 February 2017, a total of 30,000,000 share options were granted under the 2012 Option Scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 30,000,000 new Shares at an exercise price of HK\$4.69 per Share. For details, please refer to the Company's announcements dated 13 February 2017 and 1 June 2017, and the circular dated 27 April 2017. During the year under review and since the grant-date (13 February 2017), no share option was exercised, cancelled or has lapsed.

On 24 April 2019, a total of 13,000,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 13,000,000 new Shares at an exercise price of HK\$1.30 per Share. For details, please refer to the Company's announcement dated 24 April 2019. During the year under review and since the grant-date (24 April 2019), no share option was exercised, cancelled or has lapsed.

On 21 May 2020, a total of 47,800,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 47,800,000 new Shares at an exercise price of HK\$0.46 per Share. For details, please refer to the Company's announcement dated 21 May 2020. During the year under review, no share option was exercised, cancelled or has lapsed. 170,000 share options were exercised and 2,000,000 share options were cancelled or have lapsed since the grant-date (21 May 2020).

No share option under the 2022 Option Scheme was granted, exercised, cancelled or has lapsed during the year under review and since the date of adoption (16 June 2022).

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 or an unsecured basis, non-bank loans on a secured or 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.

In 2023, the Group had banking facilities from two banks in the United States amounting to US\$19,000,000 (approximately HK\$148,386,000) and these banking facilities were fully utilized during the year. Among the above mentioned US\$19,000,000 facilities, (i) Utilised facilities of US\$6,000,000 (approximately HK\$46,859,000) has been successfully refinanced for another 3 years (to 2026), and (ii) Utilised facilities of US\$10,000,000 (approximately HK\$78,098,000) has also been refinanced for another 2 years (to 2025). These banking facilities were secured by time deposits of the Group. The Group had a banking facility from a bank in Hong Kong in the amount of US\$3,000,000 (approximately HK\$23,429,000) being utilised and was secured by a time deposit of the Group. The Group had banking facilities from a bank in Canada in amount of CAD6,900,000 (approximately HK\$40,681,000) and the utilised portion of these banking facilities were CAD730,000 (approximately HK\$4,304,000). These banking facilities were secured by corporate guarantees provided by several subsidiaries. During the year under review, the Group repaid a loan in amount of US\$ 1,000,000, approximately HK\$7,754,000 which was secured by two investment properties of the Group.

As at 31 December 2023, the loan granted under emergencies loan schemes for COVID-19 is in amount of CAD60,000 (approximately HK\$354,000). This loan is unsecured and not repayable within 12 months from 31 December 2023 and early repaid in January 2024.

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.

As at 31 December 2023, the Group also had lease liabilities of HK\$96,956,000, which were determined at the present value of the lease payments that are payable at that date. The amount included in lease liabilities of HK\$134,000 related to office equipment (leased assets) secured by the lessor's charge over the leased assets. The terms of payments were 60 months. Payments were on a fixed payment basis and the underlying interest rates were fixed at respective contract dates. No arrangements were entered into for contingent rental payments.

The Group had other loans of approximately HK\$172,479,000 as at 31 December 2023. One indirect wholly-owned subsidiary has a loan in amount of US\$3,500,000 (approximately HK\$27,064,000) which is unsecured, interest-free and is not repayable within 13 months from 31 December 2023. One indirect wholly-owned subsidiary had other loan in amount of US\$429,000 (approximately HK\$3,350,000), which is unsecured and with a fixed interest rate. One indirect wholly-owned subsidiary also had a term loan facility of US\$10,000,000 (approximately HK\$78,098,000) and HK\$80,000,000, with a guarantee provided by the Company. The subsidiary drew down the facility in 2015 and 2018. The outstanding balance of these loans as at 31 December 2023 were US\$8,000,000 (approximately HK\$62,478,000) and HK\$34,290,000. These loans are unsecured, with a floating interest rate (prime rate quoted by a bank in Hong Kong) and are not repayable within 13 months from 31 December 2023. As at 31 December 2023, there was a other loan with principal amount of US\$5,800,000 (approximately HK\$45,297,000) early repaid in January 2024. This other loan was unsecured with a fixed interest rate.

During the year ended 31 December 2023, the Group also repaid two other loans (aggregated principal amount of HK\$7,800,000) which were unsecured with a fixed interest.

The total cash and bank balance as at 31 December 2023 was approximately HK\$635,854,000. As at 31 December 2023, the Group had banking facilities of approximately HK\$212,497,000. Utilised portions of these bank facilities were set at a floating interest rate. Of these bank loans, loans amounting to approximately HK\$168,692,000 are denominated in United States dollars and loans amounting to approximately HK\$4,304,000 are denominated in Canadian dollars. During the year under review, all of the Group's bank loans (except the Five Years Loan was classified as current liabilities) 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 (excluded the Five Years Loan) as at 31 December 2023 was spread over a period of five years, with approximately 31% repayable within one year and 44% repayable between one to two years and 25% repayable between two to five years.

The Group's current assets were approximately HK\$720,727,000 while the current liabilities were approximately HK\$397,934,000 as at 31 December 2023. As at 31 December 2023, the Group's current ratio was 1.8 (as at 31 December 2022: 0.6).

As at 31 December 2023, the Group's gearing ratio, representing the Group's financial liabilities (i.e. bank loans, other loans and lease liabilities) divided by the equity attributable to owners of the Company was 67% (as at 31 December 2022: 118%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's revenue, expenses, assets and liabilities were mainly denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Canadian dollars ("CAD"), Renminbi ("RMB"), Indian Rupees ("INR") and Euro ("EUR"). 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, Mainland of China, India and Europe were reported in CAD, RMB, INR and EUR, respectively, if the CAD or RMB or INR or EUR were to depreciate relative to the HKD, the reported earnings/expenses for the Canadian portion, Mainland of China portion, Indian portion or European portion would decrease.

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations involving RMB, CAD, INR and/or EUR. 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

Save as disclosed under "Possible Indemnification" of the Media Entertainment Segment above, as at 31 December 2023, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 31 December 2023, the total headcount of the Group was 929. 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

While the global economy 2023 has shown positive development following the lifting of COVID related restrictions, there has also been much focus on inflation and recession. Alongside indications that inflation may have peaked, the three major world economies, the US, the European Union and China, all appear to be experiencing or facing the prospect of slow down. Additionally, uncertainties and geopolitical tensions, such as Sino-U.S. relationship, conflicts in Russian/Ukraine conflict, and those in the Middle East Region, are likely to continue in the foreseeable future. All these issues are fuelling concerns over a looming recession. We anticipate that global markets will experience fluctuations in 2024.

Geopolitical and economic developments, alongside the regulatory, fiscal and monetary policy responses adopted, are contributing to uncertainties for the Group. These uncertainties may continue to impact the costs of operations and consumer demand in the future. Our clients' perception of the demand for their products ultimately drive the demand and pricing of our products and services. For instance, global economic conditions can affect feature films' budgets and roll-out schedules. At the same time, a perceived reduction in consumer spending power can also impact our clients' product advertising budgets and campaign schedules.

Besides the macro situation we just mentioned, the media industry faced a significant challenge in 2023 due to the Hollywood industry strikes that began on 2 May 2023. These strikes, carried out by various guilds, led to production delays for the Group's clients in 2023 and early 2024. However, the Company anticipated that these clients will be able to make up for lost time in the second half of 2024.

Based on the above unstable business environment and challenges that the Group is facing, we are adopting a prudent approach in our business strategies (including, for example, cost control, adjusting business direction and product mix) and at the same time, the Group is also looking for new opportunities.

Our “Objective” is to promote business and prosperity by leveraging our unique diversity in markets, shareholders, directors and staff. This is the guiding principle behind our strategy as we concentrate on developing our visual effects and virtual human businesses. Despite the intense competition in our markets, we actively seek out new projects and business opportunities in feature films, online games, television/OTT episodes and commercials. To increase our working capacity, improve efficiency and reduce production costs in the long term, the Group will continue to assess the cost structure, function and operational performance of each studio in North America and Asia. Additionally, the Group is also exploring potential projects in Europe and India with our business partners.

In relation to the virtual human business, the Group will continue to enhance current product and service offerings and explore new services and products (such as artificial intelligence function, multi-language function, SaaS products, etc.) with strategic business partners and/or investors. We will enhance the interactivity between virtual humans and the audience in social-networking platforms, the entertainment businesses and other environments such as financial, customer services, education-training and/or medical sectors.

Alongside most advanced technology companies, we will continue to deploy substantial financial and human resources in continuing research and development (R&D) in new technologies (such as setting up a research lab for Artificial Intelligence Generated Content (AIGC) that can further enhance the Group’s production capabilities), and will seek to recruit and retain appropriate global talent to support the Group’s future development. To strengthen our business ecosystem and support our R&D requirements, we will actively seek financing and collaboration opportunities with strategic partners, investors and universities.

Finally, we want to assure you that we will remain vigilant in keeping a close eye on external factors to ensure that we create a balanced approach between opportunities and risks. As management, it is important for us to act in the best interests of Shareholders while expressing our gratitude for the trust you have placed in us and for your continued support of the Group. We are confident in our ability to create long-term, sustainable value for all our stakeholders - clients, shareholders, staff and management. We take this opportunity to express our appreciation to all our management and colleagues for their valuable contribution to the Group.

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 2023.

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 C1 to the Listing Rules.

During the financial year of 2023, the Company was in compliance with the Code Provisions set out in the CG Code except for the following:

- (a) There is no separation of the roles of the chairman and the chief executive officer or chief executive during the year. Mr. Seah Ang, the executive Director and chief executive officer of the Company, was appointed as the acting chairman of the Board following the resignation of former chairman in June 2020. The Board believed that at the time of vesting of the roles of chairman and chief executive officer in Mr. Seah Ang is beneficial to the operation and management of the Group due to his in-depth knowledge in the Group's operation and his extensive business network and connections. The Company would seek the suitable candidate to fill the vacancy of the position of the chairman of the Board when appropriate;
- (b) 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"). Mr. Seah Ang has entered into a service agreement for no fixed term but his appointment is terminable by either party by giving three months' prior notice;
- (c) The Company held two regular board meetings instead of at least four regular board meetings as required. In addition to two regular board meetings, there were five Board meetings held for addressing ad hoc issues. The Board considered that sufficient meetings had been held during the year and business operation and development of the Group had been communicated on the Board; and
- (d) The Company held the annual general meeting and the special general meeting on 31 May 2023 and 1 December 2023 respectively. Ms. Alla Y Alenikova, the non-executive Director was unable to attend the above annual general meeting and special general meeting. Mr. Brian Thomas McConville, the non-executive Director, was unable to attend the above annual general meeting while Ms. Lau Cheong, the independent non-executive Director, was unable to attend the above special general meeting.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2023.

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 2023 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's 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.digitaldomain.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, 22 March 2024

As at the date of this announcement, Mr. Seah Ang and Dr. Sun Ta-Chien are the executive Directors; Mr. Li Weiqiang, Mr. Cui Hao, Ms. Alla Y Alenikova and Mr. Brian Thomas McConville are the non-executive Directors; and Ms. Lau Cheong, Mr. Duan Xiongfei, Dr. Elizabeth Monk Daley and Mr. Woo King Hang are the independent non-executive Directors.