

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

PROFIT WARNING

The board of directors (the “**Board**”) of Digital Domain Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) hereby informs the shareholders of the Company (the “**Shareholders**”) and the potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the financial year of the Company ended 31 December 2020 (“**FY2020**”), the Group expects to record in its consolidated results for FY2020 an increase in when compared to the audited consolidated loss for the year of the Group for the year ended 31 December 2019 (“**FY2019**”), as explained more fully below.

In the second half of FY2020, the Group’s operating performance has remained relatively stable, after taking into account the de-consolidation of Lead Turbo Limited upon completion of the Group’s disposal of 22.29% interest in that company as described in the Company’s announcement dated 17 July 2020. The Group has achieved this performance due to a combination of its efforts in pursuing new projects and business opportunities and managing its operating costs, despite the protracted effect of new coronavirus (COVID-19).

The 360 degree digital capture and live-streaming business that serves the travel, sports, concerts and other mass events sectors (all of which have been impacted and restricted due to COVID-19 pandemic related social distancing and travel ban measures in most territories relevant to the Group) has remained slow during the second half of FY2020. In the impairment assessment of the goodwill allocated to the cash generating unit for 360 degree digital capture technology applications (“**360 CGU**”) as at 31 December 2020, after taking into account (i) the performance of the 360 CGU in FY2020 that has been adversely affected due to the circumstances described above and (ii) the uncertainties as to whether and when sustained revival of demand from those industry sectors served by the 360 CGU can take place in 2021 and the years following (including when COVID-19 pandemic related measures will be significantly relaxed), the Company expects to make an impairment in the amount not exceeding approximately HK\$310,000,000 of such goodwill (of HK\$321,291,000 as at 31 December 2019). The impairment of goodwill being recognised as at 31 December 2020 is a non-cash outflow item and accordingly it will not have any adverse impact on the cash position of the Group. In addition, as stated in the Company’s announcement dated 18 January 2021, the Company completed a placement of new shares in January 2021, raising gross proceeds of HK\$340,738,000 for the Group.

In view of the above and with the absence of the one-off gain on disposal of subsidiaries operating the virtual human business in the Greater China region (of HK\$111,999,000) recorded for FY2019, the Group is expected to record an increase in consolidated loss for the year of the Group for FY2020 by an amount not exceeding approximately HK\$210,000,000 when compared to the audited consolidated loss for the year of the Group for FY2019 of HK\$419,579,000.

The Group is still in the process of finalizing the Group's annual results for FY2020. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group and other information currently available to the management for FY2020, which are still subject to review by the audit committee of the Company and audit by the auditor of the Company, and are subject to adjustments. The detailed financial information of the Group for FY2020 will be published in the annual results announcement for FY2020, which is expected to be published in late March 2021.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By Order of the Board
DIGITAL DOMAIN HOLDINGS LIMITED
Seah Ang
Executive Director and Chief Executive Officer

Hong Kong, 26 March 2021

As at the date of this announcement, Mr. Seah Ang is the executive director of the Company; Mr. Jiang Yingchun, Mr. Cui Hao, Mr. Wang Wei-Chung and Mr. Sergei Skatershchikov are the non-executive directors of the Company; and Ms. Lau Cheong, Mr. Duan Xiongfei, Mr. Wong Ka Kong Adam and Dr. Elizabeth Monk Daley are the independent non-executive directors of the Company.