



30th ANNIVERSARY



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

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

INTERIM REPORT 2023

The board of directors (the “Directors” and the “Board” respectively) of Digital Domain Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 (the “Review Period”) together with comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	4	414,577	482,726
Cost of sales and services rendered		(342,746)	(412,125)
Gross profit		71,831	70,601
Other income and gains		28,653	4,882
Selling and distribution expenses		(1,819)	(1,794)
Administrative expenses and other net operating expenses		(339,464)	(175,782)
Finance costs	5	(18,206)	(12,196)
Fair value loss on financial assets measures at fair value through profit or loss	12	(12,068)	(7,854)
Impairment loss on trade receivables and contract assets		(3,061)	(389)
Reversal of impairment loss on other receivable		8,050	-
Impairment loss on amounts due from associates		(2,322)	(4,731)
Impairment loss on amount due from a joint venture		(167)	-
Share of losses of associates		(1)	(1)
Loss before taxation	6	(268,574)	(127,264)
Taxation	7	(3,109)	811
Loss for the period		(271,683)	(126,453)
Loss attributable to:			
- Owners of the Company		(197,557)	(118,458)
- Non-controlling interests		(74,126)	(7,995)
		(271,683)	(126,453)
Loss per share attributable to the owners of the Company:			(Re-presented)
- Basic and diluted	8	HK cents (4.032)	HK cents (2.667)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Loss for the period	(271,683)	(126,453)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	5,122	(17,576)
Share of other comprehensive income of associates	2	4
Share of other comprehensive income of a joint venture	-	(34)
Other comprehensive income for the period, net of tax	5,124	(17,606)
Total comprehensive income for the period	(266,559)	(144,059)
Total comprehensive income attributable to:		
- Owners of the Company	(191,828)	(136,169)
- Non-controlling interests	(74,731)	(7,890)
	(266,559)	(144,059)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Non-current assets			
Property, plant and equipment		42,603	50,919
Investment properties		24,764	24,668
Right-of-use assets		95,689	82,292
Goodwill and intangible assets	9	391,428	522,211
Interests in associates		29,267	30,048
Interests in joint ventures		8	8
Loan to a joint venture	10	23,510	-
Financial asset measured at fair value through other comprehensive income ("FVOCI")	11	-	-
Financial assets measured at fair value through profit or loss ("FVTPL")	12	30,149	41,349
Deposits	14	10,451	10,239
Deferred tax assets		1,768	1,551
		649,637	763,285
Current assets			
Trade receivables, other receivables and prepayments	14	108,989	107,670
Amount due from a joint venture		1,655	-
Contract assets		15,353	2,536
Tax recoverable		1,055	2,659
Cash and cash equivalents and pledged bank deposits	15	484,493	153,553
		611,545	266,418
Current liabilities			
Trade payables, other payables and accruals	16	197,817	193,558
Lease liabilities		38,381	25,061
Contract liabilities		96,985	53,624
Borrowings		76,810	149,016
Tax payable		3,678	3,621
		413,671	424,880
Net current assets/(liabilities)		197,874	(158,462)
Total assets less current liabilities		847,511	604,823
Non-current liabilities			
Borrowings		253,165	192,846
Lease liabilities		77,262	75,508
Deferred tax liabilities		44,630	43,450
		375,057	311,804
NET ASSETS		472,454	293,019
Capital and reserves			
Share capital	17	62,338	43,290
Reserves		567,585	332,467
Equity attributable to owners of the Company		629,923	375,757
Non-controlling interests		(157,469)	(82,738)
TOTAL EQUITY		472,454	293,019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company										Non-controlling interests	Total Equity
	Share capital	Share premium	FVOCI reserve	Contributed surplus	Share options reserve	Exchange fluctuation reserve	Other reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 January 2023	43,290	131,996	(196,213)	984,302	183,854	(16,373)	3,868	(758,967)	375,757	(82,738)	293,019	
Issue of shares on subscription, net of expenses	19,048	426,946	-	-	-	-	-	-	445,994	-	445,994	
Loss for the period	-	-	-	-	-	-	-	(197,557)	(197,557)	(74,126)	(271,683)	
Currency translation differences	-	-	-	-	-	5,727	-	-	5,727	(605)	5,122	
Share of other comprehensive income of associates	-	-	-	-	-	2	-	-	2	-	2	
Total comprehensive income for the period	-	-	-	-	-	5,729	-	(197,557)	(191,828)	(74,731)	(266,559)	
As at 30 June 2023	62,338	558,942	(196,213)	984,302	183,854	(10,644)	3,868	(956,524)	629,923	(157,469)	472,454	

	Attributable to owners of the Company										Non-controlling interests	Total Equity
	Share capital	Share premium	FVOCI reserve	Contributed surplus	Share options reserve	Exchange fluctuation reserve	Other reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 January 2022	43,290	131,996	(196,213)	984,302	183,805	(12,529)	3,868	(552,647)	585,872	(75,086)	510,786	
Recognition of equity-settled share-based payment expenses	-	-	-	-	48	-	-	-	48	-	48	
Loss for the period	-	-	-	-	-	-	-	(118,458)	(118,458)	(7,995)	(126,453)	
Currency translation differences	-	-	-	-	-	(17,681)	-	-	(17,681)	105	(17,576)	
Share of other comprehensive income of associates	-	-	-	-	-	4	-	-	4	-	4	
Share of other comprehensive income of a joint venture	-	-	-	-	-	(34)	-	-	(34)	-	(34)	
Total comprehensive income for the period	-	-	-	-	-	(17,711)	-	(118,458)	(136,169)	(7,890)	(144,059)	
As at 30 June 2022	43,290	131,996	(196,213)	984,302	183,853	(30,240)	3,868	(671,105)	449,751	(82,976)	366,775	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities		
Loss before taxation	(268,574)	(127,264)
Adjustments for:		
Depreciation of property, plant and equipment	12,849	20,323
Depreciation of right-of-use assets	20,175	17,262
Amortisation of intangible assets	149,823	16,769
Covid-19-Related rent concessions	-	(683)
Effect of lease modification	-	(50)
Gain on disposal of property, plant and equipment	(1)	(3)
Equity-settled share-based payment expenses	-	48
Net exchange losses/(gains)	7,840	(9,215)
Share of losses of associates	1	1
Impairment loss on trade receivables and contract assets	3,061	389
Reversal of impairment loss on other receivable	(8,050)	-
Impairment loss on amounts due from associates	2,322	4,731
Impairment loss on amount due from a joint venture	167	-
Fair value loss on financial assets measured at FVTPL	12,068	7,854
Interest income	(1,897)	(1,361)
Finance costs	18,206	12,196
Operating loss before working capital changes	(52,010)	(59,003)
Decrease/(increase) in trade receivables, other receivables and prepayments	1,290	(515)
Increase in contract assets	(12,817)	(4,732)
Increase in trade payables, other payables and accruals	1,830	22,872
Increase in contract liabilities	43,361	17,260
Cash used in operations	(18,346)	(24,118)
Income tax paid	(1,712)	(1,876)
Interest paid	(9,291)	(5,154)
Net cash used in operating activities	(29,349)	(31,148)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Cash flows from investing activities		
Interest received	521	272
Purchases of property, plant and equipment	(4,398)	(7,980)
Proceeds from disposal of property, plant and equipment	1	4
Additions to intangible assets	(17,404)	(14,176)
Advance to associates	(1,542)	(3,166)
Advance to a joint venture	(1,122)	-
Loan to a joint venture	(23,510)	-
Increase in bank deposits with more than three months to maturity when placed or pledged	(537)	(841)
Net cash used in investing activities	(47,991)	(25,887)
Cash flows from financing activities		
Proceeds from issue of ordinary shares, net of issuing expenses	445,994	-
New bank borrowings	11,454	11,552
Repayment of bank borrowings	(7,276)	(14,479)
Repayment of other loans	(17,208)	(341)
Repayment of principal portion of lease liabilities	(18,599)	(19,892)
Repayment of interest portion of lease liabilities	(5,954)	(4,770)
Net cash generated from/(used in) financing activities	408,411	(27,930)
Net increase/(decrease) in cash and cash equivalents	331,071	(84,965)
Effect of foreign exchange rate changes	(668)	(2,930)
Cash and cash equivalents at 1 January	36,480	130,455
Cash and cash equivalents at 30 June	366,883	42,560
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	366,883	42,560

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 – “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value.

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2022 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 2. The adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) had no material effect on these unaudited condensed consolidated interim financial statements. The Group has not early adopted any other new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these unaudited condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These unaudited condensed consolidated interim financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual consolidated financial statements. These unaudited condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2022 annual consolidated financial statements.

2. CHANGES IN HKFRSs

The HKICPA has issued a number of new or revised HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted all the new or revised HKFRSs that are relevant to its operations and effective for the current accounting period of the Group. The adoption of the new or amended HKFRSs that are effective from 1 January 2023 did not have any significant impact on the Group's accounting policy.

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.

2. CHANGES IN HKFRSs (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.

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.

These amendments had no impact on the unaudited condensed consolidated interim financial statements of the Group.

The Group intends to use the practical expedients in future periods if they become applicable.

The Group has not early adopted the following new or revised HKFRSs that have been issued, potentially relevant to the Group's operations but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs. The Group is not yet in a position to state whether these new or revised HKFRSs will result in substantial changes to the Group's accounting policies and financial statements:

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 ¹
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² No mandatory effective date determined but available for adoption

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2022 annual consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

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:

Media entertainment:

- provision of visual effects production service and post production services, virtual human services and granting of licence for virtual reality contents

4. REVENUE AND SEGMENT REPORTING (continued)

Reportable segment (continued)

(a) An analysis of the Group's revenue from its principal activities for the period is as follows:

	For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of		
– visual effects production and post production services	411,629	464,197
– virtual human services	2,948	17,527
– granting of licence for virtual reality contents	-	1,002
	414,577	482,726

(b) Disaggregation of revenue from contracts with customers

Segment	Media entertainment For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Types of goods or service		
Provision of		
– visual effects production and post production services	411,629	464,197
– virtual human services	2,948	17,527
– granting of licence for virtual reality contents	-	1,002
Total revenue from contracts with customers	414,577	482,726
Geographical markets		
Hong Kong	-	975
The People's Republic of China	39,855	45,917
The United States of America	144,836	129,619
Canada	225,375	298,628
United Kingdom	1,840	4,218
Other countries/regions	2,671	3,369
Total revenue from contracts with customers	414,577	482,726
Timing of revenue recognition		
A point in time	372	18,529
Over time	414,205	464,197
Total revenue from contracts with customers	414,577	482,726

4. REVENUE AND SEGMENT REPORTING (continued)

Reportable segment (continued)

(c) Analysis of the Group's revenue and results for the period and assets and liabilities by business segment are as follows:

	Media entertainment	
	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Reportable segment revenue from external customers	414,577	482,726
Reportable segment loss	(195,872)	(78,805)

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Reportable segment assets	721,848	782,143
Reportable segment liabilities	609,856	541,430

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Loss before taxation		
Segment loss	(195,872)	(78,805)
Reversal of impairment loss on other receivable	8,050	-
Impairment loss on amounts due from associates	(2,322)	(4,731)
Impairment loss on amount due from a joint venture	(167)	-
Fair value loss on financial assets measured at FVTPL	(12,068)	(7,854)
Gain on disposal of unallocated property, plant and equipment	-	3
Share of losses of associates	(1)	(1)
Auditor's remuneration	(1,340)	(1,195)
Depreciation of unallocated property, plant and equipment, depreciation of unallocated right-of-use assets and amortisation of unallocated intangible assets	(1,096)	(3,087)
Professional fees	(32,089)	(15,507)
Finance costs	(10,467)	(6,138)
Equity-settled share-based payment expenses	-	(48)
Unallocated short-term lease expenses	(81)	(80)
Unallocated other income and gains	15,477	3,666
Other unallocated corporate expenses*	(36,598)	(13,487)
Consolidated loss before taxation	(268,574)	(127,264)

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

4. REVENUE AND SEGMENT REPORTING (continued)

Reportable segment (continued)

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

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	721,848	782,143
Investment properties	24,764	24,668
Interests in associates	29,267	30,048
Interests in joint ventures	8	8
Loan to a joint venture	23,510	-
Amount due from a joint venture	1,655	-
Financial assets measured at FVTPL	30,149	41,349
Unallocated cash and cash equivalents and pledged bank deposits	421,356	120,841
Unallocated corporate assets	8,625	30,646
Consolidated total assets	1,261,182	1,029,703

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Liabilities		
Report segment liabilities	609,856	541,430
Tax payable	3,678	3,621
Deferred tax liabilities	44,630	43,450
Unallocated borrowings	73,871	90,772
Unallocated corporate liabilities	56,693	57,411
Consolidated total liabilities	788,728	736,684

(e) Revenue

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

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	61,063	45,140
Contract assets	15,353	2,536
Contract liabilities	96,985	53,624

4. REVENUE AND SEGMENT REPORTING (continued)

Reportable segment (continued)

(e) Revenue (continued)

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 service. 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 media entertainment 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 media entertainment services that had an original expected duration of one year or less.

5. FINANCE COSTS

	For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Imputed interest on lease liabilities	5,954	4,770
Interest on bank and other loans	12,252	7,426
	18,206	12,196

6. LOSS BEFORE TAXATION

	For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
This is arrived at after crediting/charging:		
<i>Crediting:</i>		
Interest income	1,897	1,361
<i>Charging:</i>		
Staff costs (including directors' remuneration)	351,450	427,159
Depreciation of property, plant and equipment	12,849	20,323
Depreciation of right-of-use assets	20,175	17,262
Amortisation of intangible assets	149,823	16,769
Short-term lease expenses	308	294

7. TAXATION

Taxation credited to the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current taxation – Hong Kong profits tax	-	-
Current taxation – Overseas tax		
– provision for the period	1,214	-
– under/(over)-provision in respect of prior years	2,092	(811)
Deferred taxation	(197)	-
	3,109	(811)

Hong Kong profits tax is calculated at applicable tax rate on the estimated assessable profits for both periods. No provision for Hong Kong profits tax has been made for both periods as the Group has 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 period at the rates of taxation prevailing in the countries in which the Group operates.

8. LOSS PER SHARE

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

	For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Loss for the period attributable to the owners of the Company	(197,557)	(118,458)

	For the six months ended 30 June	
	2023 Number of shares	2022 Number of shares (Re-presented)
Weighted average number of ordinary shares for the purposes of basic loss per share, adjusted (<i>Note</i>)	4,900,187,464	4,441,582,343

Note: The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the bonus elements in the issue of shares through share subscription during the six months ended 30 June 2023.

Diluted loss per share

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 share during the current and prior periods. Therefore, the basic and diluted loss per share in the current and prior periods are equal.

9. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trademarks	Proprietary software	Participation rights	Patents	Licence for intellectual property rights	Film rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
As at 1 January 2023	690,049	19,516	249,831	382,267	107,922	10,938	128,499	1,589,022
Additions	-	-	15,744	-	-	-	1,660	17,404
Exchange realignment	(111)	76	2,566	1,012	1,638	-	499	5,680
As at 30 June 2023	689,938	19,592	268,141	383,279	109,560	10,938	130,658	1,612,106
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS								
As at 1 January 2023	395,708	-	170,146	382,267	107,922	10,768	-	1,066,811
Amortisation for the period	-	-	19,872	-	-	161	129,790*	149,823
Exchange realignment	-	-	1,432	1,012	1,638	-	(38)	4,044
As at 30 June 2023	395,708	-	191,450	383,279	109,560	10,929	129,752	1,220,678
CARRYING AMOUNT								
As at 30 June 2023	294,230	19,592	76,691	-	-	9	906	391,428
As at 31 December 2022	294,341	19,516	79,685	-	-	170	128,499	522,211

* During the period, the underlying film of the film rights have been released. Accordingly, the film rights is amortised, as expense, over the economic life of the underlying film, with reference to projected revenue.

10. LOAN TO A JOINT VENTURE

On 13 February 2023, an indirect wholly-owned subsidiary of the Company, entered into loan agreement with a joint venture company, namely Digital Eve Technology Limited, in the principal amount of US\$3,000,000 (equivalent to HK\$23,510,000) with a tenor of three years at an interest rate ranging from 8% to 12% per annum.

11. 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.

The above investment represents an unlisted equity instrument which is held for medium or long-term strategic purpose. The Group irrevocably designated the investment in equity instrument as at fair value through other comprehensive income on its initial recognition as the Directors believed that this provides a more meaningful presentation for medium or long-term strategic investment, than reflecting changes in fair value immediately in profit or loss.

12. 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 2022 and 30 June 2023.

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

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

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 2022 and 30 June 2023, the sales shares held by the Group represented approximately 2.8% of the total issued bearer shares of HLEE.

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.

	As at	
	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Listed equity securities outside Hong Kong, at fair value	30,149	41,349

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

	HK\$'000
As at 1 January 2023	41,349
Fair value loss recognised in profit or loss	(12,068)
Exchange realignment	868
As at 30 June 2023	30,149

13. FAIR VALUE

a. Carrying amount versus fair value

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- i. Trade receivables, other receivables and deposits
- ii. Amount due from a joint venture
- iii. Trade payables, other payables and accruals
- iv. Bank balances and cash
- v. Lease liabilities
- vi. Borrowings

b. Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- i. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- ii. 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)
- iii. Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2023			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial asset at FVOCI				
– Unlisted equity investment	-	-	-	-
Financial assets at FVTPL				
– Listed equity investments	30,149	-	-	30,149

	As at 31 December 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial asset at FVOCI				
– Unlisted equity investment	-	-	-	-
Financial assets at FVTPL				
– Listed equity investments	41,349	-	-	41,349

During the six months ended 30 June 2023, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Non-current portion:		
Deposits	10,451	10,239
Current portion:		
Trade receivables	61,063	45,140
Other receivables	18,921	34,476
Deposits	661	678
Prepayments	28,344	27,376
	108,989	107,670
Total trade receivables, other receivables and prepayments	119,440	117,909

The Group normally allows an average credit period of 30 days (as at 31 December 2022: 30 days) to trade customers. The ageing analysis of the Group's trade receivables, net of allowance for impairment losses, based on the invoice date, is as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
0 to 30 days	46,324	34,758
31 to 60 days	4,809	813
61 to 90 days	5,029	2,110
91 to 365 days	2,947	2,408
Over 365 days	1,954	5,051
	61,063	45,140

15. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at	
	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Cash and cash equivalents	366,883	36,480
Pledged bank deposits	117,610	117,073
	484,493	153,553

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade payables	41,943	39,985
Other payables	67,854	64,866
Interest payables	32,733	32,182
Accruals	55,287	56,525
Total trade payables, other payables and accruals	197,817	193,558

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
0 to 30 days	11,420	16,312
31 to 60 days	4,500	7,226
61 to 90 days	3,401	2,258
91 to 365 days	16,243	8,643
Over 365 days	6,379	5,546
	41,943	39,985

17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 December 2022 and 30 June 2023	75,000,000,000	750,000
Issued and fully paid:		
As at 31 December 2022	4,329,027,625	43,290
Issue of shares on subscriptions	1,904,771,000	19,048
As at 30 June 2023	6,233,798,625	62,338

18. SHARE-BASED PAYMENT TRANSACTIONS

On 27 April 2012, a 10-year share option scheme was adopted and amended on 3 April 2014 (the "2012 Option Scheme"). Pursuant to the 2012 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. The 2012 Option Scheme has expired on 27 April 2022.

On 21 May 2020, 478,000,000 share options ("Options") were conditionally granted to employees of the Group under the 2012 Option Scheme. 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 were 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. Following to the Company's capital reorganisation completed during 2021, the exercise price was adjusted to HK\$0.46 per share with effective from 11 October 2021.

On 16 June 2022, a new share option scheme was adopted and was valid and effective for a period of 10 years (the "2022 Option Scheme"). Pursuant to the 2022 Option Scheme, the board is authorised to grant options to any Directors, employees and those persons of the Group who have contributed or will contribute to the Group as incentive schemes and rewards.

During the six months ended 30 June 2023, no Options (six months ended 30 June 2022: nil) were forfeited and no Options (six months ended 30 June 2022: nil) were exercised.

As at 30 June 2023, the weighted average exercise price of Options outstanding was HK\$2.547 (as at 31 December 2022: HK\$2.547) and the average remaining contractual life is 3.2 years (as at 31 December 2022: 3.69 years).

The Group had no share option expenses (six months ended 30 June 2022: HK\$48,000) during the six months ended 30 June 2023.

19. RELATED PARTY TRANSACTION

During the six months ended 30 June 2023, the Group had the following material related party transaction:

Related party relationship	Type of transaction	For the six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Joint venture	Interest income	701	-

20. CAPITAL COMMITMENTS

The Group did not have any significant capital commitment as at 30 June 2023 and 31 December 2022.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

FINANCIAL AND BUSINESS REVIEW

During the six months ended 30 June 2023, the Group achieved a revenue of HK\$414,577,000 (2022: HK\$482,726,000), showing a decrease of approximately 14.1% compared to that of the previous corresponding period. The gross profit of the Group amounted to HK\$71,831,000 (2022: HK\$70,601,000) during the Review Period, showing an increase of approximately 1.7%. The change in turnover and gross profit were attributable to the media entertainment segment. As at 30 June 2023, the total assets of the Group amounted to HK\$1,261,182,000 (as at 31 December 2022: HK\$1,029,703,000). The loss attributable to the owners of the Company for the Review Period was HK\$197,557,000 (2022: HK\$118,458,000). The loss for the Review Period amounted to HK\$271,683,000 (2022: HK\$126,453,000) and it 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 2020 in 2022 as HK\$48,000;
 - (b) amortisation and depreciation expenses excluding depreciation related to Right-of-use Assets and amortisation of film right to the value of HK\$32,882,000 (2022: HK\$37,092,000);
 - (c) amortisation expense of film right to the value of HK\$129,790,000 (2022: HK\$Nil);
 - (d) share of losses of associates of HK\$1,000 (2022: HK\$1,000); and
 - (e) fair value loss on financial assets measured at fair value through profit or loss of HK\$12,068,000 (2022: HK\$7,854,000);
- (ii) administrative and other project expenses; and
- (iii) operating losses from the media entertainment segment.

MEDIA ENTERTAINMENT SEGMENT

During the Review Period, this segment recorded a revenue of HK\$414,577,000 (2022: HK\$482,726,000) and incurred a loss of HK\$195,872,000 (2022: HK\$78,805,000). The loss included the research and development costs incurred and expensed during the Review Period relating to virtual human technology and amortisation on the film rights upon the film release.

“The earnings before interest, tax, depreciation and amortisation (EBITDA)” of the media entertainment segment for the six months ended 30 June 2023 was a loss of HK\$6,382,000 (2022: HK\$21,480,000). 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).

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

A. Visual Effects Production and Post-Production Business

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

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

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

Telly Awards

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

The Visual Effects Society Awards

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

Mr. Aruna INVERSIN, Mr. Paul PIANEZZA, and Ms. Kimberly CHEIFER received a nomination for Outstanding Visual Effects in a Real-Time Project for their exceptional work on *"The Quarry"* developed by Supermassive Games.

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

- *"Ant-Man and the Wasp: Quantumania"* – VFX Supervisor, Mr. David HODGINS and his team completed work on the film that follows the adventures of Ant-Man and the Wasp, which released in February 2023.
- VFX Supervisor, Mr. Mitch DRAIN completed work with Netflix Studios as the production-side VFX on the film *"Chupa"*, which released in April 2023.
- *"Extraction 2"* – VFX Supervisor, Mr. Jean-Luc DINSDALE worked on the sequel to the Netflix action thriller, which released in June 2023.
- *"Blue Beetle"* – VFX Supervisor, Mr. Jay BARTON worked on the Warner Bros. film, which released in August 2023.
- VFX Supervisor, Mr. Joel BEHRENS is continuing work alongside production VFX Supervisor, Mr. Matthew BUTLER on an upcoming Netflix film.
- VFX Supervisor, Mr. Piotr KARWAS and his team began work on an upcoming Apple Studios film.
- VFX Supervisor, Mr. Scott EDELSTEIN and his team are continuing work on an upcoming Sony Pictures film.
- VFX Supervisor, Mr. Hanzhi TANG and his team began work on an upcoming Marvel Studios film.

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

A. *Visual Effects Production and Post-Production Business (continued)*

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

- ***"The Last of Us" Season 1*** – The Digital Domain team completed work on Season 1 of HBO's "The Last of Us" in 2022 and the series released on 15 January 2023.
- ***"Carnival Row" Season 2*** – Digital Domain finished the production of Season 2 of "Carnival Row" for Amazon in 2021, and the show was made available to viewers on 17 February 2023.
- ***"The Mandalorian" Season 3*** – VFX Supervisor, Mr. Nikos KALAITZIDIS and his team completed work on the Disney+ series, which released on 1 March 2023.
- ***"Citadel"*** – VFX Supervisor, Mr. Aladino DEBERT and his team completed work on the first season of one of Amazon's newest series, and was asked to include work in the client's Emmy submission.
- ***"Secret Invasion" Season 1*** – VFX Supervisor, Mr. David CUNNINGHAM, and his team have finished work for Season 1 of the Marvel Studios series, released in June 2023.
- ***"Ahsoka" Season 1*** – VFX Supervisor, Mr. Nikos KALAITZIDIS and his team completed work on the first season of the upcoming Disney+ series, "Ahsoka", which was released on 23 August 2023.
- VFX Supervisor, Mr. Nikos KALAITZIDIS, and his team have finished work on the upcoming third season of a series produced by Apple Studios. The series is scheduled to premiere in September 2023.
- VFX Supervisor, Mr. Aladino DEBERT, and his team are currently developing a new Marvel Studios series that is set to be released in 2023.
- VFX Supervisors, Mr. Kelly PORT and Mr. Michael MELCHIORRE along with their teams are currently working on an upcoming Marvel Studios series expected to release in 2024.
- ***"Black Mirror" Season 6*** – The Digital Domain team in Hyderabad completed work on Netflix's "Black Mirror". The series released in June 2023.
- Digital Domain's Hyderabad team is working on an upcoming Amazon Studios series.

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

A. *Visual Effects Production and Post-Production Business (continued)*

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

- Netflix's *"Extraction 2"*
- Two upcoming Marvel Studios' films
- An upcoming Netflix film
- An upcoming Marvel Studios' series
- An upcoming Sony film
- An upcoming Legendary film
- An upcoming film directed by Francis Ford COPPOLA
- An upcoming New Line Cinema film
- An upcoming Twentieth Century Fox film

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

- An upcoming Legendary film
- An upcoming Skydance video game
- A trailer for an upcoming Skydance video game
- A project in collaboration with Something Wicked Games
- An upcoming game for Sucker Punch Studios
- A commercial for CrowdStrike in collaboration with Radical Media

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

- For **The Brand Agency and Amazon Studios**, the Digital Domain advertising team worked with the VHG team, utilising the studio's proprietary technology Charlatan to recreate three historical figures that were used in a promo to launch the Citadel Season 1 series marketing campaign.

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

A. *Visual Effects Production and Post-Production Business (continued)*

Possible Indemnification

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

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

During 2017, the Claimant filed four separate lawsuits against certain clients of the US Subsidiary relating to the use of the Disputed IP for certain visual effects projects that the US Subsidiary had completed (the "Other Lawsuits"). The US Subsidiary's clients filed 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 initially granted that motion with respect to certain feature film projects that were the subject of the lawsuit but, after reconsideration proceedings took place, ultimately granted the motion as to all films except one. Thus, the claims against US Subsidiary's clients in the Other Lawsuits have been narrowed. The US Subsidiary's clients filed another motion asking the court to summarily adjudicate the remaining claims in their favor or, the alternative, to narrow the Claimant's claims further. The court is scheduled to hear the motion on 12 October 2023, but even if the hearing takes place on that date, the court may not issue its decision on the motion until after that date.

The parties are presently in the process of concluding pre-trial discovery and will begin trial preparation. The court has scheduled the Other Lawsuits for trial commencing on 4 December 2023, although this is not a firm date as future developments in the case and other matters on the court's docket may delay the start of the trial.

On 21 April 2022, Claimant filed a new lawsuit against one of US Subsidiary's clients and its affiliates' copyright infringement against those entities with respect to two films that are not part of the Other lawsuits (the "New Lawsuit"). However, the US Subsidiary did not use the Disputed IP on either of these films.

On 21 February 2023, the court dismissed the New Lawsuit on the grounds that the facts, as plead, in the lawsuit did not give rise to legally actionable claims. The court gave the Claimant an opportunity to file a new amended complaint that rectifies the legal defects that the court identified. The US Subsidiary's clients filed a motion to dismiss the new amended complaint which the court is scheduled to hear on 5 October 2023.

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

A. Visual Effects Production and Post-Production Business (continued)

Possible Indemnification (continued)

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

In its production services agreements for the films that are subject of the New Lawsuit, the US subsidiary agreed to certain indemnification obligations with respect to claims brought against these clients arising from allegations that the technology it used was not properly licensed or acquired. As a result, these clients have requested that the US subsidiary acknowledge its obligation to indemnify them for any losses suffered as a result of their involvement in the New Lawsuit. The US Subsidiary has submitted these indemnity requests to one of its insurance companies that may provide insurance coverage for indemnity claims brought against it. No determinations regarding insurance coverage for the New Lawsuit has been communicated to the US Subsidiary.

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 and the New Lawsuit.

On 20 January 2022, the Claimant, the US Subsidiary's clients, the US Subsidiary and its insurance company commenced a settlement process through a neutral third party mediator. Although this mediation process was initially unsuccessful, the parties anticipated that another mediation will take place in the future.

Digital Domain China:

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

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

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

DD China continues to provide post-production and production services (e.g. shooting, editing, colour grading and music production) for various high-profile clients, including: **Bosideng, BYD, Cadillac, Estée Lauder, HUAWEI, HONOR, L'ORÉAL, L'Oréal Paris, MEIZU, Minute Maid, Moonton Games "Mobile Legends: Bang Bang", Pechoin, Schwarzkopf and Yili.**

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

A. Visual Effects Production and Post-Production Business (continued)

Digital Domain China: (continued)

DD China's professionals participated in several publicity activities:

- In May 2023 - VFX Supervisor, Mr. Wang GUO discussed how generative artificial intelligence is revolutionising the creative landscape, through YiMagazine's special edition.

Digital Domain India:

Completing the sixth year as of June 2023, Digital Domain India ("DD India") continues to play a vital role in our global VFX road map. This year DD India has taken positive strides in contributing across departments and skillsets and played a key role in shot production work compared to its earlier years. DD India continues to explore domestic and direct opportunities to offer DD's global talent and combined experience to all potential clients.

In continuation to the first half of 2023, DD India will focus on delivering more value work in terms of complexity and volume. This is in line with our plan for 2023 and beyond to increase and improve the Group's VFX services' top line and margins while organically scaling up our headcount globally. In addition to contributing for the "A list" internal projects, DD India worked on the recently released "**Black Mirror – Season 6**" on Netflix and is in the process of delivering an entire first season of a new regional show to be aired on a reputed platform in India. In 2023, DD India will also start work on three major local features scheduled to release in 2024. Thus setting a solid platform to establish our presence and target the growing entertainment market in India.

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

B. New Media and Experiential and Virtual Human Business

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

North America Region:

- Digital Domain is continuing its relationship with the team from Studio Wildcard as they prepare for the highly anticipated release of **ARK 2**, the follow up to its award-winning predecessor, ARK.
- Digital Domain has partnered with **Madison Square Garden (MSG)** and **Sphere Entertainment** for an upcoming dome project.

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

B. New Media and Experiential and Virtual Human Business (continued)

North America Region: (continued)

Digital Domain's Virtual Human Group ("VHG") in North America - research and development aided multiple projects and resulted in new developments in the first half of 2023:

- **Charlatan:** VHG partnered with the advertising and games team, utilising Charlatan for Amazon Studios "*Citadel*" and the series' "*Myth*" promo. The technology was also used on Netflix's "*Extraction 2*", as well as Marvel Studios' "*Secret Invasion*".
- **ML Cloth System:** Digital Domain's ML Cloth System was used on projects including Warner Brother's "*Blue Beetle*", and also an upcoming Sony feature film.
- **Samson:** Digital Domain's Samson has been utilised for several projects including "*Secret Invasion*", "*Ahsoka*", "*Blue Beetle*", an upcoming Sony film, an upcoming Netflix film, and an upcoming Apple Studios series.

VHG of the North America region participated in several events, including:

- VHG's Mr. Peter RABEL and Mr. Rickey CLOUDSDALE alongside VFX Supervisor, Mr. Aruna INVERSIN attended Game Developers Conference (GDC) 2023 where they presented their work on Supermassive Games' "*The Quarry*".
- Software Developer, Mr. Jose SERRA, presented on markerless facial mocap online for **SPARK FX 2023** and participated in Q&A.
- VFX Supervisor, Mr. Matthias WITTMANN participated on a panel at **Digital Hollywood - The AI Summit: Breaking the Net** where he discussed virtual humans.

The Greater China Region:

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

- From March 2023, **MetaAge Group** has partnered with Digital Domain to create a series of internal training videos. These videos feature virtual HR consultant who introduce new employees to the company, course platform, and operational guidelines. The project aims to streamline the company's training procedures and enhance efficiency.
- Featuring "**Digital Transformation & Green Transition**", 2023 Smart City Summit and Expo (SCSE) took place in Taipei from 28 March to 31 March 2023. The organisers specially arranged an AI virtual tour guide, so that visitors can have the opportunity to experience the latest technology interaction up close. The AI virtual tour guide is the latest technology of cooperation between MomentX and Digital Domain, behind which is the virtual human control software Momentum Cloud independently developed by Digital Domain. Visitors can not only ask the virtual tour guide questions related to the expo, but also ask anything you want to chat or learn about, including weather, food and attractions around the exhibition hall.

FINANCIAL AND BUSINESS REVIEW (continued)

MEDIA ENTERTAINMENT SEGMENT (continued)

B. New Media and Experiential and Virtual Human Business (continued)

The Greater China Region: (continued)

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

- In April 2023, Digital Domain participated in the **"AI EXPO Taiwan 2023"** to showcase an AI virtual fortune teller. The booth attracted a large audience who gathered to experience the personalised and real-time interactive fortune-telling.
- In May 2023, Digital Domain exhibited an AI virtual business assistant at the **"Computex 2023"**. The virtual assistant interacted with visitors, answering questions about client companies for international business professionals.
- In June 2023, the prestigious AI industry event, **"FUTURE COMMERCE 2023 AI TAIWAN"** with the theme **"AI FOR ALL"**, featured Digital Domain's virtual human, **Nonoka**, as the protagonist in the opening video. Through its connection and contrast with real-world humans, virtual human conveyed the message that AI solutions applied across industries are already transforming human lives, heralding the dawn of a new era.
- In June 2023, Digital Domain demonstrated AI virtual human solutions at the **"FUTURE COMMERCE 2023 AI TAIWAN"**. The exhibition showcased three interactive modes, featuring a poetic young girl, a compassionate soul guide, and a friendly café server. These diverse personas represented the versatility of service-oriented virtual humans.
- **MomentX** and Digital Domain once again cooperated to participate in the **"FUTURE COMMERCE 2023 AI TAIWAN"** and unveiled a brand new AI assistant in the "AI New Imagination" exhibition area. Combining interactive experience and co-creation participation, the AI assistant not only answers questions related to the exhibition, but also can lead the audience to understand the influence and creation of generative AI before 2030.

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

- VFX Supervisor, Mr. Jan Philip CRAMER and Animation Supervisor, Ms. Elizabeth BERNARD presented their work on **"She-Hulk: Attorney at Law"** at SPARK FX 2023.
- VFX Supervisor, Mr. Jan Philip CRAMER presented his team's work on **"She-Hulk: Attorney at Law"** at **Film and Media Exchange (FMX) 2023** in Stuttgart, Germany.
- Ms. Lala GAVGAVIAN, the President for VFX Business and Chief Operating Officer for the Group, and VFX Supervisor, Mr. Piotr KARWAS attended the **Mastercard OFF CAMERA International Festival of Independent Cinema**. Mr. KARWAS participated in two panels during the event, discussing his work on **Apex Legends' "Northstar"** as a case study. He highlighted the extensive VFX work involved in game development and the use of AI in the VFX industry.

D. CO-PRODUCTIONS

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"**. Shooting of the film took place in Australia during the pandemic in 2020 and the film was released globally in March 2023.

INTERESTS IN ASSOCIATES

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

Virtual Human Teresa Teng

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

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

INTERESTS IN ASSOCIATES (continued)

Beijing Xu Gu (虛谷未來科技(北京)有限公司)

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

- In December 2022, **Tencent Music Entertainment Group (TME)** co-created by **TME, RM LABS, and Beijing Xu Gu**, launched **super-realistic virtual idol LUCY**, which immediately sparked a circle-breaking interest. From January to May 2023, Beijing Xu Gu continued to provide virtual content production for its daily operations.
- In January 2023, Beijing Xu Gu joined the **"Chaoyang Dark Horse Digital Human Application Scene Accelerator"**, which is an industrial co-creation base for digital human enterprises nationwide under the guidance of the Chaoyang District People's Government of Beijing Municipality and co-created by the Zhongguancun Science Park Administrative Committee, Dark Horse Technology Group Co., Ltd. ("Dark Horse") and Beijing Chaoyang International Technology Innovation Service Co., Ltd ("CITIS").
- In February 2023, Beijing Xu Gu was honoured to be listed in the first **Metaverse ∞ Billboard**, and was awarded **"Top 10 Metaverse Enterprises of 2022"**. In addition, the General Manager of Beijing Xu Gu was invited to attend and deliver a keynote speech.
- In March 2023, Beijing Xu Gu appeared at the **Web 3.0 Eco Release Conference "Towards a Vibrant Web 3.0 Building for the Future"** organised by the Beijing Municipal Science and Technology Commission, Administrative Commission of Zhongguancun Science Park, Beijing Municipal Bureau of Economy and Information Technology, Beijing Association for Science and Technology and Chaoyang District People's Government of Beijing Municipality, where the Virtual Human Teresa Teng, Virtual Human Elbor, Virtual Human Nonoka and Virtual Human Alice, demonstrated around super-realistic virtual human real-time interaction, super-realistic fabric real-time calculation and lightweight virtual live broadcast solutions.
- In March 2023, Beijing Xu Gu appeared at the **2023 (2nd) China Virtual Human Industry Conference and AIGC Innovation and Development Forum**. During the event, Virtual Human Alice was selected as one of the **"Top 100 Chinese Virtual Humans in 2023"** published by iiMedia Research, and was honoured with the **"Most Influential Virtual Idol Award of China in 2023"**, becoming the only children's virtual IP on the list and receive such awards. In addition, the General Manager of Beijing Xu Gu was invited to participate in the summit dialogue.
- In May 2023, the 「悦然址上」 brand strategy launch and 23rd anniversary celebration was held as scheduled, for which Beijing Xu Gu provided virtual human holographic show solutions.
- In June 2023, Beijing Xu Gu joined the **"Beijing Digital Human Base Deposit Platform"**. This platform will focus on the process of intellectual property rights confirmation, rights protection and transaction security, and provide notary legal services such as intellectual property rights protection, evidence collection, and rights protection for digital human enterprises, so as to solve the problem of intellectual property rights protection for the property rights of digital human beings and related digital assets.

CAPITAL

Shares

Subscription of New Shares under General Mandate

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

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

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

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

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

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

As at 30 June 2023, the total number of the Company shares of HK\$0.01 each in issue (the "Shares") was 6,233,798,625 Shares.

CAPITAL (continued)

Share Options

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

On 28 May 2014, a total of 98,006,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 98,006,000 new Shares at an exercise price of HK\$0.98 per Share. For details, please refer to the Company's announcements dated 28 May 2014 and 23 July 2014, and the circular dated 2 July 2014. During the Review Period, no share option was exercised, cancelled or has lapsed. 4,657,000 share options were exercised and 14,076,000 share options were cancelled or have lapsed since the grant-date (28 May 2014).

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

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

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

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

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

CAPITAL (continued)

Share Options (continued)

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

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

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

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

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

In 2023, the Company had banking facilities from two banks in the United States amounting to US\$16,000,000 (approximately HK\$125,386,000) and the utilised portion of these banking facilities were US\$15,822,000 (approximately HK\$123,990,000). Among the above mentioned US\$16,000,000 facilities, (i) Facilities of US\$2,000,000 (approximately HK\$15,673,000) with US\$1,831,000 (approximately HK\$14,349,000) being utilised as at 30 June 2023 has been successfully refinanced for another 3 years (to 2026), and (ii) Utilised facilities of US\$10,000,000 (approximately HK\$78,366,000) has also been refinanced for another 2 years (to 2025). These banking facilities were secured by time deposits and two investment properties of the Group. The Group had banking facilities from a bank in Canada in amount of CAD6,900,000 (approximately HK\$40,820,000) and the utilised portion of these banking facilities were CAD735,000 (approximately HK\$4,350,000). These banking facilities were secured by corporate guarantees provided by several subsidiaries.

As at 30 June 2023, the loan granted under emergencies loan schemes for COVID-19 is in amount of CAD60,000 (approximately HK\$355,000). This loan is unsecured and repayable on 31 December 2025.

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

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON GROUP ASSETS AND GEARING RATIO (continued)

As at 30 June 2023, the Group also had lease liabilities of HK\$115,643,000, 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 RMB185,000 (approximately HK\$199,000) related to computer equipment and software and HK\$150,000 related to office equipment (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\$196,371,000 as at 30 June 2023. 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 30 June 2023. One indirect wholly-owned subsidiary had other loan in amount of US\$429,000 (approximately HK\$3,361,000), which is unsecured and with a fixed interest rate. One indirect wholly-owned subsidiary also had a term loan facility of US\$10,000,000 (approximately HK\$78,366,000) 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 30 June 2023 were US\$8,000,000 (approximately HK\$62,693,000) 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 30 June 2023. As at 30 June 2023, there was an other loan with principal amount of US\$8,800,000 (approximately HK\$68,962,000) with HK\$56,423,000 repayable within one year and HK\$12,539,000 repayable in the next two years. This other loan was unsecured with a fixed interest rate.

During the Review Period, the Group also repaid two other loans (aggregate principal amount of HK\$7,800,000) which were unsecured with a fixed interest rate.

The total cash and bank balance as at 30 June 2023 was approximately HK\$484,493,000. As at 30 June 2023, the Group had banking facilities of approximately HK\$166,206,000. Utilised portions of these bank facilities were set at a floating interest rate. Of these bank loans, loans amounting to approximately HK\$123,990,000 are denominated in United States dollars and loans amounting to approximately HK\$4,350,000 are denominated in Canadian dollars. During the Review Period, all of the Group's bank loans (except the Five Years Loan) 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) as at 30 June 2023 was spread over a period of five years, with approximately 10% repayable within one year, 79% repayable between one to two years and 11% repayable between two and five years.

The Group's current assets were HK\$611,545,000 while the current liabilities were HK\$413,671,000 as at 30 June 2023. As at 30 June 2023, the Group's current ratio was 1.5 (as at 31 December 2022: 0.6).

As at 30 June 2023, the Group's gearing ratio, representing the Group's financial liabilities (i.e. bank loans, other loans and lease liabilities) divided by the equity attributable to owners of the Company was 71% (as at 31 December 2022: 118%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

CONTINGENT LIABILITIES

Save as disclosed under "Possible Indemnification" of the Media Entertainment Segment above, as at 30 June 2023, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 30 June 2023, the total headcount of the Group was 1,030. The Group believes that its employees play an important role in its success. Under the Group's remuneration policy, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Other benefits include discretionary bonuses, a share option scheme and retirement schemes.

PROSPECT

While the dismantling of COVID restrictions worldwide will be positive for the global economy, many challenges remain. During the first half of 2023, inflation and recession are still the focal point. While there are signs that inflation may have peaked, the three leading economies in the world, the US, the European Union and China, are all slowing down. Uncertainties and geopolitical tensions (including Sino/US relationships and/or Russian/Ukraine conflict) are likely to persist in the foreseeable future. All these fuel concerns over a looming recession. We anticipate that global markets will experience fluctuations in the coming months.

Geopolitical developments and associated fiscal/monetary policy responses 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 2023. 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 budget and roll out schedule of feature films can be affected by global economic conditions while perceived reduction in consumer spending powers can also affect our clients' product advertising budgets and campaign schedules.

PROSPECT (continued)

Besides the macro situation we just mentioned, the media industry is also facing another critical challenge due to the Hollywood industry strikes. The Screen Actors Guild – American Federation of Television and Radio Artists (“SAG-AFTRA”) has recently authorised a strike of its members, in addition to the strike approved by the Writers Guild of America (“WGA”) which commenced on 2 May 2023. Having noted that the strike of WGA members has contributed to delays in production schedules of certain of the Group’s clients in the latter part of the six months ended 30 June 2023, the Company expects that the additional actors’ strike is likely to lead to more delays in the Group’s VFX projects and therefore lower revenue being recognised for so long as these strikes remain unresolved.

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

Our “Objective” is to drive business and prosperity through our unique diversity (markets, shareholders, directors and staff) and this guides our strategy. In support of our “Objective”, we will continue to focus on visual effects and virtual human businesses while we are proud to connect the world’s most dynamic markets (US/Canada, China and India). The Group proactively seeks new projects and business opportunities in the feature films, online games, television/OTT episodes and commercials despite the highly competitive environment in our markets. 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 is also actively considering the potential projects in Europe with our European business partners.

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

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

Last but not least, we will continue to closely monitor the external environment to ensure an appropriate balance of opportunity and risk, acting in your interests as shareholders. We are grateful to you for the trust you place in us and for your ongoing support of the Group. We are confident that we will continue to create long-term, sustainable value for all our stakeholders (clients, shareholders, staff and management). Once again, we would like to express appreciation to all our management and colleagues for their valuable contribution to the Group.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 27 April 2012 and amended on 3 April 2014 (the “2012 Option Scheme”). It was effective for a period of 10 years and expired on 27 April 2022. A new share option scheme of the Company was adopted on 16 June 2022 and is valid and effective for a period of 10 years (the “2022 Option Scheme”). Pursuant to the 2022 Option Scheme, the Directors are authorised to grant options to any Directors, any employees and those persons of the Group who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the aforesaid share option schemes, the Company did not have any other share option scheme.

(i) 2012 Option Scheme

The following table discloses movements in the Company’s options (the “Options”) granted under the 2012 Option Scheme during the Review Period:

Name and category of participants	Number of Options				At 30 June 2023	Date of grant	Exercise period	Exercise price per Share (HK\$)
	At 1 January 2023	Granted during the Review Period	Exercised during the Review Period	Cancelled/lapsed during the Review Period				
Director								
Seah Ang	10,000,000 (Notes 2 and 3)	-	-	-	10,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.98
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	0.98
Fan Lei	15,000,000 (Notes 2 and 3)	-	-	-	15,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.98
Other employees, in aggregate	34,473,000 (Note 2)	-	-	-	34,473,000	28/05/2014	28/05/2017 to 27/05/2024	0.98
	2,099,000 (Note 4)	-	-	-	2,099,000	06/05/2015	06/05/2015 to 05/05/2025	13.20
	2,000,000 (Note 4)	-	-	-	2,000,000	06/05/2015	06/05/2016 to 05/05/2025	13.20
	1,900,000 (Note 4)	-	-	-	1,900,000	06/05/2015	06/05/2017 to 05/05/2025	13.20
	9,150,006 (Note 5)	-	-	-	9,150,006	29/01/2016	29/01/2016 to 28/01/2026	4.13
	8,149,998 (Note 5)	-	-	-	8,149,998	29/01/2016	29/01/2017 to 28/01/2026	4.13
	7,583,327 (Note 5)	-	-	-	7,583,327	29/01/2016	29/01/2018 to 28/01/2026	4.13
	5,000,000 (Note 7)	-	-	-	5,000,000	22/06/2016	22/06/2017 to 21/06/2026	4.95
	5,000,000 (Note 7)	-	-	-	5,000,000	22/06/2016	22/06/2018 to 21/06/2026	4.95
	1,666,671 (Note 8)	-	-	-	1,666,671	29/07/2016	29/07/2016 to 28/07/2026	5.66
	1,169,998 (Note 8)	-	-	-	1,169,998	29/07/2016	29/07/2017 to 28/07/2026	5.66
	843,324 (Note 8)	-	-	-	843,324	29/07/2016	29/07/2018 to 28/07/2026	5.66
	10,999,999 (Note 10)	-	-	-	10,999,999	24/04/2019	24/04/2019 to 23/04/2029	1.30

SHARE OPTION SCHEME (continued)

(i) 2012 Option Scheme (continued)

Name and category of participants	Number of Options				At 30 June 2023	Date of grant	Exercise period	Exercise price per Share (HK\$)
	At 1 January 2023	Granted during the Review Period	Exercised during the Review Period	Cancelled/lapsed during the Review Period				
Employees of the Group (continued)								
Other employees, in aggregate (continued)	666,667 (Note 10)	-	-	-	666,667	24/04/2019	29/02/2020 to 23/04/2029	1.30
	333,333 (Note 10)	-	-	-	333,333	24/04/2019	24/04/2020 to 23/04/2029	1.30
	666,667 (Note 10)	-	-	-	666,667	24/04/2019	28/02/2021 to 23/04/2029	1.30
	333,334 (Note 10)	-	-	-	333,334	24/04/2019	24/04/2021 to 23/04/2029	1.30
	29,050,000 (Note 11)	-	-	-	29,050,000	21/05/2020	21/05/2020 to 20/05/2030	0.46
	9,220,000 (Note 11)	-	-	-	9,220,000	21/05/2020	21/05/2021 to 20/05/2030	0.46
	7,360,000 (Note 11)	-	-	-	7,360,000	21/05/2020	21/05/2022 to 20/05/2030	0.46
Others								
Amit Chopra	4,800,000 (Note 2)	-	-	-	4,800,000	28/05/2014	28/05/2017 to 27/05/2024	0.98
	500,000 (Note 4)	-	-	-	500,000	06/05/2015	06/05/2015 to 05/05/2025	13.20
	500,000 (Note 4)	-	-	-	500,000	06/05/2015	06/05/2016 to 05/05/2025	13.20
	500,000 (Note 4)	-	-	-	500,000	06/05/2015	06/05/2017 to 05/05/2025	13.20
	3,333,334 (Notes 5 and 6)	-	-	-	3,333,334	29/01/2016	29/01/2016 to 28/01/2026	4.13
	3,333,333 (Notes 5 and 6)	-	-	-	3,333,333	29/01/2016	29/01/2017 to 28/01/2026	4.13
	3,333,333 (Notes 5 and 6)	-	-	-	3,333,333	29/01/2016	29/01/2018 to 28/01/2026	4.13
Wang Wei-Chung	166,667 (Note 5)	-	-	-	166,667	29/01/2016	29/01/2016 to 28/01/2026	4.13
	166,667 (Note 5)	-	-	-	166,667	29/01/2016	29/01/2017 to 28/01/2026	4.13
	166,666 (Note 5)	-	-	-	166,666	29/01/2016	29/01/2018 to 28/01/2026	4.13
Wei Ming	30,000,000 (Note 9)	-	-	-	30,000,000	13/02/2017	13/02/2017 to 12/02/2027	4.69
Total	224,465,324	-	-	-	224,465,324			

SHARE OPTION SCHEME (continued)

(i) 2012 Option Scheme (continued)

Notes:

- Options are valid for 10 years from the date of grant.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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 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.
- 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 2012 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.

(ii) 2022 Option Scheme

No share option under the 2022 Option Scheme was granted, exercised, cancelled or has lapsed during the Review Period and since the date of adoption.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2023, 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 Rules Governing the Listing of Securities on the Stock Exchange (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)	200,853,132	10,000,000	210,853,132 (Long position)	3.38%
	Interest of controlled corporation (Note 1)	50,213,479	-	50,213,479 (Short position)	0.81%

Notes:

- Global Domain Investments Limited was deemed to be interested in 200,853,132 Shares by holding 50,213,479 Shares and taking a deemed interest in 150,639,653 Shares under section 317 of the SFO. Mr. Seah Ang was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Global Domain Investments Limited.
- Mr. Seah Ang holds 10,000,000 Options granted under the 2012 Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".

Save as disclosed above, as at 30 June 2023, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 30 June 2023, 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)	200,853,132	-	200,853,132 (Long position)	3.22%
	Beneficial owner (Note 1)	50,213,479	-	50,213,479 (Short position)	0.81%
Seah Ang	Interest of controlled corporation and beneficial owner (Notes 1 and 2)	200,853,132	10,000,000	210,853,132 (Long position)	3.38%
	Interest of controlled corporation (Note 1)	50,213,479	-	50,213,479 (Short position)	0.81%
C Digital Libraries Inc.	Interest of controlled corporation (Note 3)	838,806,000	-	838,806,000 (Long position)	13.46%
Ng Clive Cheang Neng	Interest of controlled corporation (Note 3)	838,806,000	-	838,806,000 (Long position)	13.46%
Poly Culture Group Corporation Limited	Beneficiary of a trust (other than a discretionary interest)	532,360,000	-	532,360,000 (Long position)	8.54%
Jade Link Holdings Limited	Beneficial owner (Note 4)	503,720,000	-	503,720,000 (Long position)	8.08%
Tang Elaine Yilin	Interest of controlled corporation (Note 4)	503,720,000	-	503,720,000 (Long position)	8.08%
One Music Investment Co., Ltd.	Beneficial owner (Note 5)	646,430,000	-	646,430,000 (Long position)	10.37%
Chen Li-Pai	Interest of controlled corporation (Note 5)	646,430,000	-	646,430,000 (Long position)	10.37%
Chen Ling-Chuan	Interest of controlled corporation (Note 5)	646,430,000	-	646,430,000 (Long position)	10.37%
Allied Talent Global Limited	Beneficial owner (Note 6)	528,966,000	-	528,966,000 (Long position)	8.49%

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
Huang Chi-Cheng	Interest of controlled corporation (Note 6)	528,966,000	-	528,966,000 (Long position)	8.49%
Delight On Group Limited	Beneficial owner (Note 7)	510,000,000	-	510,000,000 (Long position)	8.18%
Ding Jiann-Shing	Interest of controlled corporation (Note 7)	510,000,000	-	510,000,000 (Long position)	8.18%

Notes:

- Global Domain Investments Limited was deemed to be interested in 200,853,132 Shares by holding 50,213,479 Shares and taking a deemed interest in 150,639,653 Shares under section 317 of the SFO. Mr. Seah Ang was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Global Domain Investments Limited.
- Mr. Seah Ang holds 10,000,000 Options granted under the 2012 Option Scheme, particulars of which are set out in the above section headed "Share Option Scheme".
- C Digital Libraries Inc. was deemed to be interested in 838,806,000 Shares held by Digital Knight Finance S.à r.l. which 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.
- 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.
- One Music Investment Co., Ltd. is 99.97% and 0.03% controlled by Mr. Chen Li-Pai and by his spouse, Ms. Chen Ling-Chuan respectively. Mr. Chen Li-Pai and Ms. Chen Ling-Chuan were deemed to be interested in 646,430,000 Shares held by One Music Investment Co., Ltd.
- Allied Talent Global Limited is wholly-owned by Mr. Huang Chi-Cheng. Mr. Huang Chi-Cheng was deemed to be interested in 528,966,000 Shares held by Allied Talent Global Limited.
- Delight On Group Limited is wholly-owned by Mr. Ding Jiann-Shing. Mr. Ding Jiann-Shing was deemed to be interested in 510,000,000 Shares held by Delight On Group Limited.
- The percentage of the issued share capital of the Company has been compiled based on the total number of issued Shares as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

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 (the "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 30 June 2023, 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 Review Period.

CORPORATE GOVERNANCE

During the Review Period, the Company was in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except for the following:

- (a) There is no separation of the roles of the chairman and the chief executive officer or chief executive during the Review Period. Mr. Seah Ang, the executive Director and chief executive officer of the Company, was appointed as the acting chairman of the Board following the resignation of former chairman in June 2020. The Board believed that at the time of vesting of the roles of chairman and chief executive officer in Mr. Seah Ang is beneficial to the operation and management of the Group due to his in-depth knowledge in the Group's operation and his extensive business network and connections. The Company would seek the suitable candidate to fill the vacancy of the position of the chairman of the Board when appropriate;
- (b) The chairman of the Board is not subject to retirement by rotation pursuant to bye-law 87(1) of the Company's bye-laws. 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; and
- (c) The Company held the annual general meeting on 31 May 2023. Ms. Alla Y Alenikova and Mr. Brian Thomas McConville, the non-executive Directors, were unable to attend the above annual general meeting.

CHANGES IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Director's information are set out as follows:

- (1) Mr. Woo King Hang, the independent non-executive Director, was appointed as a member of Hospital Governing Committee of Queen Elizabeth Hospital, Hospital Authority, a non-official Justice of the Peace and a member of Hong Kong Advisory Council on AIDS with effect from 1 April 2023, 1 July 2023 and 1 August 2023 respectively. In addition, Mr. Woo is currently a senior advisor of n-hop technologies Limited.
- (2) Ms. Alla Y Alenikova, the non-executive Director, is currently a director and ultimate beneficial owner of Wisteria Heights Advisory AG.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the Review Period.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim report of the Company for the Review Period.

By Order of the Board
Seah Ang
Executive Director and Chief Executive Officer

Hong Kong, 25 August 2023