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## **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**

Following the close of the financial year ended 31 December 2021 which marked the Group's efforts towards developing the European market and, the board of directors (the "Board") of Digital Domain Holdings Limited (the "Company" and together with its subsidiaries, the "Group") has undertaken a strategic review of the Group's operations. While the Group's visual effects ("VFX") production service and post production service segments have continued to demonstrate improvement in its performance, its 360 degree digital capture technology and virtual reality services business segment has not been able to sustain the increase in revenue reported in the second half of the financial year.

The Board has determined that the Group should strategically focus its resources towards its core VFX and virtual human ("VH") capabilities and the development of markets for the Group's related offerings and develop plans appropriately to address its investments in 3Glasses group (held through Lead Turbo Limited) and Digital Domain Space, as uncertainties of a turnaround of their business amid the uncertainties brought by the evolution of COVID-19 related impacts on consumer behaviour (including social distancing requirements). As at 30 June 2021, the Group's 83.1% share of goodwill and intangible assets ascribed to the cash generating units for 360 degree digital capture technology applications ("360 CGU") was approximately HK\$236.3 million in aggregate. In addition, the carrying values of the Company's 45.124% investment in 3Glasses Group and 34.42% investment in Digital Domain Space were approximately HK\$199.9 million and HK\$21.9 million respectively on the same date. Accordingly the strategic change may result in increased losses due to impairment of the relevant assets and/or investments by up to a range of approximately HK\$400 million to HK\$460 million, although this would not be reflected by any corresponding cash outflow. The technologies owned by the Group in respect of the 360 CGU will continue to be deployed where relevant to enhance the Group's VFX and VH segments capabilities. In addition, there is likely to be an impairment of all or part of a consideration receivable in the amount of HK\$68 million for the partial disposal of 3Glasses Group, in respect of which HK\$34 million receivable should be paid in July 2021 (despite the Group's efforts in negotiations and recovery of the same).

Based on a preliminary assessment by the Board (and subject to review by the audit committee of the Company and audit by the auditors of the Company), the unaudited consolidated management accounts of the Group and other information currently available to the management of the Company, if all of the above sums were to be fully impaired, the estimated loss before taxation for the year ended 31 December 2021 (“FY2021”) could be in a range of approximately HK\$770 million to HK\$820 million (2020: approximately HK\$601 million). The Group is still preparing its consolidated financial statements for FY2021. Accordingly, the financial information contained in this announcement are subject to adjustments. The extent of impairment to be recognised in the consolidated financial statements of the Group for FY2021 is subject to further assessment by the Company’s management and review by the Company’s audit committee and auditors respectively in the normal course of audit. The detailed financial information of the Group for FY2021 will be published in the annual results announcement for FY2021, which is expected to be published in late March 2022.

**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, 31 January 2022

*As of the date of this announcement, Mr. Seah Ang and Dr. Chang San-Cheng are the executive directors of the Company; Mr. Jiang Yingchun, Mr. Cui Hao, Mr. Sergei Skatershchikov and Mr. Brian Thomas McConville are the non-executive directors of the Company; and Ms. Lau Cheong, Mr. Duan Xiongfei, Dr. Elizabeth Monk Daley and Mr. Woo King Hang are the independent non-executive directors of the Company.*