

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 2024

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 2024 together with the comparative figures for the previous year as follows:

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	4	625,830	736,501
Cost of sales and services rendered		(498,393)	(616,310)
Gross profit		127,437	120,191
Other income and gains	5	35,388	43,550
Selling and distribution expenses		(6,591)	(6,805)
Administrative expenses and other net operating expenses		(390,422)	(434,370)
Finance costs	7	(29,781)	(35,335)
Fair value gain/(loss) on financial assets measured at fair value through profit or loss	12	6,031	(8,318)
Fair value loss on investment properties		-	(3,841)
(Loss)/gain on disposal of subsidiaries		(35,390)	2,456
Impairment loss on goodwill	10	-	(44,746)
Impairment loss on intangible assets	10	-	(104,423)
Recognition of impairment loss on trade receivables and contract assets		(1,938)	(2,422)
(Recognition)/reversal of impairment loss on other receivables		(4,512)	6,824
Impairment loss on amounts due from associates, net	11	(12,305)	(3,248)
Share of losses of associates		-	(2)
Share of losses of a joint venture		-	(8)
Loss before taxation	6	(312,083)	(470,497)
Taxation	8	(1,216)	(5,279)
Loss for the year		(313,299)	(475,776)

	<i>Note</i>	<b>2024</b> <b><i>HK\$'000</i></b>	2023 <i>HK\$'000</i>
<b>Loss attributable to:</b>			
- Owners of the Company		<b>(300,275)</b>	(394,571)
- Non-controlling interests		<b>(13,024)</b>	(81,205)
		<b><u>(313,299)</u></b>	<u>(475,776)</u>
<b>Loss per share attributable to the owners of the Company:</b>			
Basic and diluted	9	<b>HK cents</b> <b>(3.77)</b>	HK cents (6.48)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
<b>Loss for the year</b>	<u>(313,299)</u>	<u>(475,776)</u>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>1,253</u>	<u>7,343</u>
<b>Other comprehensive income for the year</b>	<u>1,253</u>	<u>7,343</u>
<b>Total comprehensive income for the year</b>	<u><b>(312,046)</b></u>	<u><b>(468,433)</b></u>
<b>Total comprehensive income attributable to:</b>		
- Owners of the Company	<b>(301,456)</b>	(387,031)
- Non-controlling interests	<u><b>(10,590)</b></u>	<u>(81,402)</u>
	<u><b>(312,046)</b></u>	<u><b>(468,433)</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2024**

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b>	<b>2023</b> <b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>18,312</b>	34,562
Right-of-use assets		<b>46,823</b>	76,711
Goodwill and intangible assets	<i>10</i>	<b>348,271</b>	340,857
Interests in associates	<i>11</i>	<b>16,929</b>	28,406
Interests in joint ventures		<b>-</b>	-
Loan to a joint venture		<b>911</b>	916
Financial assets measured at fair value through profit or loss ("FVTPL")	<i>12</i>	<b>120,170</b>	31,719
Deposits and consideration receivable	<i>13</i>	<b>8,319</b>	18,279
Deferred tax assets		<b>1,596</b>	1,746
		<b>561,331</b>	533,196
<b>Current assets</b>			
Trade receivables, other receivables and prepayments	<i>13</i>	<b>98,385</b>	76,958
Contract assets		<b>6,475</b>	7,915
Cash and cash equivalents and other bank balances		<b>400,120</b>	635,854
		<b>504,980</b>	720,727
<b>Current liabilities</b>			
Trade payables, other payables and accruals	<i>14</i>	<b>175,556</b>	198,521
Lease liabilities		<b>31,067</b>	38,797
Contract liabilities		<b>21,368</b>	51,668
Borrowings		<b>108,982</b>	104,719
Tax payable		<b>4,954</b>	4,229
		<b>341,927</b>	397,934
<b>Net current assets</b>		<b>163,053</b>	322,793
<b>Total assets less current liabilities</b>		<b>724,384</b>	855,989
<b>Non-current liabilities</b>			
Borrowings		<b>271,112</b>	246,019
Lease liabilities		<b>31,262</b>	58,159
Deferred tax liabilities		<b>-</b>	44,478
		<b>302,374</b>	348,656
<b>NET ASSETS</b>		<b>422,010</b>	507,333
<b>Capital and reserves</b>			
Share capital		<b>79,792</b>	73,792
Reserves		<b>423,130</b>	597,681
<b>Equity attributable to owners of the Company</b>		<b>502,922</b>	671,473
<b>Non-controlling interests</b>		<b>(80,912)</b>	(164,140)
<b>TOTAL EQUITY</b>		<b>422,010</b>	507,333

## 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 2024, 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 HKFRS ACCOUNTING STANDARDS

#### (a) Adoption of amended HKFRS Accounting Standards – effective on 1 January 2024

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these amended HKFRS Accounting Standards 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 HKFRS Accounting Standards that is not yet effective for the current accounting period.

#### (b) New or amended HKFRS Accounting Standards that have been issued but are not yet effective and not early adopted

The following new or amended HKFRS Accounting Standards 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 21 and HKFRS 1	Lack of Exchangeability <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – Dependent Electricity <sup>2</sup>
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual improvements to HKFRS Accounting Standards – Volume II <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>3</sup>
HKFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>3</sup>

Amendments to HKAS 1	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“2027 Amendments”) <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>4</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

HKFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the HKICPA in July 2024 supersedes HKAS 1 and will result in major consequential amendments to HKFRS Accounting Standards including HKAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though HKFRS 18 will not have any effect on the recognition and measurement of items in the Group’s consolidated financial statements, the application of the new standard is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

Except for the above, these new or amended HKFRS Accounting Standards are preliminary assessed and are not expected to have any significant impact on the Group’s consolidation financial statements.

### 3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS Accounting Standards”) 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, 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:

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
Provision of		
- visual effects production and post production services	<b>518,242</b>	697,167
- virtual human services	<b>22,813</b>	12,566
Sales of goods		
- Sales of semiconductor memory chips	<b>79,563</b>	26,768
- Sales of esports products	<b>4,938</b>	-
Commission income	<b>274</b>	-
	<b>625,830</b>	736,501

## Disaggregation of revenue from contracts with customers

Segment	Media entertainment		Trading		Consolidated	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Types of goods or service</b>						
Provision of						
- visual effects production and post production services	518,242	697,167	-	-	518,242	697,167
- virtual human services	22,813	12,566	-	-	22,813	12,566
Sales of goods						
- Sales of semiconductor memory chips	-	-	79,563	26,768	79,563	26,768
- Sales of esports products	-	-	4,938	-	4,938	-
Commission income	-	-	274	-	274	-
<b>Total revenue from contracts with customers</b>	<b>541,055</b>	<b>709,733</b>	<b>84,775</b>	<b>26,768</b>	<b>625,830</b>	<b>736,501</b>

	2024	2023
	HK\$'000	HK\$'000
<b>Geographical markets</b>		
Hong Kong	80,442	26,768
The People's Republic of China (the "PRC")	45,499	58,380
The United States of America ("USA")	204,249	249,928
Canada	258,361	391,306
United Kingdom ("UK")	2,344	1,837
India	29,696	8,190
Other countries/regions	5,239	92
<b>Total revenue from contracts with customers</b>	<b>625,830</b>	<b>736,501</b>

	2024	2023
	HK\$'000	HK\$'000
<b>Timing of revenue recognition</b>		
A point in time	85,582	28,968
Over time	540,248	707,533
<b>Total revenue from contracts with customers</b>	<b>625,830</b>	<b>736,501</b>



**(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.

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 and virtual human services ("Media entertainment")
- sales of semiconductor memory chips and esports products and commission income ("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, recognition/(reversal) of impairment loss on other receivables, share of losses of a joint venture, impairment loss on amounts due from associates, fair value gain/(loss) on financial assets measured at FVTPL, fair value loss on investment properties, gain on disposal of financial assets, (loss)/gain on disposal of subsidiaries, share of losses of associates, auditor's remuneration, depreciation of unallocated property, plant and equipment and depreciation of unallocated right-of-use assets, professional fees, unallocated finance costs, equity-settled share-based payment expenses, unallocated short-term lease expenses, unallocated other income and gains (including royalty income, interest income and sundry income), as well as head office and corporate expenses, are excluded from such measurement.

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

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

	<b>Media entertainment</b>		<b>Trading</b>		<b>Total</b>	
	<b>2024</b>	2023	<b>2024</b>	2023	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Revenue from external customers and reportable segment revenue	<b>541,055</b>	709,733	<b>84,775</b>	26,768	<b>625,830</b>	736,501
Reportable segment (loss)/gains	<b>(97,703)</b>	(324,385)	<b>(693)</b>	3,297	<b>(98,396)</b>	(321,088)
Additions to non-current assets	<b>51,791</b>	77,897	-	-	<b>51,791</b>	77,897
Depreciation and amortisation	<b>(78,744)</b>	(129,386)	-	-	<b>(78,744)</b>	(129,386)
Finance costs	<b>(7,084)</b>	(11,401)	-	-	<b>(7,084)</b>	(11,401)
Impairment loss on goodwill	-	(44,746)	-	-	-	(44,746)
Impairment loss on intangible assets	-	(104,423)	-	-	-	(104,423)
Recognition of impairment loss on trade receivables and contract assets	<b>(1,836)</b>	(2,413)	-	-	<b>(1,836)</b>	(2,413)
Recognition of impairment loss on other receivables	<b>(4,512)</b>	(1,226)	-	-	<b>(4,512)</b>	(1,226)
Gain/(loss) on disposal of property, plant and equipment, net	<b>5</b>	(26)	-	-	<b>5</b>	(26)
Taxation charged	<b>(1,176)</b>	(5,238)	-	-	<b>(1,176)</b>	(5,238)
Reportable segment assets	<b>543,707</b>	682,080	<b>40,354</b>	26,827	<b>584,061</b>	708,907
Reportable segment liabilities	<b>186,381</b>	285,263	<b>18,242</b>	11	<b>204,623</b>	285,274

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Loss before taxation</b>		
Segment loss	(98,396)	(321,088)
Recognition of impairment loss on trade receivables	(102)	(9)
Reversal of impairment loss on other receivables	-	8,050
Impairment loss on amounts due from associates	(12,305)	(3,248)
Fair value gain/(loss) on financial assets measured at FVTPL	6,031	(8,318)
Fair value loss on investment properties	-	(3,841)
Gain on disposal of financial assets	11,177	-
(Loss)/gain on disposal of subsidiaries	(35,390)	2,456
Share of losses of associates	-	(2)
Share of losses of a joint venture	-	(8)
Auditor's remuneration	(2,873)	(2,442)
Depreciation of unallocated property, plant and equipment and depreciation of unallocated right-of-use assets	(2,170)	(2,182)
Professional fees	(74,945)	(70,246)
Unallocated finance costs	(22,697)	(23,934)
Equity-settled share-based payment expenses	(26,863)	-
Unallocated short-term lease expenses	(160)	(161)
Unallocated other income and gains	15,106	21,351
Other unallocated corporate expenses*	(68,496)	(66,875)
Consolidated loss before taxation	<u>(312,083)</u>	<u>(470,497)</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.

	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	<b>584,061</b>	708,907
Interests in associates	<b>16,929</b>	28,406
Loan to a joint venture	<b>911</b>	916
Financial assets measured at FVTPL	<b>120,170</b>	31,719
Unallocated cash and cash equivalents and other bank balances	<b>323,251</b>	460,525
Unallocated corporate assets	<b>20,989</b>	23,450
Consolidated total assets	<b>1,066,311</b>	1,253,923
<b>Liabilities</b>		
Reportable segment liabilities	<b>204,623</b>	285,274
Tax payable	<b>4,954</b>	4,229
Deferred tax liabilities	<b>-</b>	44,478
Borrowings	<b>380,094</b>	350,738
Unallocated corporate liabilities	<b>54,630</b>	61,871
Consolidated total liabilities	<b>644,301</b>	746,590

(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

	2024 HK\$'000	2023 HK\$'000
Hong Kong	80,442	26,768
The PRC	45,499	58,380
USA	204,249	249,928
Canada	258,361	391,306
UK	2,344	1,837
India	29,696	8,190
Other countries/regions	5,239	92
	<u>625,830</u>	<u>736,501</u>

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

(ii) Specified Non-current Assets

	2024 HK\$'000	2023 HK\$'000
Hong Kong	19,986	33,055
The PRC	52,690	55,793
Other regions of Asia	7,668	10,553
USA and Canada	349,991	381,135
	<u>430,335</u>	<u>480,536</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 one customer (2023: three) from the media entertainment segment with whom transactions have exceeded 10% of the Group's total revenue as follows:

	2024 HK\$'000	2023 HK\$'000
Customer A	133,157	146,723
Customer B	N/A <sup>1</sup>	105,819
Customer C	N/A <sup>1</sup>	82,209

<sup>1</sup> 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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	61,226	37,397
Contract assets	6,475	7,915
Contract liabilities	<u>21,368</u>	<u>51,668</u>

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**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income	14,020	6,835
Gain on disposal of financial assets measured at fair value through profit or loss	11,177	-
Income arising from broadcasting movies and TV dramas	6,847	34,221
Consultancy income	1,086	409
Effect of lease modification	610	318
Government subsidies ( <i>Note</i> )	80	333
Others	<u>1,568</u>	<u>1,434</u>
	<u>35,388</u>	<u>43,550</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
This is arrived at after charging/(crediting):		
Cost of sales and services rendered ( <i>Note</i> )	498,393	616,310
(Gain)/loss on disposal of property, plant and equipment, net	(5)	26
Exchange differences, net	5,829	12,410
Auditor's remuneration:		
– audit services	2,605	2,239
– non-audit services	268	203
Depreciation of property, plant and equipment ( <i>Note</i> )	18,616	25,453
Depreciation of right-of-use assets ( <i>Note</i> )	33,294	42,508
Amortisation of intangible assets ( <i>Note</i> )	29,004	63,607
Short-term lease expenses	400	615
Staff costs ( <i>Note</i> ):		
– Directors' remuneration	7,907	5,783
– Other staff costs:		
Salaries, wages and other benefits	442,146	602,298
Retirement benefit scheme contributions	9,601	11,235
Equity-settled share-based payment expenses	25,119	-
Total staff costs	<u>484,773</u>	<u>619,316</u>

*Note:*

Cost of sales and services rendered include HK\$342,815,000 (2023: HK\$484,023,000) 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Imputed interest on lease liabilities	7,329	11,818
Interest on bank and other loans	<u>22,452</u>	<u>23,517</u>
	<u>29,781</u>	<u>35,335</u>

## 8. TAXATION

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current taxation - Hong Kong profits tax	-	-
Current taxation - Overseas tax		
- provision for the year	209	3,668
- under-provision in respect of prior years	913	1,815
Deferred taxation	<u>94</u>	<u>(204)</u>
	<u>1,216</u>	<u>5,279</u>

No provision for Hong Kong profits tax was made for the year ended 31 December 2024 as there is no assessable profits arising in Hong Kong.

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.

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.

The Group operates in certain jurisdictions where the Pillar Two Rules are enacted but not effective. However, as the Group's consolidated annual revenue is expected to be less than EUR750 million, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.



## 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:

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u><b>(300,275)</b></u>	<u><b>(394,571)</b></u>
	<b>2024</b>	2023
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic loss per share ( <i>Note</i> )	<u><b>7,960,092,638</b></u>	<u><b>6,092,812,952</b></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.*

For the years ended 31 December 2024 and 2023, 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. 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))	
<b>COST</b>								
As at 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 and 1 January 2024	689,907	19,525	280,228	323,493	109,346	-	130,211	1,552,710
Additions	-	-	39,365	438	-	-	-	39,803
Disposal of subsidiaries	(378,506)	-	-	-	(103,389)	-	(129,527)	(611,422)
Exchange realignment	459	(103)	(8,978)	(1,369)	(5,179)	-	(684)	(15,854)
As at 31 December 2024	311,860	19,422	310,615	322,562	778	-	-	965,237
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS</b>								
As at 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 and 1 January 2024	440,454	-	208,349	323,493	109,346	-	130,211	1,211,853
Amortisation for the year	-	-	28,993	11	-	-	-	29,004
Disposal of subsidiaries	(378,506)	-	-	-	(103,389)	-	(129,527)	(611,422)
Exchange realignment	-	-	(5,237)	(1,369)	(5,179)	-	(684)	(12,469)
As at 31 December 2024	61,948	-	232,105	322,135	778	-	-	616,966
<b>CARRYING AMOUNT</b>								
As at 31 December 2024	249,912	19,422	78,510	427	-	-	-	348,271
As at 31 December 2023	249,453	19,525	71,879	-	-	-	-	340,857

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:

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
Visual effects production services	<b>209,472</b>	209,013
Post production services	<b>40,440</b>	85,186
	<b><u>249,912</u></b>	<u>294,199</u>

In addition to goodwill above, certain intangibles assets (as stated in notes 10(b), 10(c) and 10(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 Knight Frank Asset Appraisal Limited.

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 2023.

The cash flow projections beyond the budget period are extrapolated using a growth rate of 1.5% to 2.5% (2023: 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
<b>2024</b>		
Average revenue growth rate within budget period	14.4%	5.8%
Pre-tax discount rate	16.4%	12.4%
Average gross margin	22.1%	32.1%
Recoverable amount (HK\$'000)	<u>387,467</u>	<u>59,729</u>
	Visual effects production services CGU	Post production services CGU
<b>2023</b>		
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)	<u>555,266</u>	<u>81,663</u>

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 2024, the recoverable amount for the visual effects production services CGU is HK\$387,467,000 (2023: HK\$555,266,000). 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 2024, the recoverable amount for the post production services CGU is HK\$59,729,000 (2023: HK\$81,663,000). As at 31 December 2024, the recoverable amount is above the carrying amount of the post production services CGU. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

During the year ended 31 December 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.

The Group renewed a trademark during the year ended 31 December 2023. In the opinion of the Directors, the trademark can provide continuing economic benefits to the Group taking into account (i) the long-term expected usage of the 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 trademark.

As at 31 December 2024, the 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.

- (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. The licences for intellectual property rights were being written off during the year ended 31 December 2023.

- (g) Film rights represent film produced by the Group. The film was 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. As at 31 December 2023, based on 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), the Directors have determined that it is unlikely that the Group would be able to recover the remainder of the capitalised production costs after amortisation. 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 and management's expectations for the market development. An impairment loss in respect of the film rights of HK\$104,423,000 was recognised in profit or loss during the year ended 31 December 2023.

During the year ended 31 December 2024, the film rights are being disposed of upon disposal of subsidiaries.

## 11. INTERESTS IN ASSOCIATES

	2024 HK\$'000	2023 HK\$'000
Share of net assets	576	579
Amounts due from associates ( <i>Note</i> )	<u>225,493</u>	<u>227,020</u>
	226,069	227,599
Less: Accumulated impairment loss on amounts due from associates	<u>(209,140)</u>	<u>(199,193)</u>
	<u>16,929</u>	<u>28,406</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 2024 and 2023, 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\$12,305,000 (2023: HK\$3,248,000) including net share of losses of HK\$12,305,000 (2023: net share of losses of HK\$4,174,000 and reversal of impairment of HK\$926,000) recognised in excess of investment in associates, were recognised for the year ended 31 December 2024. The impairment loss on amounts due from associates comprise of the followings:

- (i) During the year ended 31 December 2024, the Group advanced HK\$216,000 to (2023: received a repayment of HK\$926,000 from) Lead Turbo Limited and its subsidiaries. Management assessed the ECL of the amount due from Lead Turbo Limited and its subsidiaries and recognised an impairment of HK\$216,000 (2023: reversal of impairment of HK\$926,000) for the year ended 31 December 2024.
- (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 for the year ended 31 December 2023.
- (iii) The Group recognised share of losses for the year of HK\$12,089,000 (2023: HK\$1,680,000) on the Group's long-term interest in Digital Domain Virtual Human Group Limited and its subsidiaries, in excess of its investment in the associate.

## 12. 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. During the year ended 31 December 2024, the Group disposed of its 248,431 common shares of asknet, for which details are set out in note 12(c).

- (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 and 31 December 2024, the shares held by the Group was diluted which represented approximately 2.04% of the total issued bearer shares of HLEE.

- (c) In June 2024, the Group subscribed 10,000,000 bearer shares of Youngtimers AG (“YTME”), a publicly traded Swiss special situation investment firm, the shares of which are traded on the Swiss Stock Exchange (ticker code: YTME.SW) for an aggregate consideration of US\$7,000,000 (equivalent to approximately HK\$54,570,000).

In February 2024, the Group acquired an unlisted corporate bond issued by Immo Prime S.A., a Luxembourg company independent to the Group, at the purchase price of US\$3,000,000 (equivalent to approximately HK\$23,453,000) from the original holder, Nobias Media S.à r.l., an independent third party.

In June 2024, the Group disposed of its 248,431 common shares in asknet and a bond at a consideration of share consideration of 4,000,000 bearer shares of YTME. The fair value of the share consideration was EUR3,331,808 (equivalent to approximately HK\$28,172,000) and the fair values of the 248,431 common shares and the bond were HK\$Nil and HK\$16,995,000, respectively, on the completion date of 27 June 2024. A gain on disposal of the financial assets was recognised in profit or loss during the year ended 31 December 2024.

As at 31 December 2024, the YTME shares held by the Group represented approximately 19.441% (14,000,000 shares) of the total issued bearer shares of YTME.

(d) Information of the financial assets measured at FVTPL

	<b>2024</b> <b>HK\$'000</b>	2023 <b>HK\$'000</b>
Unlisted equity securities outside Hong Kong, at fair value ( <i>Note 12 (a)</i> )	N/A	-
Listed equity securities outside Hong Kong, at fair value	<b>120,170</b>	31,719
Financial assets measured at FVTPL	<b>120,170</b>	31,719

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

	<b>2024</b> <b>HK\$'000</b>	2023 <b>HK\$'000</b>
As at 1 January	<b>31,719</b>	41,349
Additions	<b>106,195</b>	79,298
Fair value gain/(loss) recognised in profit or loss	<b>6,031</b>	(8,318)
Disposals	<b>(16,995)</b>	(81,731)
Exchange realignment	<b>(6,780)</b>	1,121
As at 31 December	<b>120,170</b>	31,719

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.



### 13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2024 HK\$'000	2023 HK\$'000
<b>Non-current portion:</b>		
Consideration receivable ( <i>Notes (i) and (iv)</i> )	-	7,831
Deposits ( <i>Note (i)</i> )	8,319	10,448
	<u>8,319</u>	<u>18,279</u>
<b>Current portion:</b>		
Trade receivables ( <i>Notes (i) and (ii)</i> )	61,226	37,397
Consideration receivables ( <i>Notes (i) and (iv)</i> )	15,538	7,831
Other receivables ( <i>Notes (i) and (iii)</i> )	10,931	17,627
Deposits ( <i>Note (i)</i> )	1,311	670
Prepayments	9,379	13,433
	<u>98,385</u>	<u>76,958</u>
<b>Total trade receivables, other receivables and prepayments</b>	<u><u>106,704</u></u>	<u><u>95,237</u></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 2024 and 2023.
- (ii) The Group normally allows an average credit period of 30 to 45 days (2023: 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:

	2024 HK\$'000	2023 HK\$'000
0 to 30 days	44,914	22,499
31 to 60 days	6,747	933
61 to 90 days	2,217	1,482
91 to 365 days	6,583	9,894
Over 365 days	765	2,589
	<u>61,226</u>	<u>37,397</u>

No interest is charged on trade receivables.

- (iii) Other receivables mainly represent advance to third parties and value-added tax recoverable.
- (iv) Consideration receivables as at 31 December 2024 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 during the year ended 31 December 2023 amounted to US\$2,000,000 (equivalent to HK\$15,538,000) (2023: US\$2,000,000 (equivalent to HK\$15,662,000)). The amounts are unsecured, interest-free and repayable as to US\$1,000,000 (equivalent to HK\$7,831,000) in 2024 and as to US\$1,000,000 (equivalent to HK\$7,831,000) in 2025. Repayment of US\$1,000,000 (equivalent to HK\$7,786,000) was received in February 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 Limited, interest-free and repayable on the first and the second anniversary dates of the completion date of the disposal (i.e. 31 July 2021 and 2022).

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 Limited, accumulated impairment loss of HK\$68,000,000 (2023: HK\$68,000,000) has been made at the end of the reporting period.

#### 14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2024 HK\$'000	2023 HK\$'000
Trade payables	38,086	28,955
Other payables	55,744	83,420
Interest payables	37,720	34,038
Accruals	44,006	52,108
<b>Total trade payables, other payables and accruals</b>	<b>175,556</b>	<b>198,521</b>

Trade payables are non-interest bearing and are normally settled within 30-180 days (2023: 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 2024 and 2023.

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

	2024 HK\$'000	2023 HK\$'000
0 to 30 days	19,548	4,585
31 to 60 days	10,110	3,144
61 to 90 days	1,865	1,151
91 to 365 days	1,904	12,925
Over 365 days	4,659	7,150
	<b>38,086</b>	<b>28,955</b>

## 15. 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.

On 26 August 2024, ruling on a post-trial motion brought by US Subsidiary’s client, the trial court decided that the jury did not have sufficient evidence to render a verdict that US Subsidiary’s client was liable to Claimant and ruled that the judgment will be entered in favour of US Subsidiary’s client and that Claimant would not be entitled any relief. Claimant has initiated an appeal of the decision to the United States Court of Appeal for the Ninth Circuit, which is now pending.

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 2024, the litigation of Other Lawsuits is continuing, specifically, an appeal of the court’s 26 August 2024 ruling that is described above. All other claims that were brought in the Other Lawsuits have been dismissed.

No provision for the indemnity has been recognised for the year ended 31 December 2024 (2023: Nil) as, in the opinion of the Directors, the Group may or may not require a significant outflow of resource for the indemnification. There is no present obligation of cashflow on this matter as at 31 December 2023 and 2024.

- (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. The court has on four separate motions to dismiss by US Subsidiary's Clients dismissed the New Lawsuit on the grounds that the facts, as pleaded, in the lawsuit did not give rise to legally-actionable claims, but in each instance gave Claimant an opportunity to amend the New Lawsuit to rectify the defects that it has identified. Claimant has now had six opportunities to amend the New Lawsuit in order to state legally-actionable claims. Claimant filed its Fifth Amended Complaint on 24 January 2025. US Subsidiary's clients have again moved to dismiss this latest attempt, which is scheduled for hearing on 22 May 2025. Until court decides whether to dismiss the New Lawsuit, no further action in the New Lawsuit will take place.

No provision for the indemnity has been recognised for the year ended 31 December 2024 (2023: Nil) as, in the opinion of the Directors, the Group may or may not require a significant outflow of resource for the indemnification. There is no present obligation of cashflow on this matter as at 31 December 2023 and 2024.

## **16. EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the end of reporting period.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: HK\$Nil).

## **REVIEW AND OUTLOOK**

### ***FINANCIAL AND BUSINESS REVIEW***

During the year ended 31 December 2024, the Group achieved a revenue of HK\$625,830,000 (2023: HK\$736,501,000), showing a decrease of approximately 15% compared to that of the previous year. The gross profit of the Group amounted to HK\$127,437,000 (2023: HK\$120,191,000) during the year under review, showing an increase of approximately 6%. The decrease in turnover and increase in gross profit were attributable to the media entertainment segment. As at 31 December 2024, the total assets of the Group amounted to HK\$1,066,311,000 (as at 31 December 2023: HK\$1,253,923,000). The loss attributable to the owners of the Company for the year was HK\$300,275,000 (2023: HK\$394,571,000). The loss for the year was approximately HK\$313,299,000 (2023: HK\$475,776,000). 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 (c) below amounted to the value of HK\$47,620,000 (2023: HK\$62,954,000);
  - (b) fair value gain on financial assets measures at fair value through profit or loss of HK\$6,031,000 (2023: loss of HK\$8,318,000);
  - (c) there was no amortisation of film rights during the year (2023: HK\$26,106,000); and
  - (d) equity-settled share-based payments for the share options granted during the year to the value of HK\$26,863,000 (2023: Nil);
- (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\$541,055,000 (2023: HK\$709,733,000) and incurred a loss of approximately HK\$97,703,000 (2023: HK\$324,385,000). There was no impairment loss on goodwill and related intangible assets (if applicable) for the year (2023: HK\$149,169,000) 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 (there was no impairment loss on goodwill and related intangible assets (if applicable) (2023: HK\$149,169,000)) for the year ended 31 December 2024 was a loss of HK\$11,875,000 (2023: loss of HK\$183,598,000). 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 year 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. Aladino DEBERT and his team were awarded a Gold Telly Award for the studio’s outstanding visual effects contributions to the Amazon series *“Citadel”*.

#### **The Visual Effects Society Awards**

Mr. Aladino DEBERT and Mr. Gregory TEEGARDEN were nominated for the Outstanding Supporting Visual Effects in a Photoreal Episode award for Digital Domain’s exceptional work on *“Citadel”*.

Mr. James REID, Mr. Mathew ROTMAN, Mr. Filipp ELIZAROV, and Mr. Nardeep CHANDER were nominated for the Outstanding Effects Simulations in an Episode, Commercial, Game Cinematic or Real-Time Project award for the ocean scene in the *“Citadel”* episode *“Secrets in Night Need Early Rains”*.

Mr. John-Mark GIBBONS, Mr. Allen RUILOVA, Mr. Momme CARL, and Mr. David MINOR were nominated for the Emerging Technology Award for their use of our proprietary tool Machine Learning (ML) Cloth on Warner Bros.’ *“Blue Beetle”*.

#### **The Hollywood Professional Association Awards**

Digital Domain submitted the visual effects team’s work on the Marvel Studios series *“Echo”*, which was released on 9 January 2024, for an HPA Award in the Outstanding Visual Effects – Live Action Episode or Series Season category.

#### **Shorty Awards**

Digital Domain submitted the team’s exceptional visual effects work on the *Citadel “Deepfake”* trailer which used proprietary Charlatan tool to recreate Franklin D. Roosevelt, John F. Kennedy, and Winston Churchill, trailer to the 16th Annual Shorty Awards, for which Mr. Matt DOUGAN, Mr. Paul “Pizza” PIANEZZA, Mr. Matt SMITH, Mr. Jason SELFE, and Mr. John BRENNICK were awarded. The work was also awarded an Audience Honor for receiving the most public votes.

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

- As the main vendor, VFX Supervisor, Mr. Joel BEHRENS, worked closely with production VFX Supervisor, Mr. Matthew BUTLER to provide visual effects on a Russo Brothers’ film, *“The Electric State”*. The film was released on 14 March 2025.
- VFX Supervisor, Mr. Piotr KARWAS and his team completed work on a George NOLFI film, *“Elevation”*. The film was released on 8 November 2024.

- VFX Supervisor, Mr. Piotr KARWAS is currently working on the upcoming **“A Minecraft Movie”**, scheduled for release on 4 April 2025.
- VFX Supervisor, Mr. Scott EDELSTEIN and his team completed work on Sony Pictures film, **“Madame Web”**. Based on the Marvel Comics character of the same name. The film was released on 14 February 2024.
- VFX Supervisor, Mr. Mitch DRAIN and his team completed work on the Hindi-language comedy horror film, **“Stree 2: Sarkate Ka Aatank”**. The film was released on 14 August 2024 and was the highest-grossing Hindi film in 2024.
- VFX Supervisor, Mr. Hanzhi TANG and his team completed work on a Marvel film, **“Captain America: Brave New World”**, the film was released on 14 February 2025.
- The Digital Domain team is also collaborating on several unreleased projects with partners including Skydance and Marvel Studios.
- VFX Supervisor, Mr. Nikos KALAITZIDIS and his team completed work on the Chinese film, **“Creation of the Gods II: Demon Force”**, which was released on Lunar New Year, 29 January, 2025. Mr. KALAITZIDIS is also working on Marvel Studios’ **“Thunderbolts\*”**.
- VFX Supervisor, Mr. Scott EDELSTEIN and his artistic team, completed work on **“Venom: The Last Dance”** in which they brought the dark world of Klyntar and the villainous Knull, the King in Black and God of the symbiotes, to life.

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

- VFX Supervisor, Mr. Aladino DEBERT, and his skilful team completed work on the new Marvel Studios television miniseries, **“Echo”**. The series released in January 2024 on Disney+.
- VFX Supervisors, Mr. Kelly PORT and Mr. Michael MELCHIORRE along with their teams completed work on the Marvel Studios television miniseries, **“Agatha All Along”**. The series released on Disney+ on 18 September 2024.
- VFX Supervisor, Mr. Nikos KALAITZIDIS, and his artistic team are working on an upcoming HBO series.
- The award-winning Digital Domain team, led by VFX Supervisor, Mr. Nikos KALAITZIDIS, completed work on the Apple TV+ sci-fi television series, **“Dark Matter”**, created by Mr. Blake CROUCH, based on his 2016 novel of the same name. The series was released on 8 May 2024.

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

- Marvel Studios’ **“Captain America: Brave New World”**
- A Warner Bros. horror film
- Marvel Studios’ **“Thunderbolts\*”**
- The Russo Brothers’ **“The Electric State”**
- Season 2 of an upcoming HBO Max’s **“The Last of Us”**
- Several undisclosed projects that have yet to be announced

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

- The upcoming action-adventure game **“Marvel 1943: Rise of Hydra”** in collaboration with Skydance Games.
- A new game in collaboration with a Japanese game developer.

**We provided VFX services for advertisements, special venue projects and games. Work completed in 2024 include:**

- For the Wisconsin Lottery, the Digital Domain advertising team created 15-second and 30-second spots for the Wisconsin Lottery titled **“Winning Streak”**.
- Digital Domain has partnered with **Madison Square Garden (MSG)** and **Sphere Entertainment** for several events including the **2024 National Hockey League (NHL) Draft** and the **Hewlett Packard Enterprise (HPE) Discover 2024**. The team is also working on several Sphere projects that have not been announced.
- For **Baylor Scott & White Health**, the Digital Domain team executed a seamless full body-swapping effect, replacing an actor for the local TV spot, which was also used for a digital campaign.
- Digital Domain artists provided visual effects, including environment work, for two high-profile **Netflix Sports** promotional spots to promote the fights on Netflix: (1) the highly anticipated Jake Paul vs. Mike Tyson fight and (2) the Katie Taylor vs. Amanda Serrano rematch.
- Digital Domain is pleased to continue collaborating with the **Studio Wildcard** team as they prepare for the highly anticipated release of **ARK 2**, the sequel to the award-winning title ARK, on PC and upcoming Xbox Series X platforms.

### **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. In accordance with the jury’s verdict after the close of evidence, in April 2024 the court issued Findings of Fact and Conclusions of the Law, stating that Claimant was entitled to US\$250,638 in compensatory damages and US\$345,098 for disgorgement of the Picture’s profits. On 26 August 2024, ruling on a post-trial motion brought by US Subsidiary’s client, the trial court decided that the jury did not have sufficient evidence to render a verdict that US Subsidiary’s client was liable to Claimant and ruled that the judgment will be entered in favour of US Subsidiary’s client and that Claimant would not be entitled any relief.

Claimant has initiated an appeal of the decision to the United States Court of Appeal for the Ninth Circuit, which is now pending. On 3 June 2024, Claimant and US Subsidiary’s clients concluded a confidential settlement which resulted in the dismissal of the Other Lawsuits to the extent that it concerned the other six motion pictures. Accordingly, the Other Lawsuits now only concerns the Picture.

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. The court has on four separate motions to dismiss by US Subsidiary’s Clients dismissed the New Lawsuit on the grounds that the facts, as pleaded, in the lawsuit did not give rise to legally-actionable claims, but in each instance gave Claimant an opportunity to amend the New Lawsuit to rectify the defects that it has identified. Claimant has now had six opportunities to amend the New Lawsuit in order to state legally-actionable claims. Claimant filed its Fifth Amended Complaint on 24 January 2025. US Subsidiary’s Clients have again moved to dismiss this latest attempt, which is scheduled for hearing on 22 May 2025. Until court decides whether to dismiss the New Lawsuit, no further action in the New Lawsuit will take place.

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. On 23 May 2024, US Subsidiary filed a lawsuit against the insurance company seeking a judicial declaration that the insurance company is required to provide insurance coverage for the indemnity claims brought against it with respect to the Other Lawsuits and monetary damages (the “Insurance Coverage Lawsuit”). The parties are conducting pre-trial discovery in the Insurance Coverage Lawsuit, but the trial date has not been scheduled.

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. In the Insurance Coverage Lawsuit, US Subsidiary is also seeking a judicial declaration that the insurance company is required to provide insurance coverage for the indemnity claims brought against it with respect to the New Lawsuit and monetary damages.

#### ***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 *“The Princess Royale”* and *“Lost You Forever Season 2”*.

In 2024, 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: **3i, AITO, Alibaba Cloud, Aptamil, Bosideng, BYD, Comfort, Denzo Auto, Durex, ELIXIR, Estée Lauder, Extra, Helena Rubinstein, HONOR, HUAWEI, Lancôme, L’ORÉAL, Lux, MediaTek, Paper Animation, Perfect Dairy, Polestar, Roborock, Tencent Games “Need for Speed Mobile”, and Yangwang Auto.**

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

- In April 2024 – The winners of the **China Virtual Human Industry Fist Awards** hosted by **iiMedia Research**, were announced, with Digital Domain being honoured with the **“2024 China Best Business Model Innovation Award”**.

#### ***Digital Domain India:***

In 2024, Digital Domain India (“DD India”) mainly focused on the local market to mitigate the market slow down caused by the strikes in Hollywood. DD India successfully delivered VFX services for local theatrical features like *“Stree 2: Sarkate Ka Aatank”, “Devara”, and “Kalki 2898 AD”*. All three features delivered a record box office collections, both in the domestic and international markets. Stree2’s collection was recorded as the highest ever grossing Bollywood feature of all time. DD India was the lead VFX studio for Stree2 and delivered over 900 shots. For both Stree2 and Devara, DD India achieved the goal of having local resources work with our North American teams on a common platform with establishing a successful, efficient & round the clock global production model.

DD India will continue to focus on developing sales efforts in the local and Asian markets offering Digital Domain's varied services and technical expertise to secure a diverse clientele. As part of the overall growth plan DD will continue to invest in DD India's local talent and infrastructure to deliver more value work. This strategy continues to help DD offer competitive rates to the clients while improving the overall margins for our global VFX business.

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 has partnered with **Madison Square Garden (MSG)** and **Sphere Entertainment** for several events including the **2024 National Hockey League (NHL) Draft** and the **Hewlett Packard Enterprise (HPE) Discover 2024**.

### **Digital Domain's Virtual Human Group ("VHG") in North America – research and development aided multiple projects and resulted in new developments in 2024:**

- **Masquerade3:** In April 2024, the Virtual Human team unveiled its latest proprietary tool, Masquerade3. Building upon the technology for Masquerade 2.0, Masquerade3 eliminates the need for markers on performers' faces, revolutionising the facial capture process. The tool was being used for the first time a few shots in "Venom: The Last Dance" to bring the villain, Knull, to life. Masquerade3 is currently being used across several shots on an upcoming film set to release this year.
- **Charlatan:** In 2023, VHG partnered with the advertising and games team, utilising Charlatan to recreate John F. Kennedy, Franklin D. Roosevelt and Winston Churchill for a promo for the Amazon Studios "*Citadel*" series. In 2024, the series' "*Myth*" promo earned awards for its stunning visual effects, creativity and innovative technology. These awards include a Shorty Award and a Gold Telly Award. Charlatan was also used in "*Creation of the Gods II: Demon Force*", as well as AppleTV's "*Dark Matter*".

### **VHG participated in several events this year, including:**

- Our former Chief Technology Officer, Mr. Hanno BASSE ("Hanno") participated in the Variety Entertainment Summit at CES where he engaged in a panel discussion on "**The Tipping Point for AI**".
- At **Film & Media Exchange (FMX) 2024**, Hanno took part in the Digital Humans Panel moderated by Mike Seymour. Hanno also participated in a presentation where he discussed Digital Domain's history and future in the digital human space, and announced our latest proprietary tool, Masquerade3.

- Hanno and VHG's Mr. Peter RABEL were invited to be part of **VES London's AI Chapter 2 Event** where they discussed several of Digital Domain's Machine Learning and AI tools including ML Cloth, Masquerade3, and Charlatan.
- For Digital Hollywood, VFX Supervisor, Mr. Matthias WITTMANN joined moderator Louisa SPRING and speakers Remington SCOTT, John SON, Abran MALDONADO, and Pat PATARANUTAPORN for a panel discussion where they discussed the development and evolution of virtual humans titled "**Virtual Humans & AI: Advanced Design + Intelligence = Unique Levels of Complexity**". Matthias discussed Tupac at Coachella, the Curious Case of Benjamin Button, and real-time virtual humans like Zoey.
- Mr. WITTMANN was also interviewed on the **Shift AI podcast**, where he and Host Boaz Ashkenazy, the founder and CEO of Augmented AI, discussed trends in AI.

#### **The Greater China Region:**

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

- In April 2024, Digital Domain participated in Taiwan's largest AI ecosystem event, **AI EXPO**, showcasing a variety of innovative AI virtual human solutions. This showcase particularly highlighted the flexibility of Digital Domain's proprietary Momentum Cloud in system integration, capable of connecting multiple devices and different large language models (LLMs).

Among the eye-catching solutions were the AI Fortune Teller, widely popular among audiences of all ages, and the debut of the AI Health Advisor. The AI Health Advisor can interpret InBody reports and provide health advice in both Mandarin and Taiwanese, demonstrating the significant potential of AI virtual humans in the health sector.

Additionally, the event featured an AI Virtual Receptionist and an AI Fairy in a fairytale setting, offering the industry more imaginative applications in services, education, and companionship.

- In May 2024, ADLINK hosted the **ADLINK EdgeOpen™ Consortium 2024** at its headquarters in Taoyuan, Taiwan. In the exhibition area, Digital Domain's virtual human demonstrated an impressive integration with ADLINK and AUO Display Plus hardware, showcasing how it creates a more user-friendly AI interface. This innovative presentation garnered significant attention from ADLINK agents, key clients, and strategic partners around the globe.
- In June 2024, **COMPUTEX 2024** was held in Taipei. As one of the top-tier visual effects companies rooted in Hollywood, Digital Domain teamed up with **ADATA Technology**, a global leader in memory modules and flash memory, to create ADATA and XPG's brand ambassador **Virtual Human Mera**. This collaboration brought groundbreaking innovations in AI-driven virtual human technology to the application and development of brand-related products, presenting a fresh surprise to the general public.

- Digital Domain’s virtual human software, **Momentum Cloud**, efficiently generated content via Generative AI and enhanced brand recognition through customised multimedia. This time, Digital Domain also joined hands with Litemax, leveraging Litemax’s years of experience in high-brightness and customised multimedia display equipment to run “AI Virtual Human” technology in the “Whirl of Wonder – WoW”, a circular multimedia touch table. They demonstrated applications of multilingual AI (Chinese/English/Japanese) in service scenarios, providing a more comprehensive consumer service experience.
- **Interop Tokyo** is an event for internet technology. Since its first launch in Japan in 1994, hundreds of companies and organisations from both domestic and international markets have participated annually. Through demonstrations and seminars at the venue, it has conveyed technology and business application trends. WAS Corporation, a distribution partner of Digital Domain in Japan, together with Toppan Holdings’ scanning technology and Readspeak’s (a Hoya Corporation) speech synthesis technology, demonstrated the latest application scenario of Conversational AI virtual human customer service system.
- In May 2024, **APMF 2024** was held in Bali, showcasing cutting-edge technologies and innovations, offering attendees a glimpse into the future of marketing and media. This exhibition focused on integrating advanced technology with practical applications. Indonesian partner V2 presented the **Virtual Human Vivi**, installed in **Momentum Cloud**, with impressive performances. Virtual Human Vivi not only recorded captivating animation shorts but also used motion capture technology to interact with the audience and demonstrated smart customer service in Proto Hologram, providing participants with an exemplary vision of how AI can enhance consumer engagement and service delivery.
- On 30 May 2024, the **Intel AI Summit 2024** was grandly held in Jakarta. With the theme “Bringing AI Everywhere”, industry experts and innovators from around the world gathered to discuss how AI can transform various industries and enhance global competitiveness. The **Virtual Human Vivi**, from Indonesian partner V2, used Momentum Cloud to connect with the AI technology, serving as an AI customer service representative. **Virtual Human Vivi** provided interactive answers to the audience through digital signage, becoming a highlight of the event and attracting widespread attention.
- Building on the success of the virtual influencer collaboration launched in 2023, Digital Domain has continued its partnership with **Cathay United Bank** in 2024 to create a series of sophisticated and storytelling lifestyle photos for the digital brand “**CUBE**” and its ambassadors, Luna and Apollo. These photos not only cover a wide range of themes, showcasing authentic and natural financial lifestyles and application scenarios, but also seamlessly integrate digital financial services into everyday life, highlighting how the digital brand has transformed people’s financial experiences. Through these carefully crafted visual contents, the brand has significantly increased fan engagement and viewership on social media platforms, successfully attracting more attention and allowing consumers to gain a deeper understanding of the innovative financial lifestyle experiences brought by CUBE. This has also sparked greater interest in the future trends of digital finance.

- Since May 2023, Digital Domain has partnered with **Asia Pacific Machine Intelligence Company (APMIC)** to establish a long-term AI assistant display at the **CTBC Bank** exhibition area in the Wenhui Hall. This innovative showcase has allowed visitors to gain an in-depth understanding of the growth and development trajectory of CTBC Bank, while also providing them with a completely new financial service experience through the multimedia interactive zone. Visitors can interact directly with the AI assistant, inquiring about various financial services, such as wealth management, credit card offerings, loan products, and more, enjoying intelligent services anytime and anywhere. This AI assistant integrates CTBC Bank's extensive product knowledge base and can provide personalised investment advice and financial solutions based on customers' financial history and individual needs. In addition to offering professional advice, the AI assistant engages with visitors through a friendly and natural smile and smooth body language. Through these emotional interactions, visitors experience that financial technology is not just cold data and technology, but a warm and caring smart service. This innovative experience not only demonstrates the immense potential of digital financial technology in enhancing the convenience and professionalism of financial services but also allows consumers to experience firsthand the future trends of integrating financial intelligence and technology, further advancing the financial industry toward digitalisation and intelligence. This showcase has not only been a significant milestone for CTBC Bank in the field of innovative technology but also a successful example of Digital Domain and APMIC working together to promote smart financial services. It demonstrates how artificial intelligence can effectively enhance customer experience and service quality in the financial sector.
- In May 2024, Digital Domain's partner, APMIC, participated in the **2024 Generative AI Conference**. They utilised the Momentum Cloud virtual human technology to create a smart product consultant that interacted with guests, showcasing innovative applications of virtual human technology in the field of product consultation.
- In June 2024, Digital Domain's virtual human technology was showcased at the **2024 Second Quarter Symposium** organised by the Taiwan Nongovernmental Hospitals and Clinics Association - Hospital Information and Smart Healthcare Development Promotion Association. Our partners, Uniforce and its subsidiary Cloudforce, presented Digital Domain's Virtual Health Consultant at their booth. The demonstration illustrated the use of this technology in explaining InBody reports, showcasing the innovative potential and practical applications of virtual human technology in the smart healthcare sector.
- In July 2024, Digital Domain's virtual human was unveiled at the investor briefing hosted by CTBC Securities Co., Ltd., with participation from its partner, **Uniforce**. During the event, the Chairman of Uniforce not only highlighted the diverse applications of virtual humans but also showcased Digital Domain's virtual human as the representative figure of their AI ecosystem, Uniai. To enhance localised interactions, Digital Domain further integrated Taiwanese and Hakka TTS (Text-to-Speech) and ASR (Automatic Speech Recognition) technologies provided by Uniforce's partner, Bronci. This integration achieved more comprehensive language support, demonstrating the seamless fusion of technological innovation and cultural diversity.



- In July 2024, Digital Domain's virtual human technology once again became a highlight at this year's **Future Commerce Expo**, Taiwan's largest AI and SaaS-focused exhibition themed "AI DRIVING NEW BUSINESS". In collaboration with ATEN Technology and Common Health magazine, Digital Domain unveiled the virtual ambassador "Kang Tian", who provided diabetes-related health education in Mandarin and Taiwanese. This engaging showcase attracted audiences of all ages, demonstrating innovative applications and practical value in smart healthcare.
- Digital Domain collaborated with **Radio Television Hong Kong ("RTHK")** to bring their AI weather anchor, virtual human Aida, to life through advanced technology. Virtual human Aida became the virtual MC of the "Below the Lion Rock: Our Story" Sales Presentation, co-hosting alongside human presenters Mr. Brian Yuen and Ms. Alice Yu. Virtual human Aida engaged in real-time interactions with guests and the audience, playing a key role in guiding the event. The event was held at the Xiqu Centre Tea House Theatre in the Hong Kong's West Kowloon Cultural District and this event marked the group's first virtual human project in partnership with a Hong Kong media organisation after we landed at HKSTP.
- Digital Domain is dedicated to building a robust ecosystem for virtual human smart services. At the **Taipei International Automation Industry Exhibition**, in collaboration with LEDA Creative Technology and O-DEAR's robotic arm technology, its virtual humans acted as ordering assistants, enabling a seamless self-service experience from order to beverage preparation, marking a milestone in retail automation.
- In partnership with **LEDA** and **APMIC**, Digital Domain's virtual humans also served as corporate smart spokespeople, showcasing O-DEAR and Macnica's products and technologies, further highlighting the versatility of virtual human applications.
- In August 2024, Digital Domain partnered with **Logicalis**, a global IT service leader, to advance virtual human technology. At the **Lenovo Channel Conference** in September, Logicalis showcased a solution combining Microsoft Copilot and Digital Domain's virtual humans. The presentation highlighted two key applications: enhancing factory safety with virtual human-powered security systems and using virtual humans for health consultations. This demonstrated Digital Domain's innovation and the vast potential of its virtual human technology in distribution and smart services.
- In September 2024, Digital Domain's AI Virtual Fortune Teller participated in the **Dell Technology Forum**, which gathered global tech leaders and industry experts to explore AI-driven innovation. Our partner APMIC provided an interactive experience where the virtual fortune teller, after confirming guests' birthdays or zodiac signs, revealed daily fortunes and recommended lucky items, delighting attendees with this creative application.
- In September 2024, Digital Domain's virtual human solutions captured attention at Lenovo's event, "**Lenovo AI Era: Transforming Modern Workplaces**". The workshop focused on exploring the practical applications and future potential of AI technology in enhancing work efficiency and creating business value from a client-centric perspective. Partnering with Logicalis, the event featured an in-depth introduction to the core features of Digital Domain's virtual human solutions. Logicalis highlighted how these solutions enable businesses to optimise operations, enhance interactive experiences, and serve as a driving force for digital transformation.

- Digital Domain, in collaboration with SURREAL CO., LTD., KKCompany Technologies, and Caton Technology, formed the ‘**Virtual and Physical Performance Experts**’ team. By integrating internet transmission technology with generative AI assistance, they successfully executed real-time, remote co-performance. This innovative system was showcased on 21 October 2024, at the Taipei Pop Music Centre and earned an Honourable Mention in the **2024 GO NEXT DIGITAL Contest**, organised by the Administration for Digital Industries of the Ministry of Digital Affairs, Taiwan.
- In October, Digital Domain participated in the **HK FINTECH Week**. We had the opportunity to meet key executives from major banks and insurance companies, allowing us to share our company background and present our Virtual Human Solutions tailored for the BFSI (banking, financial, securities and insurance) industry.
- The **FinTech Taipei 2024** was held from 1 November to 2 November, 2024, at Taipei World Trade Centre Hall 1, attracting financial technology professionals and companies from around the world. As a key technology partner of Taishin International Bank, Digital Domain has once again collaborated to innovate by developing a dedicated AI virtual assistant, Rose, for Taishin International Bank’s corporate online banking services. This exclusive AI virtual assistant, Rose, has undergone extensive data training and, in addition to offering highly personalised interactions, possesses in-depth financial expertise. It can provide professional advice and real-time responses across various banking scenarios, significantly enhancing the convenience and efficiency of customers using corporate online banking services. By combining innovative AI-driven customer service technology, this solution seamlessly integrates artificial intelligence with financial services, not only demonstrating the future trends of digital finance but also showing consumers at the event how advanced technology can improve the intelligence and convenience of financial services.
- In November 2024, at the **Meet Taipei Startup Festival**, Digital Domain and APMIC presented their integrated virtual human solution for financial customer service. The demonstration highlighted how innovative technology can significantly enhance the interactivity and efficiency of financial services.
- In November 2024, our Indonesia’s agency V2 utilised Digital Domain’s Momentum Cloud to launch the first promotional video featuring the virtual spokesperson **Vivi**. As a smart assistant, Vivi represents a significant milestone in Indonesia’s virtual spokesperson industry. Vivi not only redefines brand-consumer interactions but also paves the way for a new era in digital marketing.
- In November 2024, the Group co-organised with **HKSTP** an event called “**Tenant Gathering**” for the purpose of meeting and exchanging ideas with business associates. During the event, the Group demonstrated the latest AI virtual human technology by way of answering their queries on dementia using artificial intelligence, which elevated the virtual human application to different levels and brought an enriched experience to the guests.
- In November 2024, Digital Domain joint the solution showcase with our AI business partner FANO Lab in Hong Kong to showcase our Virtual Human solution with Cantonese mix language capability at the **Future of Media and Entertainment** powered by Generative AI event, this event brought together industry pioneers, innovators, and thought leaders to examine the latest advancements and the road ahead.



- In December 2024, Digital Domain’s virtual human technology was successfully integrated with **TurnCloud’s** distribution system and showcased at a corporate event for chain franchise operators, co-hosted by TurnCloud and Microsoft Taiwan. The presentation highlighted the virtual human’s ability to provide stores with detailed product specifications, price inquiries, and sales analysis. Additionally, the technology facilitates customer interaction and personalised recommendations, significantly enhancing service quality and operational efficiency. This demonstration not only underscored the innovative applications of smart retail but also pointed to new directions for future development trends.
- In December 2024, the integration of Digital Domain and ATEN’s technologies became the highlight of the ninth session of the **Future Commerce Industry Salon (FC Solution)**. Future Commerce meticulously selects groundbreaking business solutions each year to guide enterprises toward the future. During the event, our partner ATEN shared insights on their collaboration with Digital Domain in driving innovative business models within the AI trend.

**C. Digital Domain staff from the global studio participated in and/or organised several events during the year:**

***North America Region***

- With extensive expertise and experience in the fields of production and digital technology, Digital Domain VFX Supervisor, Mr. Piotr KARWAS, joined Production Resource Group’s (PRG) VP of Production Services, Mr. Jeroen HALLAERT, to present a keynote at **Scena Jutra 2024** on the topic of real-time content and its impact on how consumers experience content.
- Head of CG, Mr. Bob WHITE, attended **FMX 2024**, where he participated in a presentation and panel discussion. Mr. WHITE’s presentation, “V-Ray, Solaris, and Multishot Workflows: A Peek Behind the Curtain at Digital Domain” highlighted the studio’s rendering process and how we’re harnessing the power of V-Ray and Solaris in our ever-evolving multishot workflow. His panel discussion “Bridging the Gap: Pre-viz and post into the LED stage production era” provided insight on LED production and the impact on visual effects.
- Head of Visualisation, Mr. Matthew MCCLURG, had a successful live presentation at Gnomon College in Los Angeles, where he highlighted Digital Domain’s impressive visualisation work, as well as his background and career path for students and VFX enthusiasts.

***The Greater China Region***

- In March 2024, our former Chief Executive Officer, Mr Daniel Ang SEAH (“Daniel”) discussed how generative artificial intelligence is revolutionising the creation of landscape, through **Caixin Weekly’s March Edition**.
- In April 2024, the **13th Southern Digital Economy Governance Seminar** was held by Southern Metropolis Daily. Mr. Allen CHEN, Digital Domain Deputy General Manager, China, delved into the topic of “Artificial intelligence is bringing the dead ‘back to life’”.

- In July 2024, Digital Domain held **“The Next Frontier in Travel” Press Conference** at Taiwan Taoyuan International Airport, announcing that a collaboration consensus has been reached with Mr. Song Hoi See, founder and the CEO of Plaza Premium Group (“PPG”). Both parties would establish a joint venture to offer a range of highly personalised and interactive intelligent services. This collaboration aims to set new industry standards by combining Digital Domain’s cutting-edge real-time virtual human technologies with Mr. Song’s extensive expertise in global hospitality and airport services through PPG, which operates in over 80 airports with over 250 locations. At the press conference, there was also an airport VIP lounge equipped with intelligent kiosks for guests to experience the dedicated AI virtual human solutions that can meet the demand of travellers for refreshing experience.
- In July 2024, the Group held the **“Digital Domain Lands in Hong Kong Science and Technology Park (“HKSTP”)”** launching ceremony in HKSTP. Both parties announced the establishment of a best-in-class international innovation, research and development centre for the purposes of leading innovation and transformation of the entertainment industry by leveraging on the Group’s AI virtual human technology, and promoting practical application of artificial intelligence in different industries. The Group was honoured to have **Professor Dong Sun, JP, the Secretary for Innovation, Technology and Industry**, Mr. Albert Wong, the chief executive officer of HKSTP and Daniel of Digital Domain, attended the ceremony as guests of honour.
- In August 2024, in order to prepare for **HKSAR’s Chief Executive Mr. John Lee** to deliver the **Policy Address** in October, Chief Executive uploaded a promotional video to seek for opinion on social media platforms, showing the results achieved through competing for talents and enterprises. Digital Domain is one of the enterprises in the video that have set up businesses in Hong Kong. Daniel said in the interview that we aimed to attract talents to the Group, promote technological development and achieve business expansion on the international scale by leveraging on the geographic advantages and the industrial agglomeration effect of Hong Kong.
- In August 2024, Digital Domain held an alliance press conference with **XPG**, an esports brand under Adata, announcing the Group’s award of distribution right for the sales of XPG products in Greater China and the Americas. With their respective strengths combined, both parties would usher in new milestones for the gaming, fashion, film and television, entertainment and other industries. The AI Virtual Human Mera, the brand ambassador jointly developed by both parties, debuted and engaged in real-time interaction with audiences in the conference. Ms. Ruby Lin, an iconic producer, and Mr. Wang Wei-zhong of Gin Star Cultural Creation (金星文創) showed their support by attending the conference as special guests.
- In August 2024, Daniel delivered a keynote speech at the **UAI TED Innovation Competition Grand Final** upon the invitation of the **University Alliance in Talent Education Development (UAI TED)**, to share with students and academia from places such as Hong Kong, Singapore, Malaysia and Taiwan his journey and experience as the helmsman of Digital Domain, the way of expanding global presence out of adversities, the development and application of innovative technology, and shared innovation and success.
- In August 2024, Digital Domain participated in the **“Talent in Action”** summer talent event organised by HKSTP. During the closing ceremony of the Summer Talent Summit, Digital Domain showcased advanced technology products with the aim of attracting global and local talents.

- In September 2024, Daniel was interviewed by **Invest Hong Kong (InvestHK)**, stating that Digital Domain would establish an international innovation, research and development centre in Hong Kong, to vigorously advance the frontier development of the digital entertainment industry through integrating advanced AI virtual humans and practical application of AI technology in visual effects and 3D video production. Daniel also expressed his gratitude to InvestHK for its all-along support and the additional opportunities it brings, and hoped to maintain their partnership for the continued technological development in the creative sector.
- In September 2024, Daniel was invited as a guest speaker at the **University of Hong Kong**. Daniel shared with students the Group's proprietary technology in developing AI Virtual Humans. The applications of AI Virtual Humans have unlocked new business and social opportunities. Virtual Human Teresa Teng also joined the class and interacted with the students, surprising and exciting everyone.
- In September 2024, Daniel sat down with **Caijing**, indicating that digital asset is the new oil amid the era of artificial intelligence.
- In October 2024, **the 1st Conference on Creation of High-Quality-Product in Radio and Television of China**, co-hosted by the National Radio and Television Administration and the People's Government of Beijing Municipality, landed in Beijing. Mr. Allen CHEN, Deputy General Manager, China, was invited to the forum on Generative Artificial Intelligence: A Game-Changer for the Film and Television Industry, and revealed Digital Domain's artificial intelligence push towards business race.
- In October 2024, Daniel, was invited by the CTF Education Group's School Leadership Academy as guest speaker to attend the **Future-Focused School Leadership Summit 2024**, at which he exchanged views with educational leaders from the Greater Bay Area of China and shared with them the technological development of artificial intelligence and strategies for exploring the future.
- In October 2024, Key Executives, an internationally-renowned medium, unveiled the list of **The Top 25 Media Executive of 2024**. Daniel was named as one of the awardees for the outstanding leadership and pioneering spirit he displayed in navigating the Group to embrace the wave of artificial intelligence. He was also highly praised for his perseverance in technological reform and commitment to promoting the integration between technology and art, by which to break the silos of virtual human, visual effects and visualisation applications and provide infinite possibilities in the course of commercialisation.
- In November 2024, the Group was honoured to attend the **OASES Partnership Signing Ceremony** held by the Office for Attracting Strategic Enterprises of the Hong Kong Special Administrative Region ("HKSAR") Government. In the presence of the **Financial Secretary, Mr. Paul Chan**, the Group signed an agreement with the HKSAR Government for its official establishment and expansion of business in Hong Kong. By capitalising on the unique advantages of Hong Kong and the symbiotic partnership with the HKSAR Government, and by setting up a best-in-class international innovation, research and development centre in HKSTP, the Group is set to lead the innovation and transformation of the entertainment industry using AI and virtual human technologies, and boost practical AI application in different industries, in order to help promote robust development of Hong Kong's innovation and technology ecosystem.

- In November 2024, Daniel was invited to attend the **Yahoo! Finance Invest Asia** conference, which was themed as “Virtual Human: Expanding Applications from Film to Finance”. During the conference, Daniel spoke about the technology boom that has been promoted by the technological development of artificial intelligence, and expressed his thoughts on how to unlock business opportunities with enormous potential arising from capturing investment opportunities through fintech integration.
- In November 2024, the Vice President of Business Development, Mr. Charlie Pai, participated in the **Industry Nite 2024** sharing talk organised by the School of Creative Media at the City University of Hong Kong. He shared his experience and insights in the innovative media field.
- In November 2024, Digital Domain participated in the inaugural AI Symposium 2024, organised by the French Chamber of Commerce and Industry in Hong Kong. During the forum discussion titled “**Unleashing the Creativity of AI in Retail and Entertainment**”, we engaged with industry leaders to explore how artificial intelligence is transforming business operations and shaping the future of innovation.
- On 2 December 2024, Digital Domain attended the **InvestHK Annual Reception**, showcasing their latest advancements in digital technology. The event emphasised Hong Kong's investment opportunities, with Digital Domain engaging in valuable networking with industry leaders, exploring new collaborations, and reinforcing Hong Kong's position as a global hub for innovation and growth.
- On 3 December 2024, Digital Domain took part in the **HKSTP EduTech Solution Day**, where we presented our Virtual Human for training and educational purposes to attendees from various schools in Hong Kong and Macau.
- In December 2024, we were invited by the **Hong Kong Design Institute (“HKDI”)** to participate in the performance of HKDI's virtual human with a Korean virtual idol named “Eternity”. It showcased virtual human applications in the entertainment industry. We will continue to explore more opportunities to work with HKDI on project collaboration, technical exchange and student internship in 2025.
- In December 2024, Digital Domain became an industry partner of the Inclusive Employment project led by the **Centre for Civil Society and Governance of The University of Hong Kong** and signed a Memorandum of Understanding. This partnership aims to facilitate inclusive employment through leveraging the possibilities brought by information and technology, and increase persons with disabilities' employability and improve the quality of life.
- In December 2024, **POWERHOUSE**, one of the flagship channels of Jiemian, conducted a conversation with Daniel. They explored the sweet point among virtual humans, visual effects, visualisation and artificial-intelligence-driven technologies.
- In December 2024, Mr. Allen CHEN, Deputy General Manager, China, joined the **Fresh Look Icons Talk 2024** held by Caijing where he shared the insights on “Technology and Art: Unleashing the Power of Artificial Intelligence in Business”.

## D. Co-Productions

### Feature Films:

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 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 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. In December 2024, the Group disposed the intermediate holding group which hold the interests in this film project.

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 Sale 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 approximately 7.6% of the total issued common shares

of asknet. The investment has already been fully impaired. In June 2024, the Group sold its shares in asknet and other debt securities held for sale, in return for 4,000,000 bearer shares of Youngtimers AG (“YTME”), a publicly traded Swiss special situation investment firm focused on the international media, e-commerce and lifestyle goods sectors, the shares of which are traded on the Swiss Stock Exchange (ticker code: YTME.SW).

#### **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 2024, 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.

#### **Investment in YTME**

During the year under review, DDCP as the investor entered into an investment and subscription agreement with YTME pursuant to which DDCP agreed to subscribe a total of 10,000,000 bearer shares of YTME, for an aggregate consideration of USD7,000,000 (approximately HK\$54,571,000). On 30 October 2024, YTME announced it successfully completed the capital increase from 62,013,566 bearer shares to 72,013,566 bearer shares by issuing 10,000,000 new bearer shares with a nominal value of CHF0.42 each. As at 31 December 2024, the YTME shares held by the Group represented approximately 19.441% (14,000,000 shares) of the total issued bearer shares of YTME.

### **TRADING SEGMENT**

2023 has been a groundbreaking year for Generative AI (Artificial Intelligence) across various fields. The Group has been focusing on Generative AI related to our VH and VFX businesses and also the overall AI ecosystem. With the tech industry steadfastly focused on AI, advanced AI chips have continued to be rolled out leading to significant enhancements in processing speeds. This advancement is set in turn 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.

In 2023, having identified and secured suitable business partners (suppliers and purchasers), the Group resumed its trading capabilities and started the trading DRAM to generate supplemental income for the Group given the continued challenging operating environment. The results of such trading operations are reported in the Group’s trading segment.



### ***Continuing Connected Transactions in relation to Distributor Agreement***

Further to the business development efforts for DRAM trading in 2023 and first half of 2024, on 25 October 2024, Digital Domain Gaming Media Limited (“DD Gaming Media”), a wholly-owned subsidiary of the Company, and ADATA Technology Co., Ltd. (“ADATA”), a substantial Shareholder and a connected person of the Company, entered into a distributor agreement (“Distribution Agreement”), pursuant to which DD Gaming Media has been appointed as the exclusive general distributor of ADATA to promote, market, sell and distribute the XPG products (all existing and future products under the XPG (Xtreme Performance Gear) brand, including but not limited to computer memory, storage devices, computer and gaming peripherals and accessories, laptops, lifestyle gears and other similar or associated products and ancillary services) (“XPG Products”) to third party customers in the Greater China and Americas (“Territories”). Under the Distribution Agreement only DD Gaming Media or its affiliates may distribute such products as general distributor in the Territories. The term of the Distributor Agreement, commenced on 11 November 2024 (“Effective Date”), being the date on which the independent Shareholders approved the Distribution Agreement and the continuing connected transactions (including the proposed annual caps (“Proposed Annual Caps”)) (“CCT”) as required by the Listing Rules, and will end on 31 December 2026, unless earlier terminated. DD Gaming Media is required to pay an annual license fee of US\$500,000 per calendar year, or a pro-rated amount, to ADATA for the exclusive distributorship, which rate is to continue to apply upon the first renewal of the initial term. The Proposed Annual Caps for the CCT for the period ending 31 December 2024, 2025 and 2026 are US\$13,583,333, US\$76,500,000 and US\$103,500,000, respectively.

For the purposes of carrying on the distribution business, DD Gaming Media shall purchase the XPG Products from ADATA from time to time for sale and distribution to third party customers in the Territories. All such supplies and purchases shall be carried out in accordance with the principal terms of the Distributor Agreement while the specific terms of the purchases, such as product model, quantity, price and other terms and conditions of delivery of the relevant products shall be specified in the product contract(s), such as purchase order(s) or sales contract(s), and subject to acceptance and confirmation by ADATA from time to time.

For further details, please refer to the announcements for this transaction dated 25 October 2024 and 11 November 2024 and circular for this transaction dated 26 October 2024.

The trading segment recorded a turnover of approximately HK\$84,775,000 (2023: HK\$26,768,000) and the loss of this segment is HK\$693,000 (2023: profit of HK\$3,297,000), mainly attributable to the increased operating costs for ramping up operations in this segment in connection with, amongst other things, the Distribution Agreement to generate revenue that follows. The annual purchase from ADATA in financial year 2024 amounted to US\$2,345,000 (approximately HK\$18,238,000), within the Proposed Annual Cap for the year under the CCT. We believe that the results of this segment will improve as the Group achieves growth in sales of XPG and other products on the back of its expanded operations. The Group’s business strategy for the trading segment is to seek steady growth while optimising 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 the first half of 2024, the Virtual Human Teresa Teng’s holographic concert continued to be staged at the Hongyadong in Chongqing. As a landmark attraction of Hongyadong, it has attracted a large number of tourists to come and watch.
- In October 2024, the Artificial Intelligence Night held by People’s Daily gathered more than 200 big names under one roof, include Virtual Human Teresa Teng, who staged a grand finale comeback with “The Moon Represents My Heart”. In the embrace of the 23<sup>rd</sup> day of the ninth lunar month, Digital Domain utilised the artificial-intelligence-driven creation solution to deliver an immersive and experimental experience, featuring the Last Quarter Moon as the central motif of the digital environment for her performance.
- In December 2024, Virtual Human Teresa Teng graced Caijing’s Fresh Look Icons Talk 2024 with “Ye Lai Xiang”. Digital Domain crafted a digital environment through the artificial-intelligence-driven creation solution, enhancing a concert-like experience with the split-screen display.

### **Connected Transaction and Formation of JV with SPLHL (Interests in an associate)**

On 6 June 2024, Tower Talent Holdings Limited (“Tower Talent”), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (“Joint Venture Agreement”) with Star Odyssey Limited (“SPLHL Shareholder”), an indirect wholly-owned subsidiary of Star Plus Legend Holdings Limited (“SPLHL”), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6683) in relation to the formation of the Star Plus Domain Limited, a limited liability company incorporated under the laws of British Virgin Islands (“Joint Venture Company”). The Joint Venture Company is as to 40% by Tower Talent, 40% by SPLHL Shareholder and 20% by a company established by the representatives of the management of the Company and SPLHL, being Daniel and Ms. Ma Hsin-Ting, the chairperson and an executive director of SPLHL (“Management Team Company”). The Joint Venture Agreement did not require shareholders’ approval under the Listing Rules.

The business of the Joint Venture Company is to develop and commercialise an AI-driven digital rights library for film, television and media and entertainment industry with joint contribution by its shareholder groups. The Joint Venture Company is to become the exclusive agent for SPLHL’s digital content production and Artificial Intelligence Generated Content in the globe and SPLHL’s digital content distribution business in the globe excluding Greater China and the Middle East. The Joint Venture Company is also to assist in digitising both newly created and licensed IP, as well as commercialising them globally. The digital content production services are expected to be primarily procured from the Group which services will not be exclusive to the Joint Venture Company.

For further details, please refer to the announcement for this transaction dated 6 June 2024.



## **Goodwill and intangible assets of the Group**

As at 31 December 2024, the Group had intangible assets of approximately HK\$348,271,000 (being approximately 33% of the Group's total assets as at the same date). Such intangible assets comprised goodwill of approximately HK\$249,912,000 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 2024 are set out in Note 10 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 2024 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 2023, 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 2025 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 2024, the goodwill allocated to the VE CGU was approximately HK\$209,472,000 (2023: HK\$209,013,000) with headroom of approximately HK\$272,106,000 (2023: HK\$510,327,000) 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% (2023: 14.4%) and a pre-tax discount rate of 16.4% (2023: 18.7%). 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 2024, the goodwill allocated to the PP CGU was approximately HK\$40,440,000 (2023: HK\$40,440,000) with headroom of approximately HK\$5,319,000 (2023: HK\$ Nil) 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 5.8% (2023: 3.6%) due to a greater amount of Likely Work and Possible Work that could be generated by a re-hired sales staff that has an established customer network and a pre-tax discount rate of 12.4% (2023: 13.9%) respectively.

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.

## **CAPITAL**

### **Shares**

As at 31 December 2024, the total number of the Company shares of HK\$0.01 each in issue (the “Shares”) was 7,979,248,625 Shares.

### **Subscription of New Shares under Specific Mandate**

On 19 October 2023, the Company 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”). The market price per share on the date of the subscription agreement (i.e. 19 October 2023) was HK\$0.196. 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 Subscription was completed on 24 January 2024. The Subscription shares were allotted and issued pursuant to the specific mandate of the Company. The Subscription shares 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 Subscription (i.e. 19 October 2023) and approximately 7.52% of the issued share capital of the Company of 7,979,248,625 shares as enlarged by the Subscription.

The gross proceeds and net proceeds from the Subscription 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.

## 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 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 and the remaining 79,273,000 share options were cancelled or have lapsed. 4,657,000 share options were exercised and 93,349,000 share options were cancelled or have lapsed since the grant-date (28 May 2014) to 27 May 2024.

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).

On 26 July 2024, a total of 220,000,000 share options were granted under the 2022 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 220,000,000 new Shares at an exercise price of HK\$0.245 per Share. For details, please refer to the Company's announcement dated 26 July 2024. During the year under review and since the grant-date (26 July 2024), no share option was exercised, cancelled or has lapsed.

On 1 November 2024, a total of 40,000,000 share options were granted under the 2022 Option Scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 40,000,000 new Shares at an exercise price of HK\$0.49 per Share. For details, please refer to the Company's announcement dated 1 November 2024. During the year under review and since the grant-date (1 November 2024), no share option was exercised, cancelled or has lapsed.

### **Share Trading on OTCQX**

In November 2024, the Company announced that it established a sponsored Level 1 American Depositary Receipt ("ADR") Programme ("**Programme**") with the Bank of New York Mellon. An ADR is a negotiable receipt, resembling a stock certificate that is issued by a United States of America depositary bank appointed by the Company to evidence one or more American Depositary Shares ("**ADSs**"), each of which represents 500 ordinary shares of the Company. The number of ADSs registered by the Company under the Programme is 300,000,000 ADSs.

Under the Programme adopted by the Company, the ADRs can be issued against ordinary shares trading on the Main Board of the Stock Exchange that have been deposited with a custodian bank under the Programme. The owners and holders of ADSs have the same rights to dividends and distributions and voting powers as the holders of ordinary shares of the Company subject, however, to enforcement procedures provided in the deposit agreement entered into by and among the Bank of New York Mellon, as the depositary, the Company and the owners and holders of ADSs. It currently can be traded on OTCQX Market under the symbol "DDHLY". The establishment of the Programme by the Company is not a new offering of shares and the ADRs are based on the shares of the Company currently in issue. Therefore, the Company receives no proceeds from the establishment of the Programme.

The main purpose and benefit of the Programme is to increase liquidity of the Company's shares in the US and to provide an access to the US capital market. For details, please refer to the Company's announcement dated 11 November 2024.

## **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 2024, the Group had banking facilities from two banks in the United States amounting to US\$19,000,000 (approximately HK\$147,607,000) and these banking facilities were fully utilised during the year. Among the above mentioned US\$19,000,000 facilities, utilised facilities of US\$13,000,000 (approximately HK\$100,994,000) has been successfully refinanced for another 3 years (to 2027). These banking facilities were secured by time deposits of the Group. The Group had banking facilities from banks in Hong Kong in the amount of US\$20,000,000 (approximately HK\$155,376,000) with US\$13,000,000 (approximately HK\$100,994,000) being utilised and was secured by time deposits of the Group. The Group had banking facilities from a bank in Canada in amount of CAD6,900,000 (approximately HK\$37,266,000) and the utilised portion of these banking facilities were CAD570,000 (approximately HK\$3,078,000). These CAD banking facilities were secured by corporate guarantees provided by several subsidiaries.

During the year ended 31 December 2024, the loan granted under emergencies loan schemes for COVID-19 is in amount of CAD60,000 (approximately HK\$354,000) which was unsecured and early repaid CAD40,000 (approximately HK\$237,000) and remaining CAD20,000 (approximately HK\$117,000) had been forgiven by Canada Authority 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 2024, the Group also had lease liabilities of HK\$62,329,000, 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\$99,000 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\$123,505,000 as at 31 December 2024. One indirect wholly-owned subsidiary has a loan in amount of US\$3,500,000 (approximately HK\$27,065,000) which is unsecured, interest-free and is not repayable within 13 months from 31 December 2024. One indirect wholly-owned subsidiary had other loan in amount of US\$429,000 (approximately HK\$3,333,000), which is unsecured and with a fixed interest rate was being disposed of upon disposal of subsidiaries. One indirect wholly-owned subsidiary also had a term loan facility of US\$10,000,000 (approximately HK\$77,688,000) 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 2024 were US\$8,000,000 (approximately HK\$62,150,000) 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 2024. During the year ended 31 December 2024, there was an 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.

The total cash and bank balance as at 31 December 2024 was approximately HK\$400,120,000. As at 31 December 2024, the Group had banking facilities of approximately HK\$340,249,000. Utilised portions of these bank facilities were set at a floating interest rate of these bank loans, loans amounting to approximately HK\$248,601,000 are denominated in United States dollars and loans amounting to approximately HK\$3,078,000 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 2024 was spread over a period of three years, with approximately 41% repayable within one year and 19% repayable between one and two years and 40% repayable between two to three years.

The Group's current assets were approximately HK\$504,980,000 while the current liabilities were approximately HK\$341,927,000 as at 31 December 2024. As at 31 December 2024, the Group's current ratio was 1.5 (as at 31 December 2023: 1.8).

As at 31 December 2024, 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 88% (as at 31 December 2023: 67%).

#### **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 2024, the Group did not have any material contingent liabilities.

## **EMPLOYEES OF THE GROUP AND REMUNERATION POLICY**

As at 31 December 2024, the total headcount of the Group was 896. 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**

During the year under review, the global economy continued to face sustained pressures stemming from high interest rates, international trade conflicts, and various geopolitical risks. While the Federal Reserve may implement gradual reduction of interest rates during the current year and some steps are being taken towards resolving certain geopolitical issues, trade and other policies that have been or may be implemented by the new U.S. administration introduce uncertainties on how they may affect the Group's operating costs and those of its customers and consumer sentiment. The demand dynamics for our media and entertainment products and services are largely driven by client perceptions of consumer demand for their offerings that are often targeted at more than one market in the world. Therefore, U.S. or global economic fluctuations can directly influence the budgets and release schedules for feature films, advertising budgets and campaign timelines, while tariffs and sanctions can impact costs of trading operations.

In addition, the Hollywood industry is still dealing with the repercussions of the guild-led strike in 2023 and the wildfires in Los Angeles that occurred in early 2025, which led to significant production delays for our clients during 2024 and the first quarter of 2025. Additionally, the collapse of Technicolor, a historic visual effects studio, on 24 February 2025, has caused considerable disruption within the VFX industry. Despite these setbacks, most of the Group's media and entertainment segment clients in Hollywood have expressed their intention to accelerate production schedules throughout 2025. Additionally, following the Group's successful completion of a project co-produced by our DDNA and DD India studios for a local Indian client in August 2024, the Group will continue to leverage its over 30 year's of industry experience and continue to grow its U.S. projects while exploring more potential partnerships for projects in Europe and India, to further strengthen the Group's position in the global VFX market.

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 AI function, multi-language function, SaaS products, etc.) with strategic business partners and/or investors. In particular, we are continuously working to enhance the interactivity between virtual humans and the audience in social networking platforms, entertainment businesses, and other environments such as financial, hospitality/customer services, education training, and/or medical sectors.

Despite the uncertainties in the global trading environment for the current year, we are cautiously optimistic about the growth of sales of the Group's DRAM products which can be used by businesses that serve the gaming and/or AI-related industries, as related the Group settles into its expanded operating infrastructure.

Given the unstable business environment and challenges the Group is facing, we are adopting a cautious approach to our business strategies, which include cost control, adjusting our business direction, and modifying our product mix. At the same time, we remain open to seeking new opportunities.

Our “Objective” is to promote business and prosperity by leveraging our unique diversity among markets, shareholders, directors, and staff. This serves as the guiding principle for our strategy as we focus on developing our VFX and virtual human (VH) businesses and capabilities. Despite the intense competition in our markets, we will continue to assess development opportunities to enhance our competitive advantages and distinctive market position, which includes a combination of VH technology, AI technology, and advanced VFX skills. Management will nevertheless adopt a prudent approach in pursuing potential mergers and acquisitions, business integration, and expansion in order to sustain the growth of the Group.

Alongside most advanced technology companies, we will continue to deploy substantial financial and human resources in ongoing research and development (R&D) in new technologies (a research lab for Artificial Intelligence Generated Content (AIGC) was set up). We 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 continue actively to seek financing and collaboration opportunities, especially in the AI area, with strategic partners, investors, and universities in the US and Asia.

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 2024.

#### **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 2024, 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. Daniel, the executive Director and chief executive officer of the Company (“CEO”), was appointed as the acting chairman of the Board in June 2020 and the chairman of the Board in September 2024 respectively. The Board believed that at the time of vesting of the roles of chairman and CEO in Daniel 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. Since Daniel resigned from all positions of the Company on 13 January 2025, Mr. Hooi Hing Lee, the non-executive Director, was appointed as the acting chairman of the Board while Mr. Wong Cheung Lok, the chief financial officer, was appointed as an executive Director and the CEO. Accordingly, the roles of the chairman and CEO are separate and is not performed by the same individual;
- (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”). Daniel 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 three 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 a special general meeting on 17 May 2024 and 11 November 2024 respectively. Mr. Li Weiqiang, Mr. Cui Hao and Ms. Alla Y Alenikova, the non-executive Directors, and Ms. Lau Cheong, the independent non-executive Director were unable to attend the above annual general meeting while Ms. Alla Y Alenikova 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 2024.

#### **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 2024 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](http://www.digitaldomain.com) and the Stock Exchange at [www.hkexnews.hk](http://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**  
**Wong Cheung Lok**  
*Executive Director and Chief Executive Officer*

Hong Kong, 28 March 2025

*As at the date of this announcement, Mr. Wong Cheung Lok and Dr. Sun Ta-Chien are the executive Directors; Ms. Alla Y Alenikova and Mr. Hooi Hing Lee 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.*