DIGITALDOMAIN

DIGITAL DOMAIN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

PROFIT WARNING

This announcement is made by Digital Domain Holdings Limited (the "Company" and together with its subsidiaries, the "Group") pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

In connection with the Group's continued expansion of its media entertainment business, through the acquisitions of Immersive Ventures Inc. ("IMV") (completed on 30 December 2015), Lucrative Skill Holdings Limited (completed on 14 April 2016) and remaining 30% of Digital Domain-Reliance, LLC (completed on 30 June 2016) and through establishing collaborations in the Greater China region, the Group has recorded a substantial increase in administrative and other operating/projects expenses, share-based payment expenses and finance costs in the six months ended 30 June 2016 (the "Interim Period"), while it has recorded a modest growth in revenue for the period (when compared with the six months ended 30 June 2015 (the "Prior Period")) maintaining a stable gross profit margin when compared with that reported for the year ended 31 December 2015.

Accordingly, based on a preliminary review of the latest available unaudited consolidated financial statements of the Group for the Interim Period, the loss for the Interim Period is expected to increase significantly as compared with the Prior Period. Such an increase was primarily attributable to:

(i) the recognition of estimated additional portions of approximately HK$24 million of share-based payment expenses related to grant of share options (granted in May 2015, January 2016 and June 2016), the valuations for grants in 2016 being determined and finalised by an independent valuer;

(ii) an increase by approximately HK$40 million in administrative and other operating/projects expenses, comprising mainly legal and professional fees (including those incurred in relation to the acquisitions, collaborations and business development mentioned above and for investor and public relations), director and staff remuneration (due to increased headcount and payscale to accommodate the expansion of the Group) and additional portions of amortisation of intangible assets; and

(iii) an increase by approximately HK$7 million in finance costs mainly due to interest on a secured note issued in connection with the IMV acquisition and additional portions of imputed interests for the Company's zero coupon convertible notes.

As the Company has yet to finalise the interim results of the Group for the Interim Period, the information contained in this announcement is only a preliminary assessment by the Board based on the Company's preliminary unaudited consolidated financial statement and information currently available and is not based on any figure or information that has been reviewed by the Company's auditor or the Company's audit committee. The unaudited interim results announcement of the Company for the Interim Period is expected to be published in late August 2016.

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

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

Hong Kong, 19 August 2016

As at the date of this announcement, Mr. Peter Chou, Mr. Seah Ang and Mr. Amit Chopra are the executive directors of the Company and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Wong Ka Kong Adam are the independent non-executive directors of the Company.