DIGITAL DOMAIN HOLDINGS LIMITED
數字王國集團有限公司

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

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the annual report of Digital Domain Holdings Limited (the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2019 ("FY2019") (the "2019 Annual Report"). Unless otherwise defined herein, capitalised terms herein shall have the same meanings as those defined in the 2019 Annual Report.

In addition to the information disclosed in the 2019 Annual Report, the Company would like to provide the further information in relation to (i) the unutilised net proceeds as at 31 December 2019 from the equity fundraising activity in FY2019; and (ii) the value of the share options granted by the Company during the FY2019 as follows:

USE OF PROCEEDS

As disclosed on page 34 of the 2019 Annual Report, the Company had placed an aggregate of 2,000,000,000 shares of the Company (the "Placing") in July 2019. The Placing had raised a total net proceeds of approximately HK$205,730,000, out of which approximately HK$138,360,000 was not utilised as at 31 December 2019.

The said unutilised net proceeds of approximately HK$138,360,000 has been fully utilised by the end of April 2020 on media entertainment segment (approximately HK$90,469,000) and general working capital for the Group, including but not limited to salary, rental expenses and utilities (approximately HK$47,891,000), in accordance with the intention previously disclosed in the announcement of the Company dated 3 July 2019 relating to the Placing.

VALUE OF THE OPTIONS

As disclosed on page 150 of the 2019 Annual Report, 130,000,000 share options ("Options") were conditionally granted to the employees of the Group on 24 April 2019.

The fair value of the Options granted as at 24 April 2019 is determined based on binomial option pricing model. The weighted average fair value of each Option granted during the year ended 31 December 2019 was HK$0.043. The key valuation parameters are as follows:

Share price at grant date	HK$0.126
Exercise price	HK$0.130
Expected volatility	35%
Life of the share options	10 years
Expected dividend yield	0%
Risk-free rate	1.67%
Forfeiture rate	5.5%
Suboptimal exercise behaviour multiple	2.6

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 the average forecast rate obtained from Hong Kong Government Bonds. 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.

The fair value of equity-settled share options is estimated through the use of option valuation models which require various inputs and assumptions. The value of options is subjective and may be uncertain as it is affected by assumptions applied and with regard to the limitation of the valuation model. Some of the inputs are based on estimates derived from historical information of the Group, such as suboptimal exercise behaviour. In this regard, using different input estimates could produce different option values, which would result in the recognition of a higher or lower expense.

The supplemental information provided in this announcement does not affect other information contained in the 2019 Annual Report and, save as disclosed above, the contents of the 2019 Annual Report remain unchanged.

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

Hong Kong, 21 August 2020

As at the date of this announcement, Mr. Seah Ang is the executive director of the Company; Mr. Jiang Yingchun, Mr. Cui Hao and Mr. Wang Wei-Chung 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.