TO BE IS TO BE PERCEIVED TO BE IS TO MAKE REALITY VIRTUAL

DIGITAL DOMAIN

DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 547)

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. SEAH Ang
(Acting Chairman and
Chief Executive Officer)
Dr. CHANG San-Cheng

Non-executive Directors
Mr. JIANG Yingchun*
Mr. CUI Hao
Mr. Sergei SKATERSHCHIKOV
Mr. Brian Thomas MCCONVILLE

Independent Non-executive Directors
Mr. DUAN Xiongfei
Ms. LAU Cheong
Dr. Elizabeth Monk DALEY
Mr. WOO King Hang

AUDIT COMMITTEE
Mr. DUAN Xiongfei (Chairman)
Ms. LAU Cheong
Mr. WOO King Hang

REMUNERATION COMMITTEE
Mr. DUAN Xiongfei (Chairman)
Mr. SEAH Ang
Mr. Brian Thomas MCCONVILLE
Ms. LAU Cheong
Mr. WOO King Hang

NOMINATION COMMITTEE
Mr. DUAN Xiongfei (Chairman)
Mr. SEAH Ang
Ms. LAU Cheong
Mr. WOO King Hang

COMPANY SECRETARY
Ms. FOK Lai Yan

STOCK CODE
547

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Suite 1201, 12/F, Li Po Chun Chambers
189 Des Voeux Road Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA
MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House, 41 Cedar Avenue
Hamilton HM 12, 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 Limited
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
Citibank India
East West Bank
EverTrust Bank
HDFC Bank
Industrial and Commercial Bank of China Limited
Royal Bank of Canada
UBS Switzerland AG

INDEPENDENT AUDITOR
BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

SOLICITOR
Reed Smith Richards Butler

digitaldomain.com

Digital Domain Holdings

Digital Domain

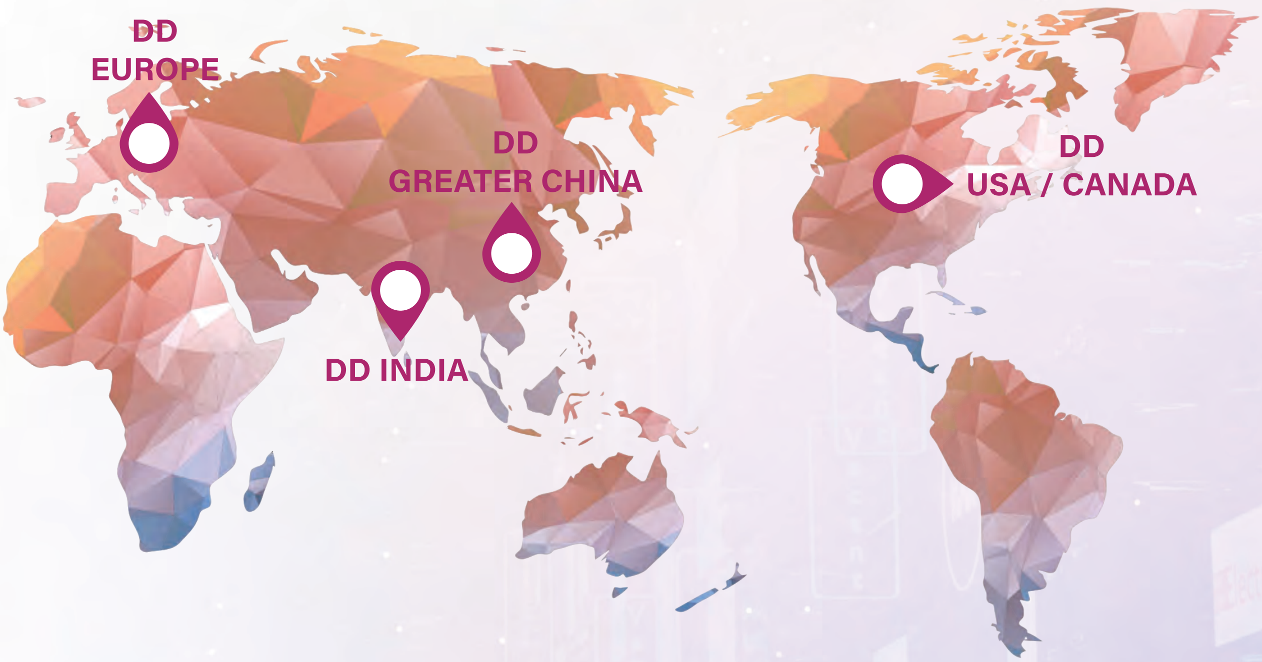
DigitalDomain
數字王國

* With effect from 31 March 2022, Mr. Jiang Yingchun will resign as non-executive Director and Mr. Li Weiqiang will be appointed as non-executive Director.

DIGITAL DOMAIN CREATES TRANSPORTIVE EXPERIENCES THAT ENTERTAIN, INFORM AND INSPIRE. THE COMPANY IS A PIONEER IN MANY FIELDS, INCLUDING VISUAL EFFECTS AND VIRTUAL HUMANS.

A creative force in visual effects and media applications, Digital Domain and its predecessor entities have brought artistry and technology to hundreds of motion pictures, commercials, video games, music videos and virtual reality experiences. Staff artists have won more than 100 major awards, including Academy Awards, Clios, BAFTA awards and Cannes Lions.

Digital Domain has offices in Los Angeles, Vancouver, Montreal, Luxembourg, Hyderabad, Beijing, Shanghai, Shenzhen and Hong Kong. The following is a simplified chart of major businesses of the Group.



VISUAL EFFECTS PRODUCTION AND POST-PRODUCTION

VIRTUAL HUMAN BUSINESS

CO-PRODUCTION (FEATURE FILMS/ EPISODES SERIES)

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 40.

CHAIRMAN'S STATEMENT

TO BE IS TO BE PERCEIVED, TO BE IS TO MAKE REALITY VIRTUAL.

2021 was another extremely tough year for the Group and other businesses. With the global outbreak of the novel coronavirus ("COVID-19") in late 2019/2020 followed by the spread of the Delta and Omicron variants in 2021, governments and non-governmental organisations attempted to contain the spread of COVID-19 through the suspension of economic activities, and the imposition of quarantines, travel restrictions and bans. These efforts have inadvertently created adverse impacts on economic activities across the world, including the media entertainment industry.

During this time, global lockdown measures sped up digital distribution as the consumption of news and entertainment through digital media increased. Fortunately, Digital Domain has the technologies and experience that allowed us to quickly adapt and resume projects with our existing and new clients. Even with lockdown measures in place, Digital Domain has continued to build on our rich history of creating world-class premium services for our clients (especially to enable our clients to continue film production virtually amid the pandemic with our support). As a leader in the entertainment industry, Digital Domain combines the best digital artistry with the most advanced technological innovations, like our virtual human technology, and that is the root of our success.

In 2021, the Group announced various transactions that support its plan to enter the European market. We see this an important milestone for our global business plan – our footprint began in North America, spread to Asia and has now expanded to Europe. Even though the development in this new market is taking time, the Group will continue discussions with its European business partners in 2022.

While we believe the business environment in 2022 will be continue to be challenging and we expect many unpredictable changes (both threats and opportunities) in the months ahead. Digital Domain will continue our conservative approach and look to enhance our business models and products in order to cope with the changes globally.

With that said, thank you to everyone in the Digital Domain family, including all of our partners around the globe and the thousands of artists and innovators who call Digital Domain home and dedicate themselves to the artistry and innovation. It is truly an honour to create more chapters of the Digital Domain legacy with each and every one of you.

SEAH Ang (Daniel)
Acting Chairman

Hong Kong, 30 March 2022

CHIEF EXECUTIVE OFFICER'S REVIEW

SEAH Ang (DANIEL)
Chief Executive Officer

I WOULD LIKE TO EXTEND MY UTMOST APPRECIATION TO OUR SHAREHOLDERS, STAFF AND OTHER VALUED STAKEHOLDERS FOR THEIR CONTINUED CONFIDENCE AND SUPPORT. WE WILL CONTINUE TO WORK HARD TO DELIVER THE ONGOING AND FUTURE SUCCESS OF DIGITAL DOMAIN.

FINANCIAL AND BUSINESS REVIEW

During the year ended 31 December 2021, the Group achieved a revenue from continuing operations of HK$864,214,000 (2020: HK$601,301,000), showing an increase of approximately 44% compared to that of the previous year. The gross profit from continuing operations of the Group amounted to HK$123,965,000 (2020: HK$64,730,000) during the year under review, showing an increase of approximately 92%. The increase in revenue and gross profit were attributable to the media entertainment segment. As at 31 December 2021, the total assets of the Group amounted to HK$1,200,099,000 (as at 31 December 2020: HK$1,497,250,000). The loss attributable to the owners of the Company from continuing operations for the year was HK$722,004,000 (2020: HK$584,205,000). The loss for the year was approximately HK$780,546,000 (2020: HK$626,503,000). 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 between 2014 and 2021 to the value of HK$1,856,000 (2020: HK$7,943,000);

(b) amortisation and depreciation expenses (besides the two items mentioned in (f) and (g) below and excluding depreciation related to Right-of-use Assets) to the value of HK$66,080,000 (2020: HK$53,346,000);

(c) impairment losses on goodwill and intangible assets attributable to a cash generating unit (CGU) of HK$232,472,000 (2020: impairment loss on goodwill of HK$305,119,000) and impairment losses attributable to associates of HK$234,961,000 (2020: HK$36,365,000);

(d) share of losses of associates of HK$24,383,000 (2020: HK$10,554,000);

(e) fair value loss on financial assets measured at fair value through profit or loss of HK$27,694,000 (2020: HK$ Nil);

(f) there was no amortisation and depreciation expenses from the acquisition of 3Glasses Group for the year (2020: HK$28,664,000); and

(g) there was no amortisation expenses from the investment in TV drama series (grouped under "Participation Rights") for the year (2020: HK$37,057,000);

(ii) administrative and other project expenses; and

(iii) operating losses from the media entertainment segment.

MEDIA ENTERTAINMENT SEGMENT

During the year under review, this segment from continuing operations recorded a revenue of approximately HK$864,214,000 (2020: HK$601,301,000) and incurred a loss of approximately HK$398,994,000 (2020: HK$518,676,000). The loss included the impairment loss on goodwill and related intangible assets (if applicable) of HK$232,472,000 (2020: HK$305,119,000) and research and development costs incurred during the year under review relating to virtual human technology.

"The earnings before interest, tax, depreciation and amortisation (EBITDA)" of the media entertainment segment from continuing operations (including the impairment loss on goodwill and related intangible assets (if applicable) of HK$232,472,000 (2020: HK$305,119,000)) for the year ended 31 December 2021 was a loss of HK$304,737,000 (2020: HK$432,222,000). EBITDA is not a standard measure under the Hong Kong Financial Reporting Standards (HKFRS) but is a widely used financial indicator of a company's operating performance. EBITDA should not be considered in isolation or be construed as an alternative to cash flows, net income or any other measure of performance, or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA for the media entertainment segment is calculated based on the loss of the segment for the period but does not account for taxes, interest expenses, depreciation (of the segment's property, plant and equipment) and amortisation charges (on the segment's intangible assets).

A

VISUAL EFFECTS PRODUCTION AND POST-PRODUCTION BUSINESS

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

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02

03

04

DIGITAL DOMAIN NORTH AMERICA ("DDNA") – USA AND CANADA:

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

The Telly Awards

01 VFX Supervisor Mr. Matt DOUGAN, Director Mr. Aladino DEBERT, CG Supervisor Mr. David LIU, Executive Producer Ms. Nicole FINA and Senior Producer Ms. Rachel MARISCAL CREASEY were awarded a Gold Telly Award for Visual Effects on **Ghost of Tsushima – "A Storm is Coming"**.

VFX Supervisor Mr. Piotr KARWAS, Executive Creative Director Mr. Kevin LAU, CG Supervisor Mr. David LIU, Executive Producer Ms. Nicole FINA and Senior Producer Ms. Rachel MARISCAL CREASEY were awarded a Silver Telly Award for Visual Effects on **Perfect Dark**'s official game announcement trailer.

VFX Supervisor Mr. Dan BARTOLUCCI, Executive Creative Director Mr. Kevin LAU, Executive Producer Ms. Nicole FINA, Executive Producer Mr. John CANNING and Senior Producer Ms. Alexandra MICHAEL were awarded a Silver Telly Award for Immersive & Mixed Reality on the **NFL** (The National Football League)'s **Super Bowl LV Commercial "AS ONE"**.

The Emmy Awards

02 Supervised by Mr. Marion SPATES, Marvel Studios' **"WandaVision"** was nominated for "Outstanding Special Visual Effects in a Season or Movie".

Hollywood Professional Association ("HPA")

VFX Supervisor Mr. David HODGINS and his team were awarded an HPA award for Outstanding Visual Effects – Theatrical Feature for **"Black Widow"**.

For the Marvel series **"WandaVision"**, Mr. Marion SPATES and his team were nominated and named as finalists for an HPA Award in the Outstanding Visual Effects – Episode (13 Episodes and Fewer) or Non-Theatrical Feature category.

The Visual Effects Society Awards

Mr. Aladino DEBERT, Mr. Matt DOUGAN, Mr. Eric BEAVER and Mr. David LIU received a nomination for Outstanding Virtual Cinematography in a CG Project for their work on **Ghost of Tsushima "A Storm is Coming"**.

03 Mr. Aruna INVERSIN, Mr. Peter NELSON, Mr. Kevin WILLIAMS and Mr. Sean KEALEY received a nomination for Outstanding Visual Effects in a Special Venue Project for their work on **"The March"**.

The Lumiere Awards

Virtual Human Group's Mr. Lucio MOSER, Mr. Dimitry KACHKOVSKI, Mr. Darren HENDLER and Mr. Doug ROBLE were awarded the Technical Achievement Award at the 11th Annual Entertainment Technology Lumiere Awards.

Clio Awards

04 Digital Domain project and **NFL Superbowl LV, "AS ONE"**, commercial received a silver Clio Award and **Ghost of Tsushima – "A Storm is Coming"** trailer received a bronze award.

01

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

02

- **"Morbius"** – VFX Supervisors Mr. Joel BEHRENS, Mr. Matthew BUTLER and their team worked on this highly anticipated Sony Pictures film directed by Daniel ESPINOSA, scheduled for release in 2022.

- **01 "Free Guy"** – VFX Supervisor Mr. Nikos KALAITZIDIS and his team worked on Shawn Levy's action-comedy following a bank teller who discovers that he's actually an NPC inside a brutal, open world video game. The film released in 2021.

- **02 "Black Widow"** – VFX Supervisor Mr. Dave HODGINS and his team worked on Marvel Studios' film following Natasha Romanoff on her quests between the films "Captain America: Civil War" and "Avengers: Infinity War". The film released in 2021.

- **"Chaos Walking"** – VFX Supervisor Mr. Mitch DRAIN and his team worked on director Doug LIMAN's film about a dystopian world where there are no women and all living creatures can hear each other's thoughts in a stream of images, words, and sounds called Noise. The film released in 2021.

- **03 "Shang-Chi and the Legend of the Ten Rings"** – VFX Supervisor Mr. Hanzhi TANG and his team worked on the Marvel Studios film released in 2021.

- **"Doctor Strange in the Multiverse of Madness"** – VFX Supervisor Mr. Joel BEHRENS and his team began work on the next installation in the Doctor Strange series. The film is scheduled for release in 2022.

- **"Fantastic Beasts and Where to Find Them 3"** – VFX Supervisor Mr. Jay BARTON and his team began work on Warner Bros.' third installation in the "Fantastic Beasts" series is scheduled for release in 2022.

- **04 "Spider-Man: No Way Home"** – VFX Supervisors Mr. Kelly PORT, Mr. Scott EDELSTEIN and their team worked on the third instalment of the Spider-Man franchise released in December 2021.

- **"Ant-Man and the Wasp: Quantumania"** – VFX Supervisor Mr. David HODGINS and his team is working on the film that follows the adventures of Ant-Man and the Wasp due for release in 2023.

- **"Black Adam"** – VFX Supervisor Mr. Nikos KALAITZIDIS and his team are working on the "Shazam!" spin off starring Dwayne "The Rock" Johnson. The film is due out 2022.

- **"Chupa"** – VFX Supervisor Mr. Mitch DRAIN is working with Netflix Studios client side on the film, which is set to release in 2022.

- **"Children of the Corn"** – VFX Supervisor Mr. Mitch DRAIN and his team delivered visual work on the upcoming horror film to be released in 2022 globally.

- **"Black Panther: Wakanda Forever"** – VFX Supervisor Mr. Hanzhi TANG and his team worked on the sequel to the Marvel film, which is set to release in November 2022.

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

- **01 "WandaVision"** – VFX Supervisor Mr. Marion SPATES and his team delivered 350 shots for the Marvel Studios series released in January 2021.
- **02 "Loki"** – VFX Supervisor Mr. Jean-Luc DINSDALE and his team created almost 500 shots over two episodes for the series released in June 2021.
- **03 "Lost in Space"**, Season 3 – VFX Supervisor Mr. Marion SPATES and his team delivered work for the final season of the Netflix series.
- **"Ms. Marvel"** – VFX Supervisor Mr. Aladino DEBERT and his team began work on the new Marvel Studios series, scheduled for release in 2022.
- **"She-Hulk"** – VFX Supervisor Mr. Phil CRAMER is leading a team of artists to create the visual effects for the Marvel Studios series, which is due to release in 2022.
- VFX Supervisor Mr. Aladino DEBERT and Digital Domain artists worked on season 2 of an undisclosed **Amazon series**.
- VFX Supervisor Mr. Manolo MANTERO and Digital Domain artists worked on season 4 of an undisclosed **Netflix series**.

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

- Marvel Studios' **"Spider-Man: No Way Home"**
- Warner Bros.' **"Fantastic Beasts and Where to Find Them 3"**
- Marvel Studios' **"Black Panther: Wakanda Forever"**
- 20th Century Studios' **"Free Guy"**
- Marvel Studios' **"She-Hulk"**
- Marvel Studios' **"Ant-Man and the Wasp: Quantumania"**
- Marvel Studios' **"Doctor Strange in the Multiverse of Madness"**
- An upcoming Universal Pictures film

Additionally, the visualisation team provided previsualisation services for the following commercials: **eToro**'s: 30+ Super Bowl LVI commercial, a :30+ **Wendy's** spot, and a game trailer for **"Perfect World"** that was featured at E3.

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

- An undisclosed **AAA video game** to be released in 2022.
- An upcoming **theme park project**.
- Stage 11, **The David Guetta Project**.
- Machine Games, **"Relic"**.
- Two weeks of shooting for Marvel Studios' **"Spider-Man: No Way Home"**.
- Marvel Studios' **"She-Hulk"**.
- An undisclosed **Netflix series**.

We provided VFX services for advertisements, special venue projects and games. Work completed in 2021 includes:

- For **Wendy's**, the advertising/games team delivered: 30 and: 15 spots, as well as four social posts for the company's Jalapeno Poppers campaign, in addition to creating a CG hamburger for the reveal and finished multiple spots including, Breakfast, Bunception, Bobble, Announcement, Keynote, Bourbon Bacon, May Breakfast, Any Drink, BOGO, Chuck, 2 for $4, The Breakoning, Spicy Nuggets, Sampling, College, Cheddar, Beef.
- For **Apple**'s **"NBA 2K21"**, the studio produced a: 30 spot complete with cutdowns and also handled the shoot.
- Digital Domain teamed up with 72andSunny to complete the CG shoots for a live-action spot of **Activision Blizzard's "World of Warcraft"**, as well as all tagging and finishing for 150 deliverables.
- Also, for **Activision Blizzard**, the team completed the finishing for 121 deliverables for the popular **"Call of Duty"** franchise.
- For **New Line**, the team led Flame deliverables for New Line Cinema's **"The Conjuring 3"**.
- For **NBC/Universal**, Digital Domain completed four VFX shots for destruction series for NBC **"La Brea"** Promo, including one full CG and 3 live action/VFX integrations.
- For **EA/Respawn**, VFX Supervisor Mr. Piotr KARWAS and team completed an eight-minute short for **"APEX Legends"** involving a blend of design, CG, 2.5D and cell animation.
- For **Activision Blizzard**, the team completed VFX and finishing for four: 30 spots for **"Diablo 2: Resurrected"**.

- Partnering with 72andSunny and the NFL, the advertising/games team recreated **Vince Lombardi** for **"AS ONE"** at **Super Bowl LV**. The project involved recreating the American football legend and utilising our proprietary Charlatan software along with 2D Flame manipulation. The day of the event, the team showcased the hologram on the field as well as delivering a pre-rendered :90 commercial. All traditional VFX (matte painting, sky replacement and cleanup) and finishing was done by Digital Domain. The project debuted in February 2021.

- For **Arc Games "Perfect World"**, Digital Domain provided mocap direction and animation direction of trailer.
- Partnering with **Facebook/Oculus** Digital Domain produced a mixed reality shoot and composited live action footage over game footage for Beatsabor.
- For **Apple**'s **"NBA 2K22"**, the studio produced a: 30 spot,:15 spot and: 06 spot.
- For **Barkley/AMC**, the team regionalised spots by replacing signage and comped screen footage into the movie screens.
- Digital Domain began delivering work for an **eToro 2022 Super Bowl** spot creating crowd simulations of people flying through the sky.

Possible Indemnification

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

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

During 2017, the Claimant filed four separate lawsuits against certain clients of the US Subsidiary relating to the use of the Disputed IP for certain visual effects projects that the US Subsidiary had completed ("Other Lawsuits"). The US Subsidiary's clients filed two separate motions to dismiss the lawsuits brought against them. In response to these motions, the court dismissed a significant portion of the claims, but allowed the Claimant to proceed with litigation on the remaining portion of the claims for unspecified monetary damages. The Claimant later voluntarily dismissed several of its claims.

The US Subsidiary's clients filed a motion asking the court to summarily decide certain portions of the remaining claims in their favour. The court granted that motion with respect to certain feature film projects that were the subject of the lawsuit, but denied it as to other feature film projects. Thus, the claims against US Subsidiary's clients have been narrowed. The litigation of the Other Lawsuits is continuing. Discovery is now taking place and counsel for US Subsidiary is assisting counsel for the clients to defend the Other Lawsuits.

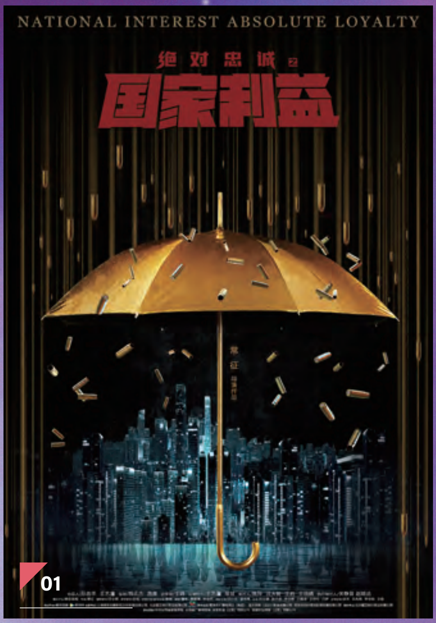
In its production services agreements for the projects that are the subject of the Other Lawsuits, the US Subsidiary agreed to certain indemnification obligations with respect to claims brought against these clients arising from allegations that the technology it used was not properly licensed or acquired. As a result, these clients have requested that the US Subsidiary acknowledge its obligation to indemnify them for any losses suffered as a result of their involvement in the Other Lawsuits. The US Subsidiary has submitted these indemnity requests to one of its insurance companies that may provide insurance coverage for indemnity claims brought against it. The insurance company initially acknowledged its obligation to provide a defence for the US Subsidiary's clients, but subsequently communicated to the US Subsidiary that it no longer believed that coverage existed under the insurance policy but would continue to negotiate with the US Subsidiary about contributing to the defence of the clients in the Other Lawsuits. The insurance company and the US Subsidiary are continuing their discussions with respect to whether, and to what extent the insurance company will pay the defence costs of the US Subsidiary's clients in the Other Lawsuits. On 20 January 2022, Claimant, US Subsidiary's clients, US Subsidiary and its insurance company commenced a settlement process through a neutral third party mediator. The mediator has been having discussions separately with each of the parties as a way to aid the parties in reaching a settlement. The mediator's discussions with the parties are continuing.

DIGITAL DOMAIN CHINA:

With the establishment of Digital Domain China ("DD China"), the Group had a strong operating platform in China with studios located in Beijing and Shanghai.

DD China provides VFX production and post-production services for commercials, TV drama series, and feature films in China, including offline and online editing, compositing, colour grading, design, music and audio, CG and VFX production. It also provides production services for the making of commercials, VR/360 degree videos and feature films.

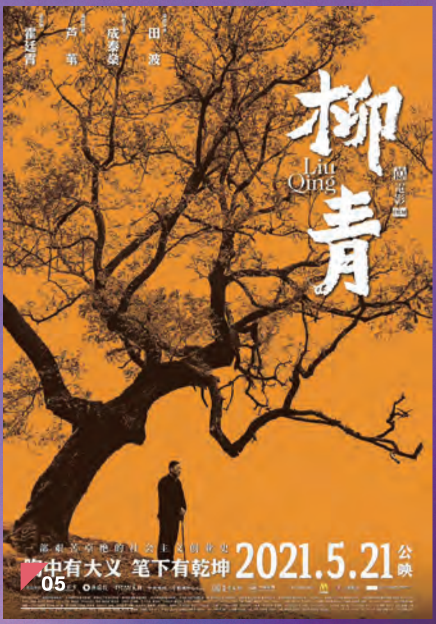
Visual effects and colour grading services delivered for the released as well as the upcoming feature films and episodic include **01** *"National Interest: Absolute Loyalty"*, **02** *"WandaVision"*, **03** *"Hi, Mom"* (Dolby Vision), **04** *"Cliff Walkers"* (Dolby Vision), **05** *"Liu Qing"*, **06** *"Loki Season 1"*, **07** *"Realm of Terracotta"*, **08** *"The Day We Lit Up The Sky"*, **09** *"Top Of The City"*,


NATIONAL INTEREST ABSOLUTE LOYALTY
绝对忠诚
国家利益
01


MARVEL STUDIOS
WandaVision
Disney+
Original Series Streaming Jan.15
02


大年初一 笑顺爸妈
HI,MOM
你好,李焕英
导演 贾玲
沈腾
张小斐
贾玲
03


IMPASSE
张艺谋
04.30
04


柳
Liu Qing
青
胸中有大义 笔下有乾坤 2021.5.21 公映
05


MARVEL STUDIOS
LOKI
Disney+
Original Series Streaming June 9
06


俑之城
REALM OF TERRACOTTA
2021.7.9 上映
07


今年夏天超快乐的电影。
燃野少年的天空
7月17日
08


梦想之都 大爱之城
大城大楼
7月23日 青春献映
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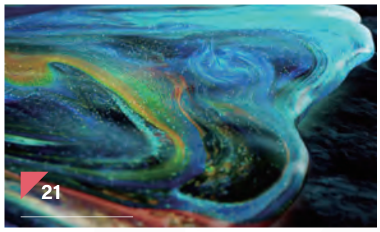
10 "Cloudy Mountain" (Dolby Vision), *11 "My Country, My Parents", 12 "Water Boys", 13 "Lost in Space Season 3", 14 "Spider-Man: No Way Home", 15 "Too Cool To Kill", 16 "Don't Forget I Love You", 17 "Doctor Strange in the Multiverse of Madness", 18 "Black Adam", "Ali's Dream Castle", "Stranger Things Season 4", "Ms. Marvel", "Carnival Row Season 2", "Lao Ba Shi Wang Cai", "She-Hulk", and "Wang Dao".*

In 2021, Digital Domain China continued to provide post-production and production (e.g. shooting, editing, colour grading and music production) services for various high-profile clients, including: **361 Degrees, adidas, Alibaba, AliExpress, Atelier Cologne, BMW, BOSCH, BYHEALTH, Coca-Cola, Colgate, Dettol, Dicos, 19 Estée Lauder, FORD, Häagen-Dazs, Hoegaarden, Hong Qi, 20 HONOR, 21 HUAWEI, INFINITI, IKEA, IM Motors, JD.com, JUNLEBAO, Keep, Kjeldsens, Kuaishou, LEXUS, Lilith Games, Maybelline New York, Mead Johnson, 22 Mengniu Chunzhen, 23 Mercedes-Benz, MI, MIND NOVA, Nestlé, OnePlus, OPPO, PEACEBIRD, Peking Opera Protection and Inheritance Center of Hunan & Hunan Museum - "Yi Nian Xin Zhui Meng", Porsche, Red Bull, RIO, Samsung, 24 SATINE, SHISEIDO, Shuijingfang, 25 Starbucks, TCL, 26 Tencent Games - "Game For Peace", Tencent Games - "Honor of Kings", Tencent Video - "Hi Directors", The North Face, TRULIVA, 27 Under Armour, Universal Beijing Resort - Kung Fu Panda Land of Awesomeness - "Kung Fu Panda Journey of the Dragon Warrior", vivo, Volvo Cars, WINONA, WULIN,** and **Xpeng Motors.**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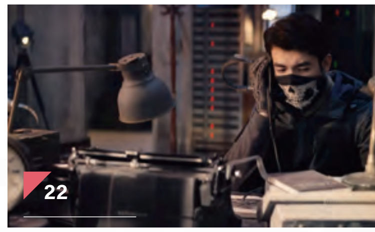
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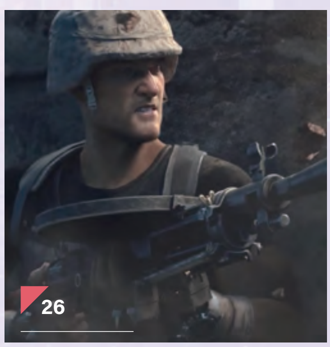
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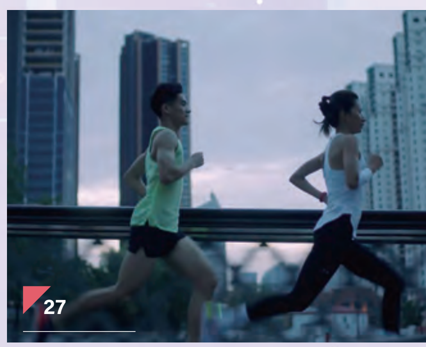

27

Digital Domain professionals based in the locations of Beijing and Shanghai participated in several publicity activities:

- In September 2021 - Mr. David Rivero MARTIN, Director of Digital Intermediate (D.I.), Ms. QIAO Shuyi, VFX Supervisor, and Mr. KONG Dazhong, Lighting Supervisor, were invited to present at **FIRST Fantastic Film Festival 2021** where they shared the insights on filmmaking.

- In December 2021 – The travelling exhibition **BEFORE LIGHT IN MOTION** held by eyepetizer roared into Hangzhou Powerlong Art Center, with the virtual reality experience **"Micro Giants"** featured at the venue of Rabbit Hole. The exhibition continues until March 2022.

- In December 2021 – Ms. QIAO Shuyi, VFX Supervisor, revealed her journey as a VFX artist through **Huxiu's documentary series "To Be, Or Not to Be"**.

- In December 2021 – In **Tencent News' reality show "Brand New Future"**, Mr. PANG Bo and Mr. WANG Yuheng visited the Beijing studio of Digital Domain to gain a deeper understanding of how cutting-edge technologies transform the visual creations, especially virtual humans. This variety show successfully generated more than 21.532 million views throughout Tencent Video.

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

- In December 2021 - The **Under Armour** advertising that Digital Domain created received a **silver DAwards under Craft – Production Innovation**.

- In December 2021 – Digital Domain honoured as **Pioneer of the Year 2021** in Visual Effects and Production category, by New Studio.

DIGITAL DOMAIN INDIA:

Stepping into its fifth year since being operational, Digital Domain India ("DD India") has achieved some important milestones laid out at the time of inception. The facility continues to grow both in terms of headcount and revenue and has successfully shown positive margins for two straight years.

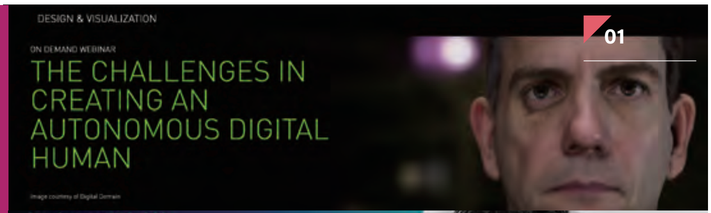
In 2021, DD India came back to work from the studio in its full capacity and delivered high quality work while continuing to deal with the ongoing global COVID-19 challenges. Along the way, the facility saw an increase in the volume of work from both Insourcing and Direct Clients that continues to go deep into second half of 2022. There has been a significant improvement in nature or complexity of work producing out of DD India facility as a step towards achieving the goal of doing more end to end shot production for both features and over-the-top ("OTT") platforms. Thus, enabling and contributing to Digital Domain's overall global strategy of improving the margins for VFX services in the coming years.

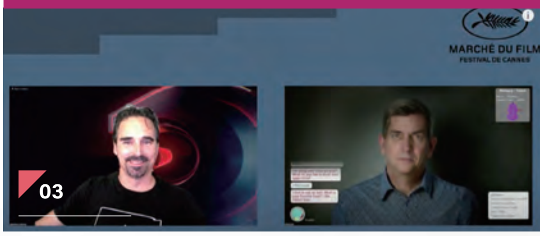
DD India provides services across platforms for features, television, web and OTT media. DD India considers data security to be of the utmost importance and is a certified facility under the Trusted Partner Network (TPN), a joint venture between two major entertainment industry associations, The Motion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

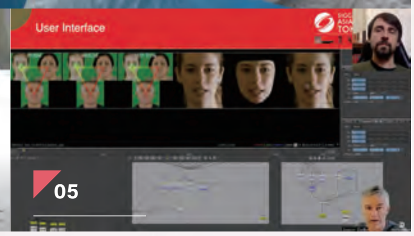
B

VIRTUAL HUMAN BUSINESS (NORTH AMERICA AND GREATER CHINA REGIONS)

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





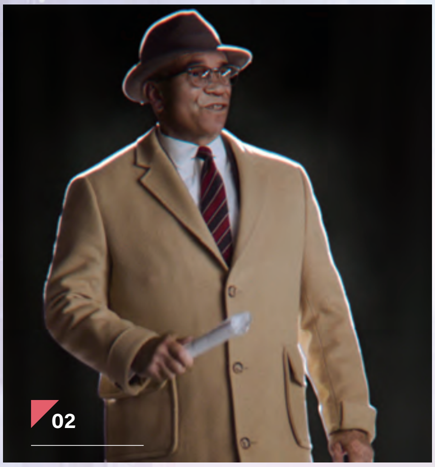


The Virtual Human Group ("VHG") of the North America region participated in several events this year, including:

- Mr. Lucio MOSER presented at **VFXRio** sharing his insights on machine learning in VFX and how it urges us to rethink the typical approaches to old problems and allows us to solve problems that seemed impossible.
- **01** In March 2021, Mr. Matthias WITTMANN and Mr. Doug ROBLE performed a live demo of Douglas and discussed **"The Challenges In Creating An Autonomous Digital Human"** at **NVIDIA's Design and Visualizations AI Webinar**. The two were also featured on the **Augmented City Podcast** in an episode titled, **"Crossing Multiple Uncanny Valleys: How Digital Domain Does It With Virtual Humans"**.
- **02** Mr. Matthias WITTMANN was invited to present at the **Real Time Conference** where he discussed the challenges of building an autonomous human and presented Douglas live in front of a virtual audience. He also participated in a panel discussion on digital humans.
- Mr. Doug ROBLE participated in a **VFX AI symposium** discussing how artificial intelligence ("AI") will be used in VFX going forward.
- Mr. Doug ROBLE and Mr. Darren HENDLER were interviewed for two separate episodes of the **Immersive X Podcast**. The episodes released in July and September 2021.
- For **IBC365**, Mr. Darren HENDLER participated in a webinar which discussed the current role of AI in post-production and how its adoption will evolve.
- **03** Mr. Matthias WITTMANN and Mr. John CANNING performed a live demo of Douglas at the **Cannes Film Festival**.
- **04** Mr. Lucio MOSER and Mr. Jason SELFE provided a pre-recorded talk for **SIGGRAPH 2021**.
- Mr. Matthias WITTMANN participated in a virtual presentation of autonomous humans for **Schweizer Digitaltage**.
- **05** Mr. Lucio MOSER participated in two virtual live Q&A sessions for **SIGGRAPH Asia 2021** for the technical papers "Dynamic Neural Face Morphing for Visual Effects" and "Semi-supervised video-driven facial animation transfer for production".

Digital Domain's VHG's research and development aided multiple projects (including those from other business units of the Group) and resulted in new developments in 2021:

01



02

03

04

- **01** In collaboration with the advertising/games and New Media team, VHG's "Charlatan" was applied to help add 30 years to **David Beckham's** face for a powerful new campaign from client **Malaria No More**, supervised by Mr. Dan BARTELUCCI, VFX Supervisor.

- **02** VHG worked with the New Media team to create the digital human version of **Vince Lombardi** for use in ads during the **Super Bowl Game "AS ONE"** commercial.

- **03** For **"Spider-Man: No Way Home"**, VHG ran tests using Charlatan to replace masks while shooting during COVID-19.

- **04** VHG worked with the New Media team to utilise Charlatan to uprez the **Martin Luther King, Jr.** asset for a project with **TIME** and **Epic**.

- VHG has partnered with the episodics team to use **Masquerade 2.0** on an **upcoming Marvel series**.

- VHG utilised **Masquerade 2.0** on an upcoming undisclosed **AAA game** in partnership with the New Media Team.

- VHG's body deformations took a huge leap forward with the continued development to their machine learning cloth systems. The technology was used for an upcoming **Amazon** and also a **Marvel series**.

- VHG is testing Charlatan Geo, a research project for capturing geometry of a performance from a single camera, on an upcoming **Marvel series**.

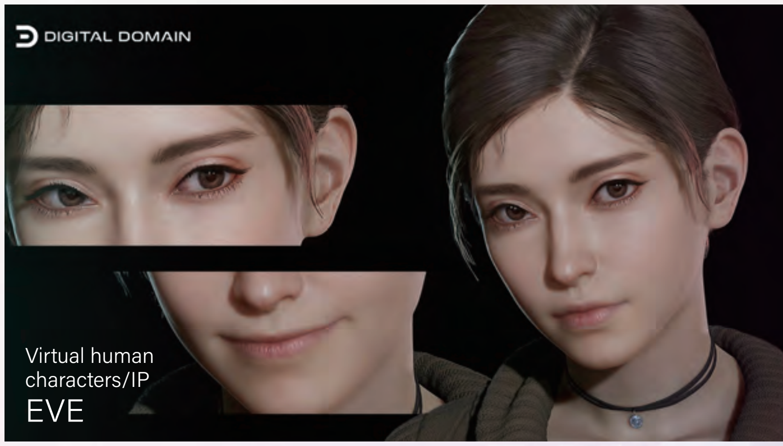
- Digital Domain is working with a **large theme park** client to create digital real-time humans based on a long running movie franchise. The attractions will go live in 2024.

- Digital Domain has partnered with **ITEC Entertainment Corporation** to create a Pepper's Ghost type experience at the **Billy Graham Library** in North Carolina. This will serve as an homage to the late Reverend Graham. In addition to a body double, we are employing VHG's Charlatan.

- For Studio Wildcard, Digital Domain delivered content for a real-time cinematic for the video game **"ARK 2"** that included creating a photo real likeness of **Vin Diesel** playing Santiago, the main character, as well as the main female child character. Digital Domain was responsible for asset look development and talent acquisition. This project's teaser trailer was released to public audiences.

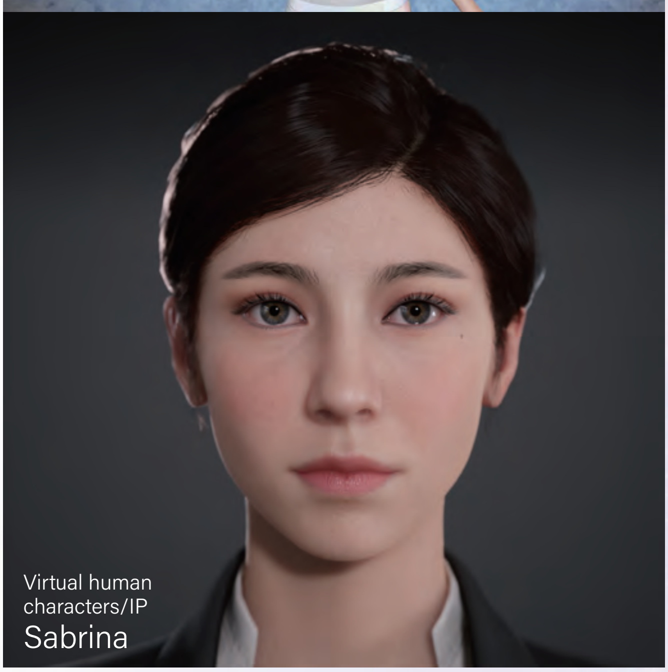
In addition to Virtual Human Teresa Teng, the Group developed other virtual human characters with different business partners (such as famous singers, movie stars or corporations) in the Greater China region. Since 2018, the Group has created a range of its own virtual human characters/IPs including **Sandra**, **EVE**, **Irene**, **Sabrina** and **M.E.**, etc. The Group also deployed resources towards research and development to improve the interaction between virtual human characters and their audiences.

Virtual human characters/IP
Irene

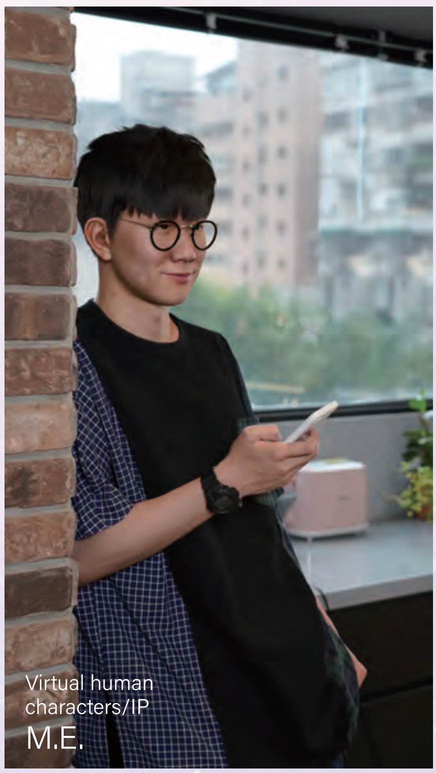


Virtual human characters/IP
EVE

Virtual human characters/IP
Sandra



Virtual human characters/IP
Sabrina



Virtual human characters/IP
M.E.

The Group produced or launched virtual human related projects (including those cooperated with business partners) in 2021, including:

- **01** In February 2021, **Foxlink Group** held an online employee recognition conference and online lottery party at its Taipei headquarters. Employees of Foxlink Group in the Greater China region, Myanmar, India, the United States, and other regions participated in the event through their mobile phones. The use of virtual host designed by Digital Domain combining with real-world environment had add a lot of fun and highlights to the live broadcast. This was a successful attempt by using a virtual human as the host of internal events.

- **02** In March 2021, **BMW** Taiwan invited Digital Domain CEO Daniel Seah to co-star with our **Virtual Human Elbor** in **"THE NEW 5"** commercial. The advertisement strives for a new definition of technology and the changes that technology has brought to the world, therefore Digital Domain uses real-time capture and real-time rendering technology which allows both of them to interact in the same frame. During the shoot, the director can review Elbor's wonderful performance on the monitoring screen in real-time.

- **03** In April 2021, **Virtual Human M.E.** became the main character of the **Drifter 360° online game** on **JJ Paradise** website https://www.jjparadise.com/. The use of 360-degree video has brought the audience to the Drifter's world. The participants can share the rewards they gained in the game on the internet.

- From September 2021, **Virtual Human Tellers "Ms. Rose"** and **"Mr. Sunny"** jointly created by **Taishin Bank** and Digital Domain officially began to serve customers at Taishin Bank's designated branch(es). With "Multifunctional Virtual Teller Machine (VTM)" customers can experience "contactless" service when opening a bank account.

- **04** In November 2021, on the official opening day of **"AMBI SPACE ONE"**, Taishin Bank's Virtual Human Tellers **"Ms. Rose"** and **"Mr. Sunny"** served as opening hosts and announced the Taishin Bank (financial industry) also entered into the Metaverse.

- **05** In December 2021, Digital Domain collaborated with **Noitom**, allowing **Virtual Human Rochelle** to appear at the **International Broadcasting Convention (IBC)** as co-host for **5G LBXR** (Location-Based Extended Reality) **HADO E-sport Tournament**.

- Digital Domain Virtual Human team in the Greater China region successfully applied **"ANIMATION GENERATION METHOD FOR TRACKING FACIAL EXPRESSIONS AND NEURAL NETWORK TRAINING METHOD"** for U.S. Provisional Patent Application. The contribution and innovation of this patent will help maintain the Digital Domain's competitive advantage in virtual human technology and continue to provide better services and products.

C

VIRTUAL REALITY, AUGMENTED REALITY, NEW MEDIA AND EXPERIENTIAL

This segment includes augmented reality ("AR"), immersive and virtual reality ("VR") technology services using 360 degree digital capture technology and CG.

Digital Domain's VR, AR, New Media and Experiential team executed several livestream broadcasts, experiences and installations in 2021:

- Digital Domain and an **undisclosed AAA Game Company** partnered up in 2019 to embark on their biggest, highest quality video game featuring over 30 hours of captured facial and body performance capture. The project leverages Masquerade 2.0, Digital Domain's proprietary facial capture process throughout all talent capture on this truly massive new game project. Supervised by Mr. Aruna INVERSIN, VFX Supervisor and Creative Director of New Media, this undisclosed AAA game title is currently in production and scheduled for release in 2022.
- Digital Domain joined forces with Las Vegas powerhouse agency **R&R Partners** and **Blockchains LLC** to produce five 2-minute explainer films.
- Digital Domain joined director Lina RASSBAKKEN and **the Norwegian Film Institute** to create 11 unique real-time characters and assets, from human apparitions to fantastical animals that resemble a water bear, for use in the interactive VR experience titled **"NORN vol. 1: The 9 Daughters of RAN"** which went on to acquire two **VRINN** awards.
- **01** The team also worked on Digital Domain's other projects, including the theme park project, Billy Graham Library, Vince Lombardi, "ARK 2", and **"Malaria Must Die"**.

D

DIGITAL DOMAIN STAFF FROM THE GLOBAL STUDIO PARTICIPATED IN SEVERAL EVENTS THIS YEAR:

- Ms. Wendy MASHBURN participated on a panel for **LA ACM SIGGRAPH** where she discussed the outlook for careers in Digital Media.
- Ms. Weri SIN participated in a live panel for **Spark CG Society's Spark FX Conference 2021** titled "Our Future Masters".
- Mr. Stuart AINSLEY participated in a virtual event for **Foundry** on **"Creative Procedural Workflows in Mari"**.
- Mr. Phil CRAMER was interviewed on the **Cup of Joe podcast** to discuss his career in visual effects.
- Mr. John FRAGOMENI participated on the judging panel for the **Perth Art Directors Club ("PADC") Skulls Awards 2021**.
- Mr. Ryan DUHAIME participated in an alumni presentation for the **Savannah College of Art and Design** to discuss his career and background.
- Mr. Daniel SEAH gave a presentation at the **Wedbush Winter Games** where he provided an overview of Digital Domain's history in the industry and its future.

01

E

CO-PRODUCTIONS

Feature Films:

The film **"Ender's Game"** was released in November 2013 in the US. The film continues to generate income from non-box office channels both within and outside the US. 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 under "Other revenue and gains" in the Group's consolidated income statement.

The Group partnered with **Mr. Lucas FOSTER** (a producer of famous films such as "Ford v Ferrari", "Mr. & Mrs. Smith", "Man on Fire", etc.) to produce a film **"Children of the Corn"**, based on a novel from **Mr. Stephen KING**. Shooting of the film took place in Australia during the pandemic in 2020 and is expected to be released globally within 2022.

Episodes Series:

Digital Domain entered a collaboration with Talent Television and Film and Cenic Media to produce **"Ten Years Late"**, an episode which tells an inspiring workplace story set across multiple cities. Digital Domain provided VFX and VR solutions for the drama, to give viewers a high-quality immersive experience. At the same time, Digital Domain also invested in and provided the VFX works for **"The Legends of Monkey King"** from Cenic Media.

During the year under review, there was no income recognised from broadcasting movies and episodes (2020: HK$55,324,000 from The Legends of Monkey King) under "Other income and gains" in the Group's consolidated income statement. There was no amortisation expenses from investment in the TV drama series mentioned above (grouped under "Participation Rights") (2020: HK$37,057,000).

F

INVESTMENT IN "handy"

In 2018, the Group made a US$25,000,000 (approximately HK$196,213,000) equity investment in Mango International Group Limited ("Mango"), and its flagship product "handy" which leverages millions of hotel rooms globally to create a comprehensive travel ecosystem encompassing a traveller's end-to-end journey, from pre-trip to in-destination to post-travel. As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, the investment was classified as a financial asset measured at fair value through other comprehensive income. For the preparation of the annual audit for 2018 and 2019, the Group engaged an independent professional valuer to estimate the fair value of Mango at year end and fair value adjustments (downward) have been made for these two financial years. The fair value adjustment was reflected in the consolidated statement of other comprehensive income with items that will not be reclassified to profit or loss. As at 31 December 2019, 31 December 2020 and 31 December 2021, the value of the financial asset measured at fair value through other comprehensive income is nil.

G

FORMATION OF DDCP AND INVESTMENTS IN EUROPE

Formation of DDCP

The Company's indirectly wholly-owned subsidiary, Digital Domain Broadcasting (Hong Kong) Limited ("DDBL"), formed **Digital Domain Capital Partners S.à r.l.** ("DDCP"), a company incorporated in the Grand Duchy of Luxembourg on 18 January 2021 with a joint venture partner, a wholly-owned company, Digital Knight Finance S.à r.l. ("DKF"), of Mr. Clive NG Cheang Neng ("Mr. Ng"), pursuant to the agreement that was the subject of the Company's announcements dated 11 December 2020 and 27 December 2020. Pursuant to the joint venture formation agreement, DDBL and DKF subscribed approximately HK$187,800,000 (equivalent to EUR20,000,000) and approximately HK$125,200,000 (equivalent to approximately EUR13,333,000) in cash respectively for, and holds, 60% and 40% shareholding interest in DDCP.

Discloseable and connected transaction in relation to acquisition of 40% equity interest in DDCP

On 16 August 2021, DDBL ("Purchaser") and DKF ("Vendor") entered into a sale and purchase agreement ("SPA"), pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 4,800 common shares of DDCP, representing 40% of the total equity interest in DDCP, for an aggregate cash consideration of approximately EUR13,333,000 (equivalent to approximately HK$123,648,000). The transaction was completed on 15 October 2021, following which DDCP became an indirect wholly-owned subsidiary of the Company.

As Mr. Ng (who indirectly wholly-owned the Vendor) was then a substantial shareholder of the Company holding, through his wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company, the SPA constituted a connected transaction of the Company that was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Independent shareholders' approval was obtained at a special general meeting ("SGM") was held on 6 October 2021.

For details, please refer to the Company's announcements dated 16 August 2021, 6 September 2021 and 6 October 2021 and the circular dated 13 September 2021 (which contained particulars of the acquisition, advice from an independent board committee ("IBC") comprising all the independent non-executive Directors and from Octal Capital Limited, the independent financial adviser appointed to advise the IBC and the independent shareholders and the notice convening the SGM).

Investment in asknet

On 3 February 2021, DDCP as the purchaser entered into a sale and purchase agreement with a seller pursuant to which DDCP agreed to purchase and the seller agreed to sell 248,431 common shares ("asknet Sale Shares") of **asknet Solutions AG**, a publicly traded German e-commerce company, the shares of which are traded on the Frankfurt Stock Exchange (ticker code: ASKN) ("asknet") for an aggregate consideration of approximately EUR3,709,000 (approximately HK$34,586,000), i.e. amounting to approximately EUR14.93 (approximately HK$140.79) per asknet Sales Share. The asknet Sale Shares represented approximately 19% of the total issued common shares of asknet on 3 February 2021. As at 31 December 2021, the asknet Sale Shares represented 7.6% of the total issued common shares of asknet due to a share capital increase of asknet proposed in November 2021.

Founded in 1995, asknet is an established procurement, e-commerce and payment specialist with a strong position in the German-speaking academic market providing access to software solutions and IT services with a focus on academic and educational sectors. Areas of collaboration between the Group and asknet under consideration include the deployment of the Group's virtual human technology in the form of a virtual teaching assistant for the education and lifelong learning sectors in the European market, the development of learning solutions that leverage mixed reality content and the distribution of the Group's software and hardware products to the education market in Europe. Considering the COVID-19 pandemic situation, the Group expects that the demand in education technology services is likely to increase.

For details, please refer to the Company's announcement dated 3 February 2021.

Investment in HLEE

During the first half of 2021, DDCP as the purchaser entered into two sale and purchase agreements with a seller pursuant to which DDCP agreed to purchase and the seller agreed to sell a total of 265,000 bearer shares ("HLEE Sale Shares") of **Highlight Event and Entertainment AG**, a publicly traded Swiss media and sports marketing company, the shares of which are traded on the Swiss Stock Exchange (ticker code: HLEE.SW) ("HLEE") for an aggregate consideration of EUR7,214,000 (approximately HK$67,808,000), i.e. amounting to approximately EUR27.22 (approximately HK$255.88) per HLEE Sale Share. The HLEE Sale Shares represented approximately 3.01% of the total issued bearer shares of HLEE on 6 May 2021. As at 31 December 2021, the HLEE Sale Shares represented 2.8% of the total issued bearer shares of HLEE due to the increase of share capital of HLEE in 2021. HLEE carries its business in segments of film, sport- and event-marketing and sport events through its subsidiaries and affiliates in Europe.

INTERESTS IN ASSOCIATES

VIRTUAL HUMAN TERESA TENG BUSINESS AND 虛谷未來科技（北京）有限公司 ("BEIJING XU GU")

In order to speed up business development in the field of virtual humans, the Group continues to seek opportunities for financing and collaboration with strategic partners.

VIRTUAL HUMAN TERESA TENG

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

- The Digital Domain Group's virtual human team keep developing the latest virtual human technology, combining deep learning and real time rendering technology. With the new virtual human technology from Digital Domain Group, a new version of the Virtual Human Teresa Teng was developed and "she" can be controlled live by the **Mystique Live System** and perform in various types of show, such as live streaming concert, hologram show etc.


01

- **01** For 2021, the **Hongyadong Teresa Teng Holographic Concert "Looking for Teresa Teng" in Chongqing Hongyadong** has been showing continuously since its launch in 2020, bringing a holographic experience to the audience in the Hongyadong scenic spot.

- April 2021, Digital Domain, Cancer Care Foundation and Media Chain jointly organised **"Yueqing Chen x Teresa Teng – Chinese Valentine's Day" online charity concert** for public welfare.

- **02** April 2021, **Virtual Human Teresa Teng's Holographic Concert** officially launched in **Haikou Cyberpunk Digital Theme Park**. With holographic immersive performances and interactive sessions, it provided Haikou people and tourists with a brand new experience of visual, hearing, and senses.

- **03** June 2021, Virtual Human Teresa Teng attended the **China (Chongqing) Home Appliances Distribution Channel TOP Summit** via video conference system, and brought wonderful performances at the event.

- June 2021, Virtual Human Teresa Teng participated in the shooting of the **COVID-19 prevention advertisement**, which started to go on air in July 2021.

- **04** September 2021, organised by Singapore Ding Yi Music Company, collaboration with Tailin and Voice of Singapore, Virtual Human Teresa Teng was invited to perform at **the National Library Board of Singapore Auditorium**.

- **05** November 2021, through 5G technology, Virtual Human Teresa Teng interacted with the host and the audience on the opening day of **"AMBI SPACE ONE"**.

- 06 November 2021, **Tencent News "Brave New Future"** program interviewed Digital Domain, and had a conversation with Virtual Human Teresa Teng.

- 07 December 2021, Digital Domain's CEO Daniel Seah was invited by **YPO (Young President's Organisation)** to give an online speech, Virtual Human Teresa Teng was also invited to perform and interact with the audience at the event.

- 08 December 2021, on **Jiangsu Television New Year's Eve Concert**, Virtual Human Teresa Teng sang 3 songs with singer Charlie Zhou, causing a huge sensation on the internet.

BEIJING XU GU

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

- 09 January 2021, **Nonoka, Alice x Wang Lo Kat 2021 Virtual E-Commerce Live Broadcast**: the virtual IP Nonoka and children's virtual IP Alice cooperated with Wong Lo Kat to carry out the "Chinese New Year Special" live broadcast for the launch of new products and blind box products, with fun interaction and charming enthusiasm for the brand's live broadcast. The time brought huge traffic, which boosts the sales of Wong Lo Kat's new products.

- 10 January 2021, **Nonoka, Alice x CELSIUS New Year Gift Box Marketing Campaign**: the virtual IP Nonoka and children's virtual IP Alice collaborated with CELSIUS to produce a series of promotional videos for the New Year gift box, from "Microcosmic New Year Celebration", "What's Going on with Zero Sugar Drinks", and "How to Choose Your Energy Drink" and other aspects to help the brand to increase its exposure through a creative way.

- 11 February 2021, **8th China Youth Network Spring Festival Gala**: the children's virtual IP Alice, as the first virtual host of the Chinese Communist Youth League's 8th China Youth Network Spring Festival Gala in 2021, and served as the host of the entire show. During the event, Alice, on-site hosts, and guests interacted with each other in real time. As her interactions were exactly like a real human, everyone was amazed and she became the new highlight to the whole party.

- 12 March 2021, **Chinese New Year Customised Red Envelope**: Alice released 6 customised red envelope covers during the Chinese New Year Festival, with a total of 1,180 purchased and issued, with over 700,000 exposures, and over 260,000 red envelopes, which brought a lot of exposure to the IP.

- From March 2021 to August 2021, we cooperated with **Alibaba Damo Academy** on the **"Intelligent Virtual Live Streamer"** project, leveraging the extensive experiences of 3D modelling and live controlled virtual human of Digital Domain, combined with the Artificial Intelligent System developed by Alibaba Damo Academy, a new generation virtual live streamer service was launched in June 2021, which can carry out 24-hours Live Streaming Ecommerce. At the same time, Digital Domain is ahead of competitors, and became the first team to successfully integrate into the Damo Academy Intelligent Virtual Live Streamer Platform in Mainland of China.

- 13 April 2021, the ninth episode of the sixth season of China Central Television ("CCTV")'s classic poetry program **"Chinese Poetry Conference"**, which Alice participated in, was broadcasted in prime time on CCTV's integrated channel. She served as the first **"virtual title maker"** of the "Chinese Poetry Conference". As soon as she appeared, she took everyone on a magical transformation and journey through and interacted with the on-site contestants and tutors. The perfect integration of traditional Chinese poetry culture and virtual technology presented the audience with a refreshing cross-dimensional poetic moment. In addition to the official "Chinese Poetry Conference", this project also attracted the attention of well-known media in the industry, with a cumulative exposure of over 15 million.

- 14 April 2021, Alice appeared multiple times on **CCTV Children's Channel "Whimsical"**, with a cumulative exposure of over 9 million audiences. In the program, Alice explained the scientific experiments to the audience as a "CCTV Children's Science Explainer", which not only bring the highlights to the program, but also gave a new visual experience to the audiences.

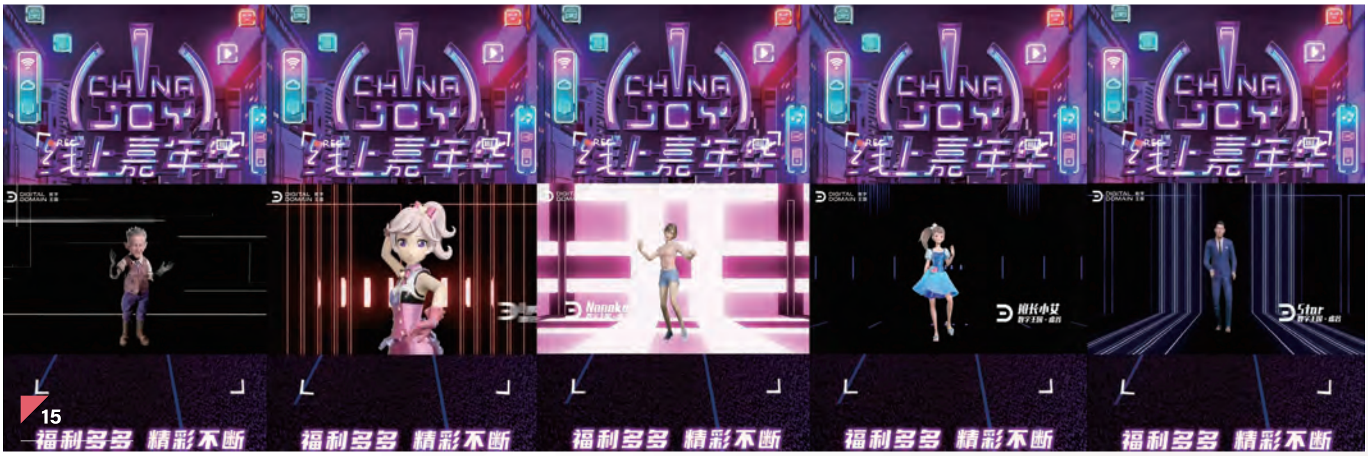
- June 2021, Digital Domain cooperated with **Alibaba Damo Academy** on the **"Sign Language Motion Capture (Mocap)"** Project, after a variety of technical evaluations, the Digital Domain Group combined optical motion capture system with the cutting-edge mocap gloves to initially capture hundreds of sign language motion, and the plan is to extend to thousands in the future. The goal is to "Make a Visual Dictionary" and contribute to the diverse communication of human society.

- 15 July 2021 the virtual human characters of Beijing Xu Gu appeared at **ChinaJoy 2021** and celebrated the grand ceremony with thousands of players on the spot and in the live broadcast rooms.

- 16 August 2021, Alice cooperated with **CCTV Channel 10** experiential cultural and educational program **"Follow Books to Travel"** and served as a "virtual team leader" in the program to lead students from primary and secondary schools to "travel thousands of miles" while "reading thousands of books". Approaching cultural relics, telling stories on the spot, immersing in education, history, and perceiving culture.

- Alice continues to produce original **children's science content** on platforms such as **Wechat Channels, live.qq.com, TikTok, Kuaishou, Bilibili, Xigua Video, Weibo, CCTV**, etc., which includes common knowledge of common sense of life, animal world, plants encyclopedia, human body, historical anecdotes, universe exploration, human geography, festival customs, culture and technology, safety protection, health education, etc., as well as social hot spots, emotion ties between parents and children. As of 31 December 2021, Alice's video account has released a total of 392 videos, with a total exposure of up to 21.96 million, ranking 14th on the "maternal and infant parenting chart".

- Alice cooperated with Aimu children's wear, Xiaoye Education, Children's Education, Relay Publishing, Dangdang.com, CITIC Press Group, children's publishing house, etc., with the identities of **"children's book recommendation officer"** and **"fine goods promotion officer"**. With the official identities, Alice assisted these brands/companies to promote their products and attract new customers.



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- 17 September 2021, **The One Belt and One Road Cultural and Creative Competition Awards Ceremony** (hosted by the China Association for Trade in Services, organised by Cultural Tourism Branch of the China Association for Trade in Services, and Beijing Cultural and Creative Board Development Co., Ltd.) in Beijing of **2021 China International Fair for Trade in Services**: Beijing Xu Gu won the **"Most Potential Award of 2021 One Belt and One Road Cultural and Creative Competition"** for its explorations and contributions to the educational field by the first virtual idol in the field of children, children's reading promoter, and children's knowledge sharing officer "Alice".

- 18 September 2021, Alice was invited to participate in the **"Dream of Feather" 2022 China International Fashion Show** and gave an opening performance as a **"specially invited National Style Promotor"**. Alice in a pink Chinese style skirt, conveyed the beauty of traditional Chinese culture to the public across dimensions on the show.

- 19 September 2021, the **"Science Technology Towards North" music festival**, as one of the series of activities in the **Zhongguancun Software Park**, kicked off under the "Big Flying Saucer", the landmark building of the Zhongguancun Software Park. This year, in addition to well-known musicians and bands, the virtual IP Alice and the shimmering girl Lydia appeared on the stage as the biggest highlights of the music festival, bringing you the cutting-edge technology of the virtual human industry in the form of real-time interaction experience.

- October 2021, Alice participated in the recording of the **CCTV Channel 14** youth cultural inspirational large-scale program **"Chinese Youth Talk"** as a special guest, entered the studio with virtual human technology, sharing life and learning experiences with young people, and expressed patriotism and family, self-improvement, with the courage to explore and create a sense of growth for the future.

- 20 October 2021, **Alibaba Tmall Genie V10** new product launched, Beijing Xu Gu produced an artificial intelligence virtual concert **"The Wonderful Night of AI"** for it, leading the audience to experience an immersive carnival of the metaverse.

- 21 December 2021, the **Digital Culture Zhongguancun 2021**, hosted by the Publicity Department of the Beijing's Haidian District Party Committee, had made a grand debut, striving to create a digital economy **"Haidian Model"** that is led by innovation, digital transformation, and face to the outside world. As a virtual human pioneer enterprise, Beijing Xu Gu debuted at the event, bringing a brand new virtual human experience to the event.

- 26 December 2021, on the 40-day countdown to the **Beijing 2022 Winter Olympics** and the fourth anniversary of China Unicom's signing as the official partner of the Beijing Winter Olympics, the **virtual IP Xiaomeng** appeared in Hainan Province with **China Unicom's "Smart Winter Olympics Tour"**, bringing "Winter Olympics" to Haikou (a summer city with a nick name called as "a coconut city"), bringing a warm and snowy carnival to the public.

- 22 In the **60th anniversary commemorative exhibition of MEI Lanfang in the National Museum** in China, Alice explained MEI's art as a "little messenger of promoting traditional culture", praising his contributions to arts, commemorating his extraordinary artistic life, and promoting his noble arts. The artistic spirit attracts more young people's attention to the traditional culture of opera.

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3GLASSES GROUP

3Glasses Group is principally engaged in the research, development and sale of VR hardware, smart wearable devices, VR software development kit and other related products, under the brand name of "3Glasses".

The 3Glasses Group management team has extensive experiences in VR business. On 14 April 2021, the latest generation of its self-developed VR headset (being a head-mounted display device that provides a VR experience for wearers), 3Glasses X1S smart glasses, won the "German iF Design Award", one of the world's top industrial design awards, and became the only iF award-winning product in China for split VR, demonstrating 3Glasses' innovative design capabilities and profound R&D capabilities. In addition, 3Glasses has independently created an open technology system – 3Link, and completed the direct connection of X1S with 15 models of 5G mobile phones, opening up the connection between multiple terminals and multiple systems. Despite these encouraging technological developments, the 3Glasses Group faces uncertainties on the commercial roll out of these new products in view of the COVID-19 pandemic related social distancing measures and travel restrictions which have an adverse impact on sales through physical stores and on delivery logistics that are crucial to successful launch and marketing of those products.

Since early 2021, 3Glasses also deployed its technology to produce and publish panoramic short videos through the Chinese short video platform Kuaishou. 3Glasses have delivered impressive results, having accumulated in less than one year more than 700,000 followers, 10 hot videos with over 10 million views and cumulative total views over 450 million on that platform as at 31 December 2021, with one of its videos ranking first on Kuaishou's hot video ranking list in October 2021. Given the positive results, 3Glasses Group is looking to monetise these capabilities with a new panoramic video editor (全景視頻編輯器) application (called as "Paina / 拍吶") under development and through collaboration with corporate players in the metaverse / Non-Fungible Token ("NFT") space with or without complementary offline facilities in which its VR capabilities can be deployed.

DIGITAL DOMAIN SPACE

In 2017, Digital Domain established 數字王國空間(北京)傳媒科技有限公司 ("Digital Domain Space") with several strategic partners. Digital Domain Space's aim is to develop and execute an innovative VR experience with VR theatres in China. Digital Domain Space also built and officially launched in December 2020 a "DD Land" with a business partner in Haikou, Hainan province. Currently, one VR theatre and DD Land are in operation and continue to face challenges that slow consumer traffic in light of the fluid development of the pandemic and related government measures.

IMPAIRMENTS RELATED TO INVESTMENTS IN ASSOCIATES

The Company determined following the end of the financial year ended 31 December 2021 that the Group should strategically focus its resources towards its core VFX and VH capabilities and develop appropriate plans to address its investments in 3Glasses Group and Digital Domain Space given the uncertainties of a turnaround of their businesses amid the uncertainties brought by the evolution of COVID-19. The lacklustre performance of both investments and the continuing business uncertainties they face as described below (under the sections named "Goodwill and intangible assets of the Group" and "Prospect") together with the change in the Company's strategy led to impairments of the relevant investments for carrying value and amount due from 3Glasses Group in the amount of approximately HK$163,600,000 and HK$31,100,000 respectively, and amount due from Digital Domain Space at approximately HK$37,000,000. These impairments do not have any corresponding cash outflow. In addition, the Group recognised an expected credit loss (in the amount of HK$64,100,000) of the consideration receivable for the partial disposal in 2020 of 22.29% shares in Lead Turbo Limited, the holding company of the 3Glasses Group. Such impairment comprised aggregate of the second and third instalment consideration payments due July 2021 and 2022 respectively of HK$34,000,000 each, given the non-payment of the second instalment despite its efforts in negotiations and recovery of the same and the lack of evidence of current creditability of the purchaser.

GOODWILL AND INTANGIBLE ASSETS OF THE GROUP

As at 31 December 2021, the Group had intangible assets of approximately HK$533,994,000 (being approximately 44% of the Group's total assets as at the same date). Such intangible assets comprised goodwill of approximately HK$293,877,000 that has been allocated to two cash generating units (or "CGUs") of our media entertainment segment, namely the CGUs for (i) visual effects production ("VE CGU") and (ii) post-production ("PP CGU") and trademarks of approximately HK$19,491,000 allocated to the Group's VE CGU.

For the purposes of impairment testing, the recoverable amounts of the CGUs have been determined by the Directors on the basis of value-in-use calculations with reference to professional valuation reports issued by Knight Frank Asset Appraisal Limited, an independent firm of professional qualified valuers. The recoverable amount of each CGU, the period of cashflow projections, the key assumptions used for the value-in-use calculations (including the average growth rate and pre-tax discount rate) for each CGU as at 31 December 2021 are set out in note 15 to the financial statements included in this report.

The pre-tax discount rate, corporate income tax rate, post-tax weighted average cost of capital, market rate of return and levered equity beta and terminal rates adopted in the valuations as at 31 December 2021 were determined on a basis consistent with that which was applied in the value-in-use calculations of the same CGUs as at 31 December 2020, with the absolute values of each rate varying by reference to the market data of the jurisdiction(s) in which the relevant CGU operates.

Except for the 360 degree digital capture technology applications ("360 CGU"), the average growth rate of each CGU was determined based on the projected revenue for the financial year ending 31 December 2022 that the Company expects to be derived from (i) projected work supported by signed contracts ("Committed Work"), (ii) budgeted engagements based on prospective identified projects and subject to negotiations (discounted for likelihood of success ("Success Discount"), based on management assessment by reference to historical success rate as well relationships with the counterparty) ("Likely Work") and (iii) other projects that are not under negotiation at the time of forecast but may become available during the year, based on the prior year's operating experience ("Possible Work"), while cost projections were based largely on historical rates with adjustment for inflation. This approach is consistent with that adopted in prior years.

The Company, having taken into account prevailing market competition and uncertainties in Asia, North America and Europe, was more conservative in preparing the CGU projections such as using a higher Success Discount and lowering projection of cash inflow from Likely Work and Possible Work compared to last year.

Unlike contracts in other CGUs, contracts in the 360 CGU are generally characterised by short period of time between contracts and delivery of projects. Further, the prospects of growth in this CGU are highly dependent on the revival of demand for 360 digital capture and live streaming services from the travel, sports, concerts and other mass events sectors that have continued to be impacted significantly by diverse pandemic related social distancing requirements and travel restriction measures in most territories and the slow recovery of cross border travel generally, in addition to uncertainties of the timing of recovery in light of the outbreak and spread of the Omicron variant in different territories since late November 2021. The growth rate(s) adopted is/are based on historical growth rate, referenced against industry average(s) obtained from market research.

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

VE CGU

As at 31 December 2021, the goodwill allocated to the VE CGU was approximately HK$208,691,000 (2020: HK$208,691,000) with headroom of approximately HK$107,731,000 (2020: HK$168,196,000) based on the value-in-use ascribed to this CGU. Key assumptions for the value-in-use calculations for this CGU included an average growth rate within the 5 years budget period of 12.1% (2020: 19.3%) and a pre-tax discount rate of 18.6% (2020: 17.6%). Based on a sensitivity analysis carried out by the independent valuer, the headroom attributable to the VE CGU would adequately cover a +/- 0.5% change in the weighted average cost of capital and a

+/- 0.5% change on the terminal growth rate. As the average growth rate is (as explained above) based on reasonable projections by management with reference to information currently available to them, any material changes in this CGU's market or operating environment that reduce its cash inflow or gross profit margin could have an adverse impact on the recoverable amount of this CGU.

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

PP CGU

As at 31 December 2021, the goodwill allocated to the PP CGU was approximately HK$85,186,000 (2020: HK$85,186,000) with headroom of approximately HK$48,874,000 (2020: HK$15,325,000) based on the value-in-use ascribed to this CGU. Key assumptions for the value-in-use calculations for this CGU included an average growth rate within the 5 years budget period of 16.4% (2020: 22.2%) and a pre-tax discount rate of 17.4% (2020: 20.6%). Based on a sensitivity analysis carried out by the independent valuer, the headroom attributable to the PP CGU would adequately cover a +/- 0.5% change in the weighted average cost of capital and a +/- 0.5% change on the terminal growth rate. As the average growth rate is (as explained above) based on reasonable projections by management with reference to information currently available to them, any material changes in this CGU's market or operating environment that reduce its cash inflow or gross profit margin could have an adverse impact on the recoverable amount of this CGU.

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

360 CGU and related intangible assets

As at 31 December 2021, the goodwill allocated to the 360 CGU was HK$ Nil (2020: HK$16,170,000) based on the value-in-use ascribed to this CGU. In addition, the 360 CGU had intangible assets (including trademarks, patents and other types of intangible assets) in the aggregate amount of approximately HK$216,302,000 (before impairment) as at 31 December 2021. An impairment loss of approximately HK$16,170,000 (2020: HK$305,119,000) was made against the goodwill allocated this CGU and an impairment provision in amount of HK$216,302,000 (2020: HK$ Nil) was also made for the intangible assets of this CGU, both as at 31 December 2021. Accordingly, impairment loss in connection with this CGU totalled HK$232,472,000 (2020: HK$305,119,000). The technologies owned by the Group in respect of the 360 CGU will continue to be deployed where relevant to enhance the Group's VFX and VH segments capabilities. Key assumptions for the value-in-use calculations for this CGU included an average growth rate within the 5 years (2020: 5 years) budget period of 4.0% (2020: 22.5%) and a pre-tax discount rate of 17.0% (2020: 18.0%). The low valuation of this CGU is mainly due to (i) the low revenue generated in the financial year ended 31 December 2021 that formed the basis of projection; and (ii) more conservative revenue growth (which resulted in the lower average growth rate) projected in the budget period due to lower average historical growth rate for the preceding three financial years and the uncertainties, in particular for 2022 and the years following, over when mass participation events (such as travel, sports events, concerts) served by the 360 CGU would meaningfully resume in conjunction with its markets in Asia, US and Europe to generate a sustainable demand for the services of the 360 CGU.

Please see the sections titled "Virtual Reality, Augmented Reality, New Media and Experiential" and "Prospect" for a further discussion of the projects and prospects for this CGU.

CAPITAL

Shares

Subscription of New Shares under General Mandate

On 11 December 2020, the Company entered into a subscription agreement with HLEE Finance S.à r.l. (the "Subscriber") of Mr. Ng in relation to the subscription. Pursuant to the subscription agreement, the Company conditionally agreed to allot and issue 6,814,760,000 shares to the Subscriber at the subscription price of HK$0.05 per Subscription share (the "Subscription"). The Subscription was completed on 18 January 2021 and the subscription shares were allotted and issued pursuant to the general mandate of the Company. The Subscription shares represent approximately 20% of the issued share capital of the Company of 34,073,816,258 shares as at the date of announcement of the Subscription and approximately 16.67% of the issued share capital of the Company of 40,888,576,258 shares as enlarged by the Subscription.

The gross proceeds and net proceeds from the Subscription are HK$340,738,000 and approximately HK$340,538,000 respectively, and are intended to be applied towards the formation of the joint venture company, media entertainment segment and general working capital of the Group. For details, please refer to the Company's announcements dated 11 December 2020, 27 December 2020 and 18 January 2021.

On 21 July 2021, the Company entered into a subscription agreement with Le Nouveau Holdings Inc. (the "Subscriber 2") of Mr. Norman Paul Hansen in relation to the subscription. Pursuant to the subscription agreement, the Company conditionally agreed to allot and issue 2,400,000,000 shares to the Subscriber 2 at the subscription price of HK$0.065 per subscription share (the "Subscription 2"). The Subscription 2 was completed on 30 July 2021 and the subscription shares were allotted and issued pursuant to the general mandate of the Company. The subscription shares represent approximately 5.87% of the issued share capital of the Company of 40,890,276,258 shares as at the date of announcement of the Subscription 2 and approximately 5.54% of the issued share capital of the Company of 43,290,276,258 shares as enlarged by the Subscription 2.

The gross proceeds and net proceeds from the Subscription 2 are HK$156,000,000 and approximately HK$155,500,000 respectively, and are intended to be applied to as general working capital of the Group and towards the restructuring of the Group's business in Europe. For details, please refer to the Company's announcements dated 21 July 2021 and 30 July 2021.

Capital Reorganisation and Change in Board Lot Size

On 21 July 2021, the Board proposed to implement the capital reorganisation and change in board lot size as follows:

(1) **Capital Reorganisation** – share consolidation of every ten (10) issued existing shares into one (1) consolidated share whereby increasing the par value of all the then issued consolidated shares from HK$0.01 to HK$0.10 each ("Share Consolidation"); and following the Share Consolidation, reduction of the issued share capital whereby (i) the fractional consolidated share in the issued share capital of the Company resulting from the Share Consolidation would be cancelled in order to round down the total number of consolidated shares to a whole number, (ii) the par value of each issued consolidated share would be reduced from HK$0.10 to HK$0.01 each by cancelling HK$0.09 of the paid-up capital on each issued consolidated share; and (iii) the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company; and

(2) **Change in board lot size** –conditional upon the Capital Reorganisation becoming effective, the change in board lot size of the Company for trading on the Stock Exchange from the current 10,000 issued existing shares to 5,000 adjusted shares.

Capital Reorganisation and change in board lot size were approved by the shareholders of the Company at a special general meeting held on 6 October 2021 and became effective on 11 October 2021 and 26 October 2021 respectively.

For details, please refer to the Company's announcements dated 21 July 2021, 6 September 2021, 9 September 2021, 6 October 2021, 11 October 2021 and 12 October 2021 and circular dated 13 September 2021.

As at 31 December 2021, the total number of the Company shares of HK$0.01 each in issue (the "Shares") was 4,329,027,625 Shares.

Share Options

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 and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$0.98 was exercised, cancelled or has lapsed. 4,657,000 adjusted share options were exercised and 14,076,000 adjusted share options were cancelled or have lapsed since the grant-date (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 and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$13.20 was exercised, cancelled or has lapsed. 1,000 adjusted share options were exercised and 300,000 adjusted share options were cancelled or have lapsed since the grant-date (6 May 2015).

On 29 January 2016, a total of 379,500,000 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 379,500,000 new shares at an exercise price of HK$0.413 per share. For details, please refer to the Company's announcements dated 29 January 2016 and 7 June 2016, and the circular dated 30 April 2016. During the year under review and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$4.13 was exercised, cancelled or has lapsed. No adjusted share options were exercised and 2,566,669 adjusted share options were cancelled or have lapsed since the grant-date (29 January 2016).

On 22 June 2016, a total of 100,000,000 share options were granted under the Company's share option scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 100,000,000 new shares at an exercise price of HK$0.495 per share. For details, please refer to the Company's announcement dated 22 June 2016. During the year under review and since the grant-date (22 June 2016) and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$4.95 was exercised, cancelled or has lapsed.

On 29 July 2016, a total of 50,000,000 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 50,000,000 new shares at an exercise price of HK$0.566 per share. For details, please refer to the Company's announcement dated 29 July 2016. During the year under review and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$5.66 was exercised, cancelled or has lapsed. No adjusted share options were exercised and 1,320,007 adjusted share options were cancelled or have lapsed since the grant-date (29 July 2016).

On 13 February 2017, a total of 300,000,000 share options were granted under the Company's share option scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 300,000,000 new shares at an exercise price of HK$0.469 per share. For details, please refer to the Company's announcements dated 13 February 2017 and 1 June 2017, and the circular dated 27 April 2017. During the year under review and since the grant-date (13 February 2017) and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$4.69 was exercised, cancelled or has lapsed.

On 24 April 2019, a total of 130,000,000 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 130,000,000 new shares at an exercise price of HK$0.130 per share. For details, please refer to the Company's announcement dated 24 April 2019. During the year under review and since the grant-date (24 April 2019) and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$1.30 was exercised, cancelled or has lapsed.

On 21 May 2020, a total of 478,000,000 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 478,000,000 new shares at an exercise price of HK$0.046 per share. For details, please refer to the Company's announcement dated 21 May 2020. During the year under review and following the Capital Reorganisation became effective, no adjusted share option at the adjusted exercise price of HK$0.46 was exercised and 2,000,000 adjusted share options were cancelled or have lapsed. 170,000 adjusted share options were exercised and 2,000,000 adjusted share options were cancelled or have lapsed since the grant-date (21 May 2020).

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 2021
11 December 2020, 27 December 2020 and 18 January 2021	Issue of 6,814,760,000 Shares	Approximately HK$340,538,000	(1) Formation of joint venture company (2) Media entertainment segment (3) General working capital for the Group	(1) Formation of joint venture company: approximately HK$187,800,000; (2) Media entertainment segment: approximately HK$103,000,000; and (3) General working capital (including but not limited to salary and rental): approximately HK$49,738,000
21 July 2021 and 30 July 2021	Issue of 2,400,000,000 Shares	Approximately HK$155,500,000	(1) Restructuring of the Group's business in Europe which may involve unwinding the joint venture company (2) General working capital for the Group	(1) Restructuring of the Group's business in Europe by unwinding the joint venture company: approximately HK$124,800,000; and (2) General working capital (including but not limited to salary and rental): approximately HK$30,700,000

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

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

In 2021, the Company had banking facilities from two banks in the United States amounting to US$15,000,000 (approximately HK$116,948,000) and the utilised portion of these banking facilities were US$14,858,000 (approximately HK$115,841,000). These banking facilities were secured by time deposits of the Group. The Group had banking facilities from a bank in Canada in amount of CAD6,900,000 (approximately HK$42,558,000) and the utilised portion of these banking facilities were CAD4,506,000 (approximately HK$27,792,000). These banking facilities were secured by corporate guarantees provided by several subsidiaries.

As at 31 December 2021, the loan granted under emergencies loan schemes for COVID-19 is in amount of CAD60,000 (approximately HK$370,000). This loan is unsecured and not repayable within 12 months from 31 December 2021.

During the year under review, the loan granted under emergencies loan schemes for COVID-19 in amount of US$1,064,000 (approximately HK$8,259,000) has been forgiven by United States Authorities.

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 Years Loan"). This facility was granted under the Special Loan Guarantee Scheme of the Government of the Hong Kong Special Administrative Region (the "Government"), pursuant to which the Government 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 Years Loan has been fully classified as a current liability.

As at 31 December 2021, the Group also had lease liabilities of HK$78,919,000, which were determined at the present value of the lease payments that are payable at that date. The amount included in lease liabilities consist of HK$32,000 related to office equipment, RMB833,000 (approximately HK$1,022,000) and CAD265,000 (approximately HK$1,636,000) related to computer equipment and software (leased assets) secured by the lessor's charge over the leased assets. Among these leased assets, the terms of payments were 34 months and 60 months respectively. Payments were on a fixed payment basis and the underlying interest rates were fixed at respective contract dates. No arrangements were entered into for contingent rental payments.

The Group had other loans of approximately HK$141,128,000 as at 31 December 2021. One indirect wholly-owned subsidiary has a loan in amount of US$3,500,000 (approximately HK$27,065,000) which is unsecured, interest-free and is not repayable within 13 months from 31 December 2021. One indirect wholly-owned subsidiary had other loan in amount of US$429,000 (approximately HK$3,345,000), which is unsecured and with a fixed interest rate. One indirect wholly-owned subsidiary also had a term loan facility of US$10,000,000 (approximately HK$77,965,000) and HK$80,000,000, with a guarantee provided by the Company. The subsidiary drew down the facility in 2015 and 2018. The outstanding balance of these loans as at 31 December 2021 were US$8,000,000 (approximately HK$62,372,000) and HK$34,290,000. These loans are unsecured, with a floating interest rate (prime rate quoted by a bank in Hong Kong) and are not repayable within 13 months from 31 December 2021. There is an other loan in amount of US$1,803,000 (approximately HK$14,056,000) provided in relation to the production of a film with interest-bearing and secured by security interest in all right, title and interest in a film investment. During the year under review, the Company repaid two other loans in amount of HK$10,020,000.

The total cash and bank balance as at 31 December 2021 was approximately HK$247,755,000. As at 31 December 2021, the Group had banking facilities of approximately HK$159,505,000. Utilised portions of these bank facilities were set at a floating interest rate. Of these bank loans, loans amounting to approximately HK$115,841,000 are denominated in United States dollars and loans amounting to approximately HK$26,526,000 are denominated in Canadian dollars. During the year under review, all of the Group's bank loans (except the Five Years Loan and a loan with a repayment on demand clause are classified as current liabilities) which are fully classified as current liabilities or non-current liabilities according to the agreed scheduled repayment dates. According to the agreed scheduled repayment dates, the maturity profile of the Group's bank borrowings (excluded the Five Years Loan but included a loan with a repayment on demand clause) as at 31 December 2021 was spread over a period of five years, with approximately 19% repayable within one year, 64% repayable between one to two years and 17% repayable between two and five years.

The Group's current assets were approximately HK$413,023,000 while the current liabilities were approximately HK$341,369,000 as at 31 December 2021. As at 31 December 2021, the Group's current ratio was 1.2 (as at 31 December 2020: 0.7).

As at 31 December 2021, the Group's gearing ratio, representing the Group's financial liabilities (i.e. bank loans, other loans and lease liabilities) divided by the equity attributable to owners of the Company was 63% (as at 31 December 2020: 49%)

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's revenue, expenses, assets and liabilities were mainly denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Canadian dollars ("CAD"), Renminbi ("RMB"), Indian Rupees ("INR") and Euro ("EUR"). The exchange rates for the USD against the HKD remained relatively stable during the year under review. As some of the financial statements for the business operations in North America, Mainland of China, India and Europe were reported in CAD, RMB, INR and EUR, respectively, if the CAD or RMB or INR or EUR were to depreciate relative to the HKD, the reported earnings/expenses for the Canadian portion, Mainland of China portion or Indian portion or European portion would decrease.

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

CONTINGENT LIABILITIES

Save as disclosed under "Possible Indemnification" of the Media Entertainment Segment above, as at 31 December 2021, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 31 December 2021, the total headcount of the Group was 1,248. 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

Following the close of the financial year ended 31 December 2021, the Board of the Company had undertaken a strategic review of the Group's operations. The Board has determined that the Group should strategically focus its resources towards its core VFX and VH businesses.

The global economy has been adversely affected by the outbreak of the new coronavirus (COVID-19) and associated government epidemic prevention and control measures since 2020. While the first half of 2021 saw the gradual relaxation of many government measures in different parts of the world, the outbreak and spread of the more infectious Delta and Omicron variants in second half of 2021 and to date in 2022 have drawn a diverse range of responses from countries which are our key markets and have made it considerably more challenging to predict demand trends in our different business segments, plan effectively for the deployment of our resources (both due to less predictable acceleration and/or deferral of projects by clients and/or health impact on our staff) and our growth and deployment of our resources. Geopolitical developments (including Sino/US relationships and/or the Russian/Ukraine conflict) and associated economic measures that have been and/or may in the future be implemented and which impact or is perceived to impact costs of operations and/or consumer demand adds to the uncertainties that the Group expects to confront in 2022. Demand for and the pricing of our products and services are ultimately driven by our clients' perception of consumer demands for their products. For example, the roll out of feature films can be adversely impacted by government imposed social distancing measures and travel restrictions) while perceived reduction in consumer spending powers can also affect our clients' product advertising budgets and campaign schedules. Given that the overall situation remains unstable, we are adopting a prudent approach in our business strategies (including for example, cost control, business direction and products mix).

The Group continues to leverage its extensive experience in the VFX industry and proactively seeks new projects and business opportunities in the feature film, online game, television/OTT episodes and commercials despite the highly competitive market environment in the US and China. At the same time, the Group will continue to evaluate the cost structure, function and operation performance of each studio in North America and Asia to enhance the effectiveness and efficiency of our working capacity while reducing production costs in the long run.

The Group will continue to explore new virtual human business opportunities and products (such as AI function with multi-languages, NFT, other products related to metaverse, etc.) with strategic business partners and/or investors. We will also continue to develop new technologies which will enhance the interactivity between virtual humans and the audience in social-networking platforms, the entertainment businesses and other environments such as customer services, education.

The Group's ability to develop its VR business directly or through its associates has been curtailed over the last two years in the face of the reduction in the number and/or size of projects and/or investment budgets in target markets and logistics challenges for product delivery due to the impact of COVID-19 pandemic related social and travel restrictions measures. In view of the lack of visibility of when the situation can normalise to support a turnaround of the VR business in light of the different waves of COVID-19 variants and geopolitical developments, the Board has determined after the 2021 financial year end the Group to focus its resources towards its core VFX and VH capabilities and to develop appropriate plans to address its investments in the 3Glasses Group and Digital Domain Space. The technologies owned by the Group in respect of the 360 CGU will continue to be deployed where relevant to enhance the Group's VFX and VH segments capabilities.

Alongside most advanced technology companies, we will continue to deploy substantial financial and human resources in continuing research and development in new technologies, and will seek to recruit and retain appropriate global talent to support the Group's future development. To support our business and growth, we will continue to seek opportunities for financing and collaboration with strategic partners/investors on the Group level or business project/subsidiary level. We believe that continuing efforts in these directions will help us enhance our business ecosystems and other capabilities.

Last but not least, we will continue to build on our strengths and strive to provide quality services and products to our valued clients, especially during these challenging years, while we work towards maximising benefits for our important stakeholders (strategic partners, shareholders, staff and management) in the coming years.

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 2021, the Company was in compliance with the Code Provisions set out in the CG Code except for the following:

There is no separation of the roles of the chairman and the chief executive officer or chief executive during the year. Mr. Seah Ang, the executive Director and chief executive officer of the Company, was appointed as the acting chairman of the Board following the resignation of Mr. Peter Chou as the chairman of the Board and the executive Director in June 2020. The Board believed that at the time of vesting of the roles of chairman and chief executive officer in Mr. Seah Ang is beneficial to the operation and management of the Group due to his in-depth knowledge in the Group's operation and his extensive business network and connections. The Company would seek the suitable candidate to fill the vacancy of the position of the chairman of the Board;

During the year, the Company held two regular board meetings instead of at least four regular board meetings as required. In addition to two regular board meetings, there were six Board meetings held for addressing ad hoc issues. The Board considered that sufficient meetings had been held during the year and business operation and development of the Group had been communicated on the Board;

The Chairman of the Board is not subject to retirement by rotation pursuant to bye-law 87(1) of the Company's bye-laws (the "Bye-laws"). Mr. Seah Ang has entered into a service agreement for no fixed term but his appointment is terminable by either party by giving three months' prior notice;

The non-executive Directors and 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 non-executive Directors and independent non-executive Directors have a termination notice requirement of at least one month; and

During the year, the Company held the annual general meeting and the special general meeting on 3 June 2021 and 6 October 2021 respectively. Due to other pre-arranged business commitments, Mr. Jiang Yingchun and Mr. Cui Hao, the non-executive Directors, were not present at the above annual general meeting and special general meeting. Mr. Wang Wei-Chung, the non-executive Director, was not present at the above annual general meeting while Mr. Sergei Skatershchikov, the non-executive Director, was not present at the above special general meeting.

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.

CORPORATE GOVERNANCE 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 standard set out in the Model Code throughout the year ended 31 December 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the risk management and internal control systems of the Group. It has carried out an annual review of the existing implemented systems and procedures, including control measures of financial, operational and compliance and risk management functions of the Group. Since the Group's corporate and operation structure is simple for diverting resources to establish a separate internal audit department, during the year, the Company engaged external independent consultants to assess the design, implementation and monitoring of the risk management and internal control systems of Digital Domain (Shanghai) Limited, an indirectly-owned subsidiary of the Company and principally engaged in the provision of VFX and post-production services to commercial advertising, online games, and TV episodes and movies. Based on the assessment, weakness and potential risks on internal control and risk management procedures have been identified in certain areas including project bidding, sales and marketing, finance and accounting, human resources and information technology system. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function and considered they are adequate. The Board were not aware of any material internal control defects, and considered such systems effective and adequate.

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 consolidated 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 consolidated financial statements of the Company is set out on pages 73 to 78 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 ten members, including two executive Directors, four non-executive Directors and four independent non-executive Directors, as follows:

Executive Directors

Mr. SEAH Ang	*(Acting Chairman and Chief Executive Officer ("CEO"))*
Dr. CHANG San-Cheng	*(appointed as executive Director on 28 June 2021)*

Non-executive Directors

Mr. JIANG Yingchun*	
Mr. CUI Hao	
Mr. Sergei SKATERSHCHIKOV	*(appointed as non-executive Director on 22 January 2021)*
Mr. Brian Thomas MCCONVILLE	*(appointed as non-executive Director on 28 June 2021)*

Independent Non-executive Directors

Mr. DUAN Xiongfei	
Ms. LAU Cheong	
Dr. Elizabeth Monk DALEY	
Mr. WOO King Hang	*(appointed as independent non-executive Director on 28 June 2021)*

* Mr. Jiang Yingchun will resign as non-executive Director while Mr. Li Weiqiang will be appointed as non-executive Director both with effect from 31 March 2022.

Biographical details of the current Directors are set out in the directors' report on pages 54 to 57. 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 2021, 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.

In accordance with the code provision B.2.3 of Part 2 of the CG Code contained in Appendix 14 to the Listing Rules, Mr. Duan Xiongfei and Ms. Lau Cheong have served as independent non-executive Directors for more than 9 years and their further appointment will be subject to a separate resolution to be approved by Shareholders at the forthcoming annual general meeting of the Company. As an independent non-executive Director, Mr. Duan Xiongfei and Ms. Lau Cheong did not participate in the day-to-day management of the Company. However, they have developed an in-depth understanding of the business of the Company and remain in a position to provide an independent view and guidance to the Company over the years.

THE BOARD (CONTINUED)

Composition (continued)

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 (including Mr. Duan Xiongfei and Ms. Lau Cheong who have served as independent non-executive Directors for more than 9 years and are eligible for re-election at the forthcoming annual general meeting of the Company) 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.

Board Meetings and General Meetings

During the year ended 31 December 2021, eight Board meetings, the annual general meeting ("AGM") for the year 2021 and a special general meeting ("SGM") of the Company were held with details of the Directors' attendance set out below:

	Attendance/Number of Meetings		
Directors	**Board Meetings**	**AGM**	**SGM**
Executive Directors			
Mr. SEAH Ang *(Acting Chairman and CEO)*	8/8	1/1	1/1
Dr. CHANG San-Cheng *(appointed as executive Director on 28 June 2021)*	2/3	N/A	1/1
Non-executive Directors			
Mr. JIANG Yingchun	0/8	0/1	0/1
Mr. CUI Hao	5/8	0/1	0/1
Mr. Sergei SKATERSHCHIKOV *(appointed as non-executive Director on 22 January 2021)*	2/7	1/1	0/1
Mr. Brian Thomas MCCONVILLE *(appointed as non-executive Director on 28 June 2021)*	3/3	N/A	1/1
Mr. WANG Wei-Chung *(resigned as non-executive Director on 25 June 2021)*	1/5	0/1	N/A
Independent Non-executive Directors			
Mr. DUAN Xiongfei	8/8	1/1	1/1
Ms. LAU Cheong	6/8	1/1	1/1
Dr. Elizabeth Monk DALEY	6/8	1/1	1/1
Mr. WOO King Hang *(appointed as independent non-executive Director on 28 June 2021)*	3/3	N/A	1/1
Mr. WONG Ka Kong Adam *(passed away in May 2021)*	3/4	N/A	N/A

CORPORATE GOVERNANCE REPORT

THE BOARD (CONTINUED)

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, business ethics and anti-corruption aspects and other regulatory regime to the Directors with written materials.

During the year of 2021, all Directors were provided with reading materials on the relevant rules and regulating updates.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is no separation of the roles of the chairman and the chief executive officer or chief executive during the year. Mr. Seah Ang, the executive Director and CEO, was appointed as the acting chairman of the Board following the resignation of Mr. Peter Chou as the chairman of the Board and the executive Director. The Board believed that at the time of vesting of the roles of chairman and CEO in Mr. Seah Ang is beneficial to the operation and management of the Group due to his in-depth knowledge in the Group's operation and his extensive business network and connections. The Company would seek the suitable candidate to fill the vacancy of the position of the chairman of the Board.

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 currently comprises the executive Directors and the management 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 consists of Mr. Duan Xiongfei (Chairman), Ms. Lau Cheong and Mr. Woo King Hang, the independent non-executive Directors.

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, risk management and internal control 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. WOO King Hang *(appointed on 28 June 2021)*	1/1
Mr. WONG Ka Kong Adam *(passed away in May 2021)*	1/1

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, the corporate governance of the Group and re-appointment of independent auditor and had approved the annual audited consolidated financial statements and the interim financial statements respectively.

Nomination Committee

The Nomination Committee currently consists of Mr. Duan Xiongfei (Chairman), Ms. Lau Cheong and Mr. Woo King Hang, 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.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (continued)

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. WOO King Hang *(appointed on 28 June 2021)*	1/1
Mr. SEAH Ang	3/3
Mr. WONG Ka Kong Adam *(passed away in May 2021)*	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 retirement and re-appointment arrangement of the Directors, and the appointment of executive Director, non-executive Directors and independent non-executive Director.

Remuneration Committee

The Remuneration Committee currently consists of Mr. Duan Xiongfei (Chairman), Ms. Lau Cheong and Mr. Woo King Hang, the independent non-executive Directors, Mr. Brian Thomas McConville, the non-executive Director 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.

The Remuneration Committee shall meet at least once per year according to its terms of reference. Two 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)*	2/2
Ms. LAU Cheong	2/2
Mr. WOO King Hang *(appointed on 28 June 2021)*	1/1
Mr. Brian Thomas MCCONVILLE *(appointed on 28 June 2021)*	1/1
Mr. SEAH Ang	2/2
Mr. WONG Ka Kong Adam *(passed away in May 2021)*	1/1

During the year under review, the Remuneration Committee had reviewed the existing remuneration policy of the Company, the remuneration structure for the Directors and the remuneration proposal for the appointment of the non-executive Directors and independent non-executive Directors.

NOMINATION POLICY

The Board has adopted a nomination policy which set out the selection criteria, procedure and process for the nomination of a candidate for directorship.

Nomination Criteria

The factors listed below, which are not exhaustive and the Board has discretion if it considers appropriate, would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for the appointment of Director or re-election of any existing Director:

(i) gender, age, cultural and educational background, professional experience, skills and knowledge of the candidate;

(ii) effect on the Board's composition and diversity;

(iii) commitment of the candidate in respect of available time for carrying out his/her duties effectively;

(iv) conflicts of interest that may arise if the candidate is selected;

(v) compliance with the criteria of independence, in case for the appointment of an independent non-executive Director, as prescribed under Rule 3.13 of the Listing Rules; and

(vi) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.

Nomination Procedures and Process

(i) the Nomination Committee identifies or selects candidates recommended pursuant to the above criteria.

(ii) the Nomination Committee may use any process it deems appropriate to evaluate the candidates, which may include interviews, written submissions by the candidates, third party references and background checks.

(iii) the Nomination Committee will consider the matter at the meeting or by circulating a resolution in writing to the members of the Nomination Committee and provide to the Board with all the information required in relation to the candidates. The Nomination Committee shall make recommendation to the Board for consideration and approval.

(iv) in case of re-election of an existing Director, the Nomination Committee will hold a meeting to consider the re-election based on the above criteria and, if such Director is an independent non-executive Director and has served the Board for more than 9 years, to assess whether he/she has remained independent. The Nomination Committee shall make recommendations to the Board for its consideration and recommendation for the proposed candidate to stand for re-election at a general meeting.

(v) pursuant to Rule 13.74 of the Listing Rules, where shareholders are required to vote on re-electing a director, the circular accompanying the notice of the relevant general meeting should contain all the information of the candidates required under Rule 13.51(2) of the Listing Rules and, if applicable, Code Provision B.3.4 of Part 2 of the CG Code.

(vi) the Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

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 CG Code 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 2020.

INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor and the nature of services for the year ended 31 December 2021 are set out as follows:

Type of services	*HK$'000*
Audit services:	
Audit of annual financial statements	1,850
Non-audit services:	
Agreed upon procedures	232

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.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") setting out the guidelines in deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution.

The Board shall consider the following factors, among others, before declaring or recommending dividends:

(i) the operation and financial performance of the Group;

(ii) economic conditions;

(iii) the liquidity position, capital requirements and future funding needs of the Group;

(iv) the Shareholders' interests;

(v) contractual restrictions on payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;

(vi) any restrictions under the Companies Act 1981 of Bermuda, the Listing Rules, the Bye-laws and any applicable laws, rules and regulations; and

(vii) any other factors that the Board deems appropriate.

The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and any declaration of annual dividend for the year will be subject to the approval of the Shareholders. The Board will review the Dividend Policy from time to time.

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 1981 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 1201, 12/F.,
Li Po Chun Chambers,
189 Des Voeux Road 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 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the media entertainment business.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Company and of the Group as at 31 December 2021 are set out in the consolidated financial statements and their accompanying notes on pages 79 to 193. No interim dividend was paid or declared in respect of the year ended 31 December 2021 (2020: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 26 to the consolidated financial statements respectively.

In view of the losses sustained by the Company, distributable reserves of the Company as at 31 December 2021 amounted to HK$984,302,000 solely comprised of contributed surplus.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 are set out in note 29 to the consolidated 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 194 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the Company's issued share capital and share options during the year and outstanding as at 31 December 2021 are set out in notes 25 and 27 to the consolidated financial statements respectively.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

SEAH Ang
CHANG San-Cheng *(appointed on 28 June 2021)*

Non-executive Directors

JIANG Yingchun*
CUI Hao
Sergei SKATERSHCHIKOV *(appointed on 22 January 2021)*
Brian Thomas MCCONVILLE *(appointed on 28 June 2021)*
WANG Wei-Chung *(resigned on 25 June 2021)*

Independent Non-executive Directors

DUAN Xiongfei
LAU Cheong
Elizabeth Monk DALEY
WOO King Hang *(appointed on 28 June 2021)*
WONG Ka Kong Adam *(passed away in May 2021)*

* Mr. Jiang Yingchun will resign as non-executive Director while Mr. Li Weiqiang will be appointed as non-executive Director both with effect from 31 March 2022.

Dr. Chang San-Cheng, Mr. Brian Thomas McConville and Mr. Woo King Hang were appointed as executive Director, non-executive Director and independent non-executive Director with effect from 28 June 2021 respectively. In addition, the appointment of Mr. Li Weiqiang as non-executive Director will become effective on 31 March 2022. 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 her/his appointment and be subject to re-election at such meeting and any Director appointed by the Board as addition to the existing Board should hold office only until the next following annual general meeting of the Company and should be subject to re-election at such meeting. In this connection, Dr. Chang, Mr. McConville and Mr. Woo have retired and were re-elected at the special general meeting of the Company held on 6 October 2021. Mr. Li will retire and, being eligible, to offer himself for re-election at the forthcoming annual general meeting of the Company.

In accordance with Bye-law 87(1) of the Bye-laws, Mr. Cui Hao, 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. Under code provision B.2.3 of Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr Duan and Ms. Lau have served as independent non-executive Directors for more than 9 years and their re-election at the annual general meeting of the Company will be subject to a separate resolution to be approved by Shareholders.

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 non-executive Directors and independent non-executive Directors have no specific term of office but their service contracts have a termination notice requirement of at least 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.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are as shown below:

Executive Directors

SEAH Ang, aged 37, 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 also appointed as acting chairman of the Board and the chairman of the executive committee of the Company on 4 June 2020 respectively. Mr. Seah is presently a member of 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, 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.

CHANG San-Cheng, aged 67, was appointed as an executive Director and a member of the executive committee of the Company on 28 June 2021. Dr. Chang is currently an independent director, the chairman of the investment committee and a member of the audit committee and the remuneration committee of Acer Incorporated ("Acer"), the shares of which are listed on Taiwan Stock Exchange Corporation (TSE: 2353) and London Stock Exchange (LSE: ACID) respectively. He is also the chairman of the SanCode Foundation, honorary dean of School of Big Data Management at Soochow University, and former Premier of the Executive Yuan of Taiwan.

Dr. Chang began his career as a lecturer, associate professor, and professor at the Department of Civil Engineering of National Taiwan University from 1981 to 1990. He was director for the National Center for High-performance Computing from 1991 to 1997. Dr. Chang was also director of the Department of Planning and Evaluation of National Science Council. In addition, he served at Acer as vice president of the e-Enabling Service Business Group between 2000 and 2010, and was regional director of Google's hardware operations in Asia between 2010 and 2012.

With a solid engineering discipline, Dr. Chang earned his Bachelor's Degree in Civil Engineering from National Taiwan University. He has a Master's Degree from Stanford University and a Ph.D. from Cornell University in Civil and Environmental Engineering.

BIOGRAPHICAL DETAILS OF DIRECTORS (CONTINUED)

Non-executive Directors

JIANG Yingchun, aged 53, was appointed as a non-executive Director on 30 May 2019. Mr. Jiang is currently an executive director and the vice chairman of Poly Culture Group Corporation Limited ("Poly Culture"), the shares of which are listed on the main board of the Stock Exchange (stock code: 3636). He is also the chairman of Beijing Poly International Auction Corporation Limited, Poly Auction (Hong Kong) Limited, Beijing Poly Art Centre Corporation Limited and Poly Culture North America Investment Corporation Limited respectively. Mr. Jiang served as the assistant to general manager of Poly Culture from December 2001 to February 2007, the vice general manager of Poly Culture from February 2007 to November 2010 and the general manager of Poly Culture from December 2010 to August 2021. Mr. Jiang holds a Bachelor's Degree in History majoring in archaeology in Peking University and qualification of editor.

CUI Hao, aged 33, was appointed as a non-executive Director on 30 May 2019. Mr. Cui is currently the executive deputy head of board office of Poly Culture Group Corporation Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 3636). Mr. Cui served in the board office and poly strategy research institute of China Poly Group Corporation. Mr. Cui holds a Master's Degree in School of English and International Studies – American Studies in Beijing Foreign Studies University, a Bachelor's Degree in English Language and Literature and Economics in Shanghai International Studies University and Shanghai University of International Business and Economics respectively.

Sergei SKATERSHCHIKOV (also known as Sergey Skaterschikov), aged 49, was appointed as a non-executive Director on 22 January 2021. He is a seasoned finance and board-level executive with 30 years of international experience in the finance, media and entertainment, telecom, technology and e-commerce industries. Mr. Skatershchikov was the principal in the Swiss investment firm IndexAtlas AG based in Zurich and New York, with his prior experience including at the C-level in Mobile TeleSystems Public Joint Stock Company (the shares of which were listed on New York Stock Exchange (NYSE: MBT)) from 2006 to 2008. He also held a board position in public joint-stock company LSR Group (the shares of which were listed on Moscow Exchange and London Stock Exchange (MCX/LSE: LSRG)) from 2007 to 2015, and director roles at Skate's Art Market Research LLC, E*Trade Eurasia, East West United Bank (Luxembourg), Creditanstalt Investment Bank (Austria) and Moscow office of Dresdner Kleinwort Wasserstein at various times between 1997 and 2015.

Mr. Skatershchikov is a graduate of Moscow State University (Lomonosov) and holds Master of Business Administration from the Fuqua School of Business at Duke University. He has written a number of books including Skate's Art Investment Handbook published by McGraw & Hill in 2009.

Brian Thomas MCCONVILLE, aged 55, was appointed as a non-executive Director and a member of the remuneration committee of the Company on 28 June 2021. Mr. McConville is a senior level executive with 30 years' experience providing effective fiscal and operations management leadership to both new and expanding enterprises. He has a record of accomplishment of improving operations, impacting business growth and maximizing profits through achievements in investment management, costs reductions, internal controls, and productivity/efficiency improvements. Mr. McConville has served in executive roles as chief executive officer, president, and vice chairman in areas including artificial intelligence, cloud-based technology, and media. He was also a managing principal in a U.S. based holding company focused on management of positions in listed European companies. Mr. McConville was an owner, president, and board member of Collectrium, LLC, which was successfully sold to Christies Auction House in 2015. He is also an avid art collector, with a focus on Asian contemporary works. Mr. McConville holds a Bachelor of Arts in Political Studies from Bard College.

BIOGRAPHICAL DETAILS OF DIRECTORS (CONTINUED)

Independent Non-executive Directors

DUAN Xiongfei, aged 53, 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. He is currently an independent non-executive director, the chairman of the nomination and corporate governance committee and a member of the audit committee and remuneration committee of Huobi Technology Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 1611). 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 has over 20 years of experience in securities trading and the investment industry. Mr. Duan is currently the investment manager of MIE Holdings Corporation, a company listed on the Stock Exchange (stock code: 1555). He joined Atlantis Investment Management as Fund Manager in 2010 and registered as a Commodity Trading Advisor (CTA) in the National Futures Association (NFA) and the Commodity Futures Trading Commission (CFTC) in 2004.

LAU Cheong, aged 38, 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.

Elizabeth Monk DALEY, aged 79, was appointed as an independent non-executive Director on 20 July 2020. Dr. Daley has been the dean of the School of Cinematic Arts at the University of Southern California ("USC") since 1991. She is the inaugural holder of the Steven J. Ross/Time Warner Dean's Chair. Dr. Daley was also the founding executive director of the USC Annenberg Center for Communication from 1994 to 2005 and serves as the executive director of the USC Institute for Multimedia Literacy.

Before joining USC in 1989 as chair of the Film and Television Production Program, Dr. Daley had engaged in various positions in the entertainment industry, ranging from film and television producer to media consultant. She had also served on the board of the World Economic Forum's Global Agenda Council on Media, Entertainment and Information. Dr. Daley currently is an independent director and a member of the nominating and governance committee and the compensation committee of Avid Technology, Inc., the shares of which are traded on The Nasdaq Global Select Market under symbol "AVID". In addition, she is a member of both the Directors Guild of America and the Academy of Motion Picture Arts and Sciences.

Dr. Daley has been honored by American Women in Radio and Television and was twice nominated for a Los Angeles Area Emmy Award. She has received a CINE (Council on International Non-Theatrical Events) Golden Eagle and the Barbara Jordan Award, as well as the California Governor's Award for her work with programming about the handicapped.

Dr. Daley obtained a Ph.D. Degree from the University of Wisconsin-Madison and Bachelor's and Master's Degrees from Tulane University and Newcomb College. In 2016, she was awarded a Degree of Doctor of Letters, honoris causa, from Hong Kong Baptist University.

BIOGRAPHICAL DETAILS OF DIRECTORS (CONTINUED)

Independent Non-executive Directors (continued)

WOO King Hang, aged 60, was appointed as an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company on 28 June 2021. He has extensive experience in financial and business management. Mr. Woo is currently the vice chairman of the board of directors and a non-executive director of Centenary United Holdings Limited ("Centenary United"), an independent non-executive director, the chairman of audit committee and corporate governance committee and a member of remuneration committee of MOS House Group Limited ("MOS") and an independent non-executive director, a member of audit committee and nomination committee of Crocodile Garments Limited ("Crocodile"). Mr. Woo was an independent non-executive director of Hans Energy Company Limited ("Hans Energy") from June 2019 to December 2021, and an executive director of Bamboos Health Care Holdings Limited ("Bamboos"), between May 2019 and July 2019. He was also a project controller of NWS Service Management Limited from January 2019 to April 2019, and served as a financial controller and an executive director of Hip Hing Construction Company Limited from February 2006 to June 2010 and from July 2010 to December 2018 respectively, both companies being wholly-owned subsidiaries of NWS Holdings Limited ("NWSHL"). The shares of each of Centenary United (stock code: 1959), MOS (stock code 1653), Crocodile (stock code 122), Hans Energy (stock code: 554), Bamboos (stock code: 2293) and NWSHL (stock code: 659) are listed on the main board of the Stock Exchange.

Mr. Woo is a fellow member of each of the Institute of the Chartered Accountants in England and Wales, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Certified Public Accountants. He holds a Master's Degree of Business Administration from Kellogg School of Management, Northwestern University and the Hong Kong University of Science and Technology, a Bachelor's Degree of Laws from Peking University and a Master's Degree of Laws from the City University of Hong Kong. In addition, Mr. Woo is a member of each of the panel of assessors and the health committee of the Medical Council of Hong Kong, the Chinese medicine practitioners board and the disciplinary committee of the Chinese Medicine Council of Hong Kong, the Advisory Committee on Admission of Quality Migrants and Professionals as well as the disciplinary committee of the Hong Kong Institute of Certified Public Accountants. He is also the vice chairman of the Hong Kong PHAB Association and a council member of the Hong Kong Chinese Orchestra.

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 ("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.

(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 224,186,957 Shares (as adjusted after the capital reorganisation of the Company became effective on 11 October 2021), representing approximately 5.18% 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 close associates (or his associates if such grantee is a connected person) 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.

SHARE OPTION SCHEME (CONTINUED)

(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.

(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 sheet 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 sheet 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 2021 (adjusted) *(Note 13)*	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year (adjusted) *(Note 13)*	At 31 December 2021 (adjusted) *(Note 13)*	Date of grant	Exercise period	Original exercise price per Share (HK$)	Adjusted exercise price per adjusted Share (HK$) *(Note 13)*
Directors									
Seah Ang	10,000,000 *(Notes 2 and 3)*	-	-	-	10,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098	0.98
Wang Wei-Chung *(Note 12)*	166,667 *(Note 5)*	–	–	–	166,667	29/01/2016	29/01/2016 to 28/01/2026	0.413	4.13
	166,667 *(Note 5)*	–	–	–	166,667	29/01/2016	29/01/2017 to 28/01/2026	0.413	4.13
	166,666 *(Note 5)*	–	–	–	166,666	29/01/2016	29/01/2018 to 28/01/2026	0.413	4.13
Employees of the Group									
Zhou Jian	15,000,000 *(Notes 2 and 3)*	–	–	–	15,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098	0.98
Fan Lei	15,000,000 *(Notes 2 and 3)*	–	–	–	15,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098	0.98
Other employees, in aggregate	34,473,000 *(Note 2)*	–	–	–	34,473,000	28/05/2014	28/05/2017 to 27/05/2024	0.098	0.98
	2,099,000 *(Note 4)*	–	–	–	2,099,000	06/05/2015	06/05/2015 to 05/05/2025	1.320	13.20
	2,000,000 *(Note 4)*	–	–	–	2,000,000	06/05/2015	06/05/2016 to 05/05/2025	1.320	13.20
	1,900,000 *(Note 4)*	–	–	–	1,900,000	06/05/2015	06/05/2017 to 05/05/2025	1.320	13.20
	9,150,006 *(Note 5)*	–	–	–	9,150,006	29/01/2016	29/01/2016 to 28/01/2026	0.413	4.13
	8,149,998 *(Note 5)*	–	–	–	8,149,998	29/01/2016	29/01/2017 to 28/01/2026	0.413	4.13
	7,583,327 *(Note 5)*	–	–	–	7,583,327	29/01/2016	29/01/2018 to 28/01/2026	0.413	4.13

SHARE OPTION SCHEME (CONTINUED)

Name and category of participant	At 1 January 2021 (adjusted) *(Note 13)*	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year (adjusted) *(Note 13)*	At 31 December 2021 (adjusted) *(Note 13)*	Date of grant	Exercise period	Original exercise price per Share (HK$)	Adjusted exercise price per adjusted Share (HK$) *(Note 13)*
	Number of Options								
Employees of the Group (continued)									
Other employees, in aggregate (continued)									
	5,000,000 *(Note 7)*	–	–	–	5,000,000	22/06/2016	22/06/2017 to 21/06/2026	0.495	4.95
	5,000,000 *(Note 7)*	–	–	–	5,000,000	22/06/2016	22/06/2018 to 21/06/2026	0.495	4.95
	1,666,671 *(Note 8)*	–	–	–	1,666,671	29/07/2016	29/07/2016 to 28/07/2026	0.566	5.66
	1,169,998 *(Note 8)*	–	–	–	1,169,998	29/07/2016	29/07/2017 to 28/07/2026	0.566	5.66
	843,324 *(Note 8)*	–	–	–	843,324	29/07/2016	29/07/2018 to 28/07/2026	0.566	5.66
	10,999,999 *(Note 10)*	–	–	–	10,999,999	24/04/2019	24/04/2019 to 23/04/2029	0.130	1.30
	666,667 *(Note 10)*	–	–	–	666,667	24/04/2019	29/02/2020 to 23/04/2029	0.130	1.30
	333,333 *(Note 10)*	–	–	–	333,333	24/04/2019	24/04/2020 to 23/04/2029	0.130	1.30
	666,667 *(Note 10)*	–	–	–	666,667	24/04/2019	28/02/2021 to 23/04/2029	0.130	1.30
	333,334 *(Note 10)*	–	–	–	333,334	24/04/2019	24/04/2021 to 23/04/2029	0.130	1.30
	29,050,000 *(Note 11)*	–	–	–	29,050,000	21/05/2020	21/05/2020 to 20/05/2030	0.046	0.46
	9,220,000 *(Note 11)*	–	–	–	9,220,000	21/05/2020	21/05/2021 to 20/05/2030	0.046	0.46
	9,360,000 *(Note 11)*	–	–	(2,000,000)	7,360,000	21/05/2020	21/05/2022 to 20/05/2030	0.046	0.46

SHARE OPTION SCHEME (CONTINUED)

Name and category of participant	Number of Options: At 1 January 2021 (adjusted) *(Note 13)*	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year (adjusted) *(Note 13)*	At 31 December 2021 (adjusted) *(Note 13)*	Date of grant	Exercise period	Original exercise price per Share (HK$)	Adjusted exercise price per adjusted Share (HK$) *(Note 13)*
Others									
Amit Chopra	4,800,000 *(Note 2)*	–	–	–	4,800,000	28/05/2014	28/05/2017 to 27/05/2024	0.098	0.98
	500,000 *(Note 4)*	–	–	–	500,000	06/05/2015	06/05/2015 to 05/05/2025	1.320	13.20
	500,000 *(Note 4)*	–	–	–	500,000	06/05/2015	06/05/2016 to 05/05/2025	1.320	13.20
	500,000 *(Note 4)*	–	–	–	500,000	06/05/2015	06/05/2017 to 05/05/2025	1.320	13.20
	3,333,334 *(Notes 5 and 6)*	–	–	–	3,333,334	29/01/2016	29/01/2016 to 28/01/2026	0.413	4.13
	3,333,333 *(Notes 5 and 6)*	–	–	–	3,333,333	29/01/2016	29/01/2017 to 28/01/2026	0.413	4.13
	3,333,333 *(Notes 5 and 6)*	–	–	–	3,333,333	29/01/2016	29/01/2018 to 28/01/2026	0.413	4.13
Wei Ming	30,000,000 *(Note 9)*	–	–	–	30,000,000	13/02/2017	13/02/2017 to 12/02/2027	0.469	4.69
Total	226,465,324	–	–	(2,000,000)	224,465,324				

Notes:

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

2. Options granted on 28 May 2014 are 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$0.99 per share.

3. 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.

4. Each of one third of the Options granted to the grantees on 6 May 2015 are 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$13.90 per share.

SHARE OPTION SCHEME (CONTINUED)

Notes: (Continued)

5. Each of one third of the Options granted to the grantees on 29 January 2016 are 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$4.00 per share.

6. The Options conditionally granted to Mr. Amit Chopra on 29 January 2016 (i.e. the date of grant) were approved by the Shareholders at the annual general meeting of the Company held on 7 June 2016.

7. 5,000,000 Options granted on 22 June 2016 are exercisable from each of 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$4.95 per share.

8. Each of one third of the Options granted to the grantees on 29 July 2016 are 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$5.50 per share.

9. The Options conditionally granted to Mr. Wei Ming on 13 February 2017 (i.e. the date of grant) were approved by the Shareholders at the annual general meeting of the Company held on 1 June 2017 and are exercisable from the date of grant. The closing price of the shares immediately before the date on which such Options were granted was HK$4.65 per share.

10. 13,000,000 Options granted to the grantees on 24 April 2019, 10,999,999 Options, 333,333 Options and 333,334 Options of which are exercisable from the date of grant, the 1st anniversary of the date of grant and the 2nd anniversary of the date of grant respectively; 666,667 Options and 666,667 Options of which are exercisable from 29 February 2020 and 28 February 2021 respectively. The closing price of the shares immediately before the date on which such Options were granted was HK$1.28 per share.

11. 47,800,000 Options granted to the grantees on 21 May 2020, 29,220,000 Options, 9,220,000 Options and 9,360,000 Options of which are/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$0.47 per share.

12. Mr. Wang Wei-Chung has resigned as non-executive Director with effect from 25 June 2021.

13. Shareholders approved at the special general meeting held on 6 October 2021 that ten (10) issued existing shares be consolidated into one (1) consolidated share which became effective on 11 October 2021 and therefore, the exercise price and the number of the Options have been adjusted pursuant to the terms of the Option Scheme. Please refer to the Company's announcements dated 21 July 2021, 6 September 2021, 9 September 2021, 6 October 2021, 11 October 2021 and 12 October 2021 and circular dated 13 September 2021 for details. For illustrative purpose, the exercise price and the number of the Options in the table have been adjusted as if effective on 1 January 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of 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 2021, 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
Seah Ang	Interest of controlled corporation and beneficial owner *(Notes 1 and 2)*	200,853,130	10,000,000	210,853,130 (Long position)	4.87%
	Interest of controlled corporation *(Note 1)*	50,213,478	–	50,213,478 (Short position)	1.16%

Notes:

1. Global Domain Investments Limited was deemed to be interested in 200,853,130 Shares by holding 50,213,478 Shares and taking a deemed interest in 150,639,652 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.

2. Mr. Seah Ang holds 10,000,000 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 2021, 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 2021, which may also constitute connected transactions under the Listing Rules, are disclosed in note 36 to the consolidated financial statements.

During the year, the above-mentioned connected transactions, if applicable, have been complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2021, 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
Global Domain Investments Limited	Beneficial owner and deemed interest under section 317 of the SFO *(Note 1)*	200,853,130	–	200,853,130 (Long position)	4.64%
	Beneficial owner *(Note 1)*	50,213,478	–	50,213,478 (Short position)	1.16%
Seah Ang	Interest of controlled corporation and beneficial owner *(Notes 1 and 2)*	200,853,130	10,000,000	210,853,130 (Long position)	4.87%
	Interest of controlled corporation *(Note 1)*	50,213,478	–	50,213,478 (Short position)	1.16%
Wise Sun Holdings Limited	Person having a security interest in shares, beneficial owner and interest of controlled corporation *(Note 3)*	231,720,476	–	231,720,476 (Long position)	5.35%
Bright Ace Holdings Limited	Interest of controlled corporation *(Note 3)*	231,720,476	–	231,720,476 (Long position)	5.35%
Zhou Jian	Interest of controlled corporation and beneficial owner *(Notes 3, 4 and 5)*	238,242,849	15,000,000	253,242,849 (Long position)	5.85%
C Digital Libraries Inc.	Interest of controlled corporation *(Note 10)*	888,071,000	–	888,071,000 (Long position)	20.51%
Ng Clive Cheang Neng	Interest of controlled corporation *(Note 10)*	888,071,000	–	888,071,000 (Long position)	20.51%

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
Poly Culture Group Corporation Limited	Beneficiary of a trust (other than a discretionary interest)	532,360,000	–	532,360,000 (Long position)	12.30%
Jade Link Holdings Limited	Beneficial owner *(Note 6)*	503,720,000	–	503,720,000 (Long position)	11.64%
Tang Elaine Yilin	Interest of controlled corporation *(Note 6)*	503,720,000	–	503,720,000 (Long position)	11.64%
Le Nouveau Holdings Inc.	Beneficial owner *(Note 11)*	240,000,000	–	240,000,000 (Long position)	5.54%
Norman Paul Hansen	Interest of controlled corporation *(Note 11)*	240,000,000	–	240,000,000 (Long position)	5.54%
CITIC Limited	Interest of controlled corporation *(Note 7)*	218,117,818	–	218,117,818 (Long position)	5.04%
CITIC Group Corporation	Interest of controlled corporation *(Note 7)*	218,117,818	–	218,117,818 (Long position)	5.04%
Peter Chou	Interest of controlled corporation *(Notes 8 and 9)*	217,604,130	–	217,604,130 (Long position)	5.03%
	Interest of controlled corporation *(Note 8)*	60,256,174	–	60,256,174 (Short position)	1.39%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (CONTINUED)

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

Notes:

1. Global Domain Investments Limited was deemed to be interested in 200,853,130 Shares by holding 50,213,478 Shares and taking a deemed interest in 150,639,652 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.

2. Mr. Seah Ang holds 10,000,000 Options granted under the Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

3. Wise Sun Holdings Limited beneficially holds 53,463,346 Shares and was deemed to be interested in 50,213,478 Shares held by Redmount Ventures Limited, and by having a security interest in 128,043,652 Shares under section 317 of the SFO. Redmount Ventures Limited is wholly-owned by Wise Sun Holdings Limited which in turn is wholly-owned by Bright Ace Holdings Limited. Mr. Zhou Jian was deemed to be interested in the above Shares by virtue of his 100% shareholding interest in Bright Ace Holdings Limited.

4. Mr. Zhou Jian was deemed to be interested in 6,522,373 Shares held by Ultra Gain Development Limited, which is 100% controlled by Mr. Zhou Jian.

5. Mr. Zhou Jian holds 15,000,000 Options granted under the Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

6. Jade Link Holdings Limited is wholly-owned by Tang Elaine Yilin. Tang Elaine Yilin was deemed to be interested in 503,720,000 Shares held by Jade Link Holdings Limited.

7. CITIC Group Corporation was deemed to be interested in 218,117,818 Shares held by Master Time Global Limited. Such Shares were owned by Master Time Global Limited which in turn is wholly owned by Dynasty One Investments Limited while Dynasty One Investments Limited is wholly owned by CITIC Limited. CITIC Limited is 32.53% and 25.60% controlled by CITIC Polaris Limited and CITIC Glory Limited respectively which are 100% controlled by CITIC Group Corporation.

8. Kabo Limited was deemed to be interested in 200,853,130 Shares by holding 60,256,174 Shares and taking a deemed interest in 140,596,956 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.

9. Mr. Peter Chou was deemed to be interested in 16,751,000 Shares held by Honarn Inc., which is 100% controlled by Mr. Peter Chou.

10. C Digital Libraries Inc. was deemed to be interested in 888,071,000 Shares held by Digital Knight Finance S.à r.l. Digital Knight Finance S.à r.l. is 100% controlled by HLEE Finance S.à r.l. which in turn is 100% controlled by C Digital Libraries Inc. Mr. Ng Clive Cheang Neng was deemed to be interested in the above Shares by virtue of his 100% shareholding interest in C Digital Libraries Inc.

11. Le Nouveau Holdings Inc. beneficially holds 240,000,000 Shares. Mr. Norman Paul Hansen was deemed to be interested in 240,000,000 Shares by virtue of his 100% shareholding interest in Le Nouveau Holdings Inc. There has been a change in nature of the interest in the above Shares because an agreement for the sale of the above Shares has been entered into.

12. The percentage of the issued share capital of the Company has been compiled based on the total number of issued Shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, 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	2%
– five largest suppliers combined	9%
Sales	
– the largest customer	9%
– five largest customers combined	36%

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 number of issued share) 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 2021, 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 41 to 51 of this annual report.

PRE-EMPTIVE RIGHTS

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

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 Company adopted 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.

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.

For further details, please refer to Environmental, Social and Governance Report which will be published as a separate report.

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 intellectual property, including but not limited to trademarks, patents and copyright in the Greater China region, USA, Canada, India 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.

For further details, please refer to Environmental, Social and Governance Report which will be published as a separate report.

DIRECTORS' REPORT

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 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 40 of this annual report. An analysis of each of the Group's capital risk management and financial risk management is provided in notes 38 and 39 to the consolidated financial statements.

The Company believes that employees are the valuable assets. The Group provides competitive remuneration package, benefit and opportunities for promotion to attract and motivate the employees.

The Group also understands that it is important to maintain good relationship with business partners, suppliers and customers. The management has kept good communication and exchanged ideas with them so as to achieve its long-term goals.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, no Director is considered to have interests in businesses apart from the Group's businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules on the Stock Exchange.

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 (including Mr. Duan Xiongfei and Ms. Lau Cheong who have served as an independent non-executive Director for more than 9 years and are eligible for re-election at the forthcoming annual general meeting of the Company).

PERMITTED INDEMNITY PROVISION

Pursuant to the 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.

EMOLUMENT POLICY

The employees of the Group are remunerated on a performance-related basis.

The emoluments of the executive Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market standards.

The Company has adopted a share option scheme as incentive and rewards to encourage participants (including directors and employees). Details of the Option Scheme are set out under "Share Option Scheme" of this report and in note 27 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

On 11 December 2020, the Company entered into the subscription agreement with HLEE Finance S.à r.l. ("Subscriber", whose ultimate beneficial owner is Mr. Clive NG Cheang Neng) in relation to the subscription. Pursuant to the subscription agreement, the Company had conditionally agreed to allot and issue 6,814,760,000 shares to the Subscriber at the subscription price of HK$0.05 per subscription share ("Subscription"). The Subscription was completed on 18 January 2021 and the subscription shares were allotted and issued pursuant to the general mandate of the Company.

The gross proceeds and net proceeds from the Subscription are HK$340,738,000 and approximately HK$340,538,000 respectively, and are intended to be applied towards formation of the joint venture company, media entertainment segment and general working capital of the Group.

On 21 July 2021, the Company entered into the subscription agreement with Le Nouveau Holdings Inc. ("Subscriber 2"), of Mr. Norman Paul Hansen in relation to the subscription. Pursuant to the subscription agreement, the Company had conditionally agreed to allot and issue 2,400,000,000 shares to the Subscriber 2 at the subscription price of HK$0.065 per subscription share ("Subscription 2"). The Subscription 2 was completed on 30 July 2021 and the subscription shares were allotted and issued pursuant to the general mandate of the Company.

The gross proceeds and net proceeds from the Subscription 2 are HK$156,000,000 and approximately HK$155,500,000 respectively, and are intended to be applied to as the general working capital of the Group and towards the restructuring of the Group's business in Europe.

Further details of the issue of shares and grant of share options are set out in the sub-sections headed "Shares" and "Share Options" under "Chief Executive Officer's Review" on pages 35 to 37.

Save as disclosed above and under the sub-sections headed "Shares" and "Share Option" under "Chief Executive Officer's Review", the section headed "Share Option Scheme" above and note 27 to the consolidated 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.

DIRECTORS' REPORT

CHANGE IN DIRECTOR'S INFORMATION

Pursuant to Rules 13.51B(1) of the Listing Rules, changes in the Director's information since the disclosure made in the interim report of the Company for the six months ended 30 June 2021 are set out as follows:

(1) Mr. Jiang Yingchun, the non-executive Director, has resigned as general manager of Poly Culture Group Corporation Limited with effect from 31 August 2021 and has been appointed as the vice chairman of the board of directors of Poly Culture Group Corporation Limited with effect from 2 November 2021.

(2) Mr. Duan Xiongfei, the independent non-executive Director, has been appointed as a member of remuneration committee of Huobi Technology Holdings Limited with effect from 15 April 2021.

(3) Mr. Woo King Hang, the independent non-executive Director,

    (i) has been appointed as independent non-executive director, chairman of audit committee and corporate governance committee and a member of remuneration committee of MOS House Group Limited with effect from 1 December 2021;

    (ii) has resigned as independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of Hans Energy Company Limited with effect from 22 December 2021; and

    (iii) has been appointed as independent non-executive director and a member of audit committee and nomination committee of Crocodile Garments Limited with effect from 28 January 2022.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

The consolidated 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 2022

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF DIGITAL DOMAIN HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

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 79 to 193, which comprise the consolidated statement of financial position as at 31 December 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

1) *Impairment assessment on intangible assets*

As at 31 December 2021, the carrying amount of the Group's intangible assets was HK$533,994,000 (including goodwill of HK$293,877,000) which is significant to the total assets of the Group.

The Group tests intangible assets (including goodwill) for impairment as at the end of the reporting period. For the purpose of assessing impairment of intangibles (including goodwill), these assets were allocated to respective cash generating units ("CGUs"). Impairment loss is recognised by which the carrying amount of a CGU exceeds its recoverable amount. Recoverable amount of each CGU is the higher of its fair value less costs of disposal and value-in-use. In measuring the CGUs' recoverable amounts, management, to their best estimate, had prepared cash flow projections with assumptions. Significant management judgement on assumptions with respect to the discount rate, revenue growth rate, forecasting periods was used. Management has concluded that carrying amount on one of the CGU exceeded its recoverable amount. As a result, impairment on intangible assets and goodwill of HK$216,302,000 and HK$16,170,000 respectively were recognised in the profit or loss during the year.

We focused on this area and identified it as a key audit matter because of the significance of the intangible assets (including goodwill) to the Group and the level of the subjectivity associated with the judgement and assumptions used in estimating the value-in-use and fair value less costs of disposal of the CGUs.

Refer to "Impairment of non-financial assets" in summary of significant accounting policies in note 4, critical accounting estimates and judgements in note 5 and disclosures of intangible assets (including goodwill) in note 15 to the consolidated financial statements.

Our response:

Our audit procedures in relation to management's impairment assessment included:

- With the assistance of our internal valuation specialists, assessed the methodology used by the Group in performing impairment assessment;
- Challenged the reasonableness of key assumptions based on our knowledge of the business and industry; and
- Reconciled input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

2) *Valuation of interests in associates*

During the financial year ended 31 December 2021, the Group has recognised an impairment loss on investment in an associate of HK$163,626,000. As at 31 December 2021, the carrying amount of the Group's interests in associates, after impairment, was HK$34,730,000, comprising share of net assets of HK$582,000 and amounts due from associates of HK$34,148,000 (as further explained in "Expected credit losses on amounts due from associates and other receivables" below).

Interests in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates, less impairment in the value of individual investments. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of interests in associates may be impaired. For those associates in which such indication exist, the Group assessed their carrying amounts for impairment. As disclosed in note 16 to the consolidated financial statements, impairment on investment in an associate of HK$163,626,000 was recognised for the year.

We have identified it as a key audit matter because of the significance of the Group's interests in associates in the context of the Group's consolidated financial statements and the level of subjectivity associated with the judgements and assumptions used in estimating the recoverable amounts.

Refer to "Associates" in summary of significant accounting policies in note 4, critical accounting estimates and judgements in note 5 and disclosure of "Interests in associates" in note 16 to the consolidated financial statements.

Our response:
Our audit procedures in relation to management's impairment assessment included:

- Understood the management's process for identifying the existence of impairment indicators in respect of each of the respective interests in associates and evaluated the effectiveness of such process;

- Assessed the reasonableness of the recoverable amount of the relevant associate and obtained an understanding from the management of its financial position and future prospects;

- With the assistance of our internal valuation specialists, assessed the methodology used by the Group in performing impairment assessment;

- Challenged the reasonableness of assumptions based on our knowledge of the business and industry; and

- Reconciled input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

3) *Expected credit losses on amounts due from associates and other receivables*
During the financial year ended 31 December 2021, the Group has recognised impairment losses on amounts due from associates and other receivables of HK$71,335,000 and HK$81,674,000, respectively. As at 31 December 2021, the Group has, after impairment, amounts due from associates of HK$34,148,000 and other receivables of HK$62,007,000.

HKFRS 9 requires the use of expected credit loss ("ECL") model to measure impairment of financial assets. Management adopted a general approach in measuring the ECL for amounts due from associates and other receivables. Management considered probability of default and loss given default of these debtors with reference to their creditworthiness and financial ability of these debtors, other forward looking factors and time value of money if it is expected to be received more than one year.

Assessing impairment of these balances is a subjective area as it requires application of judgement and uses of estimates. Judgement is applied in assessing the risk of default of the underlying debtors, which include assessment on creditworthiness, repayment history and days past due information of the underlying debtors. Estimates are also required in assessing the recoverable amount of collaterals, if any, of credit-impaired receivables.

We have identified impairment assessment of these balances as a key audit matter due to considerable amount of judgement being required and high level of estimation uncertainty involved in conducting impairment assessment as mentioned in the foregoing paragraphs.

Refer to "Impairment loss on financial assets and contract assets" in summary of significant accounting policies in note 4, critical accounting estimates and judgements in note 5 and disclosures of "Interests in associates" and "Trade receivables, other receivables and prepayments" in note 16 and note 20 to the consolidated financial statements, respectively.

Our response:
Our audit procedures in relation to management's impairment assessment included:

- Evaluated management's impairment assessment on the default risk of these balances by challenging management's views of probability of default events of amounts outstanding;

- Challenged management's view of risk of default and loss given default of these balances by:

  - evaluating available evidences supporting management's assessment on credit rating of the underlying debtors; and

  - inquiring and understanding management's assessment on future conditions that may impact expected receipts from the underlying debtors.

- Assessed the disclosures of the quantitative and qualitative considerations in relation to credit risks on these balances, by comparing these disclosures to our understanding of the matter.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Pak Tak Lun
Practising Certificate number: P06170

Hong Kong, 30 March 2022

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	6	864,214	601,301
Cost of sales and services rendered	8	(740,249)	(536,571)
Gross profit		123,965	64,730
Other income and gains	7	86,525	146,948
Selling and distribution expenses		(8,069)	(28,235)
Administrative expenses and other net operating expenses		(348,413)	(403,049)
Finance costs	9	(24,779)	(29,217)
Fair value loss on financial assets measured at fair value through profit or loss	19	(27,694)	–
Impairment loss on goodwill	15	(16,170)	(305,119)
Impairment loss on intangible assets	15	(216,302)	–
(Recognition)/reversal of impairment loss on trade receivables and contract assets		(6,357)	1,440
Impairment loss on other receivables		(81,674)	(1,687)
Impairment loss on investment in an associate	16	(163,626)	–
Impairment loss on amounts due from associates	16	(71,335)	(36,365)
Share of losses of associates	16	(24,383)	(10,554)
Loss before taxation		(778,312)	(601,108)
Taxation	11(a)	(2,234)	229
Loss from continuing operations		(780,546)	(600,879)
Discontinued operation			
Loss from discontinued operation	8	–	(25,624)
Loss for the year	8	(780,546)	(626,503)
Loss attributable to:			
Owners of the Company			
Loss for the year from continuing operations		(722,004)	(584,205)
Loss for the year from discontinued operation		–	(14,322)
		(722,004)	(598,527)
Non-controlling interest			
Loss for the year from continuing operations		(58,542)	(16,674)
Loss for the year from discontinued operation		–	(11,302)
	30	(58,542)	(27,976)
		(780,546)	(626,503)
Loss per share from continuing operations attributable to the owners of the Company			(Re-presented)
Basic and diluted	12	HK cents (17.31)	HK cents (15.95)
Loss per share from discontinued operation attributable to the owners of the Company			
Basic and diluted	12	HK cents N/A	HK cents (0.39)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Loss for the year		(780,546)	(626,503)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(17,576)	733
Share of other comprehensive income of associates	16	(1,384)	(2,859)
Share of other comprehensive income of a joint venture	17	25	42
Net other comprehensive income that may be reclassified subsequently to profit or loss		(18,935)	(2,084)
Other comprehensive income for the year, net of tax		(18,935)	(2,084)
Total comprehensive income for the year		(799,481)	(628,587)
Total comprehensive income attributable to:			
– Owners of the Company			
Loss from continuing operations		(739,015)	(586,441)
Loss from discontinued operation		–	(14,321)
		(739,015)	(600,762)
– Non-controlling interest			
Loss from continuing operations		(60,466)	(16,256)
Loss from discontinued operation		–	(11,569)
	30	(60,466)	(27,825)
		(799,481)	(628,587)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	13	83,791	75,477
Right-of-use assets	14	56,314	88,415
Intangible assets	15	533,994	737,030
Interests in associates	16	34,730	265,104
Interest in a joint venture	17	71	46
Financial asset measured at fair value through other comprehensive income	18	–	–
Financial assets measured at fair value through profit or loss	19	70,151	–
Deposits and other receivables	20	7,344	44,375
Deferred tax assets	11(b)	681	445
		787,076	1,210,892
Current assets			
Trade receivables, other receivables and prepayments	20	140,710	154,657
Contract assets	21(a)	24,558	17,802
Bank balances and cash	22	247,755	113,899
		413,023	286,358
Current liabilities			
Trade payables, other payables and accruals	23	170,845	176,572
Lease liabilities	14	26,567	37,368
Contract liabilities	21(b)	86,707	44,902
Borrowings	24	49,646	154,285
Tax payable		7,604	5,225
		341,369	418,352
Net current assets/(liabilities)		71,654	(131,994)
Total assets less current liabilities		858,730	1,078,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Other payables	*23*	10,304	–
Borrowings	*24*	238,758	142,309
Lease liabilities	*14*	52,352	77,220
Deferred tax liabilities	*11(b)*	46,530	46,498
		347,944	266,027
NET ASSETS		510,786	812,871
Capital and reserves			
Share capital	*25*	43,290	340,754
Reserves		542,582	500,677
Equity attributable to owners of the Company		585,872	841,431
Non-controlling interest	*30*	(75,086)	(28,560)
TOTAL EQUITY		510,786	812,871

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Seah Ang
DIRECTOR

Duan Xiongfei
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		Attributable to owners of the Company										
	Notes	Share capital HK$'000 *(Note 25)*	Share premium HK$'000 *(Note 26(i))*	FVOCI reserve HK$'000 *(Note 26(ii))*	Contributed surplus HK$'000 *(Note 26(iii))*	Share options reserve HK$'000 *(Note 26(iv))*	Exchange fluctuation reserve HK$'000 *(Note 26(v))*	Other reserve HK$'000 *(Note 26(vi))*	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 January 2020		340,737	1,984,712	(196,213)	594,690	174,039	(903)	6,197	(1,476,707)	1,426,552	50,643	1,477,195
Recognition of equity-settled share-based payment expenses	*27*	–	–	–	–	7,943	–	–	–	7,943	–	7,943
Issue of shares on exercise of share options, net of expenses	*25(a)*	17	61	–	–	(33)	–	–	33	78	–	78
Disposal of subsidiaries	*31*	–	–	–	–	–	7,620	(2,329)	2,329	7,620	(51,378)	(43,758)
Total comprehensive income:												
Loss for the year		–	–	–	–	–	–	–	(598,527)	(598,527)	(27,976)	(626,503)
Currency translation differences		–	–	–	–	–	582	–	–	582	151	733
Share of other comprehensive income of associates	*16*	–	–	–	–	–	(2,859)	–	–	(2,859)	–	(2,859)
Share of other comprehensive income of a joint venture	*17*	–	–	–	–	–	42	–	–	42	–	42
Total comprehensive income for the year		–	–	–	–	–	(2,235)	–	(598,527)	(600,762)	(27,825)	(628,587)
As at 31 December 2020		340,754	1,984,773	(196,213)	594,690	181,949	4,482	3,868	(2,072,872)	841,431	(28,560)	812,871

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		Attributable to owners of the Company										
	Notes	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 26(i))	FVOCI reserve HK$'000 (Note 26(ii))	Contributed surplus HK$'000 (Note 26(iii))	Share options reserve HK$'000 (Note 26(iv))	Exchange fluctuation reserve HK$'000 (Note 26(v))	Other reserve HK$'000 (Note 26(vi))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 January 2021		340,754	1,984,773	(196,213)	594,690	181,949	4,482	3,868	(2,072,872)	841,431	(28,560)	812,871
Recognition of equity-settled share-based payment expenses	27	–	–	–	–	1,856	–	–	–	1,856	–	1,856
Issue of shares on subscription, net of expenses												
– on 18 January 2021	25(b)	68,148	272,287	–	–	–	–	–	–	340,435	–	340,435
– on 30 July 2021	25(b)	24,000	131,996	–	–	–	–	–	–	155,996	–	155,996
Capital contribution from non-controlling interest		–	–	–	–	–	–	–	–	–	122,757	122,757
Acquisition of non-controlling interest without a change in control		–	–	–	–	–	–	–	(14,831)	(14,831)	(108,817)	(123,648)
Transfer of share premium to contributed surplus		–	(2,257,060)	–	2,257,060	–	–	–	–	–	–	–
Set-off of contributed surplus against accumulated losses		–	–	–	(2,257,060)	–	–	–	2,257,060	–	–	–
Capital reorganisation	25(c)	(389,612)	–	–	389,612	–	–	–	–	–	–	–
Total comprehensive income:												
Loss for the year		–	–	–	–	–	–	–	(722,004)	(722,004)	(58,542)	(780,546)
Currency translation differences		–	–	–	–	–	(15,652)	–	–	(15,652)	(1,924)	(17,576)
Share of other comprehensive income of associates	16	–	–	–	–	–	(1,384)	–	–	(1,384)	–	(1,384)
Share of other comprehensive income of a joint venture	17	–	–	–	–	–	25	–	–	25	–	25
Total comprehensive income for the year		–	–	–	–	–	(17,011)	–	(722,004)	(739,015)	(60,466)	(799,481)
As at 31 December 2021		43,290	131,996	(196,213)	984,302	183,805	(12,529)	3,868	(552,647)	585,872	(75,086)	510,786

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before taxation from continuing operations	(778,312)	(601,108)
Loss before taxation from discontinued operation	–	(29,841)
	(778,312)	(630,949)
Adjustments for:		
Depreciation of property, plant and equipment	32,228	29,933
Depreciation of right-of-use assets	34,378	42,683
Amortisation of intangible assets	33,852	89,134
Gain on disposal of property, plant and equipment	(1)	(274)
Gain on disposal of subsidiaries	–	(9,100)
Covid-19-Related rent concessions	(1,343)	(813)
Paycheck Protection Program loans forgiven	(8,259)	(19,577)
Effect of lease modification	–	(431)
Equity-settled share-based payment expenses	1,856	7,943
Net exchange gains	(13,578)	(7,172)
Share of losses of associates	24,383	10,554
Impairment loss on goodwill	16,170	305,119
Impairment loss on intangible assets	216,302	–
Impairment loss on investment in an associate	163,626	–
Recognition/(reversal) of impairment loss on trade receivables and contract assets	6,357	(900)
Impairment loss on other receivables	81,674	1,687
Impairment loss on amounts due from associates	71,335	36,365
Fair value loss on financial assets measured at fair value through profit or loss	27,694	–
Interest income	(5,946)	(5,654)
Finance costs	24,779	29,276
Operating loss before working capital changes	(72,805)	(122,176)
Decrease in inventories	–	204
(Increase)/decrease in trade receivables, other receivables and prepayments	(34,598)	42,159
Increase in contract assets	(6,798)	(4,702)
Increase in trade payables, other payables and accruals	791	59,688
Increase/(decrease) in contract liabilities	41,805	(21,662)
Cash used in operations	(71,605)	(46,489)
Income tax paid	(578)	(382)
Interest paid	(10,852)	(26,175)
Net cash used in operating activities	(83,035)	(73,046)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Interest received		3,455	1,748
Purchases of property, plant and equipment		(38,501)	(36,712)
Lease payments made at or before the commencement date		–	(1)
Proceeds from disposal of property, plant and equipment		1	561
Additions to intangible assets		(57,557)	(126,701)
Advance to associates		(14,336)	(13,026)
Settlement of contingent consideration payable		–	(5,410)
Increase in bank deposits with more than three months to maturity when placed or pledged		(32,018)	(69,700)
Purchases of financial assets measured at fair value through profit or loss		(102,394)	–
Investment in an associate		(585)	–
Additional investment in an associate		(15,433)	–
Net cash inflow from disposal of subsidiaries	*31*	–	23,512
Acquisition of non-controlling interest without a change in control		(123,648)	–
Net cash used in investing activities		(381,016)	(225,729)
Cash flows from financing activities	*32(b)*		
Proceeds from issue of ordinary shares, net of issuing expenses		496,431	–
Proceeds from exercise of share options		–	78
Capital contribution to a non-wholly owned subsidiary from a non-controlling shareholder		122,757	–
New bank borrowings		40,738	88,071
Repayment of bank borrowings		(22,738)	(37,610)
Repayment of principal portion of lease liabilities		(36,796)	(46,328)
Repayment of interest portion of lease liabilities		(10,141)	–
New inception of other loans		–	39,347
Repayment of other loans		(22,096)	(25,864)
Net cash generated from financing activities		568,155	17,694
Net increase/(decrease) in cash and cash equivalents		104,104	(281,081)
Effect of foreign exchange rate changes		(2,266)	(153)
Cash and cash equivalents at beginning of the year		28,617	309,851
Cash and cash equivalents at end of the year		130,455	28,617
Represented by:			
Bank balances and cash		247,755	113,899
Bank deposits with more than three months to maturity when placed or pledged		(117,300)	(85,282)
		130,455	28,617

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 1201, 12F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 29.

As at 31 December 2021, in the opinions of the directors of the Company ("the Directors"), the Company has no immediate and ultimate holding company or ultimate controlling party.

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

(a) Adoption of amended HKFRSs – effective on 1 January 2021

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adoption)

None of these amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. Except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021, the Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendment to HKFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payment originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$1,343,000 has been accounted for as a negative variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

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

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

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

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] No mandatory effective date determined but available for adoption

Amendments to HKFRS 3 - Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

Amendments to HKAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the financial statements.

Amendments to HKAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Directors are currently assessing the impact that the application of the amendments will have on the financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Annual Improvements to HKFRSs 2018-2020 – Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS 2 Practice Statement 2 – Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that their primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors do not anticipate that the application of these amendments may have an impact on the financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Amendments to HKAS 8 – Definition of Accounting Estimates

These amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The Directors do not anticipate that the application of these amendments may have an impact on the financial statements.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments narrow the scope of the initial recognition exception so that it does not apply to transactions that give rise to equal and offsetting temporary differences. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liabilities for temporary differences arising from these transactions.

The Directors do not anticipate that the application of these amendments may have an impact on the financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments may have an impact on the financial statements.

3. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 in line with those used by other members of the Group.

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and basis of consolidation (continued)

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.

Subsequent to acquisition, the carrying amount of non-controlling interest that represents present ownership interest in the subsidiary is the amount of that interest at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company'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 (included in "accumulated losses") and attributed to owners of the Company.

When the Company loses control of a subsidiary, the gain 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 interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

Subsidiaries

A subsidiary is an investee (including structured entity) over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) 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.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 investors' share in the associates' 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. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. 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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangements (continued)

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method).

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenue and expenses in accordance with its contractually conferred rights and obligations.

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.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, except construction in progress, 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 useful lives are as follows:

Furniture, fixtures and equipment	1 to 10 years
Machineries	3 to 5 years

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following 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:

- property, plant and equipment;
- right-of-use assets;
- intangible assets (including goodwill); and
- interests in associates and a joint venture.

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 of disposal and value-in-use.

In assessing value-in-use, the estimated future cash flows expected to be derived from the CGU 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 or CGU.

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), except for goodwill, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired in accordance with accounting policy on "Impairment of non-financial assets".

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 combination. 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 year, the CGU to which allocated goodwill is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit on a pro-rata basis on the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent period.

(ii) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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

Expenditure on internally developed intangible assets (including films) is capitalised if it can be demonstrated that:

- it is technically feasible to develop the asset for it to be sold;
- there is an intention to complete and use or sell the asset;
- the Group is able to sell the asset;
- how the use or sale of the asset will generate probably future economic benefits to the Group is demonstrable;
- adequate resources are available to complete the development;
- sale of the asset will generate future economic benefits; and
- expenditure on the asset can be measured reliably.

Capitalised development costs are amortised over the periods as appropriate. The Group expects to benefit from selling the asset 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.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

(v) Amortisation

The amortisation is charged on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets with finite useful lives are ready for use. The amortisation expense is recognised in profit or loss. The estimated useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates of intangible assets with finite useful lives are as follows:

Proprietary software	3 years
Participation rights	3 to 5 years
Patents	10 to 15 years
Backlog contracts	2 years
Licences for intellectual property rights	Over the terms of the relevant licensing agreements
Other licences	Over the terms of the relevant licensing agreements
Film rights	Refer to note 15(i)

(vi) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL (as defined below), transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

(i) Financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets measured at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

(i) Financial assets (continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets and contract assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

(ii) Impairment loss on financial assets and contract assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred, including the following observable events: (1) significant financial difficulty of the debtor; (2) a breach of contract, such as a default or being more than 90 days past due; (3) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; (4) it is probable that the debtor will enter bankruptcy or other financial reorganisation; or (5) the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are long aged, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade payables, other payables and accruals and borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

(iv) Effective interest method

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

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Right-of-use assets (continued)

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. The useful lives are as follows:

Buildings	2 to 10 years
Equipment	2 to 5 years

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use on the underlying assets during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Lease liability (continued)

Subsequent to the commencement date, the Group shall measure the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies (see note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliable estimated.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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 not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures 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 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, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. 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, and reflects any uncertainty related to income taxes.

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 tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 HK$ 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 HK$ 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.

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 employee 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (continued)

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

For equity-settled share-based payment transactions, the Group shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

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 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.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to accumulated losses).

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.

4. 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 applies:

(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 Company'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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(i) Services of visual effects production and post production

Revenue from the provision of services of visual effects production and post production is recognised over time, using the input method to measure progress towards complete satisfaction of the service, because (1) the Group's production works enhance assets that the customers control as the assets is enhanced; and (2) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs.

(ii) Sales of goods

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customers, generally on delivery of the goods.

Some contracts for the sales of goods provide customers with right of return. The rights of return give rise to variable consideration.

Right of return:
For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return assets (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(iii) Sale of hardware and solution services

The Group provided solution services that were sold bundled together with the sale of hardware to a customer. The hardware and solution services were highly interdependent and interrelated.

Contracts for bundled sales of hardware and solution services were comprised of only a single performance obligation because the promises to transfer the hardware and provide solution services were not distinct or separately identifiable. Accordingly, allocation of the transaction price was not applicable because the contract had only one performance obligation.

Revenue from sales of hardware and solution services was recognised at the point in time when control of the asset was transferred to the customer, generally on customer's acceptance of the hardware and solution services.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(iv) Licence fee income

The Group grants certain licences for using its virtual reality contents to customers for licence fee income.

The Group did not have unconditional right, and is not expected to undertake activities that significantly affect the licensed virtual reality contents to which the customers have rights to. Accordingly, the Group considers the granting of a licence as providing the customers the right to use the Group's virtual reality contents and the performance obligation is satisfied at a point in time at which the licence is granted of.

(v) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate under the effective interest method.

(vi) Income arising from broadcasting movies and TV dramas are recognised in accordance with the terms and substances of the relevant agreements, and at point in time when (1) the Group's right to the payment is reasonably certain with no further obligation; and (2) the amount the Group is entitled to receive can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only passage of time is required before payment of that consideration is due.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. A contract liability is recognised when the payment is made or the payment is due (whichever is earlier) before the Group transfers goods or services to the customer. Contract liabilities are recognised as revenue when the Group performs under the contract.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Given Covid-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in the Group's consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and judgements (continued)

Impairment of non-financial assets (including goodwill)

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:

(i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence;

(ii) whether the carrying value of an asset or a CGU can be supported by the recoverable amount of the CGU, which is the higher of fair value less costs of disposal and value-in-use of the CGU. The value-in-use calculation is based on the net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and

(iii) 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.

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 11(b).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and judgements (continued)

Provision for ECLs on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sectors in which the Group operates the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances. The Group's historical credit loss experience may also not be representative of customer's actual default in the future.

The economic downturn and uncertainties that have arisen as a result of Covid-19 pandemic have made these estimates more judgemental, which the Group has taken into account in its determination of applicable expected credit losses. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 20, 21(a) and 39(a) to the consolidated financial statements.

Impairment of other financial assets measured at amortised cost

The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 39(a).

Incremental borrowing rate on lease agreements

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses incremental borrowing rates ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and judgements (continued)

Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The Group estimates the useful lives of property, plant and equipment, right-of-use assets 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 consolidated 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; and

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 as they occur.

The Group measures fair value of financial asset measured at FVOCI and financial assets measured at FVTPL as detailed in notes 18 and 19.

6. REVENUE AND SEGMENT REPORTING

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

	2021 HK$'000	2020 HK$'000
Continuing operations		
Revenue from contracts with customer within the scope of HKFRS 15:		
Provision of		
– visual effects production and post production services	800,750	544,599
– virtual human and virtual reality services and 360 degree digital capture technology application	56,142	49,140
– granting of licence for virtual reality contents	7,322	7,562
	864,214	601,301
Discontinued operation		
Revenue from contracts with customer within the scope of HKFRS 15:		
Provision of sales of hardware and solution services	–	3,022

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

Disaggregation of revenue from contracts with customers

Segment	Media entertainment	
	2021 HK$'000	**2020** HK$'000
Types of goods or service		
Provision of		
– visual effects production and post production services	800,750	544,599
– virtual human and virtual reality services and 360 degree digital capture technology application	56,142	49,140
– granting of licence for virtual reality contents	7,322	7,562
Total revenue from contracts with customers (continuing operations)	864,214	601,301
Total revenue from contracts with customers (discontinued operation)		
Provision of sales of hardware and solution services	–	3,022
Geographical markets		
Hong Kong (place of domicile)	4,030	2,907
The People's Republic of China (the "PRC")	74,676	66,267
The United States of America ("USA")	309,668	203,697
Canada	404,128	317,962
United Kingdom ("UK")	57,340	5,073
Europe other than UK	3,503	–
Other countries/regions	10,869	5,395
Total revenue from contracts with customers (continuing operations)	864,214	601,301
Total revenue from contracts with customers (discontinued operation)		
The PRC	–	3,022
Timing of revenue recognition		
A point in time	63,464	56,702
Over time	800,750	544,599
Total revenue from contracts with customers (continuing operations)	864,214	601,301
Total revenue from contracts with customers (discontinued operation)		
A point in time	–	3,022

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Reportable segment

The Group determines its operating segment based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. The Group has only one operating and reportable segment.

In the prior year, the operation for sales of hardware and solution services was discontinued upon the partial disposal of Lead Turbo Limited and its subsidiaries (collectively the "Lead Turbo Group"). The partial disposal by the Group resulted in loss of control of the Lead Turbo Group by the Group. The Group accounts for the retained interests in the Lead Turbo Group as interests in associates (refer to note 31). The following summary describes the operations in the Group's only reportable segment, media entertainment:

Continuing operations

– provision of visual effects production and post production services, virtual human and virtual reality services and 360 degree digital capture technology application, and granting of licence for virtual reality contents

Discontinued operation

– provision of sales of hardware and solution services

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

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

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

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Reportable segment (continued)

	Media entertainment					
	Continuing operations		Discontinued operation		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Revenue from external customers and reportable segment revenue	864,214	601,301	–	3,022	864,214	604,323
Reportable segment loss	(398,994)	(518,676)	–	(29,841)	(398,994)	(548,517)
Additions to non-current assets	97,177	152,036	–	7,488	97,177	159,524
Depreciation and amortisation	(94,257)	(86,454)	–	(30,371)	(94,257)	(116,825)
Impairment loss on goodwill	(16,170)	(305,119)	–	–	(16,170)	(305,119)
Impairment loss on intangible assets	(216,302)	–	–	–	(216,302)	–
Gain on disposal of property, plant and equipment	1	357	–	–	1	357
Taxation (charged)/credited	(2,229)	229	–	4,217	(2,229)	4,446
Reportable segment assets	905,319	1,077,263	–	–	905,319	1,077,263
Reportable segment liabilities	581,029	556,815	–	–	581,029	556,815

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
Loss before taxation		
Segment loss from continuing operations	(398,994)	(518,676)
Segment loss from discontinued operation	–	(29,841)
	(398,994)	(548,517)
Reversal of impairment loss on trade receivables and contract assets	–	900
Impairment loss on other receivables	(81,252)	(1,687)
Impairment loss on investment in an associate	(163,626)	–
Impairment loss on amounts due from associates	(71,335)	(36,365)
Fair value loss on financial assets measured at FVTPL	(27,694)	–
Loss on disposal of unallocated property, plant and equipment	–	(83)
Share of losses of associates	(24,383)	(10,554)
Auditor's remuneration	(2,082)	(1,972)
Depreciation of unallocated property, plant and equipment, depreciation of unallocated right-of-use assets and amortisation of unallocated intangible assets	(6,201)	(44,925)
Professional fees	(34,947)	(21,770)
Finance costs	(24,779)	(29,276)
Equity-settled share-based payment expenses	(1,856)	(7,943)
Unallocated short-term lease expenses	(150)	(466)
Unallocated other income and gains	83,485	132,327
Other unallocated corporate expenses*	(24,498)	(60,618)
Consolidated loss before taxation	(778,312)	(630,949)
Assets		
Reportable segment assets	905,319	1,077,263
Unallocated bank balances and cash	213,758	74,682
Unallocated corporate assets	81,022	345,305
Consolidated total assets	1,200,099	1,497,250
Liabilities		
Reportable segment liabilities	581,029	556,815
Tax payable	7,604	5,225
Deferred tax liabilities	46,530	46,498
Unallocated borrowings	4,909	4,909
Unallocated corporate liabilities	49,241	70,932
Consolidated total liabilities	689,313	684,379

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

6. 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

	2021 HK$'000	2020 HK$'000
Continuing operations		
Hong Kong (place of domicile)	4,030	2,907
The PRC	74,676	66,267
USA	309,668	203,697
Canada	404,128	317,962
UK	57,340	5,073
Europe other than UK	3,503	–
Other countries/regions	10,869	5,395
	864,214	601,301

	2021 HK$'000	2020 HK$'000
Discontinued operation		
The PRC	–	3,022

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

(ii) Specified Non-current Assets

	2021 HK$'000	2020 HK$'000
Hong Kong (place of domicile)	40,537	12,830
The PRC	112,168	388,252
Other regions of Asia	4,709	10,103
USA and Canada	551,486	754,887
	708,900	1,166,072

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

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(d) Major customers

The Group's customer base is diversified and there was no customer (2020: 2) from the media entertainment segment with whom transactions have exceeded 10% of the Group's total revenue as follows:

	2021 HK$'000	2020 HK$'000
Customer A	N/A	116,390
Customer B	N/A	67,931

(e) Revenue

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

	2021 HK$'000	2020 HK$'000
Trade receivables	65,000	40,798
Contract assets	24,558	17,802
Contract liabilities	86,707	44,902

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

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

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

7. OTHER INCOME AND GAINS

	2021 HK$'000	2020 HK$'000
Continuing operations		
Income arising from broadcasting movies and TV dramas	3,039	62,393
Interest income	4,509	4,848
Imputed interest on consideration receivables	1,437	777
Covid-19-Related rent concessions	1,343	813
Paycheck Protection Program loans forgiven	8,259	19,577
Government subsidies *(Note)*	64,019	43,541
Service income from development of intellectual property	–	7,000
Sponsorship received for certain research and development projects	–	2,715
Effect of lease modification	–	431
Others	3,919	4,853
	86,525	146,948

	2021 HK$'000	2020 HK$'000
Discontinued operation		
Interest income	–	29
Government subsidies *(Note)*	–	608
Others	–	1,353
	–	1,990

Note:

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

8. LOSS FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Continuing operations		
This is arrived at after charging/(crediting):		
Cost of sales and services rendered *(Note)*	740,249	536,571
Gain on disposal of property, plant and equipment	(1)	(274)
Exchange differences, net	(13,387)	(7,024)
Auditor's remuneration:		
– audit services	1,850	1,775
– non-audit services	232	197
Depreciation of property, plant and equipment *(Note)*	32,228	28,850
Depreciation of right-of-use assets *(Note)*	34,378	40,976
Amortisation of intangible assets *(Note)*	33,852	61,553
Short-term lease expenses	370	552
Staff costs *(Note)*:		
– Directors' remuneration	4,168	7,914
– Other staff costs:		
Salaries, wages and other benefits	751,711	602,666
Retirement benefit scheme contributions	11,504	5,999
Equity-settled share-based payment expenses	1,856	7,943
Total staff costs	769,239	624,522

Note:

Cost of sales and services rendered include HK$638,813,000 (2020: HK$468,354,000) relating to staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets, for which the amounts are also included in the respective total amounts disclosed separately above.

8. LOSS FOR THE YEAR (CONTINUED)

Discontinued operation

On 17 July 2020, the Group entered into a sale and purchase agreement with an independent purchaser in connection with the disposal of 22.29% equity interest of the Lead Turbo Group. Further details were set out in note 31. The disposal was completed on 31 July 2020, the date on which the control of the Lead Turbo Group was lost. Revenue, results and cash flows of the Lead Turbo Group were as follows:

	Period from 1 January 2020 to 31 July 2020 HK$'000
Revenue	3,022
Expenses	(41,963)
Loss before gain on disposal of discontinued operation and taxation	(38,941)
Gain on disposal of discontinued operation	9,100
Loss before taxation from the discontinued operation	(29,841)
Taxation	4,217
Loss for the year from discontinued operation	(25,624)
Operating cash outflows	(13,612)
Investing cash outflows	(1,026)
Financing cash inflows	–
Total cash outflows	(14,638)

The carrying amounts of the assets and liabilities of the Lead Turbo Group at the date of disposal are disclosed in note 31.

A profit of HK$9,100,000 arose on disposal of the Lead Turbo Group, being the proceeds of disposal and the fair value of the Group's retained interests, less the carrying amount of the subsidiary's net assets attributable to the Group, foreign exchange reserve and attributable goodwill. No tax charge or credit arose from the disposal.

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Continuing operations		
Imputed interest on:		
Lease liabilities	10,141	14,362
Contingent consideration payable	–	158
Interest on:		
Bank and other loans	14,638	14,697
	24,779	29,217

	2021 HK$'000	2020 HK$'000
Discontinued operation		
Imputed interest on:		
Lease liabilities	–	59

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration is analysed as follows:

	2021 HK$'000	2020 HK$'000
Fees:		
Independent non-executive directors	928	1,682
Non-executive directors	237	–
	1,165	1,682
Other emoluments paid to executive directors:		
Salaries and other benefits	2,985	6,214
Retirement benefit scheme contributions	18	18
	3,003	6,232
	4,168	7,914

No directors waived any remuneration in respect of the years ended 31 December 2021 and 2020.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

	2021 HK$'000	2020 HK$'000
Peter Chou (Resigned on 4 June 2020)		
– Salaries and other benefits	N/A	2,687
Seah Ang		
– Salaries and other benefits	2,985	3,527
– Retirement benefit scheme contribution	18	18
	3,003	3,545
Chang San-Cheng (Appointed on 28 June 2021)		
– Salaries and other benefits	–	–
Brian Thomas McConville (Appointed on 28 June 2021)		
– Fee	237	–
John Alexander Lagerling (Resigned on 1 May 2020)		
– Fee	–	518
Lau Cheong		
– Fee	156	156
Duan Xiongfei		
– Fee	156	156
Woo King Hang (Appointed on 28 June 2021)		
– Fee	79	–
Wong Ka Kong, Adam (Deceased in May 2021)		
– Fee	78	156
Elizabeth Monk Daley (Appointed on 20 July 2020)		
– Fee	459	696
Jiang Yingchun		
– Fee	–	–
Cui Hao		
– Fee	–	–
Sergei Skatershchikov (Appointed on 22 January 2021)		
– Fee	–	–
Wang Wei-Chung (Resigned on 25 June 2021)		
– Fee	–	–

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

Five highest paid employees

The five highest paid individuals of the Group did not include any Directors (2020: Nil). The remuneration of the five (2020: five) highest paid employees, other than the Directors, is as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	19,866	18,420
Recognition of equity-settled share-based payment expenses	170	1,026
Retirement benefit scheme contributions	36	36
	20,072	19,482

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

	2021	2020
HK$3,500,001 to HK$4,000,000	2	2
HK$4,000,001 to HK$4,500,000	3	3

11. TAXATION

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

	Note	2021 HK$'000	2020 HK$'000
Continuing operations			
Current taxation - Hong Kong profits tax		–	–
Current taxation - Overseas tax			
– provision for the year		3,062	587
Deferred taxation	*11(b)*	(828)	(816)
		2,234	(229)

	Note	2021 HK$'000	2020 HK$'000
Discontinued operation			
Current taxation - Hong Kong profits tax		–	–
Current taxation - Overseas tax			
– over-provision in respect of prior years		–	(85)
Deferred taxation	*11(b)*	–	(4,132)
		–	(4,217)

No provision for Hong Kong profits tax was made for the years ended 31 December 2021 and 2020 as the Group had estimated tax losses brought forward to offset against the estimated assessable profits.

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

11. TAXATION (CONTINUED)

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

Taxation for the years can be reconciled to accounting loss as follows:

	2021 HK$'000	2020 HK$'000
Continuing operations		
Loss before taxation	(778,312)	(601,108)
Taxation calculated at applicable rates of Hong Kong profits tax	(128,421)	(99,183)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(25,135)	(9,796)
Tax effect of expenses not deductible for tax purposes	104,087	71,117
Tax effect of income not assessable for tax purposes	(14,550)	(11,355)
Tax effect of utilisation of previously unrecognised tax losses and other deductible temporary differences	(698)	(5,225)
Tax effect of unrecognised tax losses and temporary differences	66,951	54,213
Taxation for the year	2,234	(229)

	2021 HK$'000	2020 HK$'000
Discontinued operation		
Loss before taxation	–	(29,841)
Taxation calculated at applicable rates of Hong Kong profits tax	–	(4,924)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	–	(2,138)
Tax effect of income not assessable for tax purposes	–	(381)
Tax effect of utilisation of previously unrecognised tax losses and other deductible temporary differences	–	(1,516)
Tax effect of unrecognised tax losses and temporary differences	–	4,827
Over-provision in respect of prior years	–	(85)
Taxation for the year	–	(4,217)

11. 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 2020		(242)	418	(63,795)	(63,619)
Disposal of subsidiaries	*31*	–	(2,295)	15,563	13,268
Credited to profit or loss for the year	*11(a)*	688	1,861	2,399	4,948
Exchange realignment		(1)	16	(665)	(650)
As at 31 December 2020		445	–	(46,498)	(46,053)
Credited to profit or loss for the year	*11(a)*	244	–	584	828
Exchange realignment		(8)	–	(616)	(624)
As at 31 December 2021		681	–	(46,530)	(45,849)

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:

	2021 HK$'000	**2020** HK$'000
Deferred tax liabilities	(46,530)	(46,498)
Deferred tax assets	681	445
	(45,849)	(46,053)

At the end of reporting period, the Group had unused tax losses of HK$1,625,914,000 (2020: HK$1,406,009,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (2020: No deferred tax asset has been recognised in respect of such losses) due to the unpredictability of future profit streams. As at 31 December 2021, included in unrecognised tax losses are losses of HK$222,724,000 (2020: HK$200,726,000), Nil (2020: HK$8,297,000), HK$3,816,000 (2020: Nil) and HK$1,262,095,000 (2020: HK$1,064,211,000) that will expire in 5 years, 8 years, 17 years and 20 years, respectively, from the respective dates of incurrence.

12. LOSS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Continuing operations		
Loss for the year attributable to owners of the Company from continuing operations for the purpose of basic loss per share	(722,004)	(584,205)
Discontinued operation		
Loss for the year attributable to owners of the Company from discontinued operation for the purpose of basic loss per share	–	(14,322)

	2021	2020 (Re-presented)
Number of share		
Weighted average number of ordinary shares for the purposes of basic loss per share, adjusted *(Note)*	4,171,108,547	3,662,937,245

Note: The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for: i) bonus elements in the issue of shares through share subscription on 18 January 2021*; and ii) consolidation of every ten existing shares into one consolidated share during the year as if effective since 1 January 2020. Details refer to note 25(c).

* There were no bonus elements in the issue of shares through share subscription on 30 July 2021.

For the years ended 31 December 2021 and 2020, since the share options outstanding had an anti-dilutive effect on the basic loss per share, the exercise of outstanding share options were not assumed in the computation of diluted loss per share.

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

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 2020	228,856	5,674	931	235,461
Additions	36,096	616	–	36,712
Disposals	(4,002)	–	–	(4,002)
Disposal of subsidiaries *(Note 31)*	(9,843)	–	–	(9,843)
Exchange realignment	3,126	138	(5)	3,259
As at 31 December 2020 and 1 January 2021	254,233	6,428	926	261,587
Additions	38,452	49	–	38,501
Disposals	(29)	–	–	(29)
Exchange realignment	5,257	118	5	5,380
As at 31 December 2021	297,913	6,595	931	305,439
ACCUMULATED DEPRECIATION				
As at 1 January 2020	158,507	4,952	–	163,459
Depreciation charge for the year	29,548	385	–	29,933
Disposals	(3,715)	–	–	(3,715)
Disposal of subsidiaries *(Note 31)*	(4,984)	–	–	(4,984)
Exchange realignment	1,315	102	–	1,417
As at 31 December 2020 and 1 January 2021	180,671	5,439	–	186,110
Depreciation charge for the year	31,812	416	–	32,228
Disposals	(29)	–	–	(29)
Exchange realignment	3,241	98	–	3,339
As at 31 December 2021	215,695	5,953	–	221,648
NET CARRYING AMOUNT				
As at 31 December 2021	82,218	642	931	83,791
As at 31 December 2020	73,562	989	926	75,477

14. LEASES

Nature of leasing activities (as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The Group also leases certain items of equipment. In some contracts for services with distributors, those contracts contain leases of equipment comprise only fixed payments over the lease terms. Leases of buildings generally have lease terms between 2 and 10 years, while equipment generally have lease terms between 2 and 5 years.

None of the lease contracts entered by the Group contains a variable lease payments scheme.

Extension options are included in certain property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

The Group reassessed and concluded that it was not reasonably certain to exercise these extension option. As a result, lease liabilities from the extension period were not included in the lease liabilities of the Group at reporting date. An additional cash outflow of HK$20,482,000 (2020: HK$20,775,000) was estimated if all the extension options were exercised.

RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings HK$'000	Equipment HK$'000	Total HK$'000
As at 1 January 2020	122,848	9,901	132,749
Additions	964	–	964
Depreciation charge	(35,745)	(6,938)	(42,683)
Effect of lease modification	(2,258)	–	(2,258)
Disposal of subsidiaries *(Note 31)*	(491)	–	(491)
Exchange realignment	151	(17)	134
As at 31 December 2020 and 1 January 2021	85,469	2,946	88,415
Additions	375	1,192	1,567
Depreciation charge	(32,276)	(2,102)	(34,378)
Exchange realignment	626	84	710
As at 31 December 2021	54,194	2,120	56,314

Please refer to note 4 "Leases" for estimated useful life of right-of-use assets.

14. LEASES (CONTINUED)

LEASE LIABILITIES

	HK$'000
As at 1 January 2020	164,649
Additions	963
Interest expense	14,421
Covid-19-Related rent concessions	(813)
Disposal of subsidiaries *(Note 31)*	(528)
Lease payments	(60,749)
Effect of lease modification	(2,689)
Exchange realignment	(666)
As at 31 December 2020 and 1 January 2021	114,588
Additions	1,567
Interest expense	10,141
Covid-19-Related rent concessions	(1,343)
Lease payments	(46,937)
Exchange realignment	903
As at 31 December 2021	78,919

As disclosed in note 2(a), the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions granted to the Group during the year ended 31 December 2021 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$1,343,000 (2020: HK$813,000). The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

14. LEASES (CONTINUED)

LEASE LIABILITIES (continued)

Future lease payments are due as follows:

As at 31 December 2021

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	33,816	7,249	26,567
Later than one year and not later than two years	16,305	5,533	10,772
Later than two years and not later than five years	46,089	7,806	38,283
Later than five years	3,758	461	3,297
	99,968	21,049	78,919

As at 31 December 2020

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	47,348	9,980	37,368
Later than one year and not later than two years	33,494	7,058	26,436
Later than two years and not later than five years	47,385	12,450	34,935
Later than five years	17,166	1,317	15,849
	145,393	30,805	114,588

The present value of future lease payments are analysed as follows:

	2021 HK$'000	2020 HK$'000
Current liabilities	26,567	37,368
Non-current liabilities	52,352	77,220
	78,919	114,588

The total cash outflow for leases for the year ended 31 December 2021 was HK$47,307,000 (2020: HK$61,405,000).

As at 31 December 2021, the Group has two lease contracts that have not yet commenced. The future lease payments for these non-cancellable lease contracts not later than one year, later than one year and not later than two years, and later than two years and not later than five years, are HK$9,194,000, HK$11,844,000 and HK$22,961,000, respectively.

15. INTANGIBLE ASSETS

	Goodwill	Trademarks	Proprietary software	Participation rights	Patents	Backlog contracts	Licences for intellectual property rights	Other licences	Film rights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (a))	*(Note (b))*	*(Note (c))*	*(Note (d))*	*(Note (e))*	*(Note (f))*	*(Note (g))*	*(Note (h))*	*(Note (i))*	
COST										
As at 1 January 2020	884,952	153,366	200,368	381,763	306,447	18,178	-	17,841	-	1,962,915
Additions	-	-	19,826	-	283	-	8,470	3,767	94,355	126,701
Disposal of subsidiaries *(Note 31)*	(195,193)	-	(14,320)	-	(200,256)	(18,178)	-	(21,486)	-	(449,433)
Exchange realignment	(174)	1,904	(31)	(1,283)	608	-	-	(122)	-	902
As at 31 December 2020 and 1 January 2021	689,585	155,270	205,843	380,480	107,082	-	8,470	-	94,355	1,641,085
Additions	-	-	21,471	-	-	-	2,447	-	33,639	57,557
Exchange realignment	-	1,899	1,437	1,460	836	-	-	-	634	6,266
As at 31 December 2021	689,585	157,169	228,751	381,940	107,918	-	10,917	-	128,628	1,704,908
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS										
As at 1 January 2020	74,419	-	103,129	344,706	73,264	16,663	-	4,692	-	616,873
Amortisation for the year	-	-	13,103	37,057	24,859	1,514	7,809	4,792	-	89,134
Impairment for the year	305,119	-	-	-	-	-	-	-	-	305,119
Disposal of subsidiaries *(Note 31)*	-	-	(5,290)	-	(72,443)	(18,177)	-	(9,484)	-	(105,394)
Exchange realignment	-	-	(174)	(1,283)	(220)	-	-	-	-	(1,677)
As at 31 December 2020 and 1 January 2021	379,538	-	110,768	380,480	25,460	-	7,809	-	-	904,055
Amortisation for the year	-	-	27,091	-	5,474	-	1,287	-	-	33,852
Impairment for the year	16,170	138,633	-	-	77,669	-	-	-	-	232,472
Exchange realignment	-	(955)	715	1,460	(685)	-	-	-	-	535
As at 31 December 2021	395,708	137,678	138,574	381,940	107,918	-	9,096	-	-	1,170,914
CARRYING AMOUNT										
As at 31 December 2021	293,877	19,491	90,177	-	-	-	1,821	-	128,628	533,994
As at 31 December 2020	310,047	155,270	95,075	-	81,622	-	661	-	94,355	737,030

15. INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) For the purpose of impairment testing, goodwill is allocated to CGUs identified as follows:

	2021 HK$'000	2020 HK$'000
Visual effects production services	208,691	208,691
Post production services	85,186	85,186
360 degree digital capture technology application	–	16,170
	293,877	310,047

The recoverable amounts of the CGUs have been determined by the Directors on the basis of value-in-use calculations with reference to professional valuation reports issued by Knight Frank Asset Appraisal Limited ("KF"), an independent firm of professionally qualified valuers.

The value-in-use calculations for CGUs used cash flows projections based on latest financial budgets approved by the Group's management covering a period of 5 years, which is consistent with the cash flows projections period in 2020.

The cash flows projections beyond the budget period are extrapolated using a growth rate of 2.0% to 2.5% (2020: 2.0% to 2.5%), which do not exceed the long-term growth rates for the industry in the corresponding countries.

15. INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

(a) (continued)

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

2021	Visual effects production services CGU	Post production services CGU	360 degree digital capture technology application CGU
Average revenue growth rate within budget period	12.1%	16.4%	4.0%
Pre-tax discount rate	18.6%	17.4%	17.0%
Average gross margin	17.9%	56.2%	16.0%
Recoverable amount *(HK$'000)*	558,554	214,229	–

2020	Visual effects production services CGU	Post production services CGU	360 degree digital capture technology application CGU
Average revenue growth rate within budget period	19.3%	22.2%	22.5%
Pre-tax discount rate	17.6%	20.6%	18.0%
Average gross margin	15.9%	48.9%	36.1%
Recoverable amount *(HK$'000)*	584,453	178,735	202,925

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

During both years, the global health emergency resulting from the Covid-19 pandemic has led to social distancing requirements and travel restriction measure been introduced in most territories, which has significantly impacted the travel, sports, concerts and other mass events which the 360 digital capture and live streaming services from the 360 degree digital capture technology application CGU is dependent on.

Contracts in the 360 degree digital capture technology application CGU are generally characterised by short period of time between contracts, a significant slowdown in demand of services in Mainland of China, North America and other parts of the world led to the reduction in delivery of projects and the prospects of growth in this CGU. This places intense pressure on the business of 360 degree digital capture technology application CGU and causes an adverse impact on the estimated value-in-use of the 360 degree digital capture technology application CGU.

The Group has undertaken a strategic review of the Group's operations. In the opinion of the Directors, the Group should strategically focus its resources towards its core virtual effects and virtual human capabilities and the development of markets for the Group's related offerings and develop plans appropriately to address its investments.

15. INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

(a) (continued)

Accordingly, impairment losses on goodwill of HK$16,170,000 and intangible assets of HK$216,302,000 for 360 degree digital capture technology application CGU were recognised in profit or loss (2020: impairment loss on goodwill of HK$305,119,000 for 360 degree digital capture technology application CGU was recognised in profit or loss).

The recoverable amounts for the visual effects production services CGU, post production services CGU and 360 degree digital capture technology application CGU are HK$558,554,000, HK$214,229,000 and Nil respectively.

Except as described above, the recoverable amounts in relation to other CGUs determined by value-in-use calculations suggested that there was no impairment in the values of goodwill and other non-financial assets as at 31 December 2021 and 2020. The management was of the opinion that a reasonably possible change in key assumptions for other CGUs on which the management had based its determination of the CGUs' recoverable amount would not cause an impairment loss.

(b) Trademarks were considered as having indefinite useful lives as they are considered renewable at minimal costs. Trademarks will expire between 2022 and 2023. The Directors 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, 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 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 services and 360 degree digital capture technology application CGUs for the purpose of impairment testing, which are outlined as follows:

	2021 HK$'000	2020 HK$'000
Visual effects production services	19,491	19,382
360 degree digital capture technology application	–	135,888
	19,491	155,270

An impairment loss on intangible assets – trademark of HK$138,633,000 (2020: Nil) for 360 degree digital capture technology application CGU was recognised in profit or loss during the year. Please refer to note 15(a) for details.

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

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

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

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

15. INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

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

Patents are allocated to the Group's 360 degree digital capture technology application CGU for the purpose of impairment testing. An impairment loss on intangible assets - patents of HK$77,669,000 (2020: Nil) for 360 degree digital capture technology application CGU was recognised in profit or loss during the year. Please refer to note 15(a) for details.

(f) Backlog contracts represent revenue the Group expects to realise for sales of hardware and solution services to be performed from existing signed contracts.

The backlog contracts are allocated to the Group's CGU in connection with sales of hardware and solution services which has been disposed of in the prior year, as further detailed in note 31.

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

(h) Other licences represented the technology licences leased from third parties, which are amortised over the terms of the relevant licensing agreements. Other licences were disposed of in the prior year as further detailed in note 31.

(i) Film rights represent films produced or films production in progress by the Group. As at 31 December 2021 and 2020, there is a film that was in production but no other produced film. Accordingly, no amortisation was recognised during both years. The film is internally produced by the Group, and the Group is subject to all retained profit generated from the film right, after shared by producers and other independent parties by certain percentage mentioned in the agreements between the Group and the other parties. The film is expected to be wide released in 2022, and upon the release, amortisation of the capitalised production costs will commence over the best estimate of its useful life.

16. INTERESTS IN ASSOCIATES

	2021 HK$'000	**2020** HK$'000
Share of net assets	582	173,300
Amounts due from associates *(Note)*	219,616	205,937
	220,198	379,237
Less: Accumulated impairment loss on amounts due from associates	(185,468)	(114,133)
	34,730	265,104

Note:

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

16. INTERESTS IN ASSOCIATES (CONTINUED)

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

Impairment loss on investment in an associate and amounts due from associates of HK$163,626,000 (2020: Nil) and HK$71,335,000 (2020: HK$36,365,000) respectively, including share of losses of HK$7,637,000 (2020: HK$11,377,000) recognised in excess of investments in associates, were recognised for the year.

During the year ended 31 December 2021, an associate entity faced uncertainty on the commercial roll out of its new products and turnaround of its business in view of the pandemic related social distancing measures and travel restrictions together with the change in the Group's strategy as described in note 15(a). For the purposes of impairment testing, the recoverable amount of the investment in the associate as at 31 December 2021 has been determined by the Directors on the basis of value-in-use calculation with reference to professional valuation report issued by KF, an independent firm of professionally qualified valuers.

The value-in-use calculation for the investment used cash flows projection based on latest financial budgets covering a period of 5 years.

The cash flows projection beyond the budget period is extrapolated using a growth rate of 2.5%, which does not exceed the long-term growth rate for the industry in the corresponding country.

The key assumptions used for the value-in-use calculation is as follows:

Average revenue growth rate within budget period	42.3%
Pre-tax discount rate	19.5%
Average gross margin	69.7%

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

The recoverable amount for the investment in the associate is nil.

16. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's material associates are as follows.

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Effective equity interest attributable to the Group as at 31 December 2021 and 2020	Principal activity
Lead Turbo Limited[5]	Incorporated	The British Virgin Islands	US$10,356	46.50% (2020: 44.59%)	Investment holdings
VR Technology (HK) Limited[1,5]	Incorporated	Hong Kong	HK$10,000	46.50% (2020: 44.59%)	Investment holdings
深圳市虛擬現實技術有限公司[1,2]	Incorporated	The PRC	RMB158,814	41.86% (2020: 40%)	VR hardware and solution services
深圳市虛擬現實科技有限公司[1,2]	Incorporated	The PRC	RMB10,000,000	41.86% (2020: 40%)	VR hardware and solution services
深圳市維爾信息科技有限公司[1,2]	Incorporated	The PRC	RMB20,000,000	41.86% (2020: 40%)	Online platform for VR solutions and services
Digital Domain Virtual Human Group Limited	Incorporated	The British Virgin Islands	US$1	30% (2020: 30%)	Investment holdings
Digital Domain (Taiwan) Company Limited[3]	Incorporated	The British Virgin Islands/ Hong Kong	US$1	30% (2020: 30%)	Investment holdings
Digital Domain Media (AM) Company Limited[3]	Incorporated	Hong Kong	HK$1	30% (2020: 30%)	Virtual human business
虛谷未來科技(北京)有限公司[3]	Incorporated	The PRC	RMB4,074,000	30% (2020: 30%)	Virtual human business
DD & TT Company Limited[4]	Incorporated	Hong Kong	HK$55,000,000	18% (2020: 18%)	Holding licence for intellectual property right of a well-known deceased singer
數字王國空間(北京)傳媒科技有限公司	Incorporated	The PRC	RMB5,084,746	34.42% (2020: 34.42%)	VR Theatre
Pen 2 Person, LLC	Incorporated	USA	US$250,000	30% (2020: Nil)	Dormant

1 These associates were subsidiaries of Lead Turbo Limited. The Lead Turbo Group was partially disposed of by the Group in the prior year. Details refer to note 31.

2 90.03% equity interest in these associates are indirectly owned by Lead Turbo Limited and hence the Group's effective equity interest in the associates is 41.86%.

3 These associates are wholly-owned subsidiaries of Digital Domain Virtual Human Group Limited (collectively the "Digital Domain Virtual Human Group").

4 60% equity interest in this associate is indirectly held by Digital Domain Virtual Human Group Limited and hence the Group's effective equity interest in the associate is 18%.

5 The Group further invested HK$15,433,000 in Lead Turbo Limited and hence the Group's equity interest in the associate is 46.50%.

16. INTERESTS IN ASSOCIATES (CONTINUED)

(a) The summarised financial information in respect of the Group's material associates below represents amounts shown in the associates' financial statements adjusted by the Group to conform with HKFRSs for equity accounting purposes.

	Lead Turbo Group		Digital Domain Virtual Human Group		數字王國空間(北京)傳媒科技有限公司	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
As at 31 December						
Non-current assets	401,195	430,208	20,084	26,861	5,240	16,205
Current assets	23,921	51,456	2,398	5,599	30,118	33,103
Non-current liabilities	(2,825)	–	–	–	–	–
Current liabilities	(69,695)	(86,360)	(137,614)	(140,004)	(101,150)	(100,281)
Net asset/(liabilities)	352,596	395,304	(115,132)	(107,544)	(65,792)	(50,973)
Non-controlling interest	(712)	(6,652)	2,993	6,050	–	–
Net assets/(liabilities) attributed to owners of the associates	351,884	388,652	(112,319)	(101,494)	(65,792)	(50,973)
Group's share of net assets	163,626	173,300	–	–	–	–
Accumulated impairment loss	(163,626)	–	–	–	–	–
Amounts due from associates, net of impairment	3,527	33,702	31,196	34,456	–	23,646
	3,527	207,002	31,196	34,456	–	23,646
Included in the above amounts are:						
Year ended 31 December						
Revenue	6,806	21,482^	2,565	504	7,061	17,514
Loss for the year/period attribute to the owners of the associates	(54,088)	(23,669)^	(10,687)	(9,790)	(12,874)	(24,521)
Other comprehensive income attributable to the owners of the associates	(1,592)	(4,398)^	43	206	(1,946)	(2,788)
Total comprehensive income attributable to the owners of the associates	(55,680)	(28,067)^	(10,644)	(9,584)	(14,820)	(27,309)
Group's share of loss	(24,380)	(10,554)	–	–	–	–
Group's share of loss recognised as impairment on the Group's long-term interest in associates	–	–	(3,206)*	(2,937)*	(4,431)*	(8,440)*
Group's share of other comprehensive income	(727)	(1,961)	13	62	(670)	(960)

^ The amounts disclosed are for the period from 1 August 2020 to 31 December 2020, subsequent to the completion of disposal of Lead Turbo Group for equity accounting purposes.

* The Group recognised share of losses for the year of HK$3,206,000 (2020: HK$2,937,000) and HK$4,431,000 (2020: HK$8,440,000) on the Group's long-term interests in Digital Domain Virtual Human Group and 數字王國空間(北京)傳媒科技有限公司 respectively, in excess of its investments in these associates.

16. INTERESTS IN ASSOCIATES (CONTINUED)

(b) The summarised financial information in respect of the Group' associate which is considered as immaterial below represents amounts shown in the associate's financial statements adjusted by the Group to conform with HKFRSs for equity accounting purposes.

	2021 HK$'000	2020 HK$'000
As at 31 December		
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	7	–
Year ended 31 December		
Loss for the year attribute to the owners of the associate	(9)	–
Other comprehensive income attribute to the owners of the associate	–	–
Total comprehensive income attributable to the owners of the associate	(9)	–

17. INTEREST IN A JOINT VENTURE

	2021 HK$'000	2020 HK$'000
Share of net assets	71	46
Amount due from a joint venture, net of impairment	–	–
	71	46

Particulars of the material joint venture as at 31 December 2021 are as follows:

Company	Place of incorporation/ registration and business	Form of business structure	Percentage of ownership interest attributable to the Group	Principal activity
Digital Domain IPing (Beijing) Media Technology Company Limited	The PRC	Corporation	50% (2020: 50%)	Visual effects production

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

17. INTEREST IN A JOINT VENTURE (CONTINUED)

	Digital Domain IPing (Beijing) Media Technology Company Limited	
	2021 HK$'000	**2020** HK$'000
As at 31 December		
Current assets	1,509	1,460
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Net assets	1,509	1,460
Group's share of net assets	71	46
Included in the above amounts are:		
Cash and cash equivalents included in current assets	93	90
Year ended 31 December		
Revenue	–	–
Interest income	–	–
Taxation	–	–
Loss for the year	–	–
Other comprehensive income	49	85
Total comprehensive income	49	85
Group's share of loss	–	–
Group's share of other comprehensive income	25	42

18. FINANCIAL ASSET MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In 2018, the Group acquired the unlisted equity instrument at the consideration of US$25,000,000 (equivalent to approximately HK$196,213,000). Accumulated fair value adjustment (downside) of HK$196,213,000 had been recognised in other comprehensive income since 2019.

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

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

In November 2021, asknet proposed to increase its capital from 1,307,530 shares to 3,268,825 shares. Therefore the sales shares held by the Group was diluted which represented approximately 7.6% of the total issued common shares of asknet as at 31 December 2021.

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

As at 31 December 2021, the sales shares held by the Group represented approximately 2.8% of the total issued bearer shares of HLEE due to the increase of share capital of HLEE in 2021.

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

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

	2021 HK$'000	**2020** HK$'000
Listed equity securities outside Hong Kong, at fair value	70,151	–

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

	2021 HK$'000	**2020** HK$'000
As at 1 January	–	–
Additions during the year	102,394	–
Fair value loss recognised in profit or loss	(27,694)	–
Exchange realignment	(4,549)	–
As at 31 December	70,151	–

20. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Non-current portion:		
Deposits *(Note (i))*	7,344	12,004
Consideration receivable *(Notes (i) and (iv))*	–	32,371
	7,344	44,375
Current portion:		
Trade receivables *(Notes (i) and (ii))*	65,000	40,798
Consideration receivable *(Notes (i) and (iv))*	3,288	33,648
Other receivables *(Notes (i) and (iii))*	46,020	57,433
Deposits *(Note (i))*	5,355	2,750
Prepayments	21,047	20,028
	140,710	154,657
Total trade receivables, other receivables and prepayments	148,054	199,032

Notes:

(i) The Directors consider that the carrying amounts of trade receivables and other receivables (comprising deposits, consideration receivable and other receivables) approximate their fair values as at 31 December 2021 and 2020.

(ii) The Group normally allows an average credit period of 30 days (2020: 30 days) to trade customers. The ageing analysis of the Group's trade receivables, net of allowance of impairment losses, based on the invoice date as of the end of reporting period, is as follows:

	2021 HK$'000	2020 HK$'000
0 to 30 days	20,259	17,031
31 to 60 days	8,023	5,702
61 to 90 days	15,669	4,815
91 to 365 days	17,543	10,913
Over 365 days	3,506	2,337
	65,000	40,798

No interest is charged on trade receivables.

20. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(iii) As at 31 December 2021, included in other receivables is a receivable from an independent third party with gross carrying amount of approximately HK$31,575,000 (2020: HK$30,548,000) related to income arising from broadcasting movies and TV dramas. In prior year, pursuant to the debt transfer agreement signed on 20 January 2020, two trade receivables of the independent third party are transferred to the Group to settle the remaining outstanding balances. The transferred receivable is unsecured, interest-free and repayable on demand.

The Directors are of the opinion that, after taking into account the historical credit loss experience and quantitative and qualitative forward-looking information that is reasonable and supportable of the principal and related interest receivables, impairment of the other receivable of HK$1,929,000 (2020: HK$6,121,000) is made at the end of the reporting period.

Included in other receivables is a secured loan to an independent third party with gross carrying amount of approximately HK$9,746,000 (2020: HK$24,378,000). The loan is secured by two residential properties located in the USA of that party which bear 1% interest rate per month and repayable in April 2020.

The Directors are of the opinion that, after taking into account the historical credit loss experience and quantitative and qualitative forward-looking information that is reasonable and supportable of the principal and related interest receivables, the impairment of the other receivable is expected to be minimal.

(iv) The current and non-current portion of consideration receivables represents the carrying amount at the reporting date of 2nd and 3rd instalments of the consideration from disposal of subsidiaries. The amounts are secured by the 22.29% equity interests of the Lead Turbo Group, interest-free and repayable on 1st and 2nd anniversary dates of the completion date of the disposal. Details refer to note 31.

The Directors are of the opinion that, after taking into account the overdue status on the debt from the purchaser, impairment of HK$64,112,000 (2020: Nil) is made at the end of the reporting period.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 HK$'000	2020 HK$'000
Contract assets arising from:		
Visual effects production and post production services	24,558	17,802

Typical payment terms which impact on the amount of contract assets are as follows:

Services of visual effects production and post production

The Group's visual effects production and post production includes payment schedules which require stage payments over the production period. These payment schedules prevent the build-up of significant contract assets.

The timing of recovery or settlement for contract assets as at 31 December 2021 is expected to be within one year.

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

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	70	–
Recognition of impairment losses	42	70
At end of year	112	70

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(a) Contract assets (continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2021 HK$'000	2020 HK$'000
As at 31 December	24,558	17,802
ECL rate	0.45%	0.39%

	HK$'000	HK$'000
Gross carrying amount	24,670	17,872
ECLs	(112)	(70)
	24,558	17,802

(b) Contract liabilities

	2021 HK$'000	2020 HK$'000
Contract liabilities arising from:		
Visual effects production and post production services	85,590	40,058
Granting of licence for virtual reality contents	1,117	4,844
	86,707	44,902

Typical payment terms which impact on the amount of contract liabilities are as follows:

Visual effects production and post production services and granting of licence for virtual reality contents

The Group received non-cancellable payment in advance from customers for services to be provided. Where discrepancies arise between the payments and the Group's assessment of the stage of completion, contract liabilities can arise.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities (continued)

Movements in contract liabilities

	2021 HK$'000	2020 HK$'000
Balance as at 1 January	44,902	66,873
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(44,902)	(66,564)
Increase in contract liabilities as a result of billing in advance of visual effects production and post production services and granting of licence for virtual reality contents	86,707	44,902
Disposal of subsidiaries *(Note 31)*	–	(309)
Balance as at 31 December	86,707	44,902

22. BANK BALANCES AND CASH

As at 31 December 2021, included in the bank balances and cash of the Group was an amount of HK$8,501,000 (2020: HK$9,968,000) 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.

23. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Non-current portion:		
Other payables	10,304	–
Current portion:		
Trade payables	46,871	37,943
Other payables	49,347	66,654
Accruals	74,627	71,975
	170,845	176,572
Total trade payables, other payables and accruals	181,149	176,572

Trade payables are non-interest bearing and are normally settled within 30-180 days (2020: 30-180 days).

The Directors consider that the carrying amounts of trade payables, other payables and accruals approximate their fair values as at 31 December 2021 and 2020.

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

	2021 HK$'000	2020 HK$'000
0 to 30 days	14,543	15,595
31 to 60 days	18,482	8,087
61 to 90 days	3,126	1,327
91 to 365 days	5,635	7,736
Over 365 days	5,085	5,198
	46,871	37,943

24. BORROWINGS

	2021 HK$'000	2020 HK$'000
Current		
Bank loans due for repayment within one year *(Notes (i)&(ii))*	32,245	114,933
Other loans *(Notes (iii))*	17,401	39,352
	49,646	154,285
Non-current		
Bank loans *(Notes (i))*	115,031	18,932
Other loans *(Notes (iv))*	123,727	123,377
	238,758	142,309
Total borrowings	288,404	296,594
Representing:		
– Bank loans and bank overdrafts	147,276	133,865
– Other loans	141,128	162,729
	288,404	296,594

The Group's borrowings consisted of the following:

(i) As at 31 December 2021, bank loans with principal amount of US$14,858,000 (equivalent to HK$115,841,000) (2020: US$11,000,000 (equivalent to HK$85,282,000)) were secured by bank deposits of the same amount placed in the banks. The balance of US$667,000 (equivalent to HK$5,199,000) (2020: US$11,000,000 (equivalent to HK$85,282,000)) is repayable within one year or on demand, while the maturity date for remaining balance of US$11,191,000 (equivalent to HK$87,253,000) (2020: Nil) in the next two years and US$3,000,000 (equivalent to HK$23,389,000) (2020: Nil) within 2 to 5 years respectively.

As at 31 December 2021, there were utilised facility loans with the principal amount of CAD4,241,000 (equivalent to HK$26,156,000) (2020: CAD5,779,000 (equivalent to HK$35,181,000)) guaranteed by the subsidiaries of the Company. The balance of CAD3,589,000 (equivalent to HK$22,137,000) (2020: CAD4,065,000 (equivalent to HK$24,744,000)) is repayable within one year or on demand, while the maturity date for remaining balance of CAD652,000 (equivalent to HK$4,019,000) (2020: CAD1,714,000 (equivalent to HK$10,437,000)) is in August 2023.

During the year, certain loans granted under emergencies loan schemes from Covid-19 including a sum of US$1,064,000 (equivalent to HK$8,259,000) (2020: US$1,064,000 (equivalent to HK$8,251,000)) which waived upon fulfilment of certain conditions and CAD60,000 (equivalent to HK$370,000) (2020: CAD40,000 (equivalent to HK$244,000)) unsecured loan. The loans are not repayable within 12 months from 31 December 2021.

24. 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 since 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 ceased the instalment repayment of the SME loan which was due in 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 consolidated 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 Company 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 the end of the reporting periods.

As at 31 December 2021, the carrying amount of the SME loan and the related accrued interest payable was HK$4,854,000 (2020: HK$4,854,000) and HK$16,629,000 (2020: HK$12,842,000), 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, 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 2021 and 2020. No further action has been taken against the Group during the current year.

Up to the date of approval of these consolidated 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 are of the opinion that adequate provisions and disclosures have been made in these consolidated 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.

24. BORROWINGS (CONTINUED)

(iii) As at 31 December 2021, other loan with the principal amount of US$429,000 (equivalent to HK$3,345,000) (2020: US$429,000 (equivalent to HK$3,326,000)) are unsecured, interest-bearing and on demand (2020: unsecured, interest-bearing and repayable within 12 months from 31 December 2020).

As at 31 December 2021, a secured loan facility was fully utilised with principal amount of US$1,803,000 (equivalent to HK$14,056,000) (2020: US$3,354,000 (equivalent to HK$26,006,000)) was secured by the security interest in all right, title and interest in a film investment of the Group, interest-bearing and repayable on demand.

As at 31 December 2020, other loan with the principal amount of HK$10,020,000 is unsecured, interest-bearing and repayable within 12 months from 31 December 2020.

(iv) As at 31 December 2021, two other loans with principal amounts of US$8,000,000 (equivalent to HK$62,372,000) (2020: US$8,000,000 (equivalent to HK$62,022,000)) and HK$34,290,000 (2020: HK$34,290,000), respectively, are interest-bearing at interest rate from prime rate quoted by a bank in Hong Kong and not repayable ranging within 13 months from 31 December 2021.

As at 31 December 2021, one of other loans with a principal amount US$3,500,000 (equivalent to HK$27,065,000) (2020: US$3,500,000 (equivalent to HK$27,065,000)) is unsecured, interest-free and not repayable ranging within 13 months from 31 December 2021.

As at 31 December 2021 and 2020, all the loans of the Group are denominated in either HK$, RMB, Canadian dollar ("CAD") or United States dollar ("US$").

The bank loans bear floating interest rates at effective rates ranging from 1.05% to 6.25% (2020: 2.25% to 6.25%) per annum.

The Directors consider that the carrying amounts of the Group's bank borrowings and other loan approximate their fair values as at 31 December 2021 and 2020.

24. BORROWINGS (CONTINUED)

At the end of the reporting period, total current and non-current bank loans and overdrafts were scheduled to repay as follows:

	2021 HK$'000	2020 HK$'000
On demand or within one year	32,245	114,933
More than one year, but not exceeding two years	91,272	14,722
More than two years, but not exceeding five years	23,759	4,210
After five years	–	–
	147,276	133,865

At the end of the reporting period, total current and non-current other borrowings (excluding lease liabilities) were scheduled to repay as follows:

	2021 HK$'000	2020 HK$'000
On demand or within one year	17,401	39,352
More than one year, but not exceeding two years	123,727	123,377
More than two years, but not exceeding five years	–	–
After five years	–	–
	141,128	162,729

Note:

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

The Group regularly monitors the compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Company continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 39(b). As at 31 December 2021, none of the covenants relating to drawn down facilities had been breached.

25. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2021	2020	2021 HK$'000	2020 HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
As at 1 January 2020, 31 December 2020 and 31 December 2021	75,000,000,000	75,000,000,000	750,000	750,000
Issued and fully paid ordinary shares:				
As at 1 January	34,075,516,258	34,073,816,258	340,754	340,737
Issue of shares on exercise of share options *(Note (a))*	–	1,700,000	–	17
Issue of shares on subscriptions *(Note (b))*				
– on 18 January 2021	6,814,760,000	–	68,148	–
– on 30 July 2021	2,400,000,000	–	24,000	–
Capital reorganisation *(Note (c))*	(38,961,248,633)	–	(389,612)	–
As at 31 December	4,329,027,625	34,075,516,258	43,290	340,754

Notes:

(a) In the prior year, 1,700,000 new ordinary shares of par value HK$0.01 each were issued to the share option holders of the Company at a conversion price of HK$0.046 each and the conversion gave rise to a credit of HK$61,000 to the share premium account.

(b) On 18 January 2021, 6,814,760,000 new ordinary shares of par value HK$0.01 each were issued at subscription price of HK$0.05 each to an independent third party of the Group at an aggregate consideration of approximately HK$340,435,000 net of issuing expenses, of which approximately HK$68,148,000 was credited to the share capital and the remaining balance of approximately HK$272,287,000 was credited to the share premium account.

On 30 July 2021, 2,400,000,000 new ordinary shares of par value HK$0.01 each were issued at placing price of HK$0.065 each to an independent third party of the Group at an aggregate consideration of approximately HK$155,996,000 net of issuing expenses, of which approximately HK$24,000,000 was credited to the share capital and the remaining balance of approximately HK$131,996,000 was credited to the share premium account.

The proceeds are raised as its general working capital and operation in Europe.

The new shares rank pari-passu with the existing shares in all respects.

25. SHARE CAPITAL (CONTINUED)

Notes: (continued)

(c) On 11 October 2021, the Company implemented the capital reorganisation and change in board lot size as follows:

1) Capital Reorganisation – share consolidation of every ten issued existing shares into one consolidated share whereby increasing the par value of all the then issued consolidated shares from HK$0.01 to HK$0.10 each ("Share Consolidation"); and following the Share Consolidation, reduction of the issued share capital whereby (i) the fractional consolidated share in the issued share capital of the Company resulting from the Share Consolidation would be cancelled in order to round down the total number of consolidated shares to a whole number; (ii) the par value of each issued consolidated share would be reduced from HK$0.10 to HK$0.01 each by cancelling HK$0.09 of the paid-up capital on each issued consolidated share; and (iii) the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company. Accordingly, approximately HK$389,612,000 was debited to the share capital and credited to the contributed surplus account; and

2) Change in board lot size – the change in board lot size of the Company for trading on the Stock Exchange from the then current 10,000 issued existing shares to 5,000 adjusted shares.

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

26. RESERVES

Company

	Share premium HK$'000 *(Note (i))*	Contributed surplus HK$'000 *(Note (iii))*	Share options reserve HK$'000 *(Note (iv))*	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2020	1,984,712	594,690	174,039	(1,672,895)	1,080,546
Recognition of equity-settled share-based payment expenses	–	–	7,943	–	7,943
Issue of shares on exercise of share options, net of expenses	61	–	(33)	33	61
Loss and total comprehensive income for the year	–	–	–	(1,084,504)	(1,084,504)
As at 31 December 2020 and 1 January 2021	1,984,773	594,690	181,949	(2,757,366)	4,046
Recognition of equity-settled share-based payment expenses	–	–	1,856	–	1,856
Issue of shares on subscription, net of expenses					
– on 18 January 2021	272,287	–	–	–	272,287
– on 30 July 2021	131,996	–	–	–	131,996
Transfer of share premium to contributed surplus	(2,257,060)	2,257,060	–	–	–
Set-off of contributed surplus against accumulated losses	–	(2,257,060)	–	2,257,060	–
Capital reorganisation *(Note 25(c))*	–	389,612	–	–	389,612
Loss and total comprehensive income for the year	–	–	–	(651,353)	(651,353)
As at 31 December 2021	131,996	984,302	183,805	(1,151,659)	148,444

Notes:

(i) Share premium

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

(ii) FVOCI reserve

The FVOCI reserve represents fair value reserve comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

26. RESERVES (CONTINUED)

Notes: (continued)

(iii) 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 years ended 31 December 2009, 2017 and 2021 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 in 2009 and 2017 were cancelled and the credit arising therefrom was transferred to the contributed surplus.

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.

(iv) Share options reserve

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

(v) 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 4 "Translation of foreign currencies".

(vi) Other reserve

This reserve represents (i) the contributed surplus reserve of an associate established in the PRC, where the change in net assets attributable to the Group in relation to the change in ownership interests in the associate through cash injection by the Group and other investors of the associate; and (ii) the capital contribution to a non-wholly owned subsidiary from a non-controlling shareholder, which was transferred to accumulated losses of the Group upon disposal of the non-wholly owned subsidiary, details refer to note 31.

27. SHARE-BASED PAYMENT TRANSACTIONS

(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.

On 21 May 2020, 478,000,000 share options ("Options") were conditionally granted to employees of the Group. Out of which, 292,200,000 and 92,200,000 Options were vested on 21 May 2020 and 21 May 2021 respectively, the remaining 93,600,000 Options will be vested on 21 May 2022. All Options are exercisable from their respective vesting dates until 20 May 2030. The exercise price of the Options is HK$0.046 per share, being the closing price of the Company's ordinary shares on 21 May 2020.

During the year, 20,000,000 Options (2020: Nil) were forfeited and no Options (2020: 1,700,000) was exercised (2020: the weighted average share price at the date of exercise was HK$0.46 per share, adjusted), the average remaining contractual life is 4.69 years (2020: 5.73 years).

The fair value of services received in return for the grant on the grant date is measured by reference to the fair value of share options granted. The fair value of the share options granted on 21 May 2020 is determined based on binomial option pricing model. The weighted average fair value of each option granted in the prior year was HK$0.021.

The key valuation parameters on share options granted on 21 May 2020 were as follows:

Share price at grant date	HK$0.046
Exercise price	HK$0.046
Expected volatility	50%
Life of the share options	10 years
Expected dividend yield	0%
Risk-free rate	0.58%
Forfeiture rate	5.5%
Suboptimal exercise behaviour multiple	2.5

27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(i) Share option scheme (continued)

Expected volatility was determined by considering the historical share price movement of the Company. Expected dividend yield was determined from the Company's historical payment of dividends. Risk-free rate was the average forecast rate obtained from Hong Kong Government Bonds. Forfeiture rate was determined from the Group's historical employee share options exit rate. Suboptimal exercise behaviour multiple was based on the Company's historical employee share options early exercise multiples.

The fair value of equity-settled share options was estimated through the use of option valuation models which require various inputs and assumptions. The value of options was subjective and might be uncertain as it is affected by assumptions applied and with regard to the limitation of the valuation model. Some of the inputs were based on estimates derived from historical information of the Group, such as suboptimal exercise behaviour. In this regard, using different input estimates could produce different option values, which would result in the recognition of a higher or lower expense.

There were no market vesting conditions associated with the share options granted.

The Group recognised a share option expense in connection to all share options granted of approximately HK$1,856,000 (2020: HK$7,943,000) during the year ended 31 December 2021.

Following the Company's capital reorganisation on 11 October 2021, the exercise price and the number of adjusted shares to be issued upon exercise in full of the outstanding share options has been adjusted in accordance with the terms of the Option Scheme with effect from 11 October 2021 ("Option Adjustments"). Under the terms of the Option Scheme, the exercise prices per existing share of respective options granted were increased by 10 times while the number of existing shares to be issued upon exercise in full of the share options granted were reduced to one-tenth of the original number of existing shares. The impact has been shown in the following table for the year 2021. Further details are disclosed in the Company's announcement dated on 12 October 2021.

The following tables disclose movements in the Company's share options during the years ended 31 December 2021 and 2020:

27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(i) Share option scheme (continued)

2021

Name or category of participants	As at 1 January	Grant/ exercised during the year	Forfeited/ lapsed during the year	Adjustments pursuant to Option Scheme	As at 31 December, adjusted	Date of grant	Exercise period	Exercise price per share, adjusted (HK$)
Director								
Seah Ang	100,000,000	–	–	(90,000,000)	10,000,000	23 July 2014	28 May 2017 to 27 May 2024	0.98
Employees, in aggregate								
– 2014	644,730,000	–	–	(580,257,000)	64,473,000	28 May 2014	28 May 2017 to 27 May 2024	0.98
– 2015	20,990,000	–	–	(18,891,000)	2,099,000	6 May 2015	6 May 2015 to 5 May 2025	13.20
	20,000,000	–	–	(18,000,000)	2,000,000	6 May 2015	6 May 2016 to 5 May 2025	13.20
	19,000,000	–	–	(17,100,000)	1,900,000	6 May 2015	6 May 2017 to 5 May 2025	13.20
– 2016	91,500,010	–	–	(82,350,004)	9,150,006	29 Jan 2016	29 Jan 2016 to 28 Jan 2026	4.13
	81,499,998	–	–	(73,350,000)	8,149,998	29 Jan 2016	29 Jan 2017 to 28 Jan 2026	4.13
	75,833,327	–	–	(68,250,000)	7,583,327	29 Jan 2016	29 Jan 2018 to 28 Jan 2026	4.13
	50,000,000	–	–	(45,000,000)	5,000,000	22 Jun 2016	22 Jun 2017 to 21 Jun 2026	4.95
	50,000,000	–	–	(45,000,000)	5,000,000	22 Jun 2016	22 Jun 2018 to 21 Jun 2026	4.95
	16,666,692	–	–	(15,000,021)	1,666,671	29 Jul 2016	29 Jul 2016 to 28 Jul 2026	5.66
	11,699,998	–	–	(10,530,000)	1,169,998	29 Jul 2016	29 Jul 2017 to 28 Jul 2026	5.66
	8,433,324	–	–	(7,590,000)	843,324	29 Jul 2016	29 Jul 2018 to 28 Jul 2026	5.66
– 2019	109,999,999	–	–	(99,000,000)	10,999,999	24 Apr 2019	24 Apr 2019 to 23 Apr 2029	1.30
	6,666,667	–	–	(6,000,000)	666,667	24 Apr 2019	29 Feb 2020 to 23 Apr 2029	1.30
	3,333,333	–	–	(3,000,000)	333,333	24 Apr 2019	24 Apr 2020 to 23 Apr 2029	1.30
	6,666,667	–	–	(6,000,000)	666,667	24 Apr 2019	28 Feb 2021 to 23 Apr 2029	1.30
	3,333,334	–	–	(3,000,000)	333,334	24 Apr 2019	24 Apr 2021 to 23 Apr 2029	1.30
– 2020	290,500,000	–	–	(261,450,000)	29,050,000	21 May 2020	21 May 2020 to 20 May 2030	0.46
	92,200,000	–	–	(82,980,000)	9,220,000	21 May 2020	21 May 2021 to 20 May 2030	0.46
	93,600,000	–	(20,000,000)	(66,240,000)	7,360,000	21 May 2020	21 May 2022 to 20 May 2030	0.46
Others								
Wang Wei-Chung (resigned on 25 June 2021)	1,666,667	–	–	(1,500,000)	166,667	29 Jan 2016	29 Jan 2016 to 28 Jan 2026	4.13
	1,666,667	–	–	(1,500,000)	166,667	29 Jan 2016	29 Jan 2017 to 28 Jan 2026	4.13
	1,666,666	–	–	(1,500,000)	166,666	29 Jan 2016	29 Jan 2018 to 28 Jan 2026	4.13
Amit Chopra	48,000,000	–	–	(43,200,000)	4,800,000	28 May 2014	28 May 2017 to 27 May 2024	0.98
	5,000,000	–	–	(4,500,000)	500,000	6 May 2015	6 May 2015 to 5 May 2025	13.20
	5,000,000	–	–	(4,500,000)	500,000	6 May 2015	6 May 2016 to 5 May 2025	13.20
	5,000,000	–	–	(4,500,000)	500,000	6 May 2015	6 May 2017 to 5 May 2025	13.20
	33,333,334	–	–	(30,000,000)	3,333,334	7 Jun 2016	29 Jan 2016 to 28 Jan 2026	4.13
	33,333,333	–	–	(30,000,000)	3,333,333	7 Jun 2016	29 Jan 2017 to 28 Jan 2026	4.13
	33,333,333	–	–	(30,000,000)	3,333,333	7 Jun 2016	29 Jan 2018 to 28 Jan 2026	4.13
Wei Ming	300,000,000	–	–	(270,000,000)	30,000,000	1 Jun 2017	13 Feb 2017 to 12 Feb 2027	4.69
	2,264,653,349	–	(20,000,000)	(2,020,188,025)	224,465,324			
Weighted average exercise price	HK$0.253	N/A	HK$0.46	N/A	HK$2.547			

27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(i) Share option scheme (continued)

2020

Name or category of participants	As at 1 January	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	As at 31 December	Date of grant	Exercise period	Exercise price per share (HK$)
Directors								
Seah Ang	100,000,000	–	–	–	100,000,000	23 July 2014	28 May 2017 to 27 May 2024	0.098
Wang Wei-Chung	1,666,667	–	–	–	1,666,667	29 Jan 2016	29 Jan 2016 to 28 Jan 2026	0.413
	1,666,667	–	–	–	1,666,667	29 Jan 2016	29 Jan 2017 to 28 Jan 2026	0.413
	1,666,666	–	–	–	1,666,666	29 Jan 2016	29 Jan 2018 to 28 Jan 2026	0.413
Employees, in aggregate								
– 2014	644,730,000	–	–	–	644,730,000	28 May 2014	28 May 2017 to 27 May 2024	0.098
– 2015	20,990,000	–	–	–	20,990,000	6 May 2015	6 May 2015 to 5 May 2025	1.320
	20,000,000	–	–	–	20,000,000	6 May 2015	6 May 2016 to 5 May 2025	1.320
	19,000,000	–	–	–	19,000,000	6 May 2015	6 May 2017 to 5 May 2025	1.320
– 2016	91,500,010	–	–	–	91,500,010	29 Jan 2016	29 Jan 2016 to 28 Jan 2026	0.413
	81,499,998	–	–	–	81,499,998	29 Jan 2016	29 Jan 2017 to 28 Jan 2026	0.413
	75,833,327	–	–	–	75,833,327	29 Jan 2016	29 Jan 2018 to 28 Jan 2026	0.413
	50,000,000	–	–	–	50,000,000	22 Jun 2016	22 Jun 2017 to 21 Jun 2026	0.495
	50,000,000	–	–	–	50,000,000	22 Jun 2016	22 Jun 2018 to 21 Jun 2026	0.495
	16,666,692	–	–	–	16,666,692	29 Jul 2016	29 Jul 2016 to 28 Jul 2026	0.566
	11,699,998	–	–	–	11,699,998	29 Jul 2016	29 Jul 2017 to 28 Jul 2026	0.566
	8,433,324	–	–	–	8,433,324	29 Jul 2016	29 Jul 2018 to 28 Jul 2026	0.566
– 2019	109,999,999	–	–	–	109,999,999	24 Apr 2019	24 Apr 2019 to 23 Apr 2029	0.130
	6,666,667	–	–	–	6,666,667	24 Apr 2019	29 Feb 2020 to 23 Apr 2029	0.130
	3,333,333	–	–	–	3,333,333	24 Apr 2019	24 Apr 2020 to 23 Apr 2029	0.130
	6,666,667	–	–	–	6,666,667	24 Apr 2019	28 Feb 2021 to 23 Apr 2029	0.130
	3,333,334	–	–	–	3,333,334	24 Apr 2019	24 Apr 2021 to 23 Apr 2029	0.130
– 2020	–	292,200,000	(1,700,000)	–	290,500,000	21 May 2020	21 May 2020 to 20 May 2030	0.046
	–	92,200,000	–	–	92,200,000	21 May 2020	21 May 2021 to 20 May 2030	0.046
	–	93,600,000	–	–	93,600,000	21 May 2020	21 May 2022 to 20 May 2030	0.046
Others								
Amit Chopra	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
	33,333,334	–	–	–	33,333,334	7 Jun 2016	29 Jan 2016 to 28 Jan 2026	0.413
	33,333,333	–	–	–	33,333,333	7 Jun 2016	29 Jan 2017 to 28 Jan 2026	0.413
	33,333,333	–	–	–	33,333,333	7 Jun 2016	29 Jan 2018 to 28 Jan 2026	0.413
Wei Ming	300,000,000	–	–	–	300,000,000	1 Jun 2017	13 Feb 2017 to 12 Feb 2027	0.469
	1,788,353,349	478,000,000	(1,700,000)	–	2,264,653,349			
Weighted average exercise price	HK$0.308	HK$0.046	HK$0.046	N/A	HK$0.253			

(ii) Option granted under general mandate

No option was granted under general mandate during the year (2020: Nil).

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		7	13
Interests in subsidiaries		175,100	371,494
		175,107	371,507
Current assets			
Other receivables and prepayments		1,114	1,771
Bank balances and cash		22,411	2,817
		23,525	4,588
Current liabilities			
Other payables and accruals		6,898	21,275
Borrowings		–	10,020
		6,898	31,295
Net current assets/(liabilities)		16,627	(26,707)
Total assets less current liabilities		191,734	344,800
NET ASSETS		191,734	344,800
Capital and reserves			
Share capital	*25*	43,290	340,754
Reserves	*26*	148,444	4,046
TOTAL EQUITY		191,734	344,800

On behalf of the Board

Seah Ang
Director

On behalf of the Board

Duan Xiongfei
Director

29. SUBSIDIARIES

Particulars of the Company's material subsidiaries as at 31 December 2021 and 2020 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 as at 31 December 2021 and 2020		Nature of business
			Direct	Indirect	
Choice Excel Holdings Limited	The British Virgin Islands	US$100	–	85%	Investment holdings
Chosen Elite Holdings Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
City Trend International Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Cosmos Glory Limited	Hong Kong	HK$27,392,698	–	85%	Investment holdings
COTC Productions, Inc.	USA	US$10	–	51%	Film investment and production
Creation Smart Investments Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
DD Asset Management (BVI) Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
DD Fengshu Media Limited	Hong Kong	HK$1	–	100%	Dormant
DD Holdings US, LLC	USA	US$35,000,000	–	100%	Investment holdings
DD Licensing (HK) Limited	Hong Kong	HK$1	–	100%	Investment holdings
DD Licensing Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
DD Micoy, Inc.	USA	US$1	–	100%	Holding assets
DDH Assets Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
DDHU Management Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
DDI Visuals Private Limited	India	INR1,000	–	100%	Visual effects production
DDPO (BVI) Company Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
DDVR, Inc.	USA	US$1	–	100%	Investment holdings and virtual reality businesses

29. SUBSIDIARIES (CONTINUED)

Company	Country or place of incorporation and establishment/operation	Issued share capital/paid up capital	Effective equity interest attributable to the Company as at 31 December 2021 and 2020		Nature of business
			Direct	Indirect	
Digital Domain (International) Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain 3.0, Inc.	USA	US$50	–	100%	Visual effects production
Digital Domain Assets Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Broadcasting (Hong Kong) Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Broadcasting Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Capital Partners S.à r.l.#*	Luxembourg	EUR12,000	–	100% (2020: Nil)	Development of and investment in media entertainment business in Europe
Digital Domain Consultancy Limited	Hong Kong	HK$1	–	100%	Provision of management services
Digital Domain Content (Hong Kong) Limited	Hong Kong	HK$1	–	100%	Virtual reality content business
Digital Domain Content Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Content Studio, Inc.	USA	US$1	–	100%	Investment holdings
Digital Domain Development Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Development Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Distribution (Hong Kong) Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Distribution Limited	The British Virgin Islands	US$1	–	100%	Investment holdings

29. SUBSIDIARIES (CONTINUED)

Company	Country or place of incorporation and establishment/operation	Issued share capital/paid up capital	Effective equity interest attributable to the Company as at 31 December 2021 and 2020		Nature of business
			Direct	Indirect	
Digital Domain Education (HK) Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Education Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Enterprise Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Enterprises Group (BVI) Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Enterprises Group Limited	Hong Kong	HK$1	–	100%	Virtual human business
Digital Domain Entertainment (HK) Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Entertainment Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Group Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain International Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Investments (BVI) Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Digital Domain Investments Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Management Limited	Hong Kong	HK$100	–	100%	Dormant
Digital Domain Music (HK) Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Music Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Network Technology (Hong Kong) Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Network Technology Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Pictures (HK) Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Pictures Limited	The British Virgin Islands	US$1	–	100%	Investment holdings

29. SUBSIDIARIES (CONTINUED)

Company	Country or place of incorporation and establishment/operation	Issued share capital/paid up capital	Effective equity interest attributable to the Company as at 31 December 2021 and 2020		Nature of business
			Direct	Indirect	
Digital Domain Production (HK) Limited	Hong Kong	HK$1	–	100%	TV drama investment
Digital Domain Production Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Productions 3.0 (BC), Ltd.	Canada	CAD1	–	100%	Visual effects production
Digital Domain Productions Québec, Ltd.	Canada	CAD100	–	100%	Visual effects production
Digital Domain Resources Limited	Hong Kong	HK$2	–	100%	Provision of management services
Digital Domain Studio (HK) Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Studio Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Digital Domain Technology (US), Inc.	USA	US$1	–	100%	Virtual reality business
Digital Domain Technology Limited	Hong Kong	HK$1	–	100%	Investment holdings
Digital Domain Trading Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain Virtual Human (HK) Limited	Hong Kong	HK$1	–	80%	Investment holdings
Digital Domain Virtual Human (US), Inc.	USA	US$1	–	80%	Software development and research
Digital Domain Virtual Human Holdings Limited	The British Virgin Islands	US$2,000,160	–	80%	Investment holdings
Digital Domain Virtual Human Productions (BC), Ltd.	Canada	CAD1	–	80%	Software development and research
Digital Domain Virtual Reality Holdings Limited	The British Virgin Islands	US$1	100%	–	Investment holdings

29. SUBSIDIARIES (CONTINUED)

Company	Country or place of incorporation and establishment/operation	Issued share capital/paid up capital	Effective equity interest attributable to the Company as at 31 December 2021 and 2020		Nature of business
			Direct	Indirect	
Digital Domain YK (HK) Company Limited	Hong Kong	HK$1	–	100%	Dormant
Digital Domain YK Company Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Driven Global Holdings Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Ever Champ Management Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Ever Ultra Limited	The British Virgin Islands	US$100	–	100%	Investment holdings
Ever Union Medical Services Group Limited	Hong Kong	HK$100	–	100%	Investment holdings
Ever Union Services Development Limited	Hong Kong	HK$100	–	100%	Investment holdings and provision of consultancy services
Four Pillars Entertainment, Inc.	USA	US$1	–	51%	Film investment and production
Four Pillars Media Development, Inc.	USA	US$1	–	51%	Film investment and production
Golden Stream Global Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
IM360 Entertainment Inc.	Canada	CAD7,307,647	–	91.71%	Interactive media technology 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	CAD11,108,656	–	83.10%	Interactive media technology through 360 degree video
Impala 2020 Pty Ltd	Australia	AUD12	–	51%	Film investment and production

29. SUBSIDIARIES (CONTINUED)

Company	Country or place of incorporation and establishment/operation	Issued share capital/paid up capital	Effective equity interest attributable to the Company as at 31 December 2021 and 2020		Nature of business
			Direct	Indirect	
Impala Productions (BC), Ltd.	Canada	CAD1	–	51%	Film investment and production
Impala Productions 2.0 (BC), Ltd.#	Canada	CAD1	–	51%	Film investment and production
Lucrative Skill Holdings Limited	The British Virgin Islands	US$100	–	85%	Investment holdings
Mothership Media, Inc.	USA	US$0.01	–	100%	Visual effects production
Post Production Office Limited	Hong Kong	HK$16,993,446	–	85%	Investment holdings
Praya Star Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Rise Honour Development Limited	Hong Kong	HK$1	–	100%	Investment holdings
S. I. Travel Group Limited	The British Virgin Islands/ Hong Kong	US$1	100%	–	Trading
Sun Innovation International Group Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Sun Innovation Management Services Limited	Hong Kong	HK$2	100%	–	Provision of management services
Tower Talent Holdings Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Treasure Well Development Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Upfield Sky Limited	The British Virgin Islands	US$10,000	–	100%	Investment holdings
Vibrant Global Group Limited	The British Virgin Islands	US$1	100%	–	Investment holdings
Virtue Global Holdings Limited	The British Virgin Islands	US$1	–	100%	Investment holdings
Well Venture Holdings Limited	Hong Kong	HK$1	–	100%	Securities investment and investment holding

29. SUBSIDIARIES (CONTINUED)

Company	Country or place of incorporation and establishment/operation	Issued share capital/paid up capital	Effective equity interest attributable to the Company as at 31 December 2021 and 2020		Nature of business
			Direct	Indirect	
長和技術發展(深圳)有限公司	The PRC	RMB6,434,000	–	100%	Provision of consultancy services
數字王國文霆(北京)文化傳媒有限公司	The PRC	RMB57,787,109	–	85%	Visual effects production and post production
數字王國朝霆(上海)文化傳媒有限公司	The PRC	RMB33,471,281	–	85%	Visual effects production and post production
數字王國(深圳)科技發展有限公司°	The PRC	HK$10,960,000	–	100%	Visual effects production

Notes:

\# These subsidiaries were newly incorporated/established during the year.

° The company is a wholly-foreign-owned-enterprise. The entire registered capital amounted to HKD16,100,000, and the remaining balance of registered capital is required to be paid on or before 23 January 2034.

* On 16 August 2021, the Group entered a sale & purchase agreement in relation to acquisition of 40% of the total equity interest in Digital Doman Capital Partners S.à r.l. for an aggregate cash consideration of approximately EUR13,333,000 (equivalent to approximately HK$123,648,000). The acquisition was completed on 15 October 2021. Subsequent to the acquisition, the company became a wholly-owned subsidiary of the Group.

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 during the year.

30. NON-CONTROLLING INTEREST

The following table lists out the information relating to Immersive Ventures Inc., IM360 Entertainment Inc., Lead Turbo Limited, Four Pillars Entertainment, Inc., Digital Domain Virtual Human Holdings Limited, COTC Productions, Inc., Lucrative Skill Holdings Limited and Digital Domain Capital Partners S.à r.l., subsidiaries of the Company which have material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Immersive Ventures Inc.		IM360 Entertainment Inc.		Lead Turbo Limited#		Four Pillars Entertainment, Inc.		Digital Domain Virtual Human Holdings Limited		COTC Productions, Inc.		Lucrative Skill Holdings Limited		Digital Domain Capital Partners S.à r.l.*	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
As at 31 December:																
NCI percentage	16.9%	16.9%	8.281%	8.281%	N/A	33.12%	49%	49%	20%	20%	51.55%	51.55%	15%	15%	40%	N/A
Non-current assets	20,009	194,860	5,033	5,346	N/A	-	424	557	62,416	60,733	-	-	22,697	35,402	-	N/A
Current assets	280	279	31,933	31,514	N/A	-	124,293	83,218	712	3,467	128,331	102,871	97,858	82,455	-	N/A
Non-current liabilities	(46,530)	(46,498)	-	-	N/A	-	-	(65)	-	-	-	-	(442)	(4,109)	-	N/A
Current liabilities	(96,119)	(93,085)	(43,560)	(42,987)	N/A	-	(147,437)	(99,668)	(110,716)	(83,207)	(134,607)	(104,181)	(319,951)	(281,374)	-	N/A
Net (liabilities)/assets	(122,360)	55,556	(6,594)	(6,127)	N/A	-	(22,720)	(15,958)	(47,588)	(19,007)	(6,276)	(1,310)	(199,838)	(167,626)	-	N/A
Accumulated NCI *(Note)*	(20,679)	9,388	(546)	(507)	N/A	-	(11,133)	(7,820)	(9,517)	(3,802)	(3,235)	(675)	(29,976)	(25,144)	-	N/A
Year ended 31 December:																
Revenue	-	-	-	-	N/A	3,022	-	-	-	-	-	-	72,412	63,028	-	N/A
Loss for the year	(180,215)	(6,904)	(388)	(666)	N/A	(34,126)	(6,653)	(11,039)	(28,383)	(23,404)	(4,943)	(1,310)	(32,357)	(31,242)	(29,287)	N/A
Total comprehensive income	(177,914)	(4,753)	(467)	(779)	N/A	(34,931)	(6,763)	(11,010)	(28,581)	(23,789)	(4,966)	(1,310)	(32,211)	(30,393)	34,845	N/A
Loss allocated to NCI *(Note)*	(30,456)	(1,167)	(32)	(55)	N/A	(11,302)	(3,260)	(5,409)	(5,677)	(4,681)	(2,548)	(675)	(4,854)	(4,687)	(11,715)	N/A
Total comprehensive income allocated to NCI *(Note)*	(30,068)	(804)	(39)	(64)	N/A	(11,569)	(3,314)	(5,396)	(5,716)	(4,758)	(2,560)	(675)	(4,832)	(4,559)	13,937	N/A
Dividend paid to NCI	-	-	-	-	N/A	-	-	-	-	-	-	-	-	-	-	N/A
Net cash (outflows)/inflows from operating activities	(2)	10	-	(67)	N/A	(14,006)	85	(3,795)	17,689	7,740	(7,308)	(16,969)	3,571	10,768	-	N/A
Net cash outflows from investing activities	-	-	-	-	N/A	(11,295)	-	(5)	(17,775)	(7,929)	-	-	(5,754)	(2,594)	-	N/A
Net cash inflows/(outflows) from financing activities	-	-	-	-	N/A	-	-	65	-	-	-	26,006	-	(19,322)	-	N/A

\# Lead Turbo Limited was disposed of on 31 July 2020 and became the associate of the Group since then. Details were set out in notes 16 and 31.

* 40% of total equity interest in Digital Domain Capital Partners S.à r.l. was acquired on 16 August 2021 and became the subsidiary of the Company since then. Details were set out in note 29.

Note: The aggregate NCI as at 31 December 2021 amounted to debit balance of approximately HK$75,086,000 (2020: debit balance of approximately HK$28,560,000) and the aggregate net losses and total comprehensive income allocated to NCI for the year then ended amounted to approximately HK$58,542,000 (2020: HK$27,976,000) and HK$60,466,000 (2020: HK$27,825,000), respectively.

31. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR

On 17 July 2020, the Group entered into a sale and purchase agreement with an independent purchaser in connection with the disposal of 22.29% equity interest in the Lead Turbo Group. The total consideration with carrying amount of HK$99,242,000 will be settled in cash by three instalments of HK$34,000,000 each. The 1st instalment has been received on the completion date. The 2nd and 3rd instalments with carrying amount at completion date of HK$33,300,000 and HK$31,942,000, are receivable within 1st and 2nd anniversary dates to the completion date, respectively. The disposal would facilitate the organic growth of the Lead Turbo Group by introducing a strategic partner that may support the Lead Turbo Group in its business expansion and its future capital requirements to fund technological development.

On 31 July 2020, the disposal was completed. Upon the completion of the disposal, the Group's equity interests in the Lead Turbo Group was reduced from 66.88% to 44.59%, the Group lost control over the Lead Turbo Group but retained significant influence over the Lead Turbo Group. Accordingly, the Group will account for its retained interest in the Lead Turbo Group as its interests in associates. The net assets at the date of disposal were as follows:

31. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR (CONTINUED)

	31 July 2020 HK$'000
Property, plant and equipment	4,859
Right-of-use assets	491
Intangible assets (other than goodwill)	148,846
Goodwill	195,193
Amount due from related parties	1,645
Prepayments – non-current portion	862
Deferred tax assets	2,295
Inventories	22,766
Trade and other receivables	5,522
Prepayments – current portion	3,765
Cash and cash equivalents	10,488
Trade and other payables	(4,607)
Lease liabilities	(528)
Contract liabilities	(309)
Other loan	(22,222)
Amounts due to related parties	(33,788)
Deferred tax liabilities	(15,563)
Net assets disposed of	319,715
Fair value of the Group's retained interest	(185,815)
Non-controlling interest	(51,378)
Cumulative exchange difference in respect of the net assets reclassified from equity to income statement	7,620
Gain on disposal of subsidiaries included in loss for the year from discontinued operation	9,100
Total consideration (present value of cash consideration)	99,242
Satisfied by:	
– Cash	34,000
– Deferred cash consideration	65,242
	99,242
Net cash inflow arising from disposal	
– Total cash consideration received	34,000
– Cash and bank balances disposed of	(10,488)
	23,512

Upon the completion of disposal, cash consideration of HK$34,000,000 was received and a gain on disposal of subsidiaries of HK$9,100,000 was recognised. The deferred consideration will be settled in cash by the purchaser on or before 31 July 2022.

32. NOTES SUPPORTING STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2021 HK$'000	2020 HK$'000
Cash available on demand	130,455	28,617
Short-term deposits	–	–
As at 31 December	130,455	28,617

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings *(Note 24)* HK$'000	Other loans *(Note 24)* HK$'000	Lease liabilities *(Note 14)* HK$'000	Total HK$'000
As at 1 January 2020	102,615	171,770	164,649	439,034
Changes from financing cash flows:				
– New bank borrowings	88,071	–	–	88,071
– Repayment of bank borrowings	(37,610)	–	–	(37,610)
– Repayment of principal portion of lease liabilities	–	–	(46,328)	(46,328)
– Repayment of interest portion of lease liabilities	–	–	(14,421)	(14,421)
– New inception of other loans	–	39,347	–	39,347
– Repayment of other loans	–	(25,864)	–	(25,864)
Other changes:				
– Paycheck Protection Program loans forgiven	(19,577)	–	–	(19,577)
– Additions	–	–	963	963
– Covid-19-Related rent concessions	–	–	(813)	(813)
– Interest expenses on lease liabilities	–	–	14,421	14,421
– Effect of lease modification	–	–	(2,689)	(2,689)
– Disposal of subsidiaries	–	(22,222)	(528)	(22,750)
Exchange realignment	366	(302)	(666)	(602)
As at 31 December 2020 and 1 January 2021	133,865	162,729	114,588	411,182
Changes from financing cash flows:				
– New bank borrowings	40,738	–	–	40,738
– Repayment of bank borrowings	(22,738)	–	–	(22,738)
– Repayment of principal portion of lease liabilities	–	–	(36,796)	(36,796)
– Repayment of interest portion of lease liabilities	–	–	(10,141)	(10,141)
– Repayment of other loans	–	(22,096)	–	(22,096)
Other changes:				
– Paycheck Protection Program loans forgiven	(8,259)	–	–	(8,259)
– Additions	–	–	1,567	1,567
– Interest expenses on lease liabilities	–	–	10,141	10,141
– Covid-19-Related rent concessions	–	–	(1,343)	(1,343)
Exchange realignment	3,670	495	903	5,068
As at 31 December 2021	147,276	141,128	78,919	367,323

33. 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 (2020: 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$503,000 (2020: HK$682,000).

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 HK$10,606,000 (2020: HK$5,166,000).

34. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31 December 2021, the Group had aggregate banking facilities of HK$159,505,000 (2020: HK$129,840,000) from banks for guarantees and loans. The banking facilities are mainly secured by:

(i) As at 31 December 2021, 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 2021 (2020: Nil).

(ii) As at 31 December 2021, the Group's bank loan with a carrying amount of approximately HK$115,841,000 (2020: HK$85,282,000) is secured by a pledged deposit of same amount in a subsidiary's account.

(b) As at 31 December 2021, there are term loan facilities of US$10,000,000 (2020: US$10,000,000) and HK$80,000,000 (2020: HK$80,000,000) from a substantial shareholder of the Company, Wise Sun Holdings Limited. The facilities were granted to a subsidiary of the Company. As at 31 December 2021, the balance of utilised facilities are US$8,000,000 (approximately HK$62,372,000) (2020: US$8,000,000 (approximately HK$62,022,000)) and HK$34,290,000 (2020: HK$34,290,000), respectively. The Company acts as a guarantor of these term loans.

35. CAPITAL COMMITMENTS

Other than those disclosed elsewhere in these consolidated financial statements, the Group did not have any significant capital commitment as at 31 December 2021 and 2020.

36. RELATED PARTY TRANSACTIONS

Members of key management personnel during the year comprised only of the executive directors whose remuneration is set out in note 10.

37. CONTINGENT LIABILITIES

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

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

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

No provision for the indemnity has been recognised for the year ended 31 December 2021 (2020: Nil) as, in the opinion of the Directors, the Group may or may not require a significant outflow of resource for the indemnification.

On 20 January 2022, Claimant, US Subsidiary's clients, US Subsidiary and its insurance company commenced a settlement process through a neutral third party mediator. The mediator has been having discussions separately with each of the parties as a way to aid the parties in reaching a settlement. The mediator's discussions with the parties are continuing.

38. CAPITAL RISK MANAGEMENT

The Group's objectives of managing capital are 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 24, lease liabilities disclosed in note 14, less bank balances and cash) 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 consider 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:

	2021 HK$'000	**2020** HK$'000
Debts	367,323	411,182
Bank balances and cash	(247,755)	(113,899)
Net debt	119,568	297,283
Total equity	510,786	812,871
Net debt to equity ratio	23%	36%

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

The Group's credit risk is primarily attributable to its trade and other receivables. The credit risk for bank balances is limited because the counter-parties are banks, with high credit rating.

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

Trade receivables and contract assets

In respect of trade 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. In response to the Covid-19 pandemic, management has also been performing more frequent reviews of credit limits for customers in regions and industries that are severely impacted.

Trade receivables are due within 30 days (2020: 30 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 2021, the Group has a concentration of credit risk as 17% and 55% (2020: 17% and 50%) respectively of the total gross trade receivables were due from the Group's largest customer and the five (2020: six) largest customers respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases which is based on days past due for groupings of various customer segments that have similar loss patterns.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2021 and 2020:

As at 31 December 2021	Expected loss rate %	Gross Carrying Amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.45	41,944	190
1 to 3 months past due	1.79	27,733	496
3 to 6 months past due	7.22	8,600	621
6 to 12 months past due	15.27	9,065	1,384
More than 1 year past due	56.99	11,411	6,504
		98,753	9,195

As at 31 December 2020	Expected loss rate %	Gross Carrying Amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.39	27,034	106
1 to 3 months past due	1.40	14,680	205
3 to 6 months past due	6.54	7,931	519
6 to 12 months past due	13.53	6,688	905
More than 1 year past due	48.31	7,742	3,740
		64,075	5,475

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The adjustment factors are based on the GDP forecast in each geographical region, including the expected impact of the government support measures in each region, such adjustment factors were increased in 2021, reflecting the actual and expected impact of the Covid-19 pandemic in each geographical region.

The following table reconciles the loss allowance account in respect of trade receivables and contract assets for the years ended 31 December 2021 and 2020:

	2021 HK$'000	2020 HK$'000
As at 1 January	5,475	8,381
Amounts written off during the year	(2,637)	(1,365)
Impairment loss recognised/(reversed) during the year	6,357	(900)
Disposed of upon disposal of subsidiaries	–	(641)
As at 31 December	9,195	5,475

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during the year:

- A write-off of trade receivables with a gross carrying amount of HK$2,637,000 (2020: HK$1,365,000) resulted in a decrease in loss allowance of HK$2,637,000 (2020: HK$1,365,000).

- Increase (2020: decrease) in balances with days past due over 30 days resulted in an increase in loss allowance of HK$5,521,000 (2020: decrease in loss allowance of HK$1,398,000).

- Increase in the adjustment factors to expected loss rates as a consequence of the Covid-19 pandemic resulted in increase in loss allowance of HK$836,000 (2020: HK$498,000).

Other receivables

As for other receivables, impairment loss is recognised as 12-month ECL since initial recognition. Subsequently the Group assesses whether there was a significant increase in credit risk. In determining the ECL, the Directors have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these other receivables occurring within their respective loss assessment time horizon, as well as the loss given default. The Group has taken into accounts the value of two residential properties when assessing their ECL.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The movements in the impairment allowance of other receivables were as follows:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
As at 1 January 2020	–	6,725	–	6,725
Impairment loss recognised during the year	–	1,687	–	1,687
Amount written-off during the year	–	(2,291)	–	(2,291)
As at 31 December 2020	–	6,121	–	6,121

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
As at 1 January 2021	–	6,121	–	6,121
Increase in receivables moved to stage 3	–	(6,121)	6,121	–
Impairment loss recognised during the year	–	–	81,674	81,674
As at 31 December 2021	–	–	87,795	87,795

Note: Included in the above allowances for ECL in respect of other receivables is a provision for individually impaired other receivable of HK$23,525,000 and HK$3,288,000 (2020: HK$24,427,000 and HK$65,962,000) with a carrying amount before provision of HK$31,575,000 and HK$67,400,000 (2020: HK$30,548,000 and HK$65,962,000).

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 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 bank 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 HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2021						
SME loan	4,854	5,125	5,125	–	–	–
Other bank loans	142,422	145,308	39,325	81,956	24,027	–
Other loans	141,128	160,375	35,249	125,126	–	–
Trade payables, other payables and accruals	177,580	177,580	177,580	–	–	–
Lease liabilities	78,919	99,968	33,816	16,305	46,089	3,758
	544,903	588,356	291,095	223,387	70,116	3,758
2020						
SME loan	4,854	5,125	5,125	–	–	–
Other bank loans	129,011	130,525	111,198	15,031	4,296	–
Other loans	162,729	183,737	58,968	124,769	–	–
Trade payables, other payables and accruals	173,060	173,060	173,060	–	–	–
Lease liabilities	114,588	145,393	47,348	33,494	47,385	17,166
	584,242	637,840	395,699	173,294	51,681	17,166

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were different from that disclosed in the "on demand" time band in the maturity analysis contained in above table. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
31 December 2021	142,422	147,278	26,552	82,482	38,244	–
31 December 2020	129,011	133,184	91,903	20,661	20,620	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other loans. Seven (2020: five) of bank borrowings and one (2020: 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:

	2021		2020	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Variable-rate borrowings				
Bank loans	1.05-6.25	136,332	2.25-6.25	62,179
Other loan	Prime rate	96,662	Prime rate	96,312
		232,994		158,491
Fixed-rate borrowings				
Bank loans	3.00-5.00	10,945	1.00-5.00	71,686
Other loans	5.00-15.00	17,401	3.00-15.00	39,352
		28,346		111,038

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

The interest rates and terms of repayment of the Group's borrowings are disclosed in note 24.

Sensitivity analysis

As at 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase (2020: increase/decrease) the loss after taxation and decrease/increase (2020: increase/decrease) accumulated losses of the Group by HK$148,000/HK$148,000 (2020: HK$446,000/HK$446,000) 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 2020.

(d) Currency risk

Certain transactions and monetary assets and liabilities of the Group are denominated in HK$ which is different from the functional currency of the Group entities, i.e. RMB, US$ and CAD which expose the Group to currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manage its foreign currency risk by monitoring the movements of the foreign currency rates and will consider hedging significant foreign currency exposures should the need arise.

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 2021 and 2020 may be categorised as follows:

(a) Categories of financial assets and financial liabilities

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	409,083	352,333
Financial assets at FVOCI	–	–
Financial assets at FVTPL	70,151	–
Financial liabilities		
Financial liabilities at amortised cost	465,983	469,654

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets which are traded on active markets are determined with reference to quoted market bid prices; and
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2021			
	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Financial assets at FVOCI				
– Unlisted equity investments	–	–	–	–
Financial assets at FVTPL				
– Listed equity investments	70,151	–	–	70,151

	2020			
	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Financial assets at FVOCI				
– Unlisted equity investments	–	–	–	–
– Group's retained interest in associates	–	–	185,815	185,815

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Fair values (continued)

During the year, there was no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities.

Information about level 3 fair value measurement

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (level 3) is as follows:

	FVOCI	
	2021 HK$'000	2020 HK$'000
Unlisted equity investments		
As at 1 January	–	165,976
Unrealised fair value loss	–	(165,976)
As at 31 December	–	–

	2021 HK$'000	2020 HK$'000
Contingent consideration payable		
As at 1 January	–	14,259
Imputed interest	–	158
Repayment	–	(5,410)
Exchange realignment	–	720
Reclassified to other payables remeasured at amortised cost	–	(9,727)
As at 31 December	–	–

The contingent consideration payable arisen from a business combination in prior years, the fair value of contingent consideration payable includes a performance-based contingent consideration adjustment, which is principally based on the consideration adjustment mechanisms towards the respective target profits of the target group.

The fair value of contingent consideration payable is estimated using a discounted cash flow method.

During the year ended 31 December 2020, since all variable conditions affecting the fair value of contingent consideration payable were confirmed, the remaining balance of the contingent consideration payable was reclassified to other payables remeasured at amortised cost.

40 SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Fair values (continued)

In addition to the above financial instruments, the disposal of subsidiaries in prior year as mentioned in note 31, the Group measured the fair value of its retained interests in associates based on significant unobservable inputs (level 3).

The valuation technique as at 31 December 2021 is as follows:

Type of financial assets or financial liabilities	Valuation technique	Significant unobservable inputs (level 3)	Sensitivity analysis
Unlisted equity investment	Cost approach	N/A	N/A

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:

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Results					
Revenue	864,214	604,323	625,446	600,679	703,004
Loss attributable to owners of the Company	(722,004)	(598,527)	(400,813)	(518,030)	(524,893)
Assets and Liabilities					
Total assets	1,200,099	1,497,250	2,175,050	2,224,839	1,893,029
Total liabilities	(689,313)	(684,379)	(697,855)	(914,883)	(489,998)
	510,786	812,871	1,477,195	1,309,956	1,403,031
Non-controlling interest	75,086	28,560	(50,643)	(78,482)	(25,558)
Equity attributable to owners of the Company	585,872	841,431	1,426,552	1,231,474	1,377,473