ANNUAL REPORT 2015

DIGITALDOMAIN

Digital Domain Holdings Limited
數字王國集團有限公司*

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

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Peter Chou *(Chairman)*
Mr. Seah Ang *(Chief Executive Officer)*
Mr. Amit Chopra *(Chief Operating Officer)*

Independent Non-executive Directors
Mr. Duan Xiongfei
Ms. Lau Cheong
Mr. Wong Ka Kong Adam

AUDIT COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
Ms. Lau Cheong
Mr. Wong Ka Kong Adam

REMUNERATION COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
Mr. Seah Ang
Ms. Lau Cheong
Mr. Wong Ka Kong Adam

NOMINATION COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
Mr. Seah Ang
Ms. Lau Cheong
Mr. Wong Ka Kong Adam

COMPANY SECRETARY

Ms. Fok Lai Yan

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants

SOLICITOR

Reed Smith Richards Butler

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Two International Finance Centre
8 Finance Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Minsheng Banking Corp., Ltd.
East West Bank
Fubon Bank (Hong Kong) Limited
OCBC Wing Hang Bank Limited
Royal Bank of Canada
Wing Lung Bank Limited

STOCK CODE

547

http://www.ddhl.com
Digital Domain Holdings
Digital_Domain
DigitalDomain数字王国

Digital Domain Holdings Limited (the "Company" together with its subsidiaries, the "Group") is a diversified investment holding company with its operating and investment businesses spanning Hong Kong, United States, Canada, Mainland China and others, which embrace such businesses as media entertainment, visual effects, co-production of movies, property investment, trading, etc.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 547). The following is a simplified chart of major businesses of the Group as at the date of this report:

Note: For details and full names of these businesses/projects/companies, please refer to "Chief Executive Officer's Review" section of this report on pages 6 to 31.

CHAIRMAN'S STATEMENT

Mr. Peter CHOU
Chairman of the Board

CHAIRMAN'S STATEMENT

Whether it is the breathtaking visual effects in "Furious 7," "Pixels" and "Black Sails" or the ground breaking virtual reality experiences for SyFy's "The Expanse" and Nike: "Neymar Jr. Effect", our talented artists continue to bring the highest level of excellence in visual effects and entertainment to the world. Building on a long legacy of innovation, and a drive to be the best, we are always looking to the future for the ideas that excite and challenge us. And thankfully, we live in very exciting times.

Since the very start of IM360 it has been a thrilling and tremendous success, as well as a long series of firsts in the rapidly expanding world of virtual reality experiences. IM360 was the first 360 degree spherical video company to live stream content on any platform, and the web, to the world. We were the first live to stream a major football match in China and the first to live stream from the MTV Video Music Awards, to name just a few. It is with great excitement and a strong commitment that we look to the endless opportunities in China. Virtual Reality is the new frontier of entertainment and China will be a major part of our ongoing strategy. We will continue this tireless drive, with the leading technology, to be the first to bring the most thrilling and innovative VR content to consumers around the globe.

Digital Domain will always be a provider of the absolute best in visual effects for movies, television, commercials and games. It's our artists, creative minds and forward thinking that have made Digital Domain the special place it is. We are taking that inherent DNA and looking to embrace the future with its endless potential of virtual reality production, content creation and distribution. As more and more audiences around the globe have access to experience the wonder of virtual reality, Digital Domain is at the forefront of this thrilling new adventure.

In closing, I would like to thank our clients for their continued support and our staff, management and directors for their dedicated work.

Peter CHOU
Chairman of the Board

Hong Kong, 30 March 2016

CHIEF EXECUTIVE OFFICER'S REVIEW

FINANCIAL AND BUSINESS REVIEW

For the year ended 31 December 2015, the Group achieved a revenue of HK$527,341,000 (2014: HK$849,952,000), showing a decrease of approximately 38% compared to that of last year. The gross profit of the Group amounted to HK$84,219,000 (2014: HK$149,409,000) for the year ended 31 December 2015. The decrease in revenue and gross profit were mainly attributable to the changes in trading segment as mentioned below. As at 31 December 2015, the total assets of the Group amounted to HK$1,540,353,000 (2014: HK$750,746,000). The loss attributable to the owners of the Company was HK$156,298,000 (2014: profit of HK$43,323,000). The loss for the year ended 31 December 2015 was approximately HK$179,507,000 (2014: profit of HK$33,841,000). The loss for the year was mainly caused by (i) the recognition of non-cash outflow expenses, including (a) equity-settled share-based payments for the share options granted on 28 May 2014 and 6 May 2015, to the value of HK$37,553,000 (2014: HK$6,239,000) and (b) deemed interest expenses for the convertible notes, to the value of HK$35,215,000 (2014: HK$35,502,000), (ii)

Mr. SEAH Ang, Daniel
Chief Executive Officer and Executive Director

reduction of fair value gains on investment properties (2015: HK$18,054,000 and 2014: HK$34,500,000), (iii) no recognition of gain on the modification of the terms of convertible notes (2014: HK$77,121,000) for this year, and (iv) operating losses from the media entertainment segment.

Media Entertainment Segment

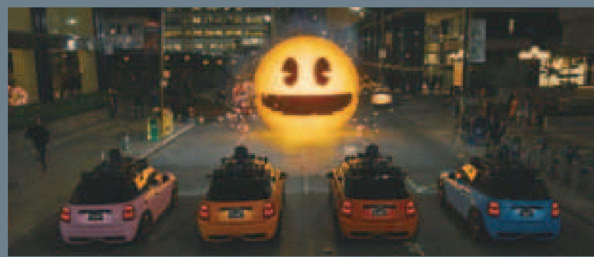
During the year under review, this segment recorded revenue of approximately HK$521,781,000 (2014: HK$524,595,000). The revenue from this segment accounted for approximately 99% of the Group's revenue for the year. This segment incurred a loss of approximately HK$78,067,000 (2014: HK$36,019,000). The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

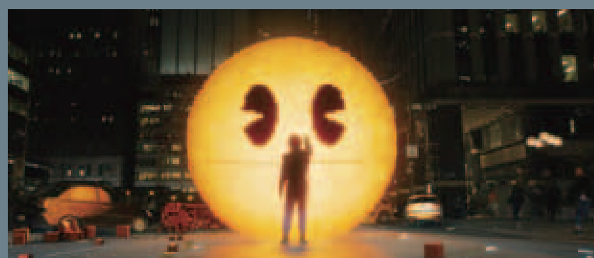
CHIEF EXECUTIVE OFFICER'S REVIEW

A. Visual Effects ("VFX") Productions

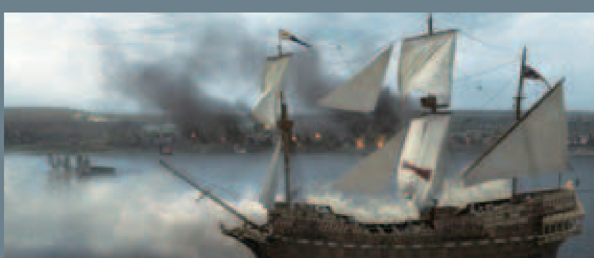
This business unit mainly provides VFX production services for major motion picture studios, advertisers and games. Since 1 January 2015, the artists of Digital Domain 3.0, Inc. ("DD3I", a 70% indirect owned subsidiary of the Company) have provided VFX production services for feature films "Furious 7"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

Pixels

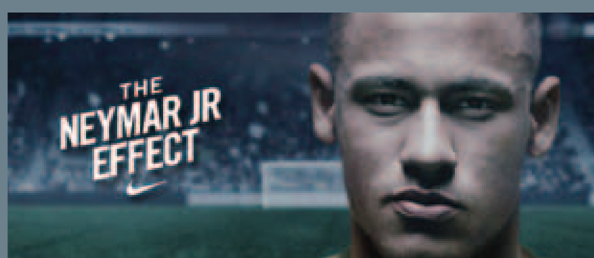




Black Sails



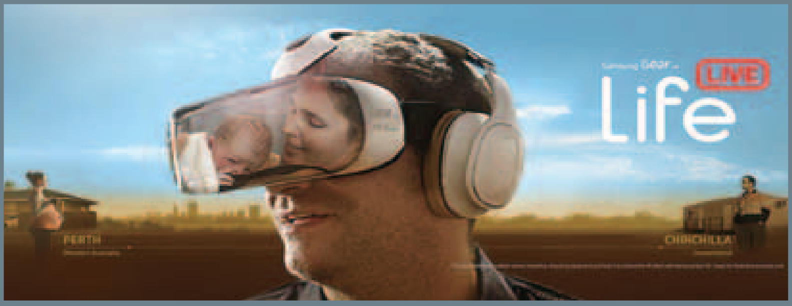
Nike: The Neymar Jr. Experience



B. Virtual Reality and 360° Camera

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

Virtual Reality



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

CHIEF EXECUTIVE OFFICER'S REVIEW

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

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

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

Mr. Pierre MICHEL from IM360 and 360° Camera

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

360° Music Video -Taylor Swift's "Blank Space"

CHIEF EXECUTIVE OFFICER'S REVIEW

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

360° Virtual Reality Liverstream – ICC China 2015

Mr. Lance Van NOSTRAND (left) from Immersive Media

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

Since its debut in 2004, the Taiwanese variety-comedy talk show "Kangxi Lai Le" has become the longest-running TV show in Taiwan and has been very successful and hugely popular during its 12-year run. The Group offered its cutting edge technology for the final taping of "Kangxi Lai Le", which was aired as a triple-episode finale known as "康熙十二年終極通告王（"Kangxi Lai Le – A Final Farewell with our Beloved Guests" for identification purposes)", broadcast on 24, 28 and 29 December 2015 respectively. The "Kangxi Lai Le – A Final Farewell with our Beloved Guests" show starred the 8 celebrity guests who have made the most appearances on the show over the last 12 years. This star-studded extravagant finale is sure to have left bittersweet but truly meaningful memories with its audience and marked a glorious finish to the show.

360° Panorama Shooting – "Kangxi Lai Le"

Mr. Kevin TSAI (right),
Ms. Dee HSU (second from right) and guests

Mr. Daniel SEAH (right)
and Mr. Chris FIELDHOUSE (left)
Senior Producer from Digital Domain 3.0

CHIEF EXECUTIVE OFFICER'S REVIEW

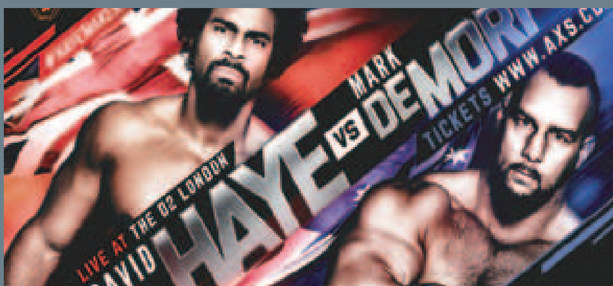
On 11 January 2016, the 360° VR version of "Kangxi Lai Le" was officially launched on the Company's website and "im360" app. To celebrate this groundbreaking and innovative breakthrough in the Taiwanese TV entertainment industry, the Company, CTi TV and Gin Star Entertainment held a press conference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

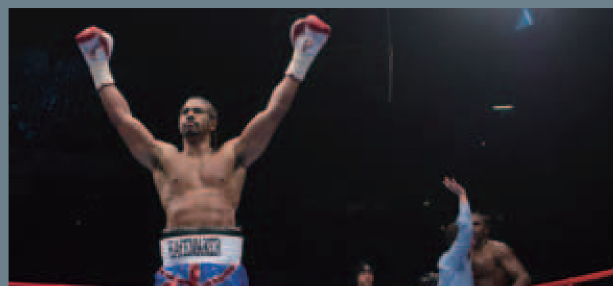
Launch of 360° VR version of "Kangxi Lai Le"

Ceremony launched by representatives from the Company, CTi TV and Gin Star Entertainment

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

Haymaker 360: live VR Experience to watch British boxer David Haye

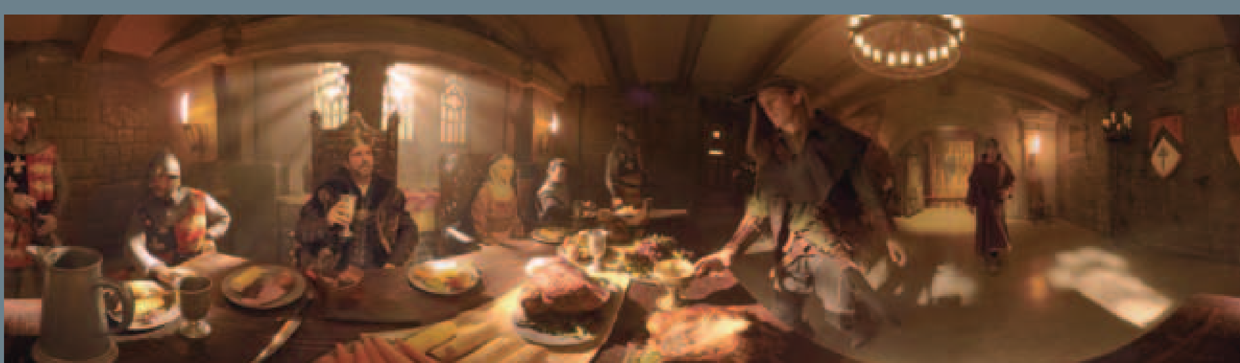




As virtual reality and 360° production and distribution will become the core part of the Group's business in the coming years, the Company decided that it would be strategically desirable to acquire control of Immersive and (therefore indirectly) the technology that is licensed to IM360, to provide the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

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

Galvanized Souls VR Experience:
An award-winning cinematic virtual reality music video,
the first MV to present with a true narrative storyline



CHIEF EXECUTIVE OFFICER'S REVIEW

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

Castrol Titanium Strong Virtual Drift:
The first experience combing virtual reality technology and real-world driving, with VFX integration

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

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

Gift of Mobility: Zambia VR Experience:
Story about the handicapped in Zambia who have to crawl due to the lack of all-terrain wheelchairs

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

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

As a result of the successful acquisition of Immersive, DDVR now owns 21,742,519 Immersive shares, representing approximately 83.10% of the Immersive shares issued. As part-settlement of the consideration for the proposed acquisition, the Company issued a total of 71,218,144 initial consideration shares and secured notes for an aggregate value of US$37,955,412. The Company will issue a further 230,939,919 deferred consideration shares pursuant to the terms of the secured notes over the next three years. In addition, 30 holders of a total of 3,363,000 Immersive options have agreed to forfeit their Immersive options, in respect to which the Company issued 26,643,494 option consideration shares on 31 December 2015 and will issue a further 79,930,442 option

CHIEF EXECUTIVE OFFICER'S REVIEW

consideration shares over the next three years. The initial consideration shares, the deferred consideration shares and the option consideration shares were/will be issued at the issue price of HK$0.554 (approximately US$0.071) per share. The 71,218,144 initial consideration shares, 230,939,919 deferred consideration shares and 106,573,936 option consideration shares issued/to be issued together represent 3.85% of the Company's shares in issue immediately before the completion of the acquisition, and 3.71% of the Company's shares in issue as enlarged by the issue of such shares.

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

C. Virtual Human Business

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

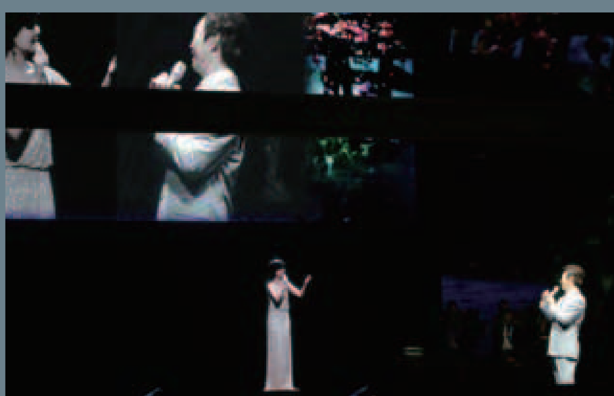
Virtual Human: Miss Teresa TENG

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

Miss Teresa TENG 20th Anniversary Virtual Human Memorial Concerts: If A Wish Could be Made

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

Mr. FEI Yuqing performed a number of duets with Miss Teresa TENG transcending time and space



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

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

CHIEF EXECUTIVE OFFICER'S REVIEW

D. Film Co-production

Ender's Game

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

Citicorp Centre

Property Investment Segment

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

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

Trading Segment

A. Metal Scraps Trading

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

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

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

INTERESTS IN JOINT VENTURES

A. Joint Venture with Tencent

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

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

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

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

CHIEF EXECUTIVE OFFICER'S REVIEW

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

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

Notes:

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

* All trademarks are owned by Marvel Entertainment, LLC.

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

Mr. Daniel SEAH (left) and Mr. Nicholas TSE (right)

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

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

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

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

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

CHIEF EXECUTIVE OFFICER'S REVIEW

An Event on 25 January 2016 – "It's VeRy Big. It's VeRy Near"

On 22 January 2016, the Company announced the proposed acquisition of 85% equity interest in Lucrative Skill Holdings Limited, the parent company of Post Production Office Limited and its subsidiaries ("PO Group"), a group of companies established by an international celebrity, Mr. Tse in 2003. By introducing the latest dynamic streaming technologies from Hollywood, the two companies will jointly tap into the media, entertainment and technology industry including VFX, CG, virtual reality ("VR"), 360° panorama video recording, and virtual humans in the Greater China region and develop the Group's foothold in the region. PO Group's cutting-edge post-production technology has earned great acclamation across the advertising sector and helped PO Group to build up a core client portfolio consisting of Apple Inc., HSBC, Standard Chartered Bank, Cheung Kong Holdings, Canon, Sony, Coca Cola, McDonald's, Mercedes Benz, BMW, Panasonic and other international brands and enterprises.

The Company made this encouraging news in a ceremonious toasting event held at JW Marriott Hotel Hong Kong, where a showroom exhibiting top-notch products featuring VR technology as well as cinematographic VFX and CG technology was set up for journalists to try out, on the theme of "It's VeRy Big. It's VeRy Near". The event saw a swarm of journalists rattling off enquiries and scrambling to try out the latest technology for VR, VFX and CG.

Mr. Rich FLIER (right), Mr. Daniel SEAH (second from right), Mr. Amit CHOPRA (second from left) and Mr. Jimmy ZHU (left)

Mr. Daniel SEAH, Mr. Nicholas TSE and guests

Mr. Daniel SEAH (left) and Mr. Nicholas TSE (right)

Journalists and guests in the Event on 25 January 2016

CAPITAL

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

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

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

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

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

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

CHIEF EXECUTIVE OFFICER'S REVIEW

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

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

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

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

As at 31 December 2015, the aggregate outstanding principal amount of the convertible notes was HK$392 million. Based on the initial conversion price of HK$0.04 per conversion share, a number of 9,800,000,000 conversion shares would be allotted and issued if the conversion rights attached to the convertible notes were exercised in full. During the year under review, no convertible rights attached to the convertible notes were exercised.

USE OF PROCEEDS FOR EQUITY FUNDRAISING ACTIVITIES

Date of announcement	Fundraising activity	Net proceeds raised	Proposed use of proceeds	Actual use of the net proceeds up to 31 December 2015
25 June 2015 and 8 July 2015	Top-up placing of 210,000,000 Shares	HK$96.17 million	(1) Media entertainment segment; and (2) General working capital for the Group	(1) Media entertainment segment: approximately HK$57.26 million; and (2) General working capital (including but not limited to salary and rental): approximately HK$38.91 million
16 December 2015 and 28 December 2015	Placing of 560,000,000 Shares	HK$235.34 million	(1) Media entertainment segment; and (2) General working capital for the Group	(1) Media entertainment segment: approximately HK$61.92 million; and (2) the un-utilised portion: approximately HK$173.42 million

CHIEF EXECUTIVE OFFICER'S REVIEW

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

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

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

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

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

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

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

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

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

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

CHIEF EXECUTIVE OFFICER'S REVIEW

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 31 December 2015, the total headcount of the Group was 671. The Group believes that its employees play an important role in its success. Under the Group's remuneration policy, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Other benefits include discretionary bonuses, a share option scheme and retirement schemes.

PROSPECT

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

"It's VeRy Big. It's VeRy Near"

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

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

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

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

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

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

SEAH Ang, Daniel
Chief Executive Officer

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The board of directors of the Company (the "Directors" and the "Board" respectively) believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

To the specific enquiry by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out an annual review of the existing implemented system and procedures, including control measures of financial, operational and compliance and risk management functions of the Group. During the year, the Company engaged external lawyer and auditors to perform a comprehensive due diligence review for the acquisition of additional shareholding interest in Immersive Ventures Inc., which became a non-wholly owned subsidiary of the Company following the completion of the acquisition. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's businesses with the objective of enhancing shareholders' value including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance half-yearly and developing and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders ("Shareholders").

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the independent auditor of the Company about its reporting responsibilities for the financial statements of the Company is set out on pages 61 to 62 in the independent auditor's report.

All Directors have full and timely access to all relevant information as well as the advice and service of the company secretary of the Company ("Company Secretary") to ensure Board procedures and all applicable rules and regulations are followed.

CORPORATE GOVERNANCE REPORT

THE BOARD *(continued)*

Composition

The Board has in its composition a balance of skills, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs.

The Board currently comprised six members, including three executive Directors and three independent non-executive Directors, as follows:

Executive Directors

Mr. Peter Chou	*(Chairman)* *(appointed as an executive Director and the Chairman of the Board on 31 August 2015 and 11 September 2015 respectively)*
Mr. Seah Ang	*(CEO)* *(appointed as the Chairman of the Board during 12 January 2015 to 11 September 2015)*
Mr. Amit Chopra	*(Chief Operating Officer)* *(appointed as an executive Director and the Chief Operating Officer of the Company on 18 May 2015)*

Independent Non-executive Directors

Mr. Duan Xiongfei
Ms. Lau Cheong
Mr. Wong Ka Kong Adam

Biographical details of the current Directors are set out in the directors' report on pages 43 and 44. Save as disclosed in the aforesaid biographical details of the Directors, none of the Directors has any financial, business, family or other material/relevant relationships between the Board members.

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented at least one-third of the board.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Bye-laws require that one-third (if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors (including executive and non-executive Directors) shall retire by rotation at each annual general meeting. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their last re-election or appointment. A retiring Director is eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Bye-law shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

THE BOARD *(continued)*

Board Meetings and General Meetings

During the year ended 31 December 2015, sixteen Board meetings and the annual general meeting of the Company for the year 2015 ("AGM 2015") were held with details of the Directors' attendance set out below:

Directors	Attendance/Number of Meetings	
	Board Meetings	AGM 2015
Executive Directors		
Mr. Peter Chou *(Chairman)* *(appointed as the executive Director and the Chairman of the Board on 31 August 2015 and 11 September 2015 respectively)*	6/6	N/A
Mr. Seah Ang *(CEO)* *(appointed as the Chairman of the Board during 12 January 2015 to 11 September 2015)*	16/16	1/1
Mr. Amit Chopra *(Chief Operating Officer)* *(appointed as the executive Director and the Chief Operating Officer of the Company on 18 May 2015)*	9/9	N/A
Mr. Zhou Jian *(Chairman)* *(resigned on 12 January 2015)*	1/1	N/A
Mr. Fan Lei *(Deputy Chairman)* *(resigned on 18 May 2015)*	6/7	0/1
Independent Non-executive Directors		
Mr. Duan Xiongfei	16/16	1/1
Ms. Lau Cheong	14/16	0/1
Mr. Wong Ka Kong Adam	15/16	1/1

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and the Guide on Directors' Duties issued by the Companies Registry in Hong Kong to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organises seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the year of 2015, there were an in-house seminar and an in-house training conducted for developing and refreshing the Directors' knowledge and skills. Mr. Peter Chou, the executive Director, and Mr. Duan Xiongfei and Mr. Wong Ka Kong Adam, the independent non-executive Directors, attended the seminar and Mr. Seah Ang, the executive Director, attended the training. In addition, all Directors were provided with reading materials on the relevant rules and regulating updates.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

The Directors are aware of their collective and individual responsibilities to the Shareholders for the well-being and success of the Company.

To enhance the effectiveness of the management of the Company, the Board has established four committees, namely, the Executive Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

BOARD COMMITTEES

Executive Committee

The Executive Committee comprises all executive Directors and it assists the Board in discharging its duties and dealing with routine business of the Company and enhances the effectiveness and efficiency of day-to-day operation of the Company. There is no minimum meeting requirement and this Committee shall meet as and when necessary for proper discharge of its duties.

Audit Committee

The Audit Committee currently comprises all independent non-executive Directors, namely, Mr. Duan Xiongfei (Chairman), Ms. Lau Cheong and Mr. Wong Ka Kong Adam.

The main duties of the Audit Committee are to consider the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems and the internal audit programme (where appropriate). It also needs to discuss problems and reservations arising from the interim and final audits and to consider the major findings of internal investigations and management's response.

The Audit Committee shall meet at least twice a year according to its terms of reference. There were two meetings held during the year under review, details of attendance are set out below:

Audit Committee Members	**Attendance/Number of Meetings**
Mr. Duan Xiongfei *(Chairman)*	2/2
Ms. Lau Cheong	2/2
Mr. Wong Ka Kong Adam	2/2

During the year under review, the Audit Committee had considered, reviewed and discussed any areas of concerns during the audit process, the compliance of company policy, the internal control procedures and the corporate governance of the Group and had approved the annual audited financial statements and the interim financial statements respectively.

BOARD COMMITTEES *(continued)*

Nomination Committee

The Nomination Committee currently consists of Mr. Duan Xiongfei (Chairman), Ms. Lau Cheong and Mr. Wong Ka Kong Adam, the independent non-executive Directors and Mr. Seah Ang, the executive Director.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

The Nomination Committee shall meet at least once per year according to its terms of reference. Three Nomination Committee meetings were held during the year under review, details of attendance are set out below:

Nomination Committee Members	Attendance/Number of Meetings
Mr. Duan Xiongfei *(Chairman)*	3/3
Ms. Lau Cheong	3/3
Mr. Wong Ka Kong Adam	3/3
Mr. Seah Ang *(appointed on 18 May 2015)*	2/2
Mr. Fan Lei *(resigned on 18 May 2015)*	1/1

During the year under review, the Nomination Committee had reviewed the structure, size and composition of the Board, the assessment of the independence of the independent non-executive Directors, the appointment of the executive Directors, and the appointment, retirement and re-appointment arrangement of the Directors.

Remuneration Committee

The Remuneration Committee currently consists of Mr. Duan Xiongfei (Chairman), Ms. Lau Cheong and Mr. Wong Ka Kong Adam, the independent non-executive Directors and Mr. Seah Ang, the executive Director.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior executives of the Company. The Committee shall determine, with delegated responsibility, the individual remuneration package of each executive Director (including the Chairman) and senior management including benefits in kind and pension rights (including allocation of share options, annual bonus plans) and compensation payments (including any compensation payable for loss or termination of their office or appointment) subject to the contractual terms, if any. When determining remuneration packages of the executive Directors and senior management of the Company, the Remuneration Committee takes into consideration factors such as market forces and remuneration packages of executive directors of similar companies in comparable industries both in Hong Kong and overseas.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The Remuneration Committee shall meet at least once per year according to its terms of reference. Five Remuneration Committee meetings were held during the year under review, details of attendance are set out below:

Remuneration Committee Members	**Attendance/Number of Meetings**
Mr. Duan Xiongfei *(Chairman)*	5/5
Ms. Lau Cheong	4/5
Mr. Wong Ka Kong Adam	5/5
Mr. Seah Ang *(appointed on 18 May 2015)*	3/3
Mr. Fan Lei *(resigned on 18 May 2015)*	2/2

During the year under review, the Remuneration Committee reviewed the grant of share options, the existing remuneration policy of the Company, the remuneration structure for the Directors, the terms of appointment of the executive Directors, and the adjustment of remuneration package of an executive Director.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board has set measurable objectives and selection of candidates for Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review this policy, as appropriate, to ensure its effectiveness from time to time.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

(v) to review the Group's compliance with the code of corporate governance and disclosure requirements in the corporate governance report.

During the year under review, the Board reviewed and approved the corporate governance report contained in the annual report of the Company for the year 2014.

INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor and the nature of services for the year ended 31 December 2015 are set out as follows:

Type of services	*HK$'000*
Audit services:	
Audit of annual financial statements	1,336
Non-audit services:	
Annual review on continuing connected transactions	10
Agreed upon procedures	1,039

COMPANY SECRETARY

The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58 of the Bye-laws, a special general meeting may be convened by the Board upon requisition by any Shareholder holding not less than one-tenth of the paid up capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The Shareholder shall make a written requisition to the Board or the Company Secretary at the head office address of the Company in Hong Kong, specifying the shareholding information and contact details of the Shareholder and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within 2 months after the receipt of such written requisition. Pursuant to Bye-law 59 of the Bye-laws, the Company shall serve requisite notice of the general meeting, including the time and place of the general meeting and particulars of resolutions to be considered at the general meeting and the general nature of the business.

If within 21 days of the receipt of such written requisition, the Board fails to proceed to convene such general meeting, the Shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act of Bermuda.

Putting Forward Proposals at General Meetings

A Shareholder shall make a written requisition to the Board or the Company Secretary at the head office address of the Company in Hong Kong, specifying the shareholding information and contact details of the Shareholder and the proposal the Shareholder intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Making Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimile or by email, together with their contact details, such as postal address, email address or facsimile number, addressing to the head office of the Company in Hong Kong at the following address or facsimile number or via email:

Suite 7003, 70/F., Two International Finance Centre,
8 Finance Street, Central, Hong Kong

Fax: (852) 2907 9898
Email: ir@ddhl.com

All enquiries shall be collected by the Company Secretary who shall report to the executive Directors periodically on the enquiries collected. The executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Company Secretary will collect the answers for the executive Directors' review and approval. The Company Secretary shall then be authorised by the executive Directors to reply all enquiries in writing.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the (i) media entertainment business, (ii) property investment business and (iii) trading business.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and of the Group as at 31 December 2015 are set out in the financial statements and their accompanying notes on pages 63 to 146. No interim dividend was paid or declared in respect of the year ended 31 December 2015 (2014: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 25 to the financial statements respectively.

In view of the losses sustained by the Company, distributable reserves of the Company as at 31 December 2015 amounted to HK$49,510,000 solely comprised of contributed surplus.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2015 are set out in note 28 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Years Financial Summary" on page 147 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 14 to the financial statements.

Investment properties were valued at their open market value as at 31 December 2015 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers. The valuation gave rise to fair value gain amounted to HK$18,054,000 (2014: HK$34,500,000).

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in the Company's issued share capital and options during the year and outstanding as at 31 December 2015 are set out in notes 24 and 26 to the financial statements respectively.

CONVERTIBLE NOTES

Details of the convertible notes issued by the Company during the year are set out in note 23 to the financial statements.

DIRECTORS

The Directors who were in office during the year and those as at the date of this report are:

Executive Directors

Peter Chou *(appointed on 31 August 2015)*
Seah Ang
Amit Chopra *(appointed on 18 May 2015)*
Fan Lei *(resigned on 18 May 2015)*
Zhou Jian *(resigned on 12 January 2015)*

Independent Non-executive Directors

Lau Cheong
Duan Xiongfei
Wong Ka Kong Adam

Mr. Peter Chou ("Mr. Chou") and Mr. Amit Chopra ("Mr. Chopra") were appointed as executive Directors with effect from 31 August 2015 and 18 May 2015 respectively. In accordance with Bye-law 86(2) of the Bye-laws, any Director appointed by the Board to fill a casual vacancy should hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting. In this connection, Mr. Chou and Mr. Chopra will retire and, being eligible, to offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Bye-law 87(1) of the Bye-laws, Mr. Duan Xiongfei and Ms. Lau Cheong will retire and, being eligible, to offer themselves for re-election at the forthcoming annual general meeting of the Company.

None of the Directors, including those Directors who are proposed for re-election at the forthcoming annual general meeting of the Company, has an unexpired service contract with the Company, which is not determinable within one year without payment of compensation, other than statutory compensation.

The independent non-executive Directors have no specific term of office but their service contracts have a termination notice requirement of one month. They are subject to retirement by rotation and will be eligible for re-election at the annual general meeting of the Company in accordance with the Bye-laws.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are as shown below:

Executive Directors

Peter CHOU, aged 59, was appointed as an executive Director on 31 August 2015 and was appointed as the Chairman of the Board on 11 September 2015. He is the chairman of the executive committee of the Company as well. Mr. Chou holds a Bachelor Degree in Electronic Engineering from National Taiwan Ocean University and a Master Degree of Business Administration from National Chengchi University in Taiwan. He also completed the Advanced Management Program at Harvard Business School. In addition, Mr. Chou holds an Honorary Engineering Ph.D from National Taiwan Ocean University. Mr. Chou has over 30 years of experience in the information technology industry. He is one of the founders of HTC Corporation. Prior to joining this, he was a director of server platform design division of Digital Equipment Corporation, a major American company in the computer industry from the 1960s to the 1990s.

SEAH Ang, aged 31, joined the Group in 2013 as an executive vice president and was appointed as executive Director and the chief executive officer of the Company on 29 September 2014. He was the chairman of the Board during the period from 12 January 2015 to 10 September 2015 as well. Mr. Seah is presently a member of the executive committee, the nomination committee and the remuneration committee of the Company, and the authorised representative of the Company for the acceptance of service of any process or notice required to be served on the Company in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). He is also a director of most of the subsidiaries and an officer of certain subsidiaries of the Company. Mr. Seah graduated from Peking University with a Master Degree of Law (major in international politics) and Bachelor of Arts Degree in Law. He previously worked as an investment banker at Barclays and has extensive experience in the financial industry with expertise in securities, options, fund management and international businesses development. His in-depth knowledge of the private equity markets in Greater China and global markets enabled him to focus on business development around the world. From May 2010 to March 2013, Mr. Seah was also a senior management of United Simsen Securities Limited (now known as Huarong International Securities Limited), a company which provides brokerage services on securities, foreign exchange, gold bullion, futures and mutual funds. From June 2012 to March 2013, Mr. Seah was a non-executive director of King Stone Energy Group Limited (stock code: 663), a company whose shares are listed on The Stock Exchange of Hong Kong Limited.

Amit CHOPRA, aged 41, joined the Group in 2012 and was appointed as an executive Director and the chief operating officer of the Company as well as a member of the executive committee of the Company on 18 May 2015. Mr. Chopra was the executive vice president of the Company. He is also a director and an officer of certain subsidiaries of the Company respectively. Mr. Chopra holds a Master of Business Administration from Pepperdine University and a Bachelor of Science degree in finance and accounting from California State University, Northridge. He brings 19 years of experience in accounting, finance and operations, with focused expertise in corporate restructuring. Prior to joining the Group, he spent about four years at Reliance MediaWorks Limited ("RMW", a company indirectly holding 30% interest in a subsidiary of the Company), last serving as vice president of finance of its US operation. RMW is one of India's leading media and entertainment companies, with a presence across several businesses including theatrical exhibition of films, film and media services and television content production and distribution. Before that Mr. Chopra held financial controller and other senior level financial and accounting positions at companies in the entertainment, semiconductor, logistics, IT consulting and software industries.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Independent Non-executive Directors

DUAN Xiongfei, aged 47, was appointed as an independent non-executive Director on 21 July 2009 and is presently the chairman of the audit committee, the nomination committee and the remuneration committee of the Company. Mr. Duan holds a Master's Degree in Economics from Renmin University of China and a Master's Degree in Business Administration from The University of Chicago. He is an associated member of National Futures Association in the United States of America and has over 20 years of experience in securities trading and investment industry. Mr. Duan is currently the portfolio manager of Hao Tian Development Group Limited.

LAU Cheong, aged 32, was appointed as an independent non-executive Director on 21 July 2009 and is presently a member of the audit committee, the nomination committee and the remuneration committee of the Company. Ms. Lau holds a Master's Degree in Public Policy and Management and a Bachelor's Degree in Business Administration from University of Southern California. She obtained three broker qualifications in the United States of America and previously worked in Morgan Stanley & Co. Incorporated. She is currently the chief executive officer of Sino Jet Management Limited and the president of Ponticello International Group Incorporated.

WONG Ka Kong Adam, aged 49, was appointed as an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company on 9 August 2013. Mr. Wong holds a Master's Degree in Business Administration from The Hong Kong Polytechnic University. He is a member and a practising certificate holder of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 25 years' experience in auditing, commercial finance and accounting operation. He previously held various senior positions in listed companies with business in Hong Kong, Greater China and overseas. Currently he holds a senior executive position in the corporate accounting department of a Hong Kong main board listed properties developer.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 27 April 2012 and amended on 3 April 2014 (the "Option Scheme"). Pursuant to the Option Scheme, the Directors are authorised to grant options to any Directors, any employees and those persons of the Group who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the Option Scheme, the Company did not have any other share option scheme.

(1) Purpose

The purpose of the Option Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

(2) Participants

Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

SHARE OPTION SCHEME *(continued)*

(3) The total number of Shares available for issue

The total number of Shares which may be issued upon exercise of options to be granted under the Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, exceed 983,268,576 Shares, representing approximately 9.19% of the Shares in issue as at the date of this annual report.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will exceed the aforesaid 30% limit.

(4) The maximum entitlement of each participant under the Option Scheme

The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted to each participant of the Option Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue.

Any further grant of options would result in the Shares issued and to be issued upon exercise in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such grantee and his associates abstaining from voting and the requirements prescribed under the Listing Rules from time to time.

(5) The period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Option Scheme at any time during the 10-year period from the date of grant.

(6) The minimum period for which an option must be held before it can be exercised

The Board is empowered to impose, at its discretion, any minimum period that an option must be held at the time of granting any option.

(7) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

Acceptance of the option must be made within 28 days from the date of grant and HK$1.00 must be paid as a consideration for the grant of option.

SHARE OPTION SCHEME *(continued)*

(8) The basis of determining the exercise price

The exercise price of the option shall be such price determined by the Board at its absolute discretion and notified to the participant in the offer but shall be no less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

(9) The remaining life of the Option Scheme

The Option Scheme is valid and effective for a period of 10 years commencing after the date of its adoption.

SHARE OPTION SCHEME *(continued)*

The following table discloses movements in the Company's options during the year:

Name and category of participant	Number of Options: At 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31 December 2015	Date of grant	Exercise period	Exercise price per Share *(HK$)*
Directors								
Seah Ang *(Note 4)*	100,000,000	–	–	–	100,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Amit Chopra *(Note 5)*	48,000,000	–	–	–	48,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
	–	5,000,000 *(Note 3)*	–	–	5,000,000	06/05/2015	06/05/2015 to 05/05/2025	1.320
	–	5,000,000 *(Note 3)*	–	–	5,000,000	06/05/2015	06/05/2016 to 05/05/2025	1.320
	–	5,000,000 *(Note 3)*	–	–	5,000,000	06/05/2015	06/05/2017 to 05/05/2025	1.320
Employees of the Group								
Zhou Jian *(Notes 4 and 6)*	150,000,000	–	–	–	150,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Fan Lei *(Notes 4 and 7)*	150,000,000	–	–	–	150,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Other employees, in aggregate	522,240,000	–	–	(94,020,000)	428,220,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
	–	21,000,000 *(Note 3)*	(10,000)	–	20,990,000	06/05/2015	06/05/2015 to 05/05/2025	1.320
	–	21,000,000 *(Note 3)*	–	–	21,000,000		06/05/2016 to 05/05/2025	1.320
	–	21,000,000 *(Note 3)*	–	–	21,000,000		06/05/2017 to 05/05/2025	1.320
Total	970,240,000	78,000,000	(10,000)	(94,020,000)	954,210,000			

DIRECTORS' REPORT

SHARE OPTION SCHEME *(continued)*

Notes:

1. Options are valid for 10 years from the date of grant.

2. Options granted on 28 May 2014 shall be exercisable with effect from the 3rd anniversary of the date of grant. The closing price of the Shares immediately before the date on which such options were granted was HK$0.099 per Share.

3. Each of one third of 78,000,000 options granted on 6 May 2015 shall be exercisable from the date of grant, the 1st anniversary of the date of grant and the 2nd anniversary of the date of grant respectively. The closing price of the Shares immediately before the date on which such options were granted was HK$1.390 per Share.

4. The options conditionally granted to Mr. Zhou Jian, Mr. Fan Lei and Mr. Seah Ang on 28 May 2014 (i.e. the date of grant) were approved by the Shareholders at the special general meeting of the Company held on 23 July 2014.

5. Mr. Amit Chopra was appointed as an executive Director and the chief operating officer of the Company with effect from 18 May 2015.

6. Mr. Zhou Jian resigned as an executive Director and the Chairman of the Board, and was appointed as a senior advisor of the Company with effect from 12 January 2015 respectively.

7. Mr. Fan Lei resigned as an executive Director and the deputy chairman of the Board, and was appointed as a senior advisor of the Company with effect from 18 May 2015 respectively.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (a) as recorded in the register required to be kept under Section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Interests and short positions in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total interests (Long/short positions)	Approximate percentage of the issued share capital
Peter Chou	Interest of controlled corporation *(Notes 1 and 2)*	2,570,011,442	–	2,570,011,442 (Long position)	24.02%
	Interest of controlled corporation *(Note 1)*	602,561,746	–	602,561,746 (Short position)	5.63%
Seah Ang	Interest of controlled corporation and beneficial owner *(Notes 3 and 4)*	2,458,171,442	100,000,000	2,558,171,442 (Long position)	23.91%
	Interest of controlled corporation *(Note 3)*	502,134,789	–	502,134,789 (Short position)	4.69%
Amit Chopra	Interest of controlled corporation and beneficial owner *(Notes 5 and 6)*	2,458,171,442	63,000,000	2,521,171,442 (Long position)	23.56%
	Interest of controlled corporation *(Note 5)*	502,134,789	–	502,134,789 (Short position)	4.69%

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS *(continued)*

Interests and short positions in the Shares and underlying Shares *(continued)*

Notes:

1. Kabo Limited was deemed to be interested in 2,458,171,442 Shares by holding 602,561,746 Shares and taking a deemed interest in 1,855,609,696 Shares under section 317 of the SFO. Mr. Peter Chou was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Kabo Limited.

2. Honarn Inc. holds 111,840,000 Shares. Mr. Peter Chou was deemed to be interested in the above Shares by virtue of his 100% shareholding interests in Honarn Inc.

3. Global Domain Investments Limited was deemed to be interested in 2,458,171,442 Shares by holding 502,134,789 Shares and taking a deemed interest in 1,956,036,653 Shares under section 317 of the SFO. Mr. Seah Ang was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Global Domain Investments Limited.

4. Mr. Seah Ang holds 100,000,000 options granted under the Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

5. Redmount Ventures Limited was deemed to be interested in 2,458,171,442 Shares by holding 502,134,789 Shares and taking a deemed interest in 1,956,036,653 Shares under section 317 of the SFO. Mr. Amit Chopra was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Redmount Ventures Limited.

6. Mr. Amit Chopra holds 63,000,000 options granted under the Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2015, which may also constitute continuing connected transactions under the Listing Rules, are disclosed in note 36 to the financial statements.

During the year, the above-mentioned continuing connected transactions were carried out and disclosed in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group had the following continuing connected transactions ("CCTs") (as defined by the Listing Rules) during the year, brief particulars of which are as follows:

As reported in the annual report of the Company for the year 2013, the Company announced on 16 October 2013 that the Company and Reliance MediaWorks (USA), Inc. ("RMW") on that day entered into the business services agreement (the "Business Services Agreement") which sets out the framework governing the provision of production or post-production services by members of RMW and its associates ("RMW Group") to the Group from time to time with respect to motion pictures or other entertainment-related content including visual effects using computer generated imaging (the "Services").

The Business Services Agreement requires that all agreements in relation to the provision of Services by members of the RMW Group to members of the Group are:

(a) in writing and set out the terms and conditions on which the transactions contemplated thereunder shall be undertaken and in the form as may be prescribed by the Company from time to time;

(b) determined in the usual and ordinary course of business of the Group and the RMW Group on normal commercial terms (as defined in the Listing Rules);

(c) negotiated on an arm's length basis and at prices and terms at the prevailing market rates no less favourable to the Group than the prices and terms offered by the RMW Group to independent third parties; and

(d) in compliance with the Business Services Agreement and the agreement(s) for provision of Services.

It applies to all agreements for Services subsisting on or entered into after the commencement of the term of the Business Services Agreement.

In the event of any conflict between the terms of the Business Services Agreement and the terms of any agreement for provision of Services, the terms of the Business Services Agreement shall prevail.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS *(continued)*

The initial term of the Business Services Agreement expired on 31 December 2015. The Directors had expected the annual caps in respect of the provision of Services under the Business Services Agreement would not exceed HK$9 million, HK$9.9 million and HK$9.9 million for the three years ended 31 December 2015. Details of the CCTs are set out in an announcement dated 16 October 2013 published by the Company. For the year ended 31 December 2015, the total transaction amount under the Business Services Agreement was approximately HK$3,520,000.

As RMW is a substantial shareholder of a non wholly-owned subsidiary of the Company, RMW and its associates have become connected persons of the Company under the Listing Rules, and all transactions between members of the RMW Group and the Group are connected transactions of the Company under the Listing Rules.

The CCTs listed above have been reviewed by the independent non-executive Directors who have confirmed that the above transactions had been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BDO Limited ("BDO"), Certified Public Accountants, the Company's independent auditor, was engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. BDO has issued a letter containing their findings and conclusions in respect of the CCTs disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2015, so far as is known to any Director or chief executive of the Company, the following persons who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Interests and short positions in the Shares and underlying Shares

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total Interests (Long/short positions)	Approximate percentage of the issued share capital
Kabo Limited	Beneficial owner *(Note 1)*	2,458,171,442	–	2,458,171,442 (Long position)	22.97%
	Beneficial owner *(Note 1)*	602,561,746	–	602,561,746 (Short position)	5.63%
Peter Chou	Interest of controlled corporation *(Notes 1 and 2)*	2,570,011,442	–	2,570,011,442 (Long position)	24.02%
	Interest of controlled corporation *(Note 1)*	602,561,746	–	602,561,746 (Short position)	5.63%
Global Domain Investments Limited	Beneficial owner *(Note 3)*	2,458,171,442	–	2,458,171,442 (Long position)	22.97%
	Beneficial owner *(Note 3)*	502,134,789	–	502,134,789 (Short position)	4.69%
Seah Ang	Interest of controlled corporation and beneficial owner *(Notes 3 and 4)*	2,458,171,442	100,000,000	2,558,171,442 (Long position)	23.91%
	Interest of controlled corporation *(Note 3)*	502,134,789	–	502,134,789 (Short position)	4.69%
Redmount Ventures Limited	Beneficial owner *(Note 5)*	2,458,171,442	–	2,458,171,442 (Long position)	22.97%
	Beneficial owner *(Note 5)*	502,134,789	–	502,134,789 (Short position)	4.69%
Amit Chopra	Interest of controlled corporation and beneficial owner *(Notes 5 and 6)*	2,458,171,442	63,000,000	2,521,171,442 (Long position)	23.56%
	Interest of controlled corporation *(Note 5)*	502,134,789	–	502,134,789 (Short position)	4.69%

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(continued)*

Interests and short positions in the Shares and underlying Shares *(continued)*

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total Interests (Long/short positions)	Approximate percentage of the issued share capital
Wise Sun Holdings Limited	Person having a security interest in shares and beneficial owner *(Note 7)*	2,458,171,442	–	2,458,171,442 (Long position)	22.97%
Bright Ace Holdings Limited	Interest of controlled corporation *(Note 7)*	2,458,171,442	–	2,458,171,442 (Long position)	22.97%
Zhou Jian	Interest of controlled corporation and beneficial owner *(Notes 7, 8 and 9)*	2,610,395,180	150,000,000	2,760,395,180 (Long position)	25.80%
Fortune Source International Limited	Beneficial owner *(Note 10)*	1,672,035,000	–	1,672,035,000 (Long position)	15.63%
Zhang Xiaoqun	Interest of controlled corporation *(Note 10)*	1,672,035,000	–	1,672,035,000 (Long position)	15.63%
Fortune Base Development Limited	Beneficial owner *(Note 11)*	–	5,037,200,000	5,037,200,000 (Long position)	47.07%
Wei Huo Li	Interest of controlled corporation *(Note 11)*	–	5,037,200,000	5,037,200,000 (Long position)	47.07%
Harmony Energy Limited	Beneficial owner *(Note 12)*	–	4,762,800,000	4,762,800,000 (Long position)	44.51%
Ever Union Capital Limited	Interest of controlled corporation *(Note 12)*	–	4,762,800,000	4,762,800,000 (Long position)	44.51%
Che Fung	Interest of controlled corporation *(Note 12)*	–	4,762,800,000	4,762,800,000 (Long position)	44.51%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(continued)*

Interests and short positions in the Shares and underlying Shares *(continued)*

Notes:

1. Kabo Limited was deemed to be interested in 2,458,171,442 Shares by holding 602,561,746 Shares and taking a deemed interest in 1,855,609,696 Shares under section 317 of the SFO. Mr. Peter Chou was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Kabo Limited.

2. Honarn Inc. holds 111,840,000 Shares. Mr. Peter Chou was deemed to be interested in the above Shares by virtue of his 100% shareholding interests in Honarn Inc.

3. Global Domain Investments Limited was deemed to be interested in 2,458,171,442 Shares by holding 502,134,789 Shares and taking a deemed interest in 1,956,036,653 Shares under section 317 of the SFO. Mr. Seah Ang was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Global Domain Investments Limited.

4. Mr. Seah Ang holds 100,000,000 options granted under the Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

5. Redmount Ventures Limited was deemed to be interested in 2,458,171,442 Shares by holding 502,134,789 Shares and taking a deemed interest in 1,956,036,653 Shares under section 317 of the SFO. Mr. Amit Chopra was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Redmount Ventures Limited.

6. Mr. Amit Chopra holds 63,000,000 options granted under the Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

7. Wise Sun Holdings Limited is wholly-owned by Bright Ace Holdings Limited. Mr. Zhou Jian was deemed to be interested in the 2,458,171,442 Shares by virtue of his 100% shareholding interest in Bright Ace Holdings Limited under section 317 of the SFO.

8. Mr. Zhou Jian was deemed to be interested in 152,223,738 Shares held by Ultra Gain Development Limited, which is 100% controlled by Mr. Zhou Jian.

9. Mr. Zhou Jian holds 150,000,000 options granted under the Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

10. Fortune Source International Limited is wholly-owned by Zhang Xiaoqun. Zhang Xiaoqun was deemed to be interested in the 1,672,035,000 Shares held by Fortune Source International Limited.

11. The 5,037,200,000 underlying Shares are in respect of the convertible notes issued by the Company in the principal amount of HK$201.488 million at a conversion price of HK$0.04 per Share (subject to adjustments). Upon full conversion of such convertible notes, 5,037,200,000 Shares will be issued to Fortune Base Development Limited. Mr. Wei Huo Li was deemed to be interested in the 5,037,200,000 underlying Shares by virtue of his 100% shareholding interest in Fortune Base Development Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(continued)*

Interests and short positions in the Shares and underlying Shares *(continued)*

Notes: (continued)

12. The 4,762,800,000 underlying Shares are in respect of the convertible notes issued by the Company in the principal amount of HK$190.512 million at a conversion price of HK$0.04 per Share (subject to adjustments). Upon full conversion of such convertible notes, 4,762,800,000 Shares will be issued to Harmony Energy Limited which is wholly-owned by Ever Union Capital Limited. Mr. Che Fung was deemed to be interested in the 4,762,800,000 underlying Shares by virtue of his 100% shareholding interest in Ever Union Capital Limited.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	3%
– five largest suppliers combined	11%
Sales	
– the largest customer	12%
– five largest customers combined	39%

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

There was a banking facility (the "Facility") with the principal amount of HK$6,000,000 provided by a bank in Hong Kong to an indirectly-owned subsidiary of the Company (the "Subsidiary"), among the entertainment media segment which was discontinued by the end of December 2010, and imposed certain specific performance obligations on the Company, pursuant to which, the Company should not (i) hold less than 51% of the Subsidiary's equity interests effectively and (ii) hold less than 100% of equity interests in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary ("Intermediate Holding Company"). The bank had the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions. As at 31 December 2015, the outstanding loan principal of this Facility amounted to approximately HK$4,854,000 and the original last monthly instalment repayment should be in the year 2014.

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 Subsidiary was discontinued by the end of December 2010. The aforesaid bank took legal action against the Subsidiary and the Intermediate Holding Company in respect of the Facility. A provisional liquidator and two joint and several liquidators were appointed for the Subsidiary on 11 July 2012 and 23 July 2013, respectively. However, there was no corporate guarantee for the Facility issued by the Company and other subsidiaries of the Company in favour of the Subsidiary and the Intermediate Holding Company.

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.

PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out on pages 32 to 40 of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporation, the Group plays an important role in protecting our environment and is committed to minimize our impact on the environment and natural resources.

The Group installed video conference and telephone conference facilities for convening board meetings, committee meetings and management meetings. It encourages attendees to attend the meetings without frequent travelling so as to reduce the energy consumption.

The Group encourages and educates staff to save energy and reduce of paper use. It also encourages environmental practices such as utilizing emails for internal and external communication, adopting e-filing in server, double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances when not in use.

The Company will adopt effective environmental protection by introducing e-communication with our Shareholders and non-registered holders. The Company encourages investors to read the Company's corporate communication published on the websites of the Company and the Stock Exchange so as to reduce paper consumption.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements. The Group is committed to safeguarding Shareholders' rights and enhancing corporate governance standard by establishing the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

The Group has registered or is registering its trademarks in Hong Kong, Macau, the PRC and Taiwan and other relevant jurisdictions and takes all appropriate actions to protect and enforce its intellectual property rights.

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

ADDITIONAL INFORMATION OF BUSINESS REVIEW

Additional information of the business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Chairman's Statement" on pages 4 to 5 and "Chief Executive Officer's Review" on pages 6 to 31 of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the Group's businesses during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors in writing an annual confirmation of his/her independence for the year pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Group has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" above and Note 26 to the financial statements, no equity-linked agreement was entered into by the Company during the financial year or subsisted at the end of the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CHANGES IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the interim report of the Company for the six months ended 30 June 2015 are set out as follows:

(1) Mr. Peter Chou has been appointed as the executive Director and the chairman of the Board with effect from 31 August 2015 and 11 September 2015 respectively. He has entered into a service agreement with a subsidiary of the Company for a fixed term of 3 years and his appointment is terminable by either party by giving six month' prior notice. As the Chairman of the Board, he will not be subject to retirement by rotation according to the bye-laws of the Company. He is presently entitled to a remuneration package comprising a director's fee of US$750,000 per annum, a housing allowance of up to US$4,000 per month, a car allowance of up to US$1,250 per month, a guarantee bonus of US$250,000 per annum in an amount equal to four months' director's fee and a discretionary bonus.

(2) Mr. Seah Ang has stepped down as the chairman of the Board with effect from 11 September 2015. He was entitled to a rental allowance of not more than HK$40,000 per month with effect from 29 August 2015 and an annual director's fee of HK$2,025,000 with effect from 1 December 2015.

(3) Mr. Amit Chopra has entered into a service agreement with a subsidiary of the Company for no fixed term and his appointment is terminable by either party by giving six months' prior notice. He is entitled to a remuneration package comprising an annual director's fee of HK$1,440,000 plus a discretionary bonus, and an annual salary of US$200,000 from the Group.

(4) The director's fee for each of the independent non-executive Directors was increased to HK$156,000 per annum with effect from 1 January 2016.

(5) Ms. Lau Cheong is currently the chief executive officer of Sino Jet Management Limited.

DIRECTORS' REPORT

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited financial statements for the year.

INDEPENDENT AUDITOR

The financial statements for the year have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the independent auditor of the Company.

On behalf of the Board

Seah Ang
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2016

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF DIGITAL DOMAIN HOLDINGS LIMITED
(known as "數字王國集團有限公司" for identification purpose)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Digital Domain Holdings Limited (the "Company") and its subsidiaries (thereafter referred to as the "Group") set out on pages 63 to 146, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Pak Tak Lun
Practising Certificate number: P06170

Hong Kong, 30 March 2016

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	527,341	849,952
Cost of sales and services		(443,122)	(700,543)
Gross profit		84,219	149,409
Other revenue and gains	6	14,084	39,146
Selling and distribution expenses		(28,658)	(22,769)
Administrative expenses and other net operating expenses		(251,478)	(205,763)
Finance costs	8	(39,801)	(41,182)
Gain on disposal and dissolution of subsidiaries	11	–	183
Fair value gains on investment properties	14	18,054	34,500
Share of loss of an associate	16	(425)	–
Gain on re-measurement of previously held equity interest in an associate	16	35,777	–
Share of losses of joint ventures	17	(5,790)	(94)
Gain on modification of terms of convertible notes	23	–	77,121
(Loss)/profit before taxation		(174,018)	30,551
Taxation	10(a)	(5,489)	2,930
(Loss)/profit for the year	7	(179,507)	33,481
(Loss)/profit attributable to:			
– Owners of the Company		(156,298)	43,323
– Non-controlling interest	29	(23,209)	(9,842)
		(179,507)	33,481
(Loss)/earnings per share:	12		
Basic		HK cents (1.572)	HK cents 0.441
Diluted		HK cents (1.572)	HK cents 0.008

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year		(179,507)	33,481
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(8,594)	20
Share of other comprehensive income of an associate	*16*	(431)	–
Other comprehensive income for the year, net of tax		(9,025)	20
Total comprehensive income for the year		(188,532)	33,501
Total comprehensive income attributable to:			
– Owners of the Company		(162,983)	43,341
– Non-controlling interest		(25,549)	(9,840)
		(188,532)	33,501

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	13	33,330	42,720
Investment properties	14	208,600	189,600
Intangible assets	15	873,972	278,657
Interests in joint ventures	17	12,576	10,738
		1,128,478	521,715
Current assets			
Inventories	30	329	–
Trade receivables, other receivables and prepayments	18	66,820	88,033
Bank balances and cash	19	344,726	140,998
		411,875	229,031
Current liabilities			
Trade payables, other payables and accruals	20	58,979	38,094
Deferred revenue		33,735	29,612
Borrowings	21	78,657	7,577
Obligations under finance leases	22	3,096	7,725
Tax payable		5,279	4,832
		179,746	87,840
Net current assets		232,129	141,191
Total assets less current liabilities		1,360,607	662,906
Non-current liabilities			
Borrowings	21	281,559	95,473
Obligations under finance leases	22	–	3,098
Deferred tax liabilities	10(b)	45,944	1,927
Convertible notes	23	330,863	295,648
		658,366	396,146
NET ASSETS		702,241	266,760
Capital and reserves			
Share capital	24	107,006	98,327
Reserves		566,422	169,444
Equity attributable to owners of the Company		673,428	267,771
Non-controlling interest	29	28,813	(1,011)
TOTAL EQUITY		702,241	266,760

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Seah Ang *DIRECTOR*	**Amit Chopra** *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

		Attributable to owners of the Company										
	Notes	Share capital HK$'000 *(Note 24)*	Share premium HK$'000 *(Note 25(i))*	Convertible notes – equity component HK$'000 *(Note 25(ii))*	Land and buildings revaluation reserve HK$'000 *(Note 25(iii))*	Contributed surplus HK$'000 *(Note 25(iv))*	Share options reserve HK$'000 *(Note 25(v))*	Exchange fluctuation reserve HK$'000 *(Note 25(vii))*	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 January 2014		98,327	245,047	70,986	7,355	49,510	–	(331)	(252,703)	218,191	8,829	227,020
Recognition of equity-settled share-based payment	26	–	–	–	–	–	6,239	–	–	6,239	–	6,239
Extinguishment upon modification of terms of convertible notes	23	–	–	(70,986)	–	–	–	–	70,986	–	–	–
Recognition upon modification of terms of convertible notes	23	–	–	96,630	–	–	–	–	(96,630)	–	–	–
Forfeiture of share options		–	–	–	–	–	(63)	–	63	–	–	–
Profit for the year		–	–	–	–	–	–	–	43,323	43,323	(9,842)	33,481
Currency translation differences		–	–	–	–	–	–	18	–	18	2	20
Total comprehensive income for the year		–	–	–	–	–	–	18	43,323	43,341	(9,840)	33,501
As at 31 December 2014		98,327	245,047	96,630	7,355	49,510	6,176	(313)	(234,961)	267,771	(1,011)	266,760

	Notes	Attributable to owners of the Company											
		Share capital HK$'000 (Note 24)	Share premium HK$'000 (Note 25(i))	Convertible notes – equity component HK$'000 (Note 25(ii))	Land and buildings revaluation reserve HK$'000 (Note 25(iii))	Contributed surplus HK$'000 (Note 25(iv))	Share options reserve HK$'000 (Note 25(v))	Deferred shares reserve HK$'000 (Note 25(vi))	Exchange fluctuation reserve HK$'000 (Note 25(vii))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 January 2015		98,327	245,047	96,630	7,355	49,510	6,176	-	(313)	(234,961)	267,771	(1,011)	266,760
Recognition of equity-settled share-based payment	26	-	-	-	-	-	37,553	-	-	-	37,553	-	37,553
Issue of shares on placement, net of expenses	24(b)	7,700	324,099	-	-	-	-	-	-	-	331,799	-	331,799
Issue of shares for acquisition of subsidiaries	24(c)	978	53,237	-	-	-	-	-	-	-	54,215	-	54,215
Issue of shares on exercise of share options		1	13	-	-	-	(4)	-	-	4	14	-	14
Deferred shares to be issued for acquisition of subsidiaries	30	-	-	-	-	-	-	153,036	1,647	-	154,683	-	154,683
Lapse of share options		-	-	-	-	-	(370)	-	-	370	-	-	-
Capital contribution from non-controlling interest	29	-	-	-	-	-	-	-	-	-	-	41,473	41,473
Additions from business combination	30	-	-	-	-	-	-	-	-	-	-	24,285	24,285
Acquisition of additional interests on a group of subsidiaries from non-controlling interest	30	-	-	-	-	-	-	-	-	(9,624)	(9,624)	(10,385)	(20,009)
Loss for the year		-	-	-	-	-	-	-	-	(156,298)	(156,298)	(23,209)	(179,507)
Currency translation differences		-	-	-	-	-	-	-	(6,254)	-	(6,254)	(2,340)	(8,594)
Share of other comprehensive income of an associate	16	-	-	-	-	-	-	-	(431)	-	(431)	-	(431)
Total comprehensive income for the year		-	-	-	-	-	-	-	(6,685)	(156,298)	(162,983)	(25,549)	(188,532)
As at 31 December 2015		107,006	622,396	96,630	7,355	49,510	43,355	153,036	(5,351)	(400,509)	673,428	28,813	702,241

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(174,018)	30,551
Adjustments for:		
Depreciation of property, plant and equipment	27,058	23,262
Amortisation of intangible assets	25,702	64,386
Loss/(gain) on disposal of property, plant and equipment	60	(952)
Gain on disposal and dissolution of subsidiaries	–	(183)
Gain on re-measurement of previously held equity interest in an associate	(35,777)	–
Equity-settled share-based payment expenses	37,553	6,239
Net exchange losses	940	1,875
Fair value gains on investment properties	(18,054)	(34,500)
Share of loss of an associate	425	–
Share of losses of joint ventures	5,790	94
Gain on modification of terms of convertible notes	–	(77,121)
Interest income	(82)	(351)
Finance costs	39,801	41,182
Operating (loss)/profit before working capital changes	(90,602)	54,482
Decrease in trading merchandise goods	–	8,626
Decrease/(increase) in trade receivables, other receivables and prepayments	21,693	(14,074)
Increase/(decrease) in trade payables, other payables and accruals	7,364	(43,223)
Decrease in amount due to a related company	–	(1,824)
Decrease in deferred revenue	(3,996)	(3,954)
Cash (used in)/generated from operations	(65,541)	33
Income tax paid	(5,407)	(917)
Interest paid	(3,657)	(4,933)
Net cash used in operating activities	(74,605)	(5,817)

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Interest income		73	391
Purchases of property, plant and equipment		(19,178)	(19,816)
Additions to investment properties		(946)	–
Proceeds from sale of property, plant and equipment		–	1,815
Additions to intangible assets		(35,934)	(13,250)
Investment in an associate		(20,370)	–
Advance to joint ventures		(7,628)	–
Repayment from a joint venture		–	228
Net cash flow from business combination	*30*	(54,635)	–
Disposal of subsidiaries, net of cash disposed	*11*	–	64
Net cash used in investing activities		(138,618)	(30,568)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		331,799	–
Proceeds from exercise of share options		14	–
Capital contribution to a non-wholly owned subsidiary from a non-controlling shareholder		19,473	–
New obligations under finance leases		–	4,318
Repayment of obligations under finance leases		(7,721)	(6,863)
New borrowings		96,882	34,891
Repayment of borrowings		(16,224)	(62,125)
Net cash generated from/(used in) financing activities		424,223	(29,779)
Net increase/(decrease) in cash and cash equivalents		211,000	(66,164)
Effect of foreign exchange rate changes		(7,272)	(2,176)
Cash and cash equivalents at beginning of the year		140,998	209,338
Cash and cash equivalents at end of the year		344,726	140,998
Represented by:			
Bank balances and cash		344,726	140,998

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

1. ORGANISATION AND OPERATIONS

Digital Domain Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has its principal place of business at Suite 7003, 70th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in Note 28.

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

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

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

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

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

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

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

Effective date:

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

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

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

Annual Improvements 2012-2014 Cycle

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

Amendments to HKAS 1 – Disclosure Initiative

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

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

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

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

HKFRS 9 (2014) – Financial Instruments

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

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

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

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

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of measurement

These financial statements have been prepared under the historical cost basis, as modified for investment properties, which are carried at fair value, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively the "Group") made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-company transactions and balances within the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represents present ownership interest in the subsidiary is those amount of those interest at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

– Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

– Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint arrangements *(continued)*

In assessing the classification of interests in joint arrangements, the Group considers:

– The structure of the joint arrangement;

– The legal form of joint arrangements structured through a separate vehicle;

– The contractual terms of the joint arrangement agreement; and

– Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition changes in the joint ventures' net assets except that losses in excess of the Group's interests in joint ventures are not recognised unless there is an obligation to make good those losses.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it is probable that future economic benefits of the expenditure will flow to the entity, and the cost of which can be measured reliably, the expenditure is capitalised as an additional cost of the asset or a separate asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Furniture, fixtures and equipment	20% to 55%
Machineries	20% to 33%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation but not held for sale. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets

(i) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interest over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial period, the CGU to which allocated goodwill is tested for impairment before the end of that financial period. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

(ii) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any impairment losses and intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives or using unit of production method. Amortisation commences when the intangible assets with finite useful lives are ready for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis. The principal annual rates of intangible assets with finite useful lives are as follows:

Proprietary software	3 years
Participation rights	5 years or unit of production method
Patents	10 to 15 years
License for intellectual property right	10 years
Virtual human know-how	10 years

(iii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

– it is technically feasible to develop the product for it to be sold;

– adequate resources are available to complete the development;

– there is an intention to complete and sell the product;

– the Group is able to sell the product;

– sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of services rendered.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. The Group's financial assets are classified as loans and receivables which are subsequently accounted for as follows:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset that can be reliably estimated have been impacted. Objective evidence of impairment could include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

(ii) Impairment (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(iv) Derecognition of financial assets

The Group derecognises financial assets only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity issued by the Group

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity issued by the Group *(continued)*

(ii) Convertible notes that contain liability and equity components

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in convertible notes – equity component under equity.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes – equity component until the embedded option is exercised in which case the balance stated in convertible notes – equity component will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible notes – equity component will be released to the retained profits/accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

(iii) Other financial liabilities

The Group's financial liabilities are classified as other financial liabilities and are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity issued by the Group *(continued)*

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company or the Group and not designated at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company or the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years respectively and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into individual entity's functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of reporting period. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange fluctuation reserve. Such translation differences, to the extent attributable to the owners of the Company, are recognised in profit or loss in the period when the foreign operations are disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Translation of foreign currencies *(continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange fluctuation reserve.

Employees' benefits

Short term benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees rendered the related service.

Retirement benefit scheme

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, if any.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share options reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of the goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue comprises the fair value for the sales of goods and rendering of services. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Rental income is recognised in accordance with the Group's accounting policy for leases.

(ii) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(iii) Income from provision of services of visual effects production is recognised when the services are rendered based on the percentage of completion method, which is measured as cost to date as proportion to the estimated total contract cost.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Royalty income and profit-sharing from participation rights in movies is recognised in accordance with the terms and substances of the relevant agreement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of non-financial assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Estimates and judgements *(continued)*

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in Note 10(b).

Estimated impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables, if any, based on an estimate of the recoverability of these receivables. Allowances are applied to trade and other receivables where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and allowance for impairment losses in the period in which such estimate had been changed.

Useful lives of property, plant and equipment and intangible assets

The Group estimates the useful lives of property, plant and equipment and intangible assets in order to determine the amount of depreciation and amortisation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service outputs of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

Fair value measurements

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment properties at fair value as detailed in Note 14.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Estimates and judgements *(continued)*

Classification of bank borrowings

The Group classifies its mortgage bank loans as current or non-current liabilities based on whether certain conditions, which prevent the lender to demand immediate repayment from the Group, are breached. The Group has to exercise judgment whether it is in compliance with the conditions. Further details are set out in Note 21.

5. REVENUE AND SEGMENT REPORTING

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

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

(a) Reportable segments

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

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

– Media entertainment (visual effects production and 360 degree digital capture technology application)

– Trading

– Property investment

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

5. REVENUE AND SEGMENT REPORTING *(continued)*

(a) Reportable segments *(continued)*

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before taxation. The adjusted (loss)/profit before taxation is measured consistently with the Group's (loss)/profit before taxation except that fair value gains on investment properties, share of loss of an associate, gain on re-measurement of previously held equity interest in an associate, share of losses of joint ventures, equity-settled share-based payment expenses, finance costs, unallocated other revenue and gains (including (loss)/gain on disposal of property, plant and equipment, royalty income, interest income and sundry income), as well as head office and corporate expenses, are excluded from such measurement.

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

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

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

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5. REVENUE AND SEGMENT REPORTING *(continued)*

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

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

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

5. REVENUE AND SEGMENT REPORTING *(continued)*

(c) Geographic information

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

(i) Revenue from external customers

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

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

(ii) Specified non-current assets

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

(d) Major customers

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

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

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6 OTHER REVENUE AND GAINS

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

7. (LOSS)/PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
This is arrived at after charging/(crediting):		
Cost of inventories sold	–	295,417
Cost of services rendered *(Note)*	443,122	405,126
Loss/(gain) on disposal of property, plant and equipment	60	(952)
Exchange differences, net	(4,600)	(1,939)
Auditor's remuneration:		
– audit services	1,336	1,247
– non-audit services	1,049	220
Depreciation of property, plant and equipment *(Note)*	27,058	23,262
Amortisation of intangible assets *(Note)*	25,702	64,386
Research and development	3,631	31
Operating lease rentals in respect of:		
– rented premises	26,325	20,063
– rented equipment	13,203	13,865
Staff costs *(Note)*:		
– Directors' remuneration *(Note 9)*	14,898	5,572
– Other staff costs:		
Salaries, wages and other benefits	433,911	391,167
Retirement benefit scheme contributions	398	275
Equity-settled share-based payment expenses	30,041	3,667
Total staff costs	479,248	400,681

Note:

Cost of services rendered include HK$399,103,000 (2014: HK$404,180,000) relating to staff costs, depreciation of property, plant and equipment and amortisation of intangible assets, for which the amounts are also included in the respective total amounts disclosed separately above.

8. FINANCE COSTS

	Note	2015 HK$'000	2014 HK$'000
Imputed interest on convertible notes	*23*	**35,215**	35,502
Interests on:			
Borrowings		**3,295**	3,562
Finance leases		**1,291**	2,118
		39,801	41,182

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration is analysed as follows:

	2015 HK$'000	2014 HK$'000
Fees:		
Independent non-executive directors	**360**	360
Other emoluments paid to executive directors:		
Salaries and other benefits	**6,972**	2,539
Equity-settled share-based payment expenses	**7,512**	2,572
Retirement benefit scheme contributions	**54**	101
	14,538	5,212
	14,898	5,572

No directors waived any remuneration in respect of the years ended 31 December 2015 and 2014.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(continued)*

	2015 HK$'000	2014 HK$'000
Peter Chou (appointed as an executive director on 31 August 2015)		
– Salaries and other benefits	2,121	–
Seah Ang		
– Salaries and other benefits	3,039	619
– Equity-settled share-based payment expenses	2,079	642
– Retirement benefit scheme contributions	18	5
	5,136	1,266
Amit Chopra (appointed as an executive director on 18 May 2015)		
– Salaries and other benefits	1,084	–
– Equity-settled share-based payment expenses	4,169	–
	5,253	–
Zhou Jian (resigned as an executive director on 12 January 2015)		
– Equity-settled share-based payment expenses	94	965
Fan Lei (resigned as an executive director on 18 May 2015)		
– Salaries and other benefits	728	1,920
– Equity-settled share-based payment expenses	1,170	965
– Retirement benefit scheme contributions	36	96
	1,934	2,981

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(continued)*

	2015 HK$'000	2014 HK$'000
Lau Cheong		
– Fee	**120**	120
Duan Xiongfei		
– Fee	**120**	120
Wong Ka Kong, Adam		
– Fee	**120**	120

Five highest paid employees

The five highest paid individuals of the Group included two (2014: one) executive directors of the Company, details of whose remuneration are set out above. The remuneration of the remaining three (2014: four) highest paid employees, other than directors of the Company is as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**10,223**	11,898
Equity-settled share-based payment expenses	**3,320**	648
Retirement benefit scheme contributions	**–**	201
	13,543	12,747

The number of non-director, highest paid employees whose remuneration fell within the following bands, is as follows:

	2015	2014
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	2
HK$6,500,001 to HK$7,000,000	**1**	–

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for the year ended 31 December 2015

10. TAXATION

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

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

Taxation for the years can be reconciled to accounting (loss)/profit as follows:

	2015 HK$'000	2014 HK$'000
(Loss)/profit before taxation	(174,018)	30,551
Taxation calculated at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	(28,713)	5,041
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(17,986)	(8,453)
Tax effect of expenses not deductible for tax purposes	15,732	8,658
Tax effect of non-taxable income	(8,926)	(23,881)
Tax effect of utilisation of previously unrecognised tax losses and other deductible temporary differences	(447)	(1,602)
Tax effect of unrecognised tax losses and temporary differences	45,632	17,317
Under/(over) provision in respect of prior years	197	(10)
Taxation for the year	5,489	(2,930)

10. TAXATION *(continued)*

(b) Deferred taxation

The movements in the components of deferred tax (liabilities)/assets recognised by the Group during the current and prior years are as follows:

	Notes	Accelerated Tax depreciation HK$'000	Tax losses HK$'000	Fair Value arising from business combination HK$'000	Total HK$'000
As at 1 January 2014		(4,520)	3,144	(6,022)	(7,398)
(Charged)/credited to profit or loss for the year	*10(a)*	(419)	1,776	4,007	5,364
Exchange realignment		15	–	92	107
As at 31 December 2014		(4,924)	4,920	(1,923)	(1,927)
(Charged)/credited to profit or loss for the year	*10(a)*	(327)	331	1,184	1,188
Additions from business combination	*30*	–	–	(45,312)	(45,312)
Exchange realignment		–	–	107	107
As at 31 December 2015		(5,251)	5,251	(45,944)	(45,944)

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2015 HK$'000	2014 HK$'000
Deferred tax liabilities	**(45,944)**	(1,927)
Deferred tax assets	**–**	–
	(45,944)	(1,927)

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for the year ended 31 December 2015

10. TAXATION *(continued)*

(b) Deferred taxation *(continued)*

At the end of reporting period, the Group had unused tax losses of HK$469,463,000 (2014: HK$316,246,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$31,824,000 (2014: HK$29,818,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$437,639,000 (2014: HK$286,428,000) due to the unpredictability of future profit streams. As at 31 December 2015, included in unrecognised tax losses are losses of HK$1,157,000 (2014: HK$668,000) that will expire in 5 years from the respective dates of incurrence and tax losses of HK$399,580,000 (2014: HK$261,396,000) that will expire in 20 years from the respective dates of incurrence. Other tax losses may be carried forward indefinitely.

11. GAIN ON DISPOSAL AND DISSOLUTION OF SUBSIDIARIES

On 30 April 2014, the Group entered into a sales and purchase agreement to dispose of (i) S.I. Entertainment (801) Limited and (ii) Sino Front Investments Limited for an aggregate cash consideration of HK$560,000. The disposal was completed during the year ended 31 December 2014. In addition, Enhanced Life Services Limited, a subsidiary of the Company, was dissolved during last year.

The aggregate net assets of the subsidiaries dissolved or disposed, where appropriate, at the relevant dates when the control was lost were as follows:

	2014 HK$'000
Bank balances and cash	496
Trade payables, other payables and accruals	(11)
Tax payable	(108)
	377
Gain on disposal and dissolution of subsidiaries	183
Total consideration, satisfied by cash	560
Net cash inflow arising on disposal and dissolution of subsidiaries:	
Cash consideration	560
Bank balances and cash disposal of	(496)
	64

12. (LOSS)/EARNINGS PER SHARE

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

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

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

Note:

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

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for the year ended 31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Machineries HK$'000	Construction in progress HK$'000	Total HK$'000
COST				
As at 1 January 2014	54,118	2,735	13,384	70,237
Transfer	13,385	–	(13,385)	–
Additions	19,606	210	–	19,816
Disposals	(2,024)	–	–	(2,024)
Exchange realignment	(1,493)	(93)	1	(1,585)
As at 31 December 2014 and 1 January 2015	83,592	2,852	–	86,444
Additions from business combination *(Note 30)*	205	21	–	226
Additions	19,178	–	–	19,178
Disposals	(1,121)	–	–	(1,121)
Exchange realignment	(3,817)	(170)	–	(3,987)
As at 31 December 2015	98,037	2,703	–	100,740
ACCUMULATED DEPRECIATION				
As at 1 January 2014	21,712	638	–	22,350
Depreciation charge for the year	22,183	1,079	–	23,262
Disposals	(1,161)	–	–	(1,161)
Exchange realignment	(694)	(33)	–	(727)
As at 31 December 2014 and 1 January 2015	42,040	1,684	–	43,724
Depreciation charge for the year	26,309	749	–	27,058
Disposals	(1,061)	–	–	(1,061)
Exchange realignment	(2,201)	(110)	–	(2,311)
As at 31 December 2015	65,087	2,323	–	67,410
NET CARRYING AMOUNT				
As at 31 December 2015	32,950	380	–	33,330
As at 31 December 2014	41,552	1,168	–	42,720

As at 31 December 2015, property, plant and equipment with carrying amount of approximately HK$1,095,000 (2014: HK$6,558,000) were held under finance leases. None of the leases includes contingent rentals.

14. INVESTMENT PROPERTIES

	HK$'000
Fair value	
As at 1 January 2014	155,100
Fair value gains	34,500
As at 31 December 2014 and 1 January 2015	189,600
Additions	946
Fair value gains	18,054
As at 31 December 2015	208,600

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to HK$5,560,000 (2014: HK$5,650,000). Direct operating expenses arising on the investment properties in the year amounted to HK$615,000 (2014: HK$946,000).

The Group's investment properties were located in Hong Kong, held under medium term leases, and pledged to secure banking facilities granted to the Group (Notes 21 and 34).

The fair value of the Group's investment properties as at 31 December 2015 and 2014 have been arrived at on market value basis based on valuations carried out by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professionally qualified valuers, whose staff are qualified members of Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued.

The fair value of the investment properties is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value is provided below:

	2015 **HK$'000**	2014 HK$'000
Carrying amount at beginning of year	**189,600**	155,100
Additions	**946**	–
Fair value gains of investment properties included in the face of the consolidated income statement	**18,054**	34,500
Carrying amount at end of year	**208,600**	189,600
Change in unrealised gains for the year included in profit or loss for assets held at end of year	**18,054**	34,500

14. INVESTMENT PROPERTIES *(continued)*

The major inputs used in the fair value measurement of the Group's investment properties are set out below:

Investment properties	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
Shops	Level 3	Investment method by capitalising net rental income The key input is: Market unit rent	(1) Market unit rent, taking into account the location and size, between the comparables and the properties, of HK$34 to HK$37 (2014: HK$32) per square feet. (2) Capitalisation rate of 3.5% (2014: 3.5%).	The higher the market unit rent, the higher the fair value.	If the market unit rent in the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value would increase/decrease by HK$2 million (2014: HK$1 million).
Car park spaces	Level 3	Comparison approach The key input is: Recent market sales of comparables	Recent market sales of comparables, taking into account the location and size between the comparables and the properties, ranging from HK$600,000 to HK$1,200,000 (2014: HK$600,000 to HK$1,200,000) per each car park space.	The higher the market selling price of comparables, the higher the fair value.	If the market selling price to the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value would increase/decrease by HK$100,000 (2014: HK$86,000).

There was no change to the valuation techniques during the current year.

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

15. INTANGIBLE ASSETS

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

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for the year ended 31 December 2015

15. INTANGIBLE ASSETS *(continued)*

Notes:

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

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

Visual effects production CGU

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

The recoverable amount of the visual effects production CGU has been determined by the directors of the Company on the basis of a value-in-use calculation with reference to a professional valuation report issued by BMI Appraisals Limited ("BMI"), an independent firm of professionally qualified valuers. The recoverable amount is based on certain key assumptions. The value-in-use calculation used cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years with 22% average growth rate, and at a pre-tax discount rate of 22%. The cash flow projections beyond the 5-year period are extrapolated using a growth rate of 2%. Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budget gross margins have been determined based on past performance and the Group management's expectations for the market development and future performance of the visual effects production business.

360 degree digital capture technology CGU

The Group's goodwill, trademarks and patents allocated to 360 degree digital capture technology CGU arose from the business combination during the year as further detailed in Note 30.

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

15. INTANGIBLE ASSETS *(continued)*

Notes: (Continued)

(a) *(Continued)*

The fair-value-less-costs-of-disposal of 360 degree digital capture technology CGU as at 31 December 2015 has been determined by the directors of the Company using discounted cash flow method. The fair-value-less-costs-of-disposal calculation is based on certain key assumptions. The fair-value-less-costs-of-disposal calculation uses cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years and at a post-tax discount rate of 15%. Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budget gross margins have been determined based on past performance and the Group management's expectations for the market development and future performance of the 360 degree digital capture technology business.

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

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

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

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

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

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

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

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

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

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

15. INTANGIBLE ASSETS *(continued)*

Notes: (Continued)

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

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

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

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

16. SHARE OF LOSS OF AN ASSOCIATE

On 17 February 2015, the Group acquired a 12.91% equity interest in Immersive Ventures Inc. ("Immersive") and its subsidiaries (collectively referred to as the "Immersive Group") in a net consideration of approximately HK$20,370,000, whose principal activities were the provision of interactive media technology through 360 degree video. Although the Group's ownership interest in Immersive Group was less than 20%, the directors of the Company considered they had the power to exercise significant influence over the Immersive Group through the Group's representation on the board of directors of Immersive.

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

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

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

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

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

17. INTERESTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Share of net assets	**4,922**	10,711
Due from a joint venture	**7,654**	27
	12,576	10,738

The amount due from a joint venture is unsecured, interest-free and not repayable within twelve months after the end of reporting period.

Particulars of the joint ventures as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration and business	Form of business structure	Percentage of ownership interests attributable to the Group	Principal activities
DD Tencent Company Limited	Cayman Islands	Corporation	50	Investment holding
DD Tencent Fund I LP	Cayman Islands	Partnership	50	Investment fund
DD-POW US, LLC	USA	Corporation	75	Media Entertainment

The summarised financial information in respect of the Group's joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements adjusted by the Group to conform with HKFRSs for equity accounting purposes. The joint ventures are accounted for using the equity method in the consolidated financial statements.

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17. INTERESTS IN JOINT VENTURES *(continued)*

	DD Tencent Company Limited and its subsidiary, DD Tencent Fund I LP		DD-POW US, LLC	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Current assets	**21,343**	21,537	**–**	–
Current liabilities	**(227)**	(115)	**(7,514)**	–
Net assets	**21,116**	21,422	**(7,514)**	–
Group's share of net assets	**10,558**	10,711	**(5,636)**	–
Included in the above amounts are:				
Cash and cash equivalents included in current assets	**21,318**	21,512	**–**	–
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**–**	–	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	**–**	–	**–**	–
Year ended 31 December:				
Revenue	**–**	–	**–**	–
Interest income	**2**	2	**–**	–
Interest expense	**–**	–	**–**	–
Taxation	**–**	–	**–**	–
Loss from continuing operations	**(306)**	(188)	**(7,517)**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(306)**	(188)	**(7,517)**	–
Group's share of results	**(153)**	(94)	**(5,637)**	–

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

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

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

No interest is charged on trade and other receivables.

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

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

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

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

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

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

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

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

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

19. BANK BALANCES AND CASH

As at 31 December 2015, included in the bank balances and cash of the Group was an amount of HK$4,508,000 (2014: HK$4,850,000) which is denominated in Renminbi ("RMB"). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

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

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

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21. BORROWINGS

The borrowings were due for repayment as follows:

	2015 HK$'000	2014 HK$'000
Bank loans – secured:		
On demand or within one year	**19,821**	7,577
After one year but within two years	**2,835**	9,093
In the second to fifth years inclusive	**9,074**	8,788
Over five years	**43,522**	46,643
Other loans – unsecured:	**108,456**	30,949
Secured note:		
On demand or within one year	**58,836**	–
After one year but within two years	**58,836**	–
In the second to fifth years inclusive	**58,836**	–
	360,216	103,050
Current portion	**78,657**	7,577
Non-current portion	**281,559**	95,473
	360,216	103,050

The Group's borrowings consisted of the following:

(i) As at 31 December 2015, mortgage bank loans which are secured by investment properties of the Group located in Hong Kong (Note 14) and assignment of rental proceeds duly executed in respect of the pledged investment properties.

The Group's mortgage bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. Based on a comfort letter issued by the lender dated 30 December 2015, the lender of these mortgage bank loans has undertaken not to demand the Group for repayment until 31 July 2017 unless certain conditions (the "Conditions") are breached.

The Group regularly monitors its compliance with the Conditions, and in the opinion of the directors of the Company, the Conditions have not been breached as at 31 December 2015 and up to the date of approval of these financial statements, and therefore the related portions of mortgage bank loans have been classified under the current and non-current liabilities of the Group in accordance with the above undertaking by the lender and the scheduled repayment dates set out in the mortgage bank loan agreements.

21. BORROWINGS *(continued)*

(ii) As at 31 December 2011, a bank loan granted to a then subsidiary of the Company (the "Subsidiary") under the Special Loan Guarantee Scheme (the "SME loan") of the Hong Kong Special Administrative Region Government (the "Government") to the extent of HK$6,000,000. It represented a 5-year instalment loan which was 80% guaranteed by the Government and a corporate guarantee was provided to the bank by the Subsidiary's immediate holding company which is also an indirect wholly-owned subsidiary of the Company as at 31 December 2015, 2014 and 2013.

According to the Company's announcement dated 20 December 2010, the Group decided not to continue to finance its entertainment media business, and the Subsidiary, as one of the group companies engaged in the entertainment media business, ceased its operation before 31 December 2010, and has ceased the instalment repayment of the SME loan which was due on 26 December 2010. The aforesaid bank had issued a demand letter to the Subsidiary and stated that it might take any legal action against the Subsidiary in respect of the repayment of the SME loan.

During the year ended 31 December 2011, the Subsidiary and its immediate holding company further received a writ of summon from the Court of First Instance and the statement of claim from the legal representative of the plaintiff claiming for (i) outstanding principal amount and related overdue interest and (ii) cost of legal action in respect of the claim on a full indemnity basis to be taxed if not agreed and further or other relief (collectively the "Claim"). The entire outstanding SME loan as at 31 December 2011 was classified under the current liabilities of the Group in the financial statements.

During the year ended 31 December 2012, a provisional liquidator was appointed for the Subsidiary by the order of the Official Receiver's Office in July 2012 and thereafter the Group lost control of the Subsidiary which was therefore deconsolidated from the Group on the same date. During the year ended 31 December 2013, two joint and several liquidators were appointed in July 2013. Nevertheless, the obligation under the SME loan and the related accrued interest payable were borne by the immediate holding company of the Subsidiary (as the provider of the corporate guarantee). Accordingly, the SME loan and the related accrued interest payable were still included under the current liabilities of the Group as at 31 December 2015, 2014, 2013 and 2012.

As at 31 December 2015, the carrying amount of the SME loan and the related accrued interest payable was HK$4,854,000 (2014: HK$4,854,000) and HK$3,158,000 (2014: HK$2,229,000) respectively. The related accrued interest payable was included in the Group's trade payables, other payables and accruals as calculated in accordance with the loan agreement and the Claim. In the opinion of the directors of the Company, the related cost of legal action and further or other relief in connection with the Claim cannot be measured reliably and hence no provision has been made as at 31 December 2015 and 2014. No further action has been taken against the Group during the current year.

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21. BORROWINGS *(continued)*

(ii) *(continued)*

Up to the date of approval of these financial statements, the SME loan and the related accrued interest payable have not been settled nor has any negotiation been made with the bank. There was no corporate guarantee issued by the Company in favour of the Subsidiary nor the immediate holding company of the Subsidiary, and the directors of the Company are of the opinion that adequate provisions and disclosures have been made in these financial statements, and the above matter in the non-repayment of the SME loan and the related accrued interest payable has no further material adverse financial impact to the Company or the Group.

(iii) As at 31 December 2015, one of other loans is unsecured, interest-free and not repayable within 13 months from 31 December 2015.

(iv) As at 31 December 2015, the remaining of other loans is a term loan facility guaranteed by the Company, interest-bearing at interest rate from prime rate quoted by banks in Hong Kong and repayable within 36 months from the date of first drawdown.

(v) As at 31 December 2015, the secured note formed part of the consideration of the business combination as set out in Note 30. The note bears fixed interest rate at 4% per annum and repayable by three equal installments respectively on the first, second and third anniversaries of 30 December 2015. Further details of the business combination are set out in Note 30.

(vi) As at 31 December 2015 and 2014, all the loans of the Group are denominated in Hong Kong dollars or United States dollars.

The bank loans bear floating interest rates at effective rates ranging from 3.25% to 6.25% (2014: 3.25% to 6.25%) per annum.

The directors of the Company consider that the carrying amounts of the Group's bank borrowings and other loan approximate their fair values as at 31 December 2015 and 2014.

Further details of the Group's management of liquidity risk are set out in Note 39(b).

22. OBLIGATIONS UNDER FINANCE LEASES

	2015		2014	
	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000
Amounts payable under finance leases:				
Within one year	3,246	3,096	8,857	7,725
In the second year	–	–	3,248	3,098
Total minimum finance lease payments	3,246		12,105	
Less: Future finance charges	(150)		(1,282)	
Total net finance lease payables	3,096		10,823	
Less: Amount due within one year	(3,096)		(7,725)	
Amount due after one year	–		3,098	

The Group leased certain software and computer equipment under finance leases. The average lease term is three years. Interest rates underlying the obligation under finance leases are fixed at respective contract dates and the average effective borrowing rate is 17.03% (2014: 17.52%) per annum. All leases are on a fixed repayment basis and no arrangement had been entered into for contingent rental payments.

23. CONVERTIBLE NOTES

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

23. CONVERTIBLE NOTES *(continued)*

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

On 27 November 2014, the Company and all holders of the Convertible Notes entered into an amendment deed pursuant to which the maturity date of the Convertible Notes is proposed to be extended by two years from 3 July 2015 to 3 July 2017. No other terms and conditions of the Convertible Notes have been amended. Further details are set out in the Company's circular dated 9 December 2014.

On 29 December 2014, the modification of the terms of the Convertible Notes was approved by the shareholders at the Company's special general meeting. Upon the modification of terms being effective on 29 December 2014, the Company extinguished the original Convertible Notes with liability component of approximately HK$372,491,000 and equity component of approximately HK$70,986,000, and recognised the new Convertible Notes with fair value of liability component of approximately HK$295,370,000 and the residual value being equity component of approximately HK$96,630,000, with the differences in liability components of approximately HK$77,121,000 and equity component of approximately HK$25,644,000 recognised in profit or loss and accumulated losses respectively. The fair values are determined by the directors of the Company based on the valuation by Knight Frank Asset Appraisal Limited.

23. CONVERTIBLE NOTES *(continued)*

The movements of the liability component and equity component of the Convertible Notes during the years ended 31 December 2015 and 2014 are as follow:

	Liability component of Convertible Notes HK$'000	Equity component of Convertible Notes HK$'000	Total HK$'000
As at 1 January 2014, with liability component classified under non-current liabilities	337,267	70,986	408,253
Effective imputed interest expense recognised *(Note 8)*	35,502	–	35,502
Extinguishment of the Convertible Notes upon modification of terms	(372,491)	(70,986)	(443,477)
Recognition of the Convertible Notes upon modification of terms	295,370	96,630	392,000
As at 31 December 2014, with liability component classified under non-current liabilities	295,648	96,630	392,278
Effective imputed interest expense recognised *(Note 8)*	35,215	–	35,215
As at 31 December 2015, with liability component classified under non-current liabilities	330,863	96,630	427,493

Effective imputed interest on the Convertible Notes for the year ended 31 December 2015 is calculated using the effective interest method by applying the average effective interest rate of 11.88% (2014: 10.86% to 11.91%) per annum.

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for the year ended 31 December 2015

24. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2015	2014	2015 HK$'000	2014 HK$'000
Authorised ordinary shares				
As at 1 January 2014, 31 December 2014 and 31 December 2015 of HK$0.01 each	75,000,000,000	75,000,000,000	750,000	750,000
Issued and fully paid ordinary shares:				
As at 1 January 2014 of HK$0.01 each	9,832,685,768	9,832,685,768	98,327	98,327
Issue of shares on exercise of share options *(note (a))*	10,000	–	1	–
Issue of shares on placement *(note (b))*	770,000,000	–	7,700	–
Issue of shares on for acquisition of subsidiaries *(note(c))*	97,861,638	–	978	–
As at 31 December 2014 and as at 31 December 2015 of HK$0.01 each	10,700,557,406	9,832,685,768	107,006	98,327

Notes:

(a) During the year, 10,000 new ordinary shares of par value of HK$0.01 each were issued to the share option holders of the Company at a conversion price of HK$1.32 each. The conversion gave rise to a credit of HK$13,100 to share premium account.

(b) On 8 July 2015, 210,000,000 new ordinary shares of par value HK$0.01 each were issued at subscription price of HK$0.471 each to independent third parties of the Group at an aggregate consideration of HK$96,179,000, net of issuing expenses, of which HK$2,100,000 was credited to share capital and the remaining balance of HK$94,079,000 was credited to the share premium account. Further details were set out in the Company's announcement dated 8 July 2015.

On 28 December 2015, 560,000,000 new ordinary shares of par value HK$0.01 each were issued at subscription price of HK$0.425 each to independent third parties of the Group at an aggregate consideration of HK$235,620,000, net of issuing expenses, of which HK$5,600,000 was credited to share capital and the remaining balance of HK$230,020,000 was credited to the share premium account. Further details were set out in the Company's announcement dated 28 December 2015.

(c) On 30 December 2015 and 31 December 2015, the Company issued 71,218,144 shares and 26,643,494 shares of the Company, respectively as part of the consideration for the business combination as set out in Note 30.

25. RESERVES

Company

	Share premium HK$'000 *(Note (i))*	Convertible notes – equity component HK$'000 *(Note (ii))*	Contributed surplus HK$'000 *(Note (iv))*	Share option reserve HK$'000 *(Note (v))*	Deferred share reserve HK$'000 *(Note (vi))*	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2014	245,047	70,986	49,510	–	–	(249,803)	115,740
Recognition of equity-settled share-based payment	–	–	–	6,239	–	–	6,239
Extinguishment upon modification of terms of convertible notes	–	(70,986)	–	–	–	70,986	–
Recognition upon modification of terms of convertible notes	–	96,630	–	–	–	(96,630)	–
Forfeiture of share options	–	–	–	(63)	–	63	–
Loss and total comprehensive income for the year	–	–	–	–	–	(6,763)	(6,763)
As at 31 December 2014	245,047	96,630	49,510	6,176	–	(282,147)	115,216
Recognition of equity-settled share-based payment	–	–	–	37,553	–	–	37,553
Issue of shares on placement, net of expenses	324,099	–	–	–	–	–	324,099
Release upon lapse of options	–	–	–	(370)	–	–	(370)
Deferred consideration for acquisition of subsidiaries *(Note 30)*	–	–	–	–	153,036	–	153,036
Issue of shares on exercise of share options	13	–	–	(4)	–	–	9
Issue of shares for being consideration of acquisition of subsidiaries	53,237	–	–	–	–	–	53,237
Loss and total comprehensive income for the year	–	–	–	–	–	(85,103)	(85,103)
As at 31 December 2015	622,396	96,630	49,510	43,355	153,036	(367,250)	597,677

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

25. RESERVES *(continued)*

Notes:

(i) **Share premium**

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act.

(ii) **Convertible notes – equity component**

This reserve represents the value of the unexercised equity component of convertible notes issued by the Company net of related deferred tax and direct issue costs, where applicable.

(iii) **Land and buildings revaluation reserve**

Land and buildings revaluation reserve arose in 2005 upon the fair value adjustment when the Group reclassified its land and buildings as investment properties.

(iv) **Contributed surplus**

Contributed surplus of the Group represents the net balance of (i) the credit arising from the capital reorganisation of the Company during the year ended 31 December 2009 (the "Capital Reorganisation") which was transferred to the contributed surplus account and; (ii) all amounts standing to the credit of the share premium account of the Company immediately after the Capital Reorganisation were cancelled and the credit arising therefrom was transferred to the contributed surplus. Both took place in the year ended 31 December 2009.

In addition to the retained profits, under the Companies Act of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(v) **Share options reserve**

This reserve represents cumulative expenses recognised on the granting of unexercised share options to the participants over the vesting period.

(vi) **Deferred shares reserve**

This reserve represents the shares to be issued by the Company by 30 December 2018, being part of the consideration for the business combination as set out in Note 30.

(vii) **Exchange fluctuation reserve**

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 3 "Translation of foreign currencies".

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of reporting period (2014: Nil).

26. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates the following equity-settled share option arrangements:

(i) Share option scheme

On 27 April 2012, a new 10-year share option scheme was adopted and amended on 3 April 2014 (the "Option Scheme"). Pursuant to the Option Scheme, the board is authorised to grant options to any directors, employees and those persons of the Group who have contributed or will contribute to the Group as incentive schemes and rewards.

During the year, 78,000,000 (2014: 980,060,000) share options were granted to the Company's directors and the Group's employees (the "Grantees"). Under the Company's Option Scheme, each of the Grantees remitted the Company HK$1 as consideration for the grant of the share options. Each option gives the holder the right to subscribe for ordinary shares of the Company at an exercise price of HK$1.32 (2014: HK$0.098) per share.

During the year, 94,020,000 share options (2014: 9,820,000) were forfeited and 10,000 share option (2014: Nil) was exercised.

As at 31 December 2015, the weighted average share price at the date of exercise for share options exercised during the year was HK$1.32 per share (2014: No share option was exercised) and the average remaining contractual life is 8.49 years (2014: 9.42 years).

The fair value of services received in return for share options granted on the respective grant dates is measured by reference to the fair value of share options granted. The fair value is determined based on binomial option pricing model. The weighted average fair value of each option granted during the year is HK$0.198 (2014: HK$0.048). The key valuation parameters are as follows:

	2015	2014
Share price at grant date	**HK$1.32**	HK$0.094 to HK$0.127
Exercise price	**HK$1.32**	HK$0.098
Expected volatility	**55%**	33.59% to 47.00%
Life of the share options	**10 years**	10 years
Expected dividend yield	**0%**	0%
Risk-free rate	**1.42%**	1.91% to 1.93%
Forfeiture rate	**12.9%**	10%
Suboptimal exercise behaviour multiple	**1.4**	2.1

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

26. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(i) Share option scheme *(continued)*

Expected volatility is determined by considering the historical share price movement of the Company. Expected dividend yield is determined from the Company's historical payment of dividends. Risk-free rate is obtained from Hong Kong Exchange Fund Notes as at the respective grant date. Forfeiture rate is determined from the Group's historical employee share options exit rate. Suboptimal exercise behaviour multiple is based on the Company's historical employee share options early exercise multiples.

There was no market vesting condition associated with the share options granted.

On 6 May 2015, 78,000,000 share options were granted to certain employees (one of them was appointed as a director of the Company on 18 May 2015) of the Group at a consideration of HK$1 per each grantee under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. One third of share options have immediately vested on the grant date of 6 May 2015, while one third of share options will vest on 5 May 2016 and the remaining one third of such options will vest on 5 May 2017. All these share options will be exercisable from their respective vesting date until 5 May 2025. The exercise price is HK$1.32, being the average closing price of the Company's ordinary shares for the five business days immediately before the date of grant.

The fair value of the share options granted during the year was approximately HK$37,986,000 (HK$0.487 each). The Group recognised a share option expense of approximately HK$37,553,000 (2014: HK$6,239,000) during the year ended 31 December 2015.

26. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(i) Share option scheme *(continued)*

The following tables disclose movements in the Company's share options during the years ended 31 December 2015 and 2014.

2015

Name or category of participants	At 1 January 2015	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2015	Date of grant	Exercise period	Exercise price per share (HK$)
Directors								
Zhou Jian (resigned as an executive director on 12 January 2015)	150,000,000	–	–	–	150,000,000	23 July 2014*	28 May 2017 to 27 May 2024	0.098
Fan Lei (resigned as an executive director on 18 May 2015)	150,000,000	–	–	–	150,000,000	23 July 2014*	28 May 2017 to 27 May 2024	0.098
Seah Ang	100,000,000	–	–	–	100,000,000	23 July 2014*	28 May 2017 to 27 May 2024	0.098
Amit Chopra (appointed as an executive director and the chief operating officer on 18 May 2015)	48,000,000	–	–	–	48,000,000	28 May 2014	28 May 2017 to 27 May 2024	0.098
	–	5,000,000	–	–	5,000,000	6 May 2015	6 May 2015 to 5 May 2025	1.320
	–	5,000,000	–	–	5,000,000	6 May 2015	6 May 2016 to 5 May 2025	1.320
	–	5,000,000	–	–	5,000,000	6 May 2015	6 May 2017 to 5 May 2025	1.320
Employees, in aggregate								
– 2014	522,240,000	–	–	(94,020,000)	428,220,000	28 May 2014	28 May 2017 to 27 May 2024	0.098
– 2015	–	21,000,000	(10,000)	–	20,990,000	6 May 2015	6 May 2015 to 5 May 2025	1.320
	–	21,000,000	–	–	21,000,000	6 May 2015	6 May 2016 to 5 May 2025	1.320
	–	21,000,000	–	–	21,000,000	6 May 2015	6 May 2017 to 5 May 2025	1.320
	970,240,000	78,000,000	(10,000)	(94,020,000)	954,210,000			
Weighted average exercise price	HK$0.098	HK$1.32	HK$1.32	HK$0.098	HK$0.198			

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for the year ended 31 December 2015

26. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(i) Share option scheme *(continued)*

2014

Name or category of participants	At 1 January 2014	Granted during the year	Forfeited/ lapsed during the year	At 31 December 2014	Date of grant	Exercise period	Exercise price per share (HK$)
Directors							
Zhou Jian	–	150,000,000	–	150,000,000	23 July 2014*	28 May 2017 to 27 May 2024	0.098
Fan Lei	–	150,000,000	–	150,000,000	23 July 2014*	28 May 2017 to 27 May 2024	0.098
Seah Ang	–	100,000,000	–	100,000,000	23 July 2014*	28 May 2017 to 27 May 2024	0.098
Employees, in aggregate	–	580,060,000	(9,820,000)	570,240,000	28 May 2014	28 May 2017 to 27 May 2024	0.098
	–	980,060,000	(9,820,000)	970,240,000			
Weighted average exercise price	n/a	HK$0.098	HK$0.098	HK$0.098			

* The share options conditionally granted to Mr. Zhou Jian, Mr. Fan Lei and Mr. Seah Ang on 28 May 2014 were approved by the shareholders of the Company at the special general meeting held on 23 July 2014.

(ii) Option granted under general mandate

No option was granted under general mandate during the year (2014: Nil).

27. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		758	4
Interests in subsidiaries		803,716	526,824
		804,474	526,828
Current assets			
Other receivables and prepayments		3,105	1,042
Bank balances and cash		292,031	42,876
		295,136	43,918
Current liabilities			
Other payables and accruals		5,889	718
Borrowings		2,744	2,667
		8,633	3,385
Net current assets		286,503	40,533
Total assets less current liabilities		1,090,977	567,361
Non-current liabilities			
Borrowings		55,431	58,170
Convertible notes		330,863	295,648
		386,294	353,818
NET ASSETS		704,683	213,543
Capital and reserves			
Share capital	*24*	107,006	98,327
Reserves	*25*	597,677	115,216
TOTAL EQUITY		704,683	213,543

On behalf of the Board

Seah Ang
Director

Amit Chopra
Director

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

28. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 are as follows:

Company	Country or place of incorporation and establishment/ operation	Issued share capital/ paid up capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
Alpha Image Holdings Limited#	British Virgin Islands	US$1	–	100%	Dormant
Chosen Elite Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holdings
City Trend International Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Cornwick Investments Limited	Hong Kong	HK$2	–	100%	Holding investment properties in Hong Kong
Creation Smart Investments Limited	British Virgin Islands	US$1	100%	–	Investment holdings
DD & TT Company Limited#	Hong Kong	HK$55,000,000	–	60%	Holding license for intellectual property right of a well-known deceased singer
DD Asset Management (BVI) Limited (Formerly known as "Sun Innovation Enterprises Limited")	British Virgin Islands	US$1	100%	–	Investment holdings
DD Holdings US, LLC	USA	US$35,000,000	–	100%	Investment holdings
DD Licensing Limited (Formerly known as "Classic Beauty Investments Limited")	British Virgin Islands	US$1	–	100%	Investment holdings
DD Licensing (HK) Limited#	Hong Kong	HK$1	–	100%	Investment holdings

28. SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2015 are as follows: *(continued)*

Company	Country or place of incorporation and establishment/ operation	Issued share capital/ paid up capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
DD Licensing (US), Inc.#	USA	US$1	–	100%	Dormant
DD IP Management Limited#	British Virgin Islands	US$1	–	100%	Dormant
DDH Assets Limited	British Virgin Islands	US$1	100%	–	Investment holdings
DDH Management Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holdings
DDHK Asset Management Limited#	Hong Kong	HK$1	–	100%	Dormant
DDHK IP Management Limited#	Hong Kong	HK$1	–	100%	Dormant
DDHU Management Limited	British Virgin Islands	US$1	–	100%	Investment holdings
DDLTV (BVI) Company Limited#	British Virgin Islands	US$1	–	100%	Investment holdings
DDPO (BVI) Company Limited#	British Virgin Islands	US$1	–	100%	Investment holdings
DDVR, Inc.	USA	US$1	–	100%	Investment holdings and virtual reality businesses
Digital Domain (International) Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain 3.0 Virtual Performer Productions (BC) Limited (Formerly known as "1027505 B.C. Ltd.")#	Canada	CAD100	–	100%	Dormant
Digital Domain (Taiwan) Company Limited#	British Virgin Islands	US$1	–	100%	Dormant
Digital Domain – Reliance, LLC	USA	US$50,000,000	–	70%	Investment holdings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

28. SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2015 are as follows: *(continued)*

Company	Country or place of incorporation and establishment/ operation	Issued share capital/ paid up capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
Digital Domain 3.0, Inc.	USA	US$50	–	70%	Visual effects production
Digital Domain Assets Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Consultancy Limited	Hong Kong	HK$1	–	100%	Provision of management services
Digital Domain Development Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Development Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Enterprise Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Enterprises Group (BVI) Limited (Formerly known as "Choice Best Holdings Limited")	British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Enterprises Group Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Group Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain International Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Investments (BVI) Limited (Formerly known as "Eastronic Limited")	British Virgin Islands	US$1	100%	–	Investment holdings

28. SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2015 are as follows: *(continued)*

Company	Country or place of incorporation and establishment/ operation	Issued share capital/ paid up capital	Effective equity interest attributable to the Company Direct	Indirect	Nature of business
Digital Domain Investments Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Management Limited	Hong Kong	HK$100	–	100%	Dormant
Digital Domain Media (HK) Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Media Group Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Productions 3.0 (BC), Ltd.	Canada	CAD1	–	70%	Visual effects production
Digital Domain Resources Limited	Hong Kong	HK$2	–	100%	Provision of management services
Digital Domain Technology Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Trading Limited	Hong Kong	HK$1	–	100%	Dormant
Driven Global Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Ever Champ Management Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Ever Ultra Limited	British Virgin Islands	US$100	–	100%	Investment holdings
Ever Union Medial Services Group Limited	Hong Kong	HK$100	–	100%	Investment holdings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

28. SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2015 are as follows: *(continued)*

Company	Country or place of incorporation and establishment/ operation	Issued share capital/ paid up capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
Ever Union Services Development Limited	Hong Kong	HK$100	–	100%	Investment holdings and provision of consultancy services
Golden Stream Global Limited	British Virgin Islands	US$1	100%	–	Investment holdings
IM360 Entertainment Inc.#	Canada	CAD7,307,647	–	91.71%	Interactive media technology production through 360 degree video
Immersive Licensing, Inc•	USA	US$1,000	–	83.10%	Manage intellectual property licences and trademarks
Immersive Media Company•	USA	US$15	–	83.10%	Interactive media technology through 360 degree video
Immersive Ventures Inc.•	Canada	CAD 11,108,656	–	83.10%	Interactive media technology through 360 degree video
Mothership Media, Inc.	USA	US$0.01	–	70%	Visual effects production
Rise Honour Development Limited	Hong Kong	HK$1	–	100%	Investment holdings
S.I. Travel Group Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Trading
Sai Chak Company Limited	Hong Kong	HK$100,000	–	100%	Holding investment properties in Hong Kong
Sun Innovation HK Properties Holdings Limited	British Virgin Islands	US$1	–	100%	Investment holdings
Sun Innovation International Group Limited	British Virgin Islands	US$1	100%	–	Investment holdings

28. SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2015 are as follows: *(continued)*

Company	Country or place of incorporation and establishment/ operation	Issued share capital/ paid up capital	Effective equity interest attributable to the Company Direct	Effective equity interest attributable to the Company Indirect	Nature of business
Sun Innovation Management Services Limited	Hong Kong	HK$2	100%	–	Provision of management services
Sun Innovation Properties Holdings Limited	British Virgin Islands	US$2	100%	–	Investment holdings
Tower Talent Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Treasure Well Development Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Upfield Sky Limited	British Virgin Islands	US$10,000	–	100%	Investment holdings
Vibrant Global Group Limited	British Virgin Islands	US$1	100%	–	Investment holdings
Virtue Global Holdings Limited	British Virgin Islands	US$1	–	100%	Investment holdings
Well Venture Holdings Limited	Hong Kong	HK$1	–	100%	Securities investment and investment holding
Wide Profit Enterprises Limited	British Virgin Islands	US$100	–	100%	Investment holdings
長和投資諮詢(深圳)有限公司*	The People's Republic of China (the "PRC")	RMB1,500,358.72	–	100%	Provision of consultancy services
數字王國(深圳)科技發展有限公司°	The PRC	HK$1,503,000	–	100%	Visual effects production

28. SUBSIDIARIES *(continued)*

Notes:

These subsidiaries were newly incorporated/established during the year.

• These subsidiaries were newly acquired during the year.

* The company is a wholly-foreign-owned-enterprise. The entire registered capital amounted to RMB10,000,000, and the remaining balance of registered capital is required to be paid up on or before 15 July 2017.

° The company is a wholly-foreign-owned-enterprise. The entire registered capital amounted to HKD10,000,000, and the remaining balance of registered capital is required to be paid on or before 23 January 2034.

All the above are limited liability companies.

Unless otherwise stated, the above subsidiaries' places of operations are the same as their respective places of incorporation/establishment.

None of the subsidiaries had issued any debt securities at the end of the year.

29. NON-CONTROLLING INTEREST

The following table lists out the information relating to Digital Domain 3.0, Inc., Digital Domain Productions 3.0 (BC), Ltd., Immersive Ventures Inc., IM360 Entertainment Inc. and DD & TT Company Limited., subsidiaries of the Company which have material non-controlling interest ("NCI"). Immersive Ventures Inc. was acquired during the year ended 31 December 2015 (Note 30), while IM360 Entertainment Inc. and DD & TT Company Limited were incorporated during the year ended 31 December 2015. At the time of incorporation, the non-controlling shareholder of IM360 Entertainment Inc. has made a capital contribution in cash of approximately HK19,473,000; while the non-controlling shareholder of DD & TT Company Limited has granted a license for intellectual property right amounting to HK$22,000,000 as a capital contribution. Further details of the license for intellectual property right are set out in Note 15(f). The aggregate capital contribution from non-controlling interest amounted to approximately HK$41,473,000 (2014: Nil). The summarised financial information presented below represents the amounts before any inter-company elimination.

29. NON-CONTROLLING INTEREST *(continued)*

	Digital Domain 3.0 Inc.		Digital Domain Productions 3.0 (BC), Ltd.		Immersive Ventures Inc.		IM360 Entertainment Inc.		DD & TT Company Limited	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
At 31 December:										
NCI percentage	30%	30%	30%	30%	16.9%	–	8.281%	–	40%	–
Non-current assets	90,775	118,501	54,836	4,409	182,762	–	6,642	–	49,074	–
Current assets	60,650	52,267	20,646	34,642	25,041	–	29,790	–	3,344	–
Non-current liabilities	(232)	(10,586)	(401)	(794)	–	–	–	–	–	–
Current liabilities	(223,359)	(167,497)	(61,679)	(34,309)	(66,022)	–	(6,239)	–	(2,465)	–
Net assets/(liabilities)	(72,166)	(7,315)	13,402	3,948	141,781	–	30,193	–	49,953	–
Accumulated NCI	(21,650)*	(2,195)*	4,021*	1,184*	23,961*	–	2,500*	–	19,981*	–
Year ended 31 December:										
Revenue	327,869	327,288	207,028	202,010	–	–	31,547	–	–	–
(Loss)/profit for the year	(64,865)	(32,604)	10,987	(203)	(526)	–	(11,572)	–	(5,047)	–
Total comprehensive income	(64,850)	(32,560)	9,455	(249)	(1,917)	–	(15,439)	–	(5,047)	–
(Loss)/profit allocated to NCI	(19,459)*	(9,781)*	3,296*	(61)*	(89)*	–	(4,938)*	–	(2,019)*	–
Dividend paid to NCI	–	–	–	–	–	–	–	–	–	
Net cash inflows/(outflows) from operating activities	8,230	17,753	(6,133)	17,813	–	–	(15,143)	–	(683)	–
Net cash outflows from investing activities	(16,198)	(28,250)	(17,526)	(2,884)	–	–	(7,757)	–	(29,583)	–
Net cash (outflows)/inflows from financing activities	(1,908)	3,802	–	–	–	–	45,632	–	33,000	–

* The aggregate NCI as at 31 December 2015 amounted to credit balance of approximately HK$28,813,000 (2014: debit balance of HK$1,011,000) and the aggregate net losses allocated to NCI for the year then ended amounted to approximately HK$23,209,000 (2014: HK$9,842,000).

30. BUSINESS COMBINATION

On 30 December 2015, the Group completed its further acquisition of issued share capital of the Immersive Group ("Acquisition") in consideration of HK$442,628,000 (including (i) cash of HK$58,869,000, (ii) 71,218,144 shares of the Company issued on 30 December 2015 and 230,939,919 shares of the Company to be issued in 3 annual instalments by 30 December 2018 to the former shareholders of Immersive, (iii) 26,643,494 shares of the Company issued on 31 December 2015 and 79,930,442 shares to be issued in 3 annual instalments by 31 December 2018 to the former option holders of share options of Immersive (the "Immersive Options") for replacement of the Immersive Options; and (iv) secured note payable amounting to HK$176,508,000 (Note 21)). Subsequent to the Acquisition completion, the Group's aggregate equity interest in the Immersive Group is 83.10%. The Immersive Group is principally engaged in the provision of interactive media technology through 360 degree video. The Acquisition was made by the Group with the aim to commence the business of 360 degree digital capture technology.

30. BUSINESS COMBINATION *(continued)*

	Carrying amount HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Property, plant and equipment	226	–	226
Intangible assets other than goodwill	33,412	151,040	184,452
Investment in an associate	20,009	–	20,009
Inventories – merchandise goods	329	–	329
Trade receivables, other receivables and prepayments	356	–	356
Amount due from an associate	114	–	114
Bank balances and cash	4,234	–	4,234
Trade payables, other payables and accruals	(2,993)	–	(2,993)
Deferred revenue	(8,119)	–	(8,119)
Borrowings	(9,598)	–	(9,598)
Deferred tax liabilities *(Note 10(b))*	–	(45,312)	(45,312)
Net assets			143,698
Fair value of previously held equity interest			(55,291)
Non-controlling interest			(24,285)
			64,122
Goodwill			378,506
Total consideration			442,628

Total consideration consisted of:	
– Fair value of the 71,218,144 shares of the Company issued on Acquisition completion date *(Note 24)*	39,455
– Acquisition completion date fair value of the Immersive Options replaced by 26,643,494 shares of the Company issued on 31 December 2015 *(Note 24)*	14,760
– Cash consideration	58,869
– Fair value of the 230,939,919 shares of the Company to be issued *(Note 25(vi))*	127,941*
– Acquisition completion date fair value of the Immersive Options replaced by 79,930,442 shares of the Company to be issued *(Note 25(vi))*	44,281*
– Acquisition completion date fair value of the Immersive Options attributable to post-combination services of certain former Immersive Options holders # *(Note 25(vi))*	(19,186)*
– Secured note payable *(Note 21)*	176,508
	442,628

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

* The aggregate amount of approximately HK$153,036,000 has been credited to deferred shares reserve.

30. BUSINESS COMBINATION *(continued)*

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

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

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

Since the completion of the Acquisition on 30 December 2015, the Immersive Group has no material contribution of revenue and loss to the Group for the year. If the Acquisition had occurred on 1 January 2015, the Group's revenue and loss for the year would have been HK$550,330,000 and HK$185,121,000 respectively. This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2015, nor is it intended to be a projection of future performance.

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

31. MAJOR NON-CASH TRANSACTION

(i) As further detailed in Note 30, the Company issued its shares and secured note amounting to HK$54,215,000 and HK$176,508,000 respectively during the year ended 31 December 2015, and there were shares of the Company to be issued of HK$172,222,000 as at 31 December 2015, as consideration of the acquisition of equity interests in subsidiaries.

(ii) As further detailed in Note 29, the non-controlling shareholder of a subsidiary has granted a license for intellectual property right amounting to HK$22,000,000 as a capital contribution. The license for intellectual property right has been accounted for as an addition to intangible assets (Note 15).

32. RETIREMENT BENEFIT SCHEME

The Group contributes to defined contribution provident funds, including the scheme set up pursuant to the Hong Kong Mandatory Provident Fund Ordinance (the "MPF Scheme"), which are available to all Hong Kong employees. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,500 (2014: HK$1,500) (the "Mandatory Contribution"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement age of 65 years old, death or total incapacity. The unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions. During the year, the aggregate amount of employer's contribution net of forfeited contribution made by the Group under the MPF Scheme was HK$440,000 (2014: HK$365,000).

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the local governments in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. During the year, the aggregate amount of employer's contribution net of forfeited contribution made by the Group under the state-managed retirement benefit schemes in the PRC was nil (2014: HK$11,000).

33. OPERATING LEASE COMMITMENTS

(i) As at 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Equipment	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**23,895**	16,117	**592**	683
Later than one year and not later than five years	**83,801**	6,344	**58**	108
Later than five years	**93,920**	–	**–**	–
	201,616	22,461	**650**	791

Leases for land and buildings are negotiated for an average term of three years at fixed rental.

Leases for equipment are negotiated for an average term of four years at fixed rental.

33. OPERATING LEASE COMMITMENTS *(continued)*

(ii) As at 31 December 2015, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Investment properties	
	2015	2014
	HK$'000	HK$'000
Not later than one year	**7,031**	6,038
Later than one year and not later than five years	**6,732**	12,581
	13,763	18,619

The investment properties have committed tenants for an average term of three years.

34. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31 December 2015, the Group had aggregate banking facilities of HK$75,252,000 (2014: HK$72,101,000) from banks for guarantees and loans. The banking facilities are secured by:

(i) Pledge of all investment properties of the Group as at 31 December 2015 (Note 14) and assignment of rental proceeds duly executed in respect of the pledged investment properties.

(ii) 80% guarantee given by the Government and a corporate guarantee from a subsidiary of the Company for the SME loan as disclosed in Note 21.

(iii) As at 31 December 2015, a margin securities trading account of a wholly-owned subsidiary of the Company is secured by an unlimited corporate guarantee provided by the Company. This margin facility has not been utilised as at 31 December 2015 (2014: Nil).

(iv) Assignment of all proceeds by a subsidiary on account of any of the collateral relating to the participation right of a movie, as well as guarantee and 100% of shareholder's interest in the pledged stock and any other pledged collateral given by two subsidiaries of the Company has been provided a bank for the bank loan with carrying amount of approximately HK$12,167,000 as at 31 December 2015 (2014: HK$6,354,000). In addition, a subsidiary of the Company has agreed to subordinate all of its rights, title and interests in any assets which constitute all or a portion of the bank collateral.

(v) The secured note payable is secured by all personal property of each of DDVR, Inc. and Immersive, both of which are subsidiaries of the Company, and their entire issued share capital.

(b) In December 2015, a subsidiary obtained a term loan facility of HK$77,507,000 denominated in United States dollars provided by Wise Sun Holdings Limited, which the Company as a guarantor.

35. CAPITAL COMMITMENTS

Other than those disclosed elsewhere in these financial statements, the Group did not have any significant capital commitment as at 31 December 2015 and 2014.

36. RELATED PARTY TRANSACTIONS

(i) Details of transaction between the Group and other related party, save as disclosed elsewhere in these financial statements, are as follows:

Related party relationship	Type of transaction	2015 HK$'000	2014 HK$'000
Related companies of the non-controlling interest	Production costs	**3,520**	4,793
Joint venture	Production income	**6,452**	–

(ii) Members of key management personnel during the year comprised only of the executive directors whose remuneration is set out in Note 9.

37. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

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

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

37. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD *(continued)*

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

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt (including the borrowings disclosed in Note 21, obligations under finance leases disclosed in Note 22, convertible notes disclosed in Note 23, less bank balances and cash disclosed in Note 19) and total equity.

The Group's risk management reviews the capital structure on a semi-annual basis. The Group will consider both debt financing and equity financing for its capital requirements. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. The gearing ratio at the end of reporting period was as follows:

	2015 HK$'000	2014 HK$'000
Debts	**694,175**	409,521
Bank balances and cash	**(344,726)**	(140,998)
Net debt	**349,449**	268,523
Total equity	**702,241**	266,760
Net debt to equity ratio	**50%**	101%

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the individual customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 30 days to 60 days (2014: 30 days to 60 days) from the date of billing. Debtors with balances that are more than 2 months past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

At 31 December 2015, the Group has a concentration of credit risk as 34% and 68% (2014: 77% and 98%) respectively of the total gross trade receivables were due from the Group's largest customer and the five largest customers respectively.

The credit risk of the Group's financial assets, which comprise gross trade receivables, other receivables and bank balances and cash, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

The credit risk for bank balances is limited became the counter-parties are bank, with high credit rating.

39. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for borrowings is prepared based on the scheduled repayment dates:

Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015						
SME loan	4,854	4,854	4,854	–	–	–
Other bank loans	70,398	87,472	17,000	4,594	13,783	52,095
Other loan	108,456	119,934	3,886	34,825	81,223	–
Secured note	176,508	190,629	65,896	63,543	61,190	
Trade payables, other payables and accruals	57,706	57,706	57,706	–	–	–
Obligations under finance leases	3,096	3,246	3,246	–	–	–
Convertible Notes	330,863	392,000	–	392,000	–	–
	751,881	855,841	152,588	494,962	156,196	52,095
2014						
SME loan	4,854	4,854	4,854	–	–	–
Other bank loans	67,247	86,087	4,649	10,966	13,783	56,689
Other loan	30,949	30,949	–	30,949	–	–
Trade payables, other payables and accruals	35,865	35,865	35,865	–	–	–
Obligations under finance leases	10,823	12,105	8,857	3,248	–	–
Convertible Notes	295,648	392,000	–	–	392,000	–
	445,386	561,860	54,225	45,163	405,783	56,689

39. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other loans. All bank borrowings and one of the other loans were issued at variable rates which exposed the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's net borrowings at the end of reporting period:

	2015		2014	
	Effective interest rate %	HK'000	Effective interest rate %	HK'000
Variable-rate borrowings				
Bank loans	**3.25 – 6.25**	**75,252**	3.25 – 6.25	72,101
Other loan	**Prime rate**	**77,507**	–	
		152,759		72,101

The interest rates and terms of repayment of the Group's borrowings are disclosed in Notes 21.

Sensitivity analysis

As at 31 December 2015, it is estimated that a general decrease/increase of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and decrease/increase the accumulated losses by HK$1,527,000/HK$1,884,000 respectively (2014: increase the Group's profit after taxation and decrease the accumulated losses by HK$720,000/ HK$652,000 respectively). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2014.

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the group entities.

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised as at 31 December 2015 and 2014 may be categorised as follows:

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash), at amortised cost	**390,984**	221,974
Financial liabilities		
Financial liabilities, at amortised cost	**751,881**	445,386

FIVE YEARS FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group are summarised below:

	Year ended 31 December								
	2015	2014	2013	2012			2011		
				Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results									
Revenue	527,341	849,952	467,311	184,457	–	184,457	139,390	–	139,390
(Loss)/profit attributable to owners of the Company	(156,298)	43,323	(192,215)	5,641	318	5,959	3,153	(1,217)	1,936
Assets and Liabilities									
Total assets	1,540,353	750,746	835,042	427,733	44	427,777	350,772	743	351,515
Total liabilities	(838,112)	(483,986)	(608,022)	(82,181)	(5,800)	(87,981)	(10,931)	(8,575)	(19,506)
	702,241	266,760	227,020	345,552	(5,756)	339,796	339,841	(7,832)	332,009
Non-controlling interest	(28,813)	1,011	(8,829)	–	–	–	–	1,798	1,798
Equity attributable to owners of the Company	673,428	267,771	218,191	345,552	(5,756)	339,796	339,841	(6,034)	333,807

PARTICULARS OF PROPERTIES

		Type	Lease term
Properties held for investment			
(1)	Shop A (including the external walls), Ground Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium
(2)	Shop B (including the external walls), Ground Floor, Loading and Unloading Bays Nos. U1, U2, U3, U9 and U10, 1st Floor and Car Parking Space Nos. 22, 23, 33, 50 and 50A, 2nd Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium