

2015 INTERIM REPORT



D I G I T A L D O M A I N

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

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

* For identification purposes only

The board of directors (the “Board”) 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 2015 (the “Review Period”) together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	2	293,494	429,564
Cost of sales and services		(224,401)	(364,340)
Gross profit		69,093	65,224
Other revenue and gains		5,439	1,214
Selling and distribution expenses		(19,034)	(8,241)
Administrative expenses and other net operating expenses		(117,614)	(97,828)
Finance costs	3	(19,394)	(20,015)
Gain on disposal and dissolution of subsidiaries		–	174
Fair value gains on investment properties		–	1,000
Share of profits of associates		956	–
Share of losses of joint ventures		(97)	(45)
Loss before taxation	4	(80,651)	(58,517)
Taxation	5	(3,359)	314
Loss for the period		(84,010)	(58,203)
Loss attributable to:			
– Owners of the Company		(76,391)	(46,181)
– Non-controlling interest		(7,619)	(12,022)
		(84,010)	(58,203)
Loss per share:	6		
– Basic and diluted		HK cent (0.777)	HK cent (0.470)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Loss for the period	(84,010)	(58,203)
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(204)	25
Share of other comprehensive income of associates	(10)	–
Other comprehensive income for the period, net of tax	(214)	25
Total comprehensive income for the period	(84,224)	(58,178)
Total comprehensive income attributable to:		
– Owners of the Company	(76,533)	(46,160)
– Non-controlling interest	(7,691)	(12,018)
	(84,224)	(58,178)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	<i>Notes</i>	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment		34,215	42,720
Investment properties	7	189,600	189,600
Intangible assets	8	281,106	278,657
Interests in associates	9	21,283	–
Interests in joint ventures		10,672	10,738
		536,876	521,715
Current assets			
Trade receivables, other receivables and prepayments	10	118,916	88,033
Bank balances and cash		192,631	140,998
		311,547	229,031
Current liabilities			
Trade payables, other payables and accruals	11	156,271	38,094
Deferred revenue		25,972	29,612
Borrowings		24,738	7,577
Obligations under finance leases		6,720	7,725
Amount due to a related company	13(b)	1,950	–
Tax payable		7,882	4,832
		223,533	87,840
Net current assets		88,014	141,191
Total assets less current liabilities		624,890	662,906
Non-current liabilities			
Borrowings		87,761	95,473
Obligations under finance leases		–	3,098
Deferred tax liabilities		1,286	1,927
Convertible notes		312,761	295,648
		401,808	396,146
Net assets		223,082	266,760
Capital and reserves			
Share capital	12	98,327	98,327
Reserves		113,984	169,444
Equity attributable to owners of the Company		212,311	267,771
Non-controlling interest		10,771	(1,011)
Total equity		223,082	266,760

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company										
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000	Convertible notes – equity component HK\$'000	Land and buildings revaluation reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
As at 1 January 2014	98,327	245,047	70,986	7,355	49,510	-	(331)	(252,703)	218,191	8,829	227,020
Changes in equity for the six months ended 30 June 2014											
Recognition of equity-settled share-based payment (Note 12)	-	-	-	-	-	937	-	-	937	-	937
Loss for the period	-	-	-	-	-	-	-	(46,181)	(46,181)	(12,022)	(58,203)
Currency translation differences	-	-	-	-	-	-	21	-	21	4	25
Total comprehensive income for the period	-	-	-	-	-	-	21	(46,181)	(46,160)	(12,018)	(58,178)
As at 30 June 2014 and 1 July 2014	98,327	245,047	70,986	7,355	49,510	937	(310)	(298,884)	172,968	(3,189)	169,779
Changes in equity for the six months ended 31 December 2014											
Recognition of equity-settled share-based payment (Note 12)	-	-	-	-	-	5,302	-	-	5,302	-	5,302
Extinguishment upon modification of terms of convertible notes	-	-	(70,986)	-	-	-	-	70,986	-	-	-
Recognition upon modification of terms of convertible notes	-	-	96,630	-	-	-	-	(96,630)	-	-	-
Forfeiture of share options	-	-	-	-	-	(63)	-	63	-	-	-
Profit for the period	-	-	-	-	-	-	-	89,504	89,504	2,180	91,684
Currency translation differences	-	-	-	-	-	-	(3)	-	(3)	(2)	(5)
Total comprehensive income for the period	-	-	-	-	-	-	(3)	89,504	89,501	2,178	91,679
As at 31 December 2014	98,327	245,047	96,630	7,355	49,510	6,176	(313)	(234,961)	267,771	(1,011)	266,760

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company										
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000	Convertible notes – equity component HK\$'000	Land and buildings revaluation reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
As at 1 January 2015	98,327	245,047	96,630	7,355	49,510	6,176	(313)	(234,961)	267,771	(1,011)	266,760
Changes in equity for the six months ended 30 June 2015											
Recognition of equity-settled share-based payment (Note 12)	-	-	-	-	-	21,060	-	-	21,060	-	21,060
Issue of shares on exercise of share options	-	13	-	-	-	(4)	-	4	13	-	13
Forfeiture of share options	-	-	-	-	-	(101)	-	101	-	-	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	19,473	19,473
Loss for the period	-	-	-	-	-	-	-	(76,391)	(76,391)	(7,619)	(84,010)
Currency translation differences	-	-	-	-	-	-	(132)	-	(132)	(72)	(204)
Share of other comprehensive income of associates	-	-	-	-	-	-	(10)	-	(10)	-	(10)
Total comprehensive income for the period	-	-	-	-	-	-	(142)	(76,391)	(76,533)	(7,691)	(84,224)
As at 30 June 2015	98,327	245,060	96,630	7,355	49,510	27,131	(455)	(311,247)	212,311	10,771	223,082

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED
 FOR THE SIX MONTHS ENDED 30 JUNE 2015

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Loss before taxation	(80,651)	(58,517)
Adjustments for:		
Depreciation of property, plant and equipment	12,774	9,279
Amortisation of intangible assets	11,589	30,525
Loss/(gain) on disposal of property, plant and equipment	60	(952)
Gain on disposal and dissolution of subsidiaries	–	(174)
Equity-settled share-based payment expenses	21,060	937
Net exchange losses/(gains)	1,910	(159)
Fair value gains on investment properties	–	(1,000)
Share of profits of associates	(956)	–
Share of losses of joint ventures	97	45
Interest income	(23)	(174)
Finance costs	19,394	20,015
Operating loss before working capital changes	(14,746)	(175)
Increase in trading merchandise goods	–	(12,538)
Increase in trade receivables, other receivables and prepayments	(30,897)	(59,606)
Increase in trade payables, other payables and accruals	117,734	18,424
Increase/(decrease) in amount due to a related company	1,950	(1,824)
Increase in amount due to an associate	33	–
(Decrease)/increase in deferred revenue	(3,640)	2,396
Cash generated from/(used in) operations	70,434	(53,323)
Hong Kong profits tax paid	(171)	(110)
Overseas tax paid	(429)	(44)
Interest paid	(1,846)	(2,392)
Net cash generated from/(used in) operating activities	67,988	(55,869)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Cash flows from investing activities		
Interest income	39	159
Purchases of property, plant and equipment	(4,767)	(14,079)
Additions of intangible assets	(13,891)	(7,786)
Investments in associates	(20,370)	–
(Advance to)/repayment from a joint venture	(32)	143
Disposal of subsidiaries, net of cash disposed	–	67
Net cash used in investing activities	(39,021)	(21,496)
Cash flows from financing activities		
Proceeds from exercise of share options	13	–
Capital contribution from non-controlling interest	19,473	–
New obligations under finance leases	–	4,318
Repayment of obligations under finance leases	(4,098)	(3,062)
New borrowings	19,375	34,891
Repayment of borrowings	(9,928)	(1,278)
Net cash generated from financing activities	24,835	34,869
Net increase/(decrease) in cash and cash equivalents	53,802	(42,496)
Effect of foreign exchange rate changes	(2,169)	(97)
Cash and cash equivalents at 1 January	140,998	209,338
Cash and cash equivalents at 30 June	192,631	166,745
Represented by:		
Bank balances and cash	192,631	166,745

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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 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 unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, as modified for investment properties, which are carried at fair value.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014. In addition, the Group has applied, for the first time, the following accounting policy:

Associates

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

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

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

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

In the current period, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs had no material effect on the financial statements of the Group for both the current and prior reporting periods.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

The Group has not early adopted the following new/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/revised HKFRSs and the directors of the Company so far concluded that the application of these HKFRSs will have no material impact on the financial statements of the Group:

		Effective date
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle	(i)
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	(i)
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	(i)
Amendments to HKAS 1	Disclosure Initiative	(i)
Amendments to HKFRS10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(i)
HKFRS 15	Revenue from Contracts with Customers	(ii)
HKFRS 9 (2014)	Financial Instruments	(iii)

Effective date:

- (i) Annual periods beginning on or after 1 January 2016
- (ii) Annual periods beginning on or after 1 January 2017
- (iii) Annual periods beginning on or after 1 January 2018

2. REVENUE AND SEGMENT REPORTING

Reportable segments

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

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

- Media entertainment (visual effects production and virtual reality business)
- Property investment
- Trading

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

2. REVENUE AND SEGMENT REPORTING (continued)

Reportable segments (continued)

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

	Media entertainment		Property investment		Trading		Consolidated	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June		30 June	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue from external customers	289,578	253,526	3,916	2,977	-	173,061	293,494	429,564
Reportable segment profit/(loss)	(19,485)	(41,246)	3,539	2,448	(797)	12,168	(16,743)	(26,630)
	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment asset	487,046	404,015	191,617	192,525	38,868	91,582	717,531	688,122
Reportable segment liabilities	132,318	109,036	2,487	2,557	350	865	135,155	112,458

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

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Loss before taxation		
Reportable segment loss	(16,743)	(26,630)
Unallocated other revenue and gains	59	1,214
Unallocated corporate expenses *	(45,432)	(14,215)
Gain on disposal and dissolution of subsidiaries	-	174
Fair value gains on investment properties	-	1,000
Share of profits of associates	956	-
Share of losses of joint ventures	(97)	(45)
Finance costs	(19,394)	(20,015)
Consolidated loss before taxation	(80,651)	(58,517)

* The balance mainly represented equity-settled share-based payment expenses, unallocated operating expenses, professional fees and head office expenses.

2. REVENUE AND SEGMENT REPORTING (continued)

Reportable segments (continued)

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

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Assets		
Reportable segment assets	717,531	688,122
Unallocated bank balances and cash	114,566	49,685
Unallocated corporate assets	16,326	12,939
Consolidated total assets	848,423	750,746

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Liabilities		
Reportable segment liabilities	135,155	112,458
Tax payable	7,882	4,832
Deferred tax liabilities	1,286	1,927
Convertible notes	312,761	295,648
Unallocated borrowings	64,426	65,747
Unallocated corporate liabilities	103,831	3,374
Consolidated total liabilities	625,341	483,986

(c) Geographic information

An analysis of the Group's revenue from external customers by geographic location is as follows:

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Hong Kong (place of domicile)	28,730	2,977
Mainland China	–	173,061
The United States of America	172,285	164,814
Canada	76,693	88,602
Other countries	15,786	110
	293,494	429,564

3. FINANCE COSTS

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Imputed interest on convertible notes	17,113	17,272
Interests on:		
Borrowings wholly repayable within five years	582	625
Borrowings not wholly repayable within five years	977	1,019
Finance leases	722	1,099
	19,394	20,015

4. LOSS BEFORE TAXATION

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
This is arrived at after crediting/charging:		
<i>Crediting:</i>		
Interest income	23	174
<i>Charging:</i>		
Staff costs (including directors' remuneration)	235,078	201,574
Depreciation of property, plant and equipment	12,774	9,279
Amortisation of intangible assets	11,589	30,525

5. TAXATION

Taxation charged/(credited) in the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Current taxation – Hong Kong profits tax		
– provision for the period	-	1,100
Current taxation – Overseas tax		
– provision for the period	3,802	44
– under-provision in respect of prior years	146	-
Deferred taxation	(589)	(1,458)
	3,359	(314)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for both periods. No provision for Hong Kong profits tax has been made for the six months ended 30 June 2015 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.

6. LOSS PER SHARE

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

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Loss for the purpose of basic loss per share	(76,391)	(46,181)
	Number of shares	
	2015	2014
Weighted average number of ordinary shares for the purpose of basic loss per share	9,832,687,370	9,832,685,768

Diluted loss per share

Since both convertible notes and share options outstanding during the current and prior periods had an anti-dilutive effect on the basic loss per share, the conversion of the outstanding convertible notes and the exercise of outstanding share options were not assumed in the computation of diluted loss per share. 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.

7. INVESTMENT PROPERTIES

HK\$'000

FAIR VALUE

As at 1 January and 30 June 2015

189,600

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to HK\$3,916,000 (2014: HK\$2,977,000). Direct operating expenses arising on the investment properties during the period amounted to HK\$303,000 (2014: HK\$435,000).

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

The fair value of the Group's investment properties as at 30 June 2015 have been arrived at on market value basis carried out by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. Based on this valuation, no fair value gains or losses was recognised during the current period as the fair values of the investment properties are not significantly different from their carrying amounts (2014: fair value gains of approximately HK\$1,000,000 was recognised).

8. INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks HK\$'000	Proprietary software HK\$'000	Participation rights HK\$'000	Technology license HK\$'000	Total HK\$'000
COST						
As at 1 January 2015	208,043	19,390	77,435	259,046	-	563,914
Additions	-	-	6,133	-	7,758	13,891
Exchange realignment	482	(10)	(369)	(123)	(7)	(27)
As at 30 June 2015	208,525	19,380	83,199	258,923	7,751	577,778
ACCUMULATED AMORTISATION						
As at 1 January 2015	-	-	35,519	249,738	-	285,257
Amortisation for the period	-	-	10,440	1,007	142	11,589
Exchange realignment	-	-	(55)	(118)	(1)	(174)
As at 30 June 2015	-	-	45,904	250,627	141	296,672
CARRYING AMOUNT						
As at 30 June 2015	208,525	19,380	37,295	8,296	7,610	281,106
As at 31 December 2014	208,043	19,390	41,916	9,308	-	278,657

9. INTERESTS IN ASSOCIATES

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Unlisted shares, at cost	20,370	–
Share of post-acquisition change in net assets	946	–
Due to an associate	(33)	–
	21,283	–

The amount due to an associate is unsecured, interest-free and not repayable within twelve months after the end of reporting period.

Details of the Company's principal associate as at 30 June 2015 are as follows:

Name	Place of incorporation/ business	Form of business structure	Percentage of ownership interests attributable to the Group	Principal activities
Immersive Ventures Inc. ("Immersive")	Canada/The United States of America	Corporation	12.91 (<i>Note</i>)	Provision of interactive media technology through 360° video

Note:

Although the Group's ownership interest in Immersive and its subsidiaries (collectively referred to as the "Immersive Group") is less than 20%, the directors of the Company considered they have the power to exercise significant influence on the Immersive Group through the Group's representation on the board of directors of Immersive.

The above table lists the principal associate of the Group, which, in the opinion of the directors of the Company, principally affected the results of the period or a substantial portion of net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

10. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

The Group normally allows an average credit period of 30 to 60 days (2014: 30 to 60 days) to trade customers. The ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the due date, is as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade receivables by ageing		
Current	8,284	39,834
1 to 30 days	17,211	19,199
31 to 60 days	3,413	235
61 to 90 days	6,747	2,662
over 90 days	33,800	–
Total trade receivables	69,455	61,930
Accrued income	–	12,635
Other receivables and prepayments	49,461	13,468
	118,916	88,033

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade payables by ageing		
Current	3,275	1,494
1 to 30 days	8,813	30
31 to 60 days	124	–
61 to 90 days	164	2,355
Over 90 days	892	41
Total trade payables	13,268	3,920
Other payables and accruals	143,003	34,174
	156,271	38,094

12. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 December 2014 and 30 June 2015	75,000,000,000	750,000
Issued and fully paid:		
As at 31 December 2014	9,832,685,768	98,327
Issue of ordinary shares on exercise of share options	10,000	–
As at 30 June 2015	9,832,695,768	98,327

SHARE-BASED PAYMENT TRANSACTIONS

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

During the year ended 31 December 2014, 980,060,000 share options were granted to the Company's directors and the Group's employees at a consideration of HK\$1 per each grantee under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company at an exercise price of HK\$0.098 per share. These share options will vest in 28 May 2017, and then be exercisable until 27 May 2024.

During the six months ended 30 June 2015, 62,760,000 (2014: 5,000,000) share options were forfeited and 10,000 (2014: Nil) share options were exercised.

As at 30 June 2015, the average exercise price of share options outstanding is HK\$0.195 (As at 31 December 2014: HK\$0.098) and their average remaining contractual life is 9 years (As at 31 December 2014: 9.42 years).

12. SHARE CAPITAL (continued)**SHARE-BASED PAYMENT TRANSACTIONS (continued)**

The fair value of services received in return for share options granted on 6 May 2015 is measured by reference to the fair value of share options granted. The fair value of the share options granted on 6 May 2015 is determined based on binomial option pricing model. The weighted average fair value of each option granted during the six months ended 30 June 2015 was HK\$1.32. The key valuation parameters are as follows:

Share price at grant date	HK\$1.32
Exercise price	HK\$1.32
Expected volatility	65%
Life of the share options	10 years
Expected dividend yield	0%
Risk-free rate	1.42%
Forfeiture rate	12.9%
Suboptimal exercise behaviour multiple	1.4

Expected volatility is determined by considering the historical share price movement of the Company. Expected dividend yield is determined from the Company's historical payment of dividends. Risk-free rate is obtained from Hong Kong Exchange Fund Notes as at 6 May 2015. Forfeiture rate is determined from the Group's historical employee share options exit rate. Suboptimal exercise behaviour multiple is based on the Company's historical employee share options early exercise multiples.

There were no market vesting conditions associated with the share options granted.

Under this share option scheme, the Group has recognised an equity-settled share-based payment expenses of HK\$21,060,000 (2014: HK\$937,000) during the six months ended 30 June 2015.

13. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 June 2015, the Group had the following material related party transaction:

Related party relationship	Type of transaction	For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Related companies of the non-controlling interest	Production costs	4,756	4,728

(b) Amount due to a related company is unsecured, interest free and repayable on demand.

14. CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 30 June 2015 and 31 December 2014.

15. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 8 July 2015, a total of 210,000,000 shares of the Company were subscribed by a substantial shareholder of the Company at the subscription price of HK\$0.471 per share. Gross proceeds and net proceeds from the subscription are approximately HK\$98.91 million and HK\$96.17 million, respectively. Further details are set out in the Company's announcements dated 25 June 2015 and 8 July 2015. Accordingly, the equity attributable to owners of the Company was increased by approximately HK\$96.17 million due to the completion of the subscription.

INTERIM DIVIDEND

The directors of the Company (the “Directors”) have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

FINANCIAL AND BUSINESS REVIEW

During the Review Period, the Group reported an unaudited consolidated revenue of HK\$293,494,000 (2014: HK\$429,564,000), representing a decrease of approximately 32% from the previous corresponding period. The gross profit of the Group amounted to HK\$69,093,000 (2014: HK\$65,224,000) during the Review Period, representing an increase of approximately 6%. The decrease in revenue and increase in gross profit respectively, were mainly attributable to the changes in media entertainment and trading segments as mentioned below. The total assets of the Group amounted to HK\$848,423,000 as at 30 June 2015 (as at 31 December 2014: HK\$750,746,000). The Group recorded a loss after taxation for the Review Period in the amount of HK\$84,010,000 (2014: HK\$58,203,000). Loss attributable to owners of the Company was HK\$76,391,000 (2014: HK\$46,181,000) for the Review Period. When compare to the previous corresponding period, the increase in loss for the Review Period was mainly caused by (i) the recognition of equity-settled share-based payments for the share options granted on 28 May 2014 and 6 May 2015 which was in amount of HK\$21,060,000 (2014: HK\$937,000) and (ii) net increase in provision for taxation amounted to HK\$3,673,000. Without taking the effect from the increase of recognition of equity-settled share-based payments and taxation, the increase of loss before taxation was amounted to HK\$2,011,000.

Media Entertainment Segment

During the Review Period, this segment recorded a revenue of HK\$289,578,000 (2014: HK\$253,526,000). The revenue of this segment accounted for approximately 99% of the Group’s revenue for the Review Period. This segment incurred loss of HK\$19,485,000 (2014: HK\$41,246,000). The loss was primarily due to the operating loss (including the amortisation expense of an intangible asset, participation right in the film “Ender’s Game”). The adjusted segment profit by adjusting (i) depreciation of property, plant and equipment and (ii) amortisation of intangible assets was HK\$4,756,000 (2014: loss of HK\$1,595,000).

Visual Effects (“VFX”) Productions

This segment mainly provides VFX productions for major motion picture studios, advertisers and games. Since 1 January 2015, artists of Digital Domain 3.0 Inc. (“DD3I”, a 70% indirect non-wholly owned subsidiary of the Company) have provided VFX for the feature films “Furious 7” and “Pixels”. In addition, DD3I worked with major brands in advertisings such as, Oculus Rift, Gatorade, Nike, Toyota, Cadillac and the NBC “Heroes Reborn” Super Bowl commercial.

FINANCIAL AND BUSINESS REVIEW *(continued)*

Media Entertainment Segment *(continued)*

Formation of IM360 with Immersive

Besides VFX productions, this segment also included the businesses from virtual reality technology (including the 360 digital captures technology).

On 17 February 2015 (US time), DDVR, Inc. (“DDVR”, an indirect wholly-owned subsidiary of the Company), Immersive Ventures Inc. (“Immersive”) and a Canadian company (currently known as “IM360 Entertainment Inc. (“IM360”)” and formerly known as “X Media Entertainment Inc.”) entered into a joint venture shareholders’ agreement in relation to the governance of rights and obligations of the two shareholders. Upon completion of the subscription of shares in IM360 by DDVR and Immersive, IM360 has been owned as to 51% (US\$3,000,000) by DDVR and 49% (US\$2,882,351.50) by Immersive and IM360 has become an indirect non-wholly owned subsidiary of the Company. IM360 has been intended to engage in business of the application of virtual reality technology (including the 360 digital captures technology) in the media and entertainment field. Immersive (together with its subsidiaries) have granted IM360 certain exclusive (in media and entertainment product and services) and non-exclusive license rights with respect to the licensed technology pursuant to a technology license agreement. DDVR and IM360 have also entered into a loan and security agreement, pursuant to which DDVR will provide a three-year revolving line of credit in the maximum principal amount of US\$3,000,000 to IM360. Such credit line is to be secured by the property of IM360 and a non-recourse guaranty provided by Immersive under a non-recourse guaranty and pledge agreement. For details, please refer to the Company’s announcements dated 15 January 2015 and 18 February 2015.

Virtual Human Business

「如果能許一個願」鄧麗君20週年虛擬人紀念演唱會(“Miss Teresa Teng 20th anniversary virtual image memorial concert – If A Wish Could Be Made” for identification purpose) was successfully held at Taipei on 9 May 2015 and at Shanghai on 8 August 2015. Making use of a technology consisting of virtual image reconstruction technique known as “MOVA”, DD3I reproduced the glamour of the Taiwanese pop diva Miss Teresa Teng on stage and, even more challenging, arranged a soulful duet with Taiwanese’s prominent singer Mr. Fei Yuqing (費玉清先生) transcending time and space.

Co-production of Film

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

FINANCIAL AND BUSINESS REVIEW *(continued)*

Property Investment Segment

During the first half of 2015, the revenue of the property investment segment increased by approximately 32% to HK\$3,916,000 (2014: HK\$2,977,000) with satisfactory rental and occupancy rates. The revenue accounted for approximately 1% of the Group's overall revenue during the Review Period. The profit of this segment increased during the Review Period, amounting to HK\$3,539,000 (2014: HK\$2,448,000).

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

Trading Segment

During the Review Period, the trading segment did not recognise any revenue (2014: HK\$173,061,000). This segment was engaged in the trading of metal scraps (e.g. copper wire) among Hong Kong, Mainland China and other countries/regions in 2014. As the performance of metal scraps trading highly depended on economic conditions and market prices, the Group adopted prudent business strategies during the Review Period.

Termination of Acquisition of a Trading/E-commerce Business in Mainland China

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

INTERESTS IN JOINT VENTURES

During the Review Period, the shared loss from the 50% owned joint venture between the Group and Tencent Holdings Limited (the shares of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 700)) was HK\$97,000 (2014: HK\$45,000). The collaboration started in September 2013. The joint venture has not conducted any material business activity since its incorporation and will explore potential investment and business opportunities.

INTERESTS IN ASSOCIATES

On 17 February 2015 (US time), DDVR and Immersive entered into a subscription agreement, pursuant to which DDVR subscribed 3,333,333 subscription shares (representing approximately 12.91% of the issued share capital of Immersive as enlarged by the subscription) for a subscription price of US\$3,000,000 (the “Subscription”). In connection with the Subscription, DDVR has also entered into a shareholders’ agreement with Immersive and the single largest shareholder of Immersive in relation to the governance of their relationship as shareholders of Immersive. Immersive (together with its subsidiaries) is principally engaged in the business of interactive media technology including 360 captures, multi-camera stitching, dynamic streaming, digital live optimisation, multicamera and multi-input synchronisation, digital transmission and observation, multi-channel, capturing multi-panoramic views, camera to image identification, internal GPS to capture data capturing. During the Review Period, the profit shared from associates were HK\$956,000. For details, please refer to the Company’s announcements dated 15 January 2015 and 18 February 2015.

CAPITAL

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

CAPITAL *(continued)*

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

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

As at 30 June 2015, the total number of shares of HK\$0.01 each of the Company in issue was 9,832,695,768 shares. As at 8 July 2015 (the date of the completion of the above mentioned subscription), the total number of shares of HK\$0.01 each of the Company in issue was 10,042,695,768 shares.

As at 30 June 2015, the aggregate outstanding principal amount of the convertible notes was HK\$392 million. Based on the initial conversion price of HK\$0.04 per conversion share, a number of 9,800,000,000 conversion shares will be allotted and issued if the conversion rights attaching to the convertible notes are exercised in full. During the Review Period, no convertible right attaching to the convertible notes had been exercised.

On 28 May 2014, a total of 980,060,000 share options were granted under the share option scheme of the Company to the grantees. The share options entitled the grantees to subscribe for up to a total of 980,060,000 new shares at an exercise price of HK\$0.098 per share. For details, please refer to the Company's announcements dated 28 May 2014 and 23 July 2014 and circular dated 2 July 2014 respectively. During the Review Period, no share option had been exercised. 62,760,000 and 72,580,000 share options had been cancelled or lapsed during the Review Period and since the date of grant (i.e. 28 May 2014), respectively.

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

Details of the movements in the share options are set out in the paragraph headed "Share Option Scheme" below.

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 secured basis, other loans on unsecured basis and non-regular contributions (such as placement of shares or issuance of convertible notes or financing by shareholder's loans) from the shareholders and other potential investors. The Group continues to adopt conservative funding and treasury policies.

During the Review Period, the Group had banking facilities in form of instalment loans in principal amount of approximately HK\$59,517,000, and a working capital loan in principal amount of approximately HK\$17,123,000. These banking facilities were secured by (a) the Group's investment properties with the aggregate net book value of HK\$189,600,000 as at 30 June 2015, (b) future receipts from a participation right in the film "Ender's Game" and (c) equity interests of two indirectly 70% owned subsidiaries in VFX productions in media entertainment segment.

In addition to the banking facilities mentioned above, an indirectly-owned subsidiary of the Group, among the entertainment media segment which was discontinued in end of December 2010, had obtained a banking facility amounted to HK\$6,000,000 from a bank in Hong Kong in 2009 which consisted of a 5-year instalment loan ("Five Years Loan"). This facility was granted under the Special Loan Guarantee Scheme of the Government of the Hong Kong Special Administrative Region (the "Government") pursuant to which, the Government had provided 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, operation of the aforesaid subsidiary had been discontinued since end of December 2010. This Five Years Loan was fully classified as current liability.

The Group had an other loan of approximately HK\$30,949,000 as at 30 June 2015. This other loan was denominated in United States dollars ("USD"), unsecured, interest-free and not repayable within thirteen months from 30 June 2015.

As at 30 June 2015, the Group also had obligations under finance leases of approximately HK\$6,720,000 and which were denominated in USD. These obligations were for certain computer equipment and software (leased assets) and secured by the lessor's charge over the leased assets. The average term was 3 years. Interest rates underlying all obligations were fixed at respective contract dates. All obligations were on a fixed repayment basis and no arrangement had been entered into for contingent rental payments.

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

The cash and bank balances as at 30 June 2015 was approximately HK\$192,631,000. As at 30 June 2015, the Group had banking facilities of approximately HK\$81,550,000. These bank loans were at floating interest rate. Among these bank loans, loans amounted HK\$64,427,000 are denominated in Hong Kong dollars (“HKD”) and loans amounted approximately HK\$17,123,000 are denominated in USD. During the Review Period, all bank loans of the Group (except the Five Years Loan mentioned above) were classified as current liability and non-current liability according to the agreed scheduled repayments dates. According to the agreed scheduled repayments dates, the maturity profile of the Group’s bank borrowings (except the Five Years Loan that fully classified as current liability) as at 30 June 2015 was spread over a period of 18 years, with approximately 26% repayable within one year, 4% repayable between one to two years, 12% repayable between two to five years and 58% repayable over five years.

The Group’s current assets were approximately HK\$311,547,000 while the current liabilities were approximately HK\$223,533,000 as at 30 June 2015. As at 30 June 2015, the Group’s current ratio was 1.4 (as at 31 December 2014: 2.6).

As at 30 June 2015, the Group’s gearing ratio, representing the Group’s bank loans, other loan, convertible notes and obligations under finance leases divided by the equity attributable to owners of the Company was 203% (as at 31 December 2014: 153%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group’s revenue, expenses, assets and liabilities were denominated in HKD, Renminbi (“RMB”), USD and Canadian dollars (“CAD”). The exchange rates of USD against HKD remained relatively stable during the Review Period. As some of the financial statements of the business operations in the North America were reported in CAD, if CAD depreciates relative to HKD, reported earnings for Canadian portion would decrease. Certain expenses of the Group incurred in RMB which had fluctuated in a relatively greater extent in the Review Period. However, the amount of RMB expenses incurred were immaterial, the fluctuation of RMB against HKD did not have material adverse effect on the operations of the Group for the Review Period.

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

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 30 June 2015, the total headcount of the Group was 461. 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 bonus, share option scheme and retirement schemes.

PROSPECT

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

The Group considers that through the investment in Immersive and the formation of IM360, the Group will explore the application of 360 captures and related virtual reality technology in the media and entertainment field, which is in line with the Group's latest business strategy of further expanding the virtual reality business into the media and entertainment sector. In July 2015, the Group teamed with China's leading digital sports broadcaster, Letv Sports Culture Develop (Beijing) Company Limited (樂視體育文化產業發展(北京)有限公司) ("Letv Sports" for identification purpose), to broadcast the 2015 International Champions Cup (ICC) China in a record-breaking 360-degree virtual reality livestream. The event features premier European clubs including AC Milan, Inter Milan and Real Madrid, whose matches took place in Shenzhen, Guangzhou and Shanghai on 25, 27 and 30 July 2015 respectively. As China's first major sports event to be aired live via immersive video, the event would feature groundbreaking technology provided by IM360. At the forefront of the immersive video and virtual reality technology, the technology was previously used to capture Asia's first virtual concert of Taiwanese pop diva Miss Teresa Teng held in Taipei on 9 May 2015, an enthralling performance commemorating the 20th anniversary of her passing. Similar technology has also been used in producing music videos such as "Blank Space" based on 360-degree experience by superstar Taylor Swift.

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

SHARE OPTION SCHEME

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

The following table discloses movements in the Company’s Options during the Review Period:

Name and category of participant	Number of Options				At 30 June 2015	Date of grant	Exercise period	Exercise price per share (HK\$)
	At 1 January 2015	Granted during the Review Period	Exercised during the Review Period	Cancelled/ lapsed during the Review Period				
Directors								
Seah Ang (Note 4)	100,000,000	-	-	-	100,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Amit Chopra (Note 5)	48,000,000	-	-	-	48,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Amit Chopra (Note 5)	-	15,000,000	-	-	15,000,000	06/05/2015	06/05/2015 to 05/05/2025	1.320
Employees of the Group								
Zhou Jian (Notes 4 and 6)	150,000,000	-	-	-	150,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Fan Lei (Notes 4 and 7)	150,000,000	-	-	-	150,000,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Other employees, in aggregate	522,240,000	-	-	(62,760,000)	459,480,000	28/05/2014	28/05/2017 to 27/05/2024	0.098
Other employees, in aggregate	-	63,000,000	(10,000)	-	62,990,000	06/05/2015	06/05/2015 to 05/05/2025	1.320
Total	970,240,000	78,000,000	(10,000)	(62,760,000)	985,470,000			

SHARE OPTION SCHEME *(continued)*

Notes:

1. Options are valid for 10 years from the date of grant.
2. Options granted on 28 May 2014 shall be exercisable with effect from the 3rd anniversary of the date of grant. The closing price of the shares immediately before the date on which such Options were granted was HK\$0.099 per share.
3. Each of one third of the Options granted on 6 May 2015 are exercisable from the date of grant, the 1st anniversary of the date of the grant and the 2nd anniversary of the date of the grant respectively. The closing price of the shares immediately before the date on which such Options were granted was HK\$1.390 per share.
4. The Options conditionally granted to Mr. Zhou Jian, Mr. Fan Lei and Mr. Seah Ang on 28 May 2014 (i.e. the date of grant) were approved by the shareholders at the special general meeting of the Company held on 23 July 2014.
5. Mr. Amit Chopra was appointed as an executive Director and the chief operating officer of the Company with effect from 18 May 2015.
6. Mr. Zhou Jian, a substantial shareholder of the Company, resigned as the Chairman of the Board and an executive Director of the Company, and was appointed as a senior advisor of the Company with effect from 12 January 2015 respectively.
7. Mr. Fan Lei resigned as the deputy chairman of the Board and an executive Director of the Company, and was appointed as a senior advisor of the Company with effect from 18 May 2015 respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2015, the interests 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:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Number of shares held	Number of underlying shares held	Total interests	Approximate percentage of the issued share capital
Seah Ang	Beneficial Owner (<i>Note 1</i>)	–	100,000,000	100,000,000	1.02%
Amit Chopra	Beneficial Owner (<i>Note 2</i>)	–	63,000,000	63,000,000	0.64%

Notes:

- 100,000,000 Options were granted to Mr. Seah Ang, particulars of which are set out in the above section headed “Share Option Scheme”.
- 63,000,000 Options were granted to Mr. Amit Chopra (who was appointed as an executive Director and the chief operating officer of the Company with effect from 18 May 2015), particulars of which are set out in the above section headed “Share Option Scheme”.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 30 June 2015, so far as is known to any Director or chief executive of the Company, the following persons who had interests in the shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total interests	Approximate percentage of the issued share capital
Wise Sun Holdings Limited	Beneficial owner (Note 1)	2,458,171,442	–	2,458,171,442	25%
Bright Ace Holdings Limited	Interest of controlled corporation (Note 1)	2,458,171,442	–	2,458,171,442	25%
Zhou Jian	Interest of controlled corporation and beneficial owner (Notes 1, 2 and 3)	2,610,395,180	150,000,000	2,760,395,180	28.07%
Fortune Source International Limited	Beneficial owner (Note 4)	1,672,035,000	–	1,672,035,000	17%
Zhang Xiaoqun	Interest of controlled corporation (Note 4)	1,672,035,000	–	1,672,035,000	17%
Chen Shaohua	Beneficial owner and family interests (Note 5)	526,050,000	–	526,050,000	5.35%
Cheung Kwan	Beneficial owner and family interests (Note 6)	526,050,000	–	526,050,000	5.35%
Fortune Base Development Limited	Beneficial owner (Note 7)	–	5,037,200,000	5,037,200,000	51.23%
Wei Huo Li	Interest of controlled corporation (Note 7)	–	5,037,200,000	5,037,200,000	51.23%
Harmony Energy Limited	Beneficial owner (Note 8)	–	4,762,800,000	4,762,800,000	48.44%
Ever Union Capital Limited	Interest of controlled corporation (Note 8)	–	4,762,800,000	4,762,800,000	48.44%
Che Fung	Interest of controlled corporation (Note 8)	–	4,762,800,000	4,762,800,000	48.44%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

(continued)

Long positions in the shares and underlying shares of the Company *(continued)*

Notes:

1. Wise Sun Holdings Limited is wholly-owned by Bright Ace Holdings Limited. Mr. Zhou Jian was deemed to be interested in the 2,458,171,442 shares by virtue of his 100% shareholding interest in Bright Ace Holdings Limited.
2. Mr. Zhou Jian was deemed to be interested in 152,223,738 shares held by Ultra Gain Development Limited, which is 100% controlled by Mr. Zhou Jian.
3. 150,000,000 Options were granted to Mr. Zhou Jian, particulars of which are set out in the above section headed "Share Option Scheme".
4. Fortune Source International Limited is wholly-owned by Zhang Xiaoqun. Zhang Xiaoqun was deemed to be interested in the 1,672,035,000 shares held by Fortune Source International Limited.
5. Chen Shaohua was personally interested in 46,050,000 shares. Chen Shaohua was deemed to be interested in the 480,000,000 shares held by Cheung Kwan, being spouse or child under 18 of Chen Shaohua.
6. Cheung Kwan was personally interested in 480,000,000 shares. Cheung Kwan was deemed to be interested in the 46,050,000 shares held by Chen Shaohua, being spouse or child under 18 of Cheung Kwan.
7. The 5,037,200,000 underlying shares are in respect of the convertible notes issued by the Company in the principal amount of HK\$201.488 million at a conversion price of HK\$0.04 per share (subject to adjustments). Upon full conversion of such convertible notes, 5,037,200,000 shares will be issued to Fortune Base Development Limited. Mr. Wei Huo Li was deemed to be interested in the 5,037,200,000 underlying shares by virtue of his 100% shareholding interest in Fortune Base Development Limited.
8. The 4,762,800,000 underlying shares are in respect of the convertible notes issued by the Company in the principal amount of HK\$190.512 million at a conversion price of HK\$0.04 per share (subject to adjustments). Upon full conversion of such convertible notes, 4,762,800,000 shares will be issued to Harmony Energy Limited which is wholly-owned by Ever Union Capital Limited. Mr. Che Fung was deemed to be interested in the 4,762,800,000 underlying shares by virtue of his 100% shareholding interest in Ever Union Capital Limited.

Save as disclosed above, as at 30 June 2015, the Company had not been notified of any other interests or short positions in the shares or underlying shares as recorded in the register required to be kept under Section 336 of the SFO.

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

There was a banking facility (the “Facility”) with the principal amount of HK\$6,000,000 provided by a bank in Hong Kong to an indirectly-owned subsidiary of the Company (the “Subsidiary”), among the entertainment media segment which was discontinued by the end of December 2010, and imposed certain specific performance obligations on the Company, pursuant to which, the Company should not (i) hold less than 51% of the Subsidiary’s equity interests effectively and (ii) hold less than 100% of equity interests in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary (“Intermediate Holding Company”). The bank had the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions. As at 30 June 2015, the outstanding loan principal of this Facility amounted to approximately HK\$4,854,000 and the original last monthly instalment repayment should be in the year 2014.

On 20 December 2010, the Company announced that it would not provide further financial assistance to the entertainment media segment. As a result, the operation of the Subsidiary was discontinued by the end of December 2010. The aforesaid bank took legal action against the Subsidiary and the Intermediate Holding Company in respect of the Facility. A provisional liquidator and two joint and several liquidators were appointed for the Subsidiary on 11 July 2012 and 23 July 2013, respectively. However, there was no corporate guarantee for the Facility issued by the Company and other subsidiaries of the Company in favour of the Subsidiary and the Intermediate Holding Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Review Period.

CORPORATE GOVERNANCE

During the six months ended 30 June 2015, the Company was in compliance with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules except for the following:

- (a) The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to by-law 87(1) of the Company’s bye-laws (the “Bye-laws”);
- (b) There is no separation of the roles of the chairman and the chief executive officer (“CEO”) or chief executive. Mr. Seah Ang (“Mr. Seah”), an executive Director and the CEO of the Company, was appointed as the Chairman of the Board of the Company following the resignation of Mr. Zhou Jian as the executive Director and the Chairman of the Board of the Company with effect from 12 January 2015. Mr. Seah is currently the Chairman of the Board and the CEO of the Company. In view of the present composition of the Board of the Company, the in-depth knowledge of Mr. Seah of the Company’s operations, and his extensive business network and connections, the Board of the Company believes that it is in the best interest of the Company for Mr. Seah to assume the roles of the Chairman of the Board and the CEO of the Company. The Board of the Company will periodically review such arrangement and may adopt appropriate measures in future during the further development of the Group’s businesses;
- (c) The independent non-executive Directors were not appointed for a specific term. However, they are subject to retirement and eligible for re-election at the general meeting pursuant to the Bye-laws and the CG Code. The service contracts of all the independent non-executive Directors have a termination notice requirement of one month; and
- (d) Due to other pre-arranged business commitments which must be attended to by Ms. Lau Cheong, an independent non-executive Director, she was not present at the annual general meeting of the Company held on 15 May 2015.

CHANGES IN DIRECTORS' INFORMATION

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

- (1) Mr. Amit Chopra has been appointed as an executive Director and the chief operating officer of the Company as well as a member of the executive committee of the Company with effect from 18 May 2015 respectively.
- (2) Mr. Seah Ang has been appointed as a member of the nomination committee and remuneration committee of the Company as well as the authorised representative of the Company for the acceptance of service of any process or notice required to be served on the Company in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Authorised Representative") with effect from 18 May 2015 respectively.
- (3) Mr. Fan Lei has resigned as an executive Director, the deputy chairman of the Board and the Authorised Representative of the Company and ceased to be a member of the executive committee, nomination committee and remuneration committee of the Company with effect from 18 May 2015 respectively. He has been appointed as a senior advisor of the Company with effect from 18 May 2015.
- (4) Mr. Duan Xiongfei is currently the portfolio manager of Hao Tian Development Group Limited.

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 six months ended 30 June 2015.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim report of the Company for the six months ended 30 June 2015.

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

Hong Kong, 21 August 2015