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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

The board of directors (the "Directors" and the "Board" respectively) 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 2026 (the "Review Period") together with comparative figures for the corresponding period in 2025 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED
FOR THE SIX MONTHS ENDED 30 JUNE 2026

		For the six months ended 30 June	
		2026	2025
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**394,642**	416,498
Cost of sales and services rendered		**(341,797)**	(327,604)
Gross profit		**52,845**	88,894
Other income and gains or losses	*5*	**21,016**	5,724
Selling and distribution expenses		**(3,850)**	(122)
Administrative expenses and other net operating expenses		**(118,394)**	(152,476)
Finance costs	*6*	**(17,713)**	(16,214)
Fair value loss on financial assets measured at fair value through profit or loss ("FVTPL")	*12*	**(33,523)**	(15,997)
Loss on disposal of financial assets measured at FVTPL		**(37)**	-
Gain on disposal of subsidiaries		**3,104**	-
Impairment loss on amounts due from associates		**(192)**	(970)
Loss before taxation	*7*	**(96,744)**	(91,161)
Taxation	*8*	**(875)**	(71)
Loss for the period		**(97,619)**	(91,232)
Loss attributable to:			
Owners of the Company		**(92,720)**	(88,242)
Non-controlling interests		**(4,899)**	(2,990)
		(97,619)	(91,232)
Loss per share attributable to the owners of the Company:			
		HK cents	HK cents
Basic and diluted	*9*	**(1.162)**	(1.106)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Loss for the period	**(97,619)**	(91,232)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(20,123)**	19,610
Share of other comprehensive income of associates	**4**	6
Other comprehensive income for the period, net of tax	**(20,119)**	19,616
Total comprehensive income for the period	**(117,738)**	(71,616)
Total comprehensive income attributable to:		
Owners of the Company	**(112,450)**	(67,540)
Non-controlling interests	**(5,288)**	(4,076)
	(117,738)	(71,616)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2026

	Notes	Unaudited 30 June 2026 HK$'000	Audited 31 December 2025 HK$'000
Non-current assets			
Property, plant and equipment		**12,390**	16,181
Right-of-use assets		**93,345**	113,647
Goodwill and intangible assets	*10*	**298,467**	308,017
Interests in associates		**11**	11
Interests in joint ventures	*11*	**-**	-
Financial assets measured at fair value through other comprehensive income ("FVTOCI")		**18,039**	17,901
Financial assets measured at fair value through profit or loss ("FVTPL")	*12*	**63,787**	96,658
Deposits	*14*	**6,699**	4,888
Deferred tax assets		**1,108**	1,455
		493,846	558,758
Current assets			
Trade receivables, other receivables and prepayments	*14*	**104,125**	108,301
Financial assets measured at FVTPL	*12*	**18,291**	18,670
Contract assets		**45,780**	32,675
Loan to a joint venture	*11*	**920**	913
Cash and cash equivalents and other bank balances	*15*	**99,293**	426,369
		268,409	586,928
Current liabilities			
Trade payables, other payables and accruals	*16*	**227,789**	293,741
Lease liabilities		**33,693**	41,138
Contract liabilities		**20,802**	43,100
Borrowings		**173,420**	225,995
Tax payable		**196**	1,146
		455,900	605,120
Net current liabilities		**(187,491)**	(18,192)
Total assets less current liabilities		**306,355**	540,566
Non-current liabilities			
Trade payables	*16*	**60,631**	92,348
Borrowings		**117,494**	186,946
Lease liabilities		**67,736**	83,042
		245,861	362,336
NET ASSETS		**60,494**	178,230
Capital and reserves			
Share capital	*17*	**79,792**	79,792
Reserves		**76,375**	188,823
Equity attributable to owners of the Company		**156,167**	268,615
Non-controlling interests		**(95,673)**	(90,385)
TOTAL EQUITY		**60,494**	178,230

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	For six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before taxation	**(96,744)**	(91,161)
Adjustments for:		
Depreciation of property, plant and equipment	**3,998**	5,100
Depreciation of right-of-use assets	**19,578**	15,699
Amortisation of intangible assets	**15,934**	15,935
Loss on disposal of property, plant and equipment	**1**	-
Gain on disposal of subsidiaries	**(3,104)**	-
Loss on disposal of financial assets measured at FVTPL	**37**	-
Gain on termination of lease contract	**(6)**	-
Equity-settled share-based payment expenses	**-**	4,491
Net exchange gain	**(18,177)**	(2,721)
Impairment loss on amounts due from associates	**192**	970
Fair value loss on financial assets measured at FVTPL	**33,523**	15,997
Interest income	**(2,070)**	(5,055)
Finance costs	**17,713**	16,214
Operating loss before working capital changes	**(29,125)**	(24,531)
Increase in trade receivables, other receivables and prepayments	**(172)**	(22,823)
Increase in contract assets	**(13,105)**	(42,001)
(Decrease)/increase in trade payables, other payables and accruals	**(104,406)**	68,358
(Decrease)/increase in contract liabilities	**(19,375)**	29,663
Cash (used in)/generated from operations	**(166,183)**	8,666
Income tax paid	**(756)**	(41)
Interest paid	**(5,983)**	(8,392)
Net cash (used in)/generated from operating activities	**(172,922)**	233

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Cash flows from investing activities		
Interest received	**2,376**	5,084
Purchases of property, plant and equipment	**(555)**	(2,144)
Proceeds from disposal of property, plant and equipment	**47**	-
Additions to intangible assets	**(6,777)**	(16,793)
Proceeds from disposal of financial assets measured at FVTPL	**875**	-
Advance to associates	**(192)**	(501)
Advance to a joint venture	**-**	(1)
Disposal of subsidiaries, net of cash disposed	**(1,264)**	-
Investment in financial asset measured at FVTOCI	**-**	(17,892)
Investment in financial assets measured at FVTPL	**-**	(15,989)
Proceeds from redemption of pledged bank deposits	**547,908**	-
Placement of pledged bank deposits	**(391,452)**	(23,377)
Net cash generated from/(used in) investing activities	**150,966**	(71,613)
Cash flows from financing activities		
New bank borrowings	**1,517**	23,377
Repayment of bank borrowings	**(156,907)**	(3,081)
New inception of other loans	**70,370**	-
Repayment of principal portion of lease liabilities	**(21,975)**	(18,456)
Repayment of interest portion of lease liabilities	**(4,810)**	(2,655)
Net cash used in financing activities	**(111,805)**	(815)
Net decrease in cash and cash equivalents	**(133,761)**	(72,195)
Effect of foreign exchange rate changes	**646**	1,616
Cash and cash equivalents at 1 January	**153,373**	150,959
Cash and cash equivalents at 30 June	**20,258**	80,380
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**20,258**	80,380

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2026 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 ("HKICPA") and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

These unaudited condensed consolidated interim financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual consolidated financial statements. These unaudited condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRS Accounting Standards and should be read in conjunction with the 2025 annual consolidated financial statements.

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

The preparation of these unaudited condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

For the six months ended 30 June 2026, the Group incurred a loss of HK$97,619,000 and, as of that date, the Group had net current liabilities of HK$187,491,000. These conditions may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, these unaudited condensed consolidated interim financial statements have been prepared on a going concern basis after taking into account of the following plans and measures:

(i) As at 30 June 2026, the Group's current liabilities included contract liabilities amounting to HK$20,802,000. These balances represent deferred revenue arising from advance payments by customers. Settlement will be fulfilled through the performance of services rather than direct cash outflows, thereby placing no immediate strain on the Group's cash liquidity;

(ii) As at 30 June 2026, the Group maintained an unutilised financing facility of US$6,020,000 (equivalent to HK$47,214,000) provided by a substantial shareholder of the Company. The Group maintains active and positive communication with this substantial shareholder, who has indicated a willingness to discuss expanding the facility limit should additional working capital be required;

(iii) As at 30 June 2026, the Group had unutilised banking facilities of HK$164,539,000 available from its principal bankers. The Group is currently in the process of renewing or refinancing these facilities with existing bankers or new bankers. Taking into account the Group's favorable credit history and long-standing relationships with its lenders, the Directors are confident that the renewals or refinance will be successfully executed in due course;

(iv) Should unexpected funding gaps arise, the Group possesses a portfolio of financial assets measured at fair value through profit or loss (FVTPL). The Group has the capacity and intent to liquidate these assets to generate immediate cash inflows to support operational needs; and

(v) The Group continues to implement comprehensive cost-containment strategies, which include reducing production cost, streamlining administrative expenses and deferring non-essential capital expenditures, to closely preserve and optimize working capital.

The directors of the Company are in the opinion that the above measures are sufficient to enable the Group to meet its expected liquidity, operational and capital requirements. Accordingly, the directors of the Company consider that the use of the going concern basis of accounting in preparing these condensed consolidated financial statements is appropriate.

2. CHANGES IN HKFRS ACCOUNTING STANDARDS

The HKICPA has issued amended HKFRS Accounting Standards that are first effective for the current accounting period of the Group:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature–dependent Electricity
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual improvements to HKFRS Accounting Standards – Volume 11

The Group has adopted all the amended HKFRS Accounting Standards that are relevant to its operations and effective for the current accounting period. The adoption of the amended HKFRS Accounting Standards that are effective from 1 January 2026 did not have any significant impact on the Group's accounting policy.

The Group has not early adopted any other new or amended HKFRS Accounting Standards that has been issued but not yet effective in the current accounting period.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2025 annual consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

Reportable segment

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

The following summary describes the operations in the Group's two reportable segments, media entertainment and trading:

- provision of visual effects production and post production services and virtual human services ("Media entertainment")
- sales of esports products and commission income ("Trading")

(a) **An analysis of the Group's revenue from its principal activities for the period is as follows:**

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of		
– visual effects production and post production services	**348,242**	320,580
– virtual human services	**932**	53,453
Sales of goods		
– sales of esports products	**41,476**	40,907
Commission income	**3,992**	1,558
	394,642	416,498

(b) **Disaggregation of revenue from contracts with customers**

Segment	**Media entertainment**		**Trading**		**Consolidated**	
	For the six months ended 30 June					
	2026	2025	**2026**	2025	**2026**	2025
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Types of goods or services						
Provision of						
– visual effects production and post production services	**348,242**	320,580	**-**	-	**348,242**	320,580
– virtual human services	**932**	53,453	**-**	-	**932**	53,453
Sales of goods						
– sales of esports products	**-**	-	**41,476**	40,907	**41,476**	40,907
Commission income	**-**	-	**3,992**	1,558	**3,992**	1,558
Total revenue from contracts with customers	**349,174**	374,033	**45,468**	42,465	**394,642**	416,498

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Geographical markets		
Hong Kong	**4,475**	1,630
The People's Republic of China	**7,036**	26,370
The United States of America	**132,781**	156,405
Canada	**208,641**	181,897
United Kingdom	**4,616**	9,022
Other regions of North America	**36,159**	40,907
Other regions of Asia	**934**	267
Total revenue from contracts with customers	**394,642**	416,498
Timing of revenue recognition		
A point in time	**45,493**	44,484
Over time	**349,149**	372,014
Total revenue from contracts with customers	**394,642**	416,498

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

	Media entertainment		**Trading**		**Consolidated**	
	For the six months ended 30 June					
	2026	2025	**2026**	2025	**2026**	2025
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers and reportable segment revenue	**349,174**	374,033	**45,468**	42,465	**394,642**	416,498
Reportable segment (loss)/ gains	**(48,523)**	(25,223)	**4,261**	213	**(44,262)**	(25,010)

	Media entertainment		**Trading**		**Consolidated**	
	As at 30 June 2026	As at 31 December 2025	**As at 30 June 2026**	As at 31 December 2025	**As at 30 June 2026**	As at 31 December 2025
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**507,821**	535,398	**65,579**	172,046	**573,400**	707,444
Reportable segment liabilities	**265,857**	294,720	**60,777**	184,039	**326,634**	478,759

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

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Loss before taxation		
Segment loss	**(44,262)**	(25,010)
Impairment loss on amounts due from associates	**(192)**	(970)
Fair value loss on financial assets measured at FVTPL	**(33,523)**	(15,997)
Loss on disposal of financial assets measured at FVTPL	**(37)**	-
Auditor's remuneration	**(1,154)**	(1,606)
Depreciation of unallocated property, plant and equipment, and depreciation of unallocated right-of-use assets	**(1,024)**	(1,074)
Professional fees	**(3,293)**	(16,885)
Equity-settled share-based payment expenses	**-**	(4,491)
Unallocated finance costs	**(13,010)**	(13,612)
Unallocated short-term lease expenses	**(81)**	(80)
Unallocated other income and gains or losses	**14,126**	10,797
Other unallocated corporate expenses*	**(14,294)**	(22,233)
Consolidated loss before taxation	**(96,744)**	(91,161)

* The balance mainly represented unallocated corporate operating expenses that are not allocated to operating segments, including directors' remuneration, staff cost, and other head office expenses.

	As at	
	30 June 2026	31 December 2025
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**573,400**	707,444
Interests in associates	**11**	11
Loan to a joint venture	**920**	913
Financial asset measured at FVTOCI	**18,039**	17,901
Financial assets measured at FVTPL	**82,079**	115,328
Unallocated cash and cash equivalents and pledged bank deposits	**83,135**	296,812
Unallocated corporate assets	**4,671**	7,277
Consolidated total assets	**762,255**	1,145,686

	As at	
	30 June 2026	31 December 2025
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**326,634**	478,759
Tax payable	**196**	1,146
Borrowings	**290,915**	412,941
Unallocated corporate liabilities	**84,016**	74,610
Consolidated total liabilities	**701,761**	967,456

(e) **Revenue**

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	As at	
	30 June 2026	31 December 2025
	HK$'000	*HK$'000*
Trade receivables	**70,174**	83,740
Contract assets	**45,780**	32,675
Contract liabilities	**20,802**	43,100

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provision of visual effects production and post production services. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

The contract liabilities mainly relate to the advance consideration received from customers.

The Group has applied the practical expedient to its sales contracts for visual effects production and post production services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for visual effects production and post production services that had an original expected duration of one year or less.

5. OTHER INCOME AND GAINS OR LOSSES

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Interest income	**2,070**	5,055
Interest arising from broadcasting movies	**344**	896
Consultancy income	**120**	120
Gain on lease termination	**6**	-
Exchange gain/(loss)	**16,661**	(976)
Others	**1,815**	629
	21,016	5,724

6. FINANCE COSTS

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Imputed interest on lease liabilities	**4,810**	2,655
Interest on bank and other loans	**12,903**	13,559
	17,713	16,214

7. LOSS BEFORE TAXATION

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
This is arrived at after crediting/charging:		
Crediting:		
Interest income	**2,070**	5,055
Gain on disposal of subsidiaries	**3,104**	-
Charging:		
Staff costs (including directors' remuneration)	**298,503**	294,095
Depreciation of property, plant and equipment	**3,998**	5,100
Depreciation of right-of-use assets	**19,578**	15,699
Amortisation of intangible assets	**15,934**	15,935
Loss on disposal of financial assets measured at FVTPL	**37**	-
Short-term lease expenses	**115**	127

8. TAXATION

Taxation charged to the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Current taxation – Hong Kong profits tax	**-**	-
Current taxation – Overseas tax		
– provision for the period	**3**	-
– under-provision in respect of prior years	**581**	-
Deferred taxation	**291**	71
	875	71

Hong Kong profits tax is calculated at applicable tax rate on the estimated assessable profits for both periods. No provision for Hong Kong profits tax has been made for both periods 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.

9. LOSS PER SHARE

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

	For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(92,720)**	(88,242)

	For the six months ended 30 June	
	2026	2025
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic loss per share	**7,979,248,625**	7,979,248,625

Since the share options outstanding had an anti-dilutive effect on the basic loss per share, 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.

10. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trademarks	Proprietary software	Participation rights	Patents	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
As at 1 January 2026	311,594	19,458	343,258	323,043	779	998,132
Additions	-	-	6,777	-	-	6,777
Exchange realignment	278	149	(1,407)	1,994	6	1,020
As at 30 June 2026	311,872	19,607	348,628	325,037	785	1,005,929
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS						
As at 1 January 2026	97,983	-	268,693	322,660	779	690,115
Amortisation for the period	-	-	15,912	22	-	15,934
Exchange realignment	-	-	(587)	1,994	6	1,413
As at 30 June 2026	97,983	-	284,018	324,676	785	707,462
CARRYING AMOUNT						
As at 30 June 2026	213,889	19,607	64,610	361	-	298,467
As at 31 December 2025	213,611	19,458	74,565	383	-	308,017

11. LOAN TO A JOINT VENTURE

During the year ended 31 December 2023, the Group granted a loan to Digital Eve Technology Limited ("Digital Eve"), a joint venture of the Group amounting to US$3,000,000 (equivalent to HK$23,510,000). The loan to a joint venture is unsecured, interest bearing at 8% to 12% per annum and repayable in three years from grant of the loan. Details of the loan to a joint venture are disclosed in the Company's announcement dated 13 February 2023.

Digital Eve early repaid US$2,883,000 (equivalent to HK$22,518,000) to the Group during the year ended 31 December 2023. The outstanding principal amount of loan to a joint venture is US$117,000 (equivalent to HK$921,000) as at 30 June 2026 and 31 December 2025.

12. FINANCIAL ASSETS MEASURED AT FVTPL

(a) On 3 February 2021, the Group acquired 248,431 common shares of asknet Solutions AG ("asknet"), a publicly traded German e-commerce company, the shares of which are traded on the Frankfurt Stock Exchange (ticker code: ASKN) at the consideration of approximately EUR3,709,000 (equivalent to approximately HK$34,586,000). The shares represented approximately 19% of the total issued common shares of asknet on 3 February 2021.

In November 2021, asknet proposed to increase its capital from 1,307,530 shares to 3,268,825 shares. Therefore the shares held by the Group was diluted which represented approximately 7.6% of the total issued common shares of asknet since then.

On 30 May 2022, asknet announced that its Executive Board with the approval of the Supervisory Board decided to delist its shares on the Frankfurt Stock Exchange with effective from 31 August 2022, because the economic benefit of the inclusion of its shares in the Regulated Unofficial Market of the Frankfurt Stock Exchange no longer justifies the associated expenses.

On 31 August 2022, the common shares of asknet were delisted from the Frankfurt Stock Exchange. Immediately before the delist, the fair value of the Group's interests in asknet, based on quoted market price, amounted to HK$881,000. In the opinion of the Directors, upon the delist of asknet the fair value of the Group's interests in asknet becomes minimal and accordingly a further fair value loss of HK$881,000 was recognised in profit or loss during the year ended 31 December 2022.

As at 31 December 2023, asknet remains its delisted status. In the opinion of the Directors, the fair value of the Group's equity interests in asknet remains minimal and there is no changes on fair value of asknet. During the year ended 31 December 2024, the Group disposed of its 248,431 common shares of asknet, for which details are set out in note 12(c).

(b) On 26 February 2021 and 6 May 2021, the Group acquired 260,000 and 5,000, respectively, bearer shares of Highlight Event and Entertainment AG ("HLEE"), a publicly traded Swiss media and sports marketing company, the shares of which are traded on the Swiss Stock Exchange (ticker code: HLEE.SW) at the consideration of approximately EUR7,064,000 (equivalent to approximately HK$66,405,000) and EUR150,000 (equivalent to approximately HK$1,403,000), respectively. The shares represented approximately 2.91% and 0.06% of the total issued bearer shares of HLEE on 26 February 2021 and 6 May 2021, respectively. Upon the completion of these two acquisitions, the total shares represented approximately 3.01% of the total issued bearer shares of HLEE on 6 May 2021.

As at 31 December 2022, the shares held by the Group represented approximately 2.8% of the total issued bearer shares of HLEE.

In November 2023, HLEE increased its capital from 9,460,000 shares to 12,960,000 shares. Since then and as at 31 December 2024, 31 December 2025 and 30 June 2026, the shares held by the Group was diluted which represented approximately 2.04% of the total issued bearer shares of HLEE.

(c) In June 2024, the Group subscribed 10,000,000 bearer shares of Youngtimers AG ("YTME"), a publicly traded Swiss special situation investment firm, the shares of which are traded on the Swiss Stock Exchange (ticker code: YTME.SW) for an aggregate consideration of US$7,000,000 (equivalent to approximately HK$54,570,000).

In February 2024, the Group acquired an unlisted corporate bond issued by Immo Prime S.A., a Luxemburg company independent to the Group, at the purchase price of US$3,000,000 (equivalent to approximately HK$23,453,000) from the original holder, Nobias Media S.a r.l. ("Nobias"), an independent third party.

In June 2024, the Group disposed of its 248,431 common shares in asknet and the bond at a consideration of share consideration of 4,000,000 bearer shares of YTME. The fair value of the share consideration was EUR3,331,808 (equivalent to approximately HK$28,172,000) and the fair values of the 248,431 common shares and the bond were HK$Nil and HK$16,995,000, respectively, on the completion date of 27 June 2024. A gain on disposal of the financial assets was recognised in profit or loss during the year ended 31 December 2024.

In December 2025, YTME increased its capital from 72,013,566 bearer shares to 190,426,824 bearer shares. Since then and as at 31 December 2025, the shares held by the Group was diluted which represented approximately 7.352% (14,000,000 shares) of the total issued bearer shares of YTME.

In June 2026, YTME changed its company name to C Capital Holdings AG and has been approved by the Swiss Federal Commercial Registry Office. The new name was published in the Swiss Official Gazette of Commerce on 26 June 2026 and the Company's shares are trade under the new ticker symbol CCAP.SW (ISIN and Swiss security number remain unchanged).

(d) In January 2025, the Group as purchaser entered into a bond purchase agreement with a seller, pursuant to which the Group agreed to purchase and the seller agreed to sell 1,000 notes ("Nobias Notes") in total principal amount of EUR1,000,000 issued by Nobias at cash consideration of EUR1,000,000 (equivalent to approximately HK$8,140,000). The Nobias Notes are unlisted, bearing coupon interest at the fixed rate of 5.0% per annum payable semi-annually with maturity date on 25 July 2026. The bond purchase was completed in February 2025.

(e) In May 2025, the Group entered into a bond purchase agreement with Nobias, to acquire another 1,000 Nobias Notes in total principal amount of EUR1,000,000 at cash consideration of US$1,000,000 (equivalent to approximately HK$7,849,000). The Nobias Notes are unlisted, bearing coupon interest at the fixed rate of 5.0% per annum payable semi-annually with maturity date on 25 July 2026. The bond purchase was completed in June 2025.

The seller granted the Group an irrevocable and unconditional right to sell the Nobias Notes back to the seller (the "Put Option") at the Put Option purchase price of US$1,000,000 (equivalent to approximately HK$7,849,000). The Put Option is exercisable by the Group within the period from 27 October 2025 to 31 October 2025, and has been expired as at 31 December 2025.

(f) Pursuant to the sales and purchase agreement dated 31 March 2026, the Group disposed of its entire interest in Digital Domain Education Limited, Digital Domain Enterprises Group (BVI) Limited and Digital Domain Content Limited at a consideration of 10 million shares of Crisp Momentum Inc. ("Crisp"). Crisp is a US-based public global media company with its shares traded on the OTCID basic market under ticker symbol CRSF.

The fair value of the share consideration was USD371,000 (equivalent to approximately HK$2,909,000) on the completion date of 1 April 2026. A gain on disposal of the subsidiaries was recognised in profit or loss during the period ended 30 June 2026.

The fair value of the listed equity securities are determined based on the quoted market closing prices available on the relevant stock exchanges at the end of the reporting period.

The movements of the Group's financial assets measured at FVTPL classified as non-current assets were as follows:

	HK$'000
As at 1 January 2026	96,658
Additions	2,909
Fair value loss recognised in profit or loss	(33,523)
Disposals	(912)
Exchange realignment	(1,345)
As at 30 June 2026	63,787

The above investments are classified as non-current assets because the management expects to realise these financial assets after twelve months after the reporting period.

The fair value of the unlisted corporate bonds are determined based on discounted cash flow method at the end of the reporting period.

The movements of the Group's financial assets measured at FVTPL classified as current assets were as follows:

	HK$'000
As at 1 January 2026	18,670
Exchange realignment	(379)
As at 30 June 2026	18,291

13. FAIR VALUE

a. Carrying amount versus fair value

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

i. Trade receivables, other receivables and deposits
ii. Trade payables, other payables and accruals
iii. Bank balances and cash
iv. Lease liabilities
v. Borrowings

b. Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

i. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
ii. Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
iii Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 30 June 2026				
Financial assets at FVTOCI				
- Unlisted equity investments	-	-	18,039	18,039
Financial assets at FVTPL				
- Listed equity investments	63,787	-	-	63,787
- Unlisted corporate bonds	-	-	18,291	18,291
	63,787	-	18,291	82,078
As at 31 December 2025				
Financial assets at FVTOCI				
- Unlisted equity investments	-	-	17,901	17,901
Financial assets at FVTPL				
- Listed equity investments	96,658	-	-	96,658
- Unlisted corporate bonds	-	-	18,670	18,670
	96,658	-	18,670	115,328

During the six months ended 30 June 2026, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2026 HK$'000	31 December 2025 HK$'000
Non-current portion:		
Deposits	**6,699**	4,888
Current portion:		
Trade receivables	**70,174**	83,740
Other receivables	**9,424**	10,279
Deposits	**5,590**	5,627
Prepayments	**18,937**	8,655
	104,125	108,301
Total trade receivables, other receivables and prepayments	**110,824**	113,189

The Group normally allows an average credit period of 30 to 45 days (as at 31 December 2025: 30 to 45 days) to trade customers. The ageing analysis of the Group's trade receivables, net of allowance for impairment losses, based on the invoice date, is as follows:

	As at 30 June 2026 HK$'000	31 December 2025 HK$'000
0 to 30 days	**6,980**	69,650
31 to 60 days	**21,717**	8,393
61 to 90 days	**31,749**	-
91 to 365 days	**7,999**	3,167
Over 365 days	**1,729**	2,530
	70,174	83,740

No interest is charged on trade receivables.

15. CASH AND CASH EQUIVALENTS AND OTHER BANK BALANCES

	As at 30 June 2026 HK$'000	31 December 2025 HK$'000
Cash and cash equivalents	**20,258**	153,373
Pledged bank deposits	**78,429**	272,412
Restricted bank balance	**606**	584
	99,293	426,369

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at	
	30 June 2026	31 December 2025
	HK$'000	*HK$'000*
Trade payables	**120,855**	228,561
Other payables	**47,118**	48,348
Interest payables	**63,440**	53,974
Accruals	**57,007**	55,206
Total trade payables, other payables and accruals	**288,420**	386,089
Less: current portion	**(227,789)**	(293,741)
Non-current portion	**60,631**	92,348

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

	As at	
	30 June 2026	31 December 2025
	HK$'000	*HK$'000*
0 to 30 days	**13,561**	125,935
31 to 60 days	**9,042**	60,664
61 to 90 days	**41,845**	11,892
91 to 365 days	**44,856**	26,039
Over 365 days	**11,551**	4,031
	120,855	228,561

17. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2025 and 30 June 2026	75,000,000,000	750,000
Issued and fully paid:		
As at 31 December 2025 and 30 June 2026	7,979,248,625	79,792

18. SHARE-BASED PAYMENT TRANSACTIONS

On 27 April 2012, a 10-year share option scheme was adopted and amended on 3 April 2014 (the "2012 Option Scheme"). Pursuant to the 2012 Option Scheme, the board is authorised to grant options to any Directors, employees and those persons of the Group who have contributed or will contribute to the Group as incentive schemes and rewards. The 2012 Option Scheme has been expired on 27 April 2022.

On 21 May 2020, 478,000,000 share options ("Options") were conditionally granted to employees of the Group under the 2012 Option Scheme. Out of which, 292,200,000 and 92,200,000 Options were vested on 21 May 2020 and 21 May 2021 respectively, the remaining 93,600,000 Options were vested on 21 May 2022. All Options are exercisable from their respective vesting dates until 20 May 2030. The exercise price of the Options is HK$0.046 per share, being the closing price of the Company's ordinary shares on 21 May 2020. Following to the Company's capital reorganisation completed during 2021, the exercise price was adjusted to HK$0.46 per share with effective from 11 October 2021.

On 16 June 2022, the other share option scheme was adopted and is valid and effective for a period of 10 years (the "2022 Option Scheme"). Pursuant to the 2022 Option Scheme, the board is authorised to grant options to any Directors, employees and those persons of the Group who have contributed or will contribute to the Group as incentive schemes and rewards.

On 26 July 2024, 220,000,000 share options were granted to employees and a director of the Group under the 2022 Option Scheme. The share options have immediately vested on 26 July 2024 and are exercisable for the period from 26 July 2024 to 25 July 2034. The exercise price of the share options is HK$0.245 per Share, being the closing price of the Company's ordinary shares on 26 July 2024.

On 1 November 2024, 40,000,000 share options were conditionally granted to director of the Group under the 2022 Option Scheme. All share options were vested on 1 November 2025. The exercise price of the share options is HK$0.490 per Share, being the closing price of the Company's ordinary shares on 1 November 2024.

During the six months ended 30 June 2026, 45,383,331 Options (six months ended 30 June 2025: 7,499,000 Options) under the 2012 Option Scheme were lapsed and no Options (six months ended 30 June 2025: Nil) under the 2012 and 2022 Option Schemes were exercised, the average remaining contractual life is 6.65 years (as at 31 December 2025: 6.35 years).

The Group had no share option expense during the six months ended 30 June 2026 (six months ended 30 June 2025: HK$4,491,000).

19. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at	
	30 June 2026	31 December 2025
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Investment in an associate	**3,137**	3,113

20. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no material events after the end of reporting period.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2026 (2025: Nil).

FINANCIAL AND BUSINESS REVIEW

During the six months ended 30 June 2026, the Group recorded a revenue of HK$394,642,000 (2025: HK$416,498,000), showing a decrease of approximately 5% compared to that of the previous corresponding period. The gross profit of the Group amounted to HK$52,845,000 (2025: HK$88,894,000) during the Review Period, showing a decrease of approximately 41%. The change in turnover and gross profit were attributable to the media entertainment segment. As at 30 June 2026, the total assets of the Group amounted to HK$762,255,000 (as at 31 December 2025: HK$1,145,686,000). The loss attributable to the owners of the Company for the Review Period was HK$92,720,000 (2025: HK$88,242,000). The loss for the Review Period amounted to HK$97,619,000 (2025: HK$91,232,000) and it was mainly caused by:

(i) the recognition of non-cash outflow expenses, including:

  (a) amortisation and depreciation expenses excluding depreciation related to Right-of-use Assets amounted to HK$19,932,000 (2025: HK$21,035,000);

  (b) fair value loss on financial assets measures at fair value through profit or loss of HK$33,523,000 (2025: HK$15,997,000);

  (c) there was no equity-settled share-based payments for the period under review (2025: HK$4,491,000); and

(ii) administrative and other project expenses; and

(iii) operating losses from the media entertainment segment.

MEDIA ENTERTAINMENT SEGMENT

During the Review Period, this segment recorded a revenue of approximately HK$349,174,000 (2025: HK$374,033,000) and incurred a loss of approximately HK$48,523,000 (2025: HK$25,223,000). The loss included research and development costs incurred during the Review Period relating to virtual human and artificial intelligence ("AI") technologies.

"The earnings before interest, tax, depreciation and amortisation (EBITDA)" of the media entertainment segment for the six months ended 30 June 2026 was a loss of HK$5,335,000 (2025: profit of HK$13,038,000). EBITDA is not a standard measure under the Hong Kong Financial Reporting Standards (HKFRS) but is a widely used financial indicator of a company's operating performance. EBITDA should not be considered in isolation or be construed as an alternative to cash flows, net income or any other measure of performance, or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA for the media entertainment segment is calculated based on the loss of the segment for the period but does not account for taxes, interest expenses, depreciation (of the segment's property, plant and equipment) and amortisation charges (on the segment's intangible assets).

A. Visual Effects Production and Post-Production Business

This segment offers a range of visual effects ("VFX") production and post-production services which include visualisation, pre-visualisation, post-visualisation, visual effects, computer graphics ("CG"), animation, motion capture, facial capture, virtual production, real-time game engine production, live-action filming, editing, design, and finishing for major motion picture studios, networks, streaming services, advertisers, brands and game developers.

Digital Domain North America ("DDNA") – The United States of America and Canada:
The following list of recent awards and nominations offers recognition for Digital Domain's artists and technology:

Australian Effects & Animation Festival (AEAF) Awards
Digital Domain received the **Technology Innovation Award** at the 2026 AEAF Awards for our work on **"The Fantastic Four: First Steps,**" where we used our proprietary tool **Masquerade3** to bring the character "Thing" to life in the film. This award reflects our dedication to excellence and ongoing innovation in visual effects and technology.

Visual Effects Society (VES) Awards
Digital Domain demonstrated industry leadership and creative excellence by submitting several of our most innovative projects to the prestigious VES Awards. Our entries included "***The Electric State," "The Fantastic Four: First Steps,"*** and ***"The Wizard of Oz"*** at Sphere. For ***"The Electric State,"*** we showcased our pioneering work on Herman the robot in Category 9: Outstanding Character in a Photoreal Feature, as well as our exceptional compositing and lighting in Category 20: Outstanding Compositing & Lighting in a Feature. Our submission for ***"The Fantastic Four: First Steps"*** in Category 24: Emerging Technology highlighted the groundbreaking **Masquerade3** technology. In collaboration with ILM, we jointly submitted ***"The Fantastic Four: First Steps"*** The Thing for Outstanding Character. Notably, our tornado sequence for ***"The Wizard of Oz"*** at Sphere was recognized in Category 17: Outstanding Effects Simulation, earning us the win in partnership with Warner Bros., Magnopus, Google, and Sphere. These achievements underscore Digital Domain's continued innovation and influence in visual effects.

Telly Awards
The Digital Domain team proudly showcased its groundbreaking visual effects at the 2026 Telly Awards, submitting entries that demonstrated our industry leadership and creative excellence. Our work on "***The Fantastic Four: First Steps"*** earned a nomination in the Craft: Use of Motion Capture category for our innovative performance capture of The Thing. ***"The Electric State"*** was recognized in Craft: Character Design for our imaginative creation of Herman, and ***"Captain America: Brave New World"*** stood out in Craft: Visual Effects for the thrilling dogfight sequence. Digital Domain's achievements were celebrated with a clean sweep: a prestigious Gold Award for ***"The Fantastic Four: First Steps"*** and two distinguished Silver Awards for visual effects in ***"Captain America: Brave New World"*** and character design in ***"The Electric State"***.

Fast Company's Most Innovative Companies
We aggressively pursued new avenues for company-wide recognition that directly support our strategic vision. In September 2025, we boldly entered Fast Company's Most Innovative Companies Awards 2026, showcasing our industry-leading production technology- most notably, the groundbreaking innovations behind **Masquerade3** and its pivotal role in ***"The Fantastic Four: First Steps"***. By March 2026, Digital Domain was **honored with a top-tier distinction**, earning the **number 7 spot out of 50 on Fast Company's** prestigious North America list.

The artists of Digital Domain 3.0, Inc. ("DD3I"), a subsidiary of the Company, have provided VFX services for work including:

- VFX Supervisor Mr. Matthew BUTLER led production-side visual effects for Universal Pictures' ***"Disclosure Day,"*** working closely with Mr. Joel BEHRENS, his team, and director Steven Spielberg. The film premiered in theaters on 12 June 2026

- VFX Supervisor, Mr. Michael MELCHIORRE and his team completed work on the DC Studios and Warner Bros.' film, ***"Supergirl."*** The film premiered in theaters on 26 June 2026.

- VFX Supervisor Mr. Mitchell DRAIN and his team delivered visual effects for Apple TV and Mattel's ***"Matchbox: The Movie,"*** based on the Matchbox toy brand and starring John Cena. The film will premiere globally on Apple TV on 9 October 2026.

- VFX Supervisor, Mr. Jay BARTON, and his team are scheduled to complete work on Legendary Pictures and Paramount Pictures' film, ***"Street Fighter."*** The film is set to premiere in theaters on 16 October 2026.

- VFX Supervisor, Mr. Dave HODGINS, and his team have completed work on Apple Original Films' and Skydance Media's ***"Way of the Warrior Kid."*** The film will premiere globally on Apple TV+ on 20 November 2026.

- VFX Supervisor, Mr. Nikos KALAITZIDIS, and his team are collaborating on Marvel Studios' ***"Avengers: Doomsday".*** The film is produced by Marvel Studios and AGBO, and distributed by Walt Disney Studios Motion Pictures. It is intended to be the sequel to ***"Avengers: Endgame"*** and the 39th film in the Marvel Cinematic Universe, set to premiere in theaters on 18 December 2026.

- VFX Supervisor Mr. Jan Philip CRAMER and his team are collaborating on Legendary Pictures and Warner Bros.' upcoming film ***"Godzilla x Kong: Supernova"***, a sequel to ***"Godzilla x Kong: The New Empire" (2024)***. The film is set to premiere in theaters on 26 March 2027.

- Digital Domain continues to push the boundaries of visual storytelling through high-profile collaborations with industry giants including Skydance Media, Apple Original Films, Marvel Studios, Walt Disney Studios Motion Pictures, Searchlight Pictures, Legendary Entertainment, Netflix, Universal Pictures/Amblin Entertainment, and Warner Bros. Entertainment. These ambitious, unreleased projects underscore our commitment to redefining what's possible in visual effects.

Digital Domain's visual effects teams have completed work on several episodes for hit television and streaming shows such as:

- The Digital Domain team is also collaborating on several unreleased projects with partners, including HBO and Skydance Media.

Digital Domain's visualisation studio provided previsualisation services for features and shows such as:

- Universal Pictures & Amblin Entertainment's ***Disclosure Day***
- Sony Pictures & Marvel Studios' ***Spider-Man: Brand New Day***
- Marvel Studios' ***Avengers: Doomsday***
- Warner Bros.' ***Godzilla x Kong: Supernova***
- Upcoming projects with Universal Pictures, Marvel Studios & Walt Disney Studios Motion Pictures, Marvel Studios & Sony Pictures, and Skydance Media & Apple TV+.

The team also provided motion capture services for a number of projects including:

- The upcoming action-adventure game ***"Marvel 1943: Rise of Hydra"*** in collaboration with Skydance Games

- A new game in collaboration with a Japanese game developer

- Upcoming films with clients, including Universal Pictures/Amblin Entertainment and Legendary Entertainment film

- Several game projects with AAA game companies

In line with the strategy outlined in our Annual Report 2025, the Group continues to adopt a prudent and disciplined approach to operations to mitigate ongoing market volatility. This includes rigorous cost management, workforce optimisation, and the realignment of our business direction and product portfolios. Management remains committed to reviewing the efficiency, cost structures, and performance of all regional units across North America and Asia, specifically focusing on our studios in Montreal and Shanghai, as well as the virtual human business in Asia.

In Montreal, the Group initiated a headcount rationalisation exercise in response to a shifting operating environment. This strategic alignment was primarily driven by a reduction in local government tax incentive thresholds and persistent challenges in recruiting specialised talent for specific technical roles.

Possible Indemnification

A wholly-owned subsidiary of the Company based in the United States (the "US Subsidiary") has used a combination of physical equipment and intellectual property to record images of human faces (the "Disputed IP"). The Disputed IP is one of several different technologies available to capture elements of a human face prior to visual effects enhancements that create the final image. The US Subsidiary's use of the Disputed IP had been under a 2013 license from an unaffiliated company based in the PRC (the "Original Owner").

In 2014, a dispute over the ownership of the Disputed IP between the Original Owner and another company based in the United States (the "Claimant") resulted in the filing of a lawsuit (the "Lawsuit") in the United States District Court, Northern District of California. Neither the Original Owner nor the Claimant is a member company of the Group. Another subsidiary of the Company agreed in 2015 to purchase the Disputed IP. The completion of the transfer of such Disputed IP is subject to the favourable outcome of the Lawsuit. On 11 August 2017, the court issued a statement of decision which concluded that the Claimant owned the Disputed IP. The US Subsidiary had already used alternative technologies. On appeal of the statement of decision, the court of appeal upheld the decision of the trial court that the Claimant was the owner of the Disputed IP.

During 2017, the Claimant filed four separate lawsuits against certain clients of the US Subsidiary relating to the use of the Disputed IP for certain visual effects projects that the US Subsidiary had completed (the "Other Lawsuits"). The US Subsidiary's clients filed a number of separate motions to dismiss all or portions of the lawsuits brought against them. In response to these motions, the court dismissed a significant portion of the claims, but allowed the Claimant to proceed with litigation on the remaining portion of the claims with respect to only one of the seven motion pictures (the "Picture") that were originally part of the lawsuit for unspecified monetary damages. The case concerning the other six motion pictures was stayed pending the conclusion of the trial of the Other Lawsuits concerning the Picture.

The jury trial of the Other Lawsuits concerning only the Picture commenced on 4 December 2023. In accordance with the jury's verdict after the close of evidence, in April 2024 the court issued Findings of Fact and Conclusions of the Law, stating that Claimant was entitled to US$250,638 in compensatory damages and US$345,098 for disgorgement of the Picture's profits. On 26 August 2024, ruling on a post-trial motion brought by US Subsidiary's client, the trial court decided that the jury did not have sufficient evidence to render a verdict that US Subsidiary's client was liable to Claimant and ruled that the judgment will be entered in favour of US Subsidiary's client and that Claimant would not be entitled any relief.

Claimant has initiated an appeal of the decision concerning only the Picture to the United States Court of Appeal for the Ninth Circuit. On 11 September 2025, this appellate court issued its written decision in which it (1) reinstated the jury's finding that Claimant was entitled to US$250,638 in compensatory damages and US$345,098 for disgorgement of the Picture's profits and (2) rejected all of Claimant's arguments requesting either a new trial or a larger monetary damage award. This decision concludes the litigation of the Other Lawsuits concerning only the Picture.

On 3 June 2024, Claimant and US Subsidiary's clients concluded a confidential settlement which resulted in the dismissal of the Other Lawsuits to the extent that it concerned the other six motion pictures. Accordingly, the litigation of the Other Lawsuits is now concluded.

On 21 April 2022, the Claimant filed a lawsuit against one of the US Subsidiary's clients and its affiliates' copyright infringement against those entities with respect to two films that are not part of the Other Lawsuits (the "New Lawsuit"). However, the US Subsidiary did not use the Disputed IP on either of these films and US Subsidiary is not a party to the New Lawsuit. The court has on four separate motions to dismiss by US Subsidiary's Clients dismissed the New Lawsuit on the grounds that the facts, as pleaded, in the lawsuit did not give rise to legally-actionable claims, but in each instance gave Claimant an opportunity to amend the New Lawsuit to rectify the defects that it has identified. Claimant had six opportunities to amend the New Lawsuit in order to state legally-actionable claims. The court denied US Subsidiary's Client's motion to dismiss Claimant's sixth attempt to state legally-actionable claims. The parties in the New Lawsuit are initiating the discovery process.

In its production services agreements for the films that are the subject of the Other Lawsuits, the US Subsidiary agreed to certain indemnification obligations with respect to claims brought against these clients arising from allegations that the technology it used was not properly licensed or acquired. As a result, these clients have requested that the US Subsidiary acknowledge its obligation to indemnify them for any losses suffered as a result of their involvement in the Other Lawsuits. The US Subsidiary has submitted these indemnity requests to one of its insurance companies that may provide insurance coverage for indemnity claims brought against it. The insurance company initially acknowledged its obligation to provide a defence for the US Subsidiary's clients, but subsequently communicated to the US Subsidiary that it no longer believed that coverage existed under the insurance policy but would continue to negotiate with the US Subsidiary about contributing to the defence of the clients in the Other Lawsuits. On 23 May 2024, US Subsidiary filed a lawsuit against the insurance company seeking a judicial declaration that the insurance company is required to provide insurance coverage for the indemnity claims brought against it with respect to the Other Lawsuits and monetary damages (the "Insurance Coverage Lawsuit"). The parties are conducting pre-trial discovery in the Insurance Coverage Lawsuit. Both parties will be filing pre-trial motions in advance of the trial, including a motion by the insurance company to limit the claims that will be tried or dismiss all of them. The trial will take place in 2028.

In its production services agreements for the films that are subject of the New Lawsuit, the US Subsidiary agreed to certain indemnification obligations with respect to claims brought against these clients arising from allegations that the technology it used was not properly licensed or acquired. As a result, these clients have requested that the US Subsidiary acknowledge its obligation to indemnify them for any losses suffered as a result of their involvement in the New Lawsuit. The US Subsidiary has denied that it is obligated to indemnify these clients on the grounds that the US Subsidiary did not use the Disputed IP during the production of the motion pictures that are subject of the New Lawsuit and thus did not breach a warranty to the clients. US Subsidiary also submitted these indemnity requests to one of its insurance companies that may provide insurance coverage for indemnity claims brought against it with respect to the New Lawsuit, but the request for insurance coverage was denied on the grounds that all claims arising from the Disputed IP were specifically excluded from coverage. In the Insurance Coverage Lawsuit, US Subsidiary is also seeking a judicial declaration that the insurance company is required to provide insurance coverage for the indemnity claims brought against it with respect to the New Lawsuit and monetary damages.

Digital Domain China:

Digital Domain China ("DD China") provides VFX production and post-production services for commercials, TV drama series, and feature films in China, including offline and online editing, compositing, colour grading, design, music and audio, CG and VFX production. It also provides production services for commercials.

DD China provides post-production and production services (e.g. shooting, editing, colour grading and music production) for various high-profile clients, including: ***Alibaba Cloud, Aptamil, Atourplanet, BYD, CapCut, HONOR, HUAWEI, HYPERGRYPH, KÉRASTASE, Li Auto, LIQUID I.V., L'Oreal Paris, Lyocell, Mageline, Mead Johnson, Mizone, McDonald's, NEXXUS, NIVEA, Papergames, Roborock, Shell, and Tecent Games "Ace Force".***

With respect to the Shanghai operations, the Group has instituted a suspension of its traditional short-form business line. This measure was prompted by an ongoing strategic evaluation regarding the viability of traditional workflows amidst a rapidly evolving technological landscape. The widespread adoption of user-friendly, market-ready AI tools have fundamentally altered client budgets and business practices, necessitating a re-alignment of the Group's regional product offerings.

Digital Domain India:

In the first half of 2026, Digital Domain India ("DD India") continues to be a key contributor to the global VFX operations of Digital Domain, with a primary focus on supporting Digital Domain North America. The team successfully delivered high-quality visual effects (VFX) services for major theatrical releases including ***"Supergirl***", "***Disclosure Day***", and upcoming HBO's episodic TV Series "***House of the Dragon Season 3***".

Going forward, DD India will continue to strengthen its sales efforts in the local and broader Asian markets by offering Digital Domain's diverse service portfolio and advanced technical expertise to secure a wider and more diversified client base. As part of the Group's overall growth strategy, Digital Domain will continue to develop DD India's talent development and infrastructure by establishing business and financing collaborations with potential business partners. This approach supports competitive pricing for clients while enhancing overall margins across the global VFX business.

DD India provides end-to-end VFX services across platforms for features, television, web-based content and over-the-top (OTT) platforms. Data security remains a top priority for the Company. DD India is a Trusted Partner Network (TPN) certified facility, a joint initiative of the Motion Picture Association (MPA) and the Content Delivery & Security Association (CDSA), the global leaders in third-party content security assessments. In addition, DD India maintains content security certifications from Walt Disney Studios Motion Pictures (Disney) and Marvel Studios, LLC (Marvel).

B. New Media and Experiential and Virtual Human Business

North America Region:

The Group remains committed to business development in the area of virtual human and AI technologies, and continues to seek opportunities for financing and collaboration with strategic partners, and the recruitment of appropriate global talent.

Digital Domain's Virtual Human Group ("VHG") in North America - research and development aided multiple projects and resulted in new developments in the first half of 2026:

- **Masquerade3** is Digital Domain's advanced markerless facial capture system. We used it throughout Marvel Studios' and Walt Disney Studios Motion Pictures' ***"The Fantastic Four: First Steps,"*** which helped transform the film's facial capture process for the character "The Thing". Our work with Masquerade3 was recognized with several honors, including the Telly Award in Gold.

- We officially launched **"DDAI"**, our next-generation AI infrastructure purpose-built to meet the complex demands of contemporary film and episodic production. DDAI represents a transformative leap for Digital Domain, ushering in a new era of collaboration with directors, studios, and creative teams worldwide. By seamlessly integrating the proven precision of our CGI pipelines with the creative potential of generative AI, DDAI empowers storytellers to push the boundaries of cinematic innovation and achieve extraordinary results at unprecedented speed and scale.

- Our **ML Muscle Deformation System** leverages our new proprietary machine learning pipeline to transform a quasistatic skin simulation driven by modelled, rigged, and simulated bones, muscles, tissue, and fat into a set of position-based deformations that are directly accessible through the character animator's rig. This enables animators to incorporate the benefits of a CFX-generated muscle simulation pass directly within their animation scenes, eliminating the need to hand off their work to CFX for a separate simulation pass, used for the first time on ***"Disclosure Day"***.

- **Anim-Assist** is a suite of AI tools that automate time-consuming technical processes, enabling animators to produce higher-quality content faster and at lower cost. The software intelligently handles routine tasks such as in-betweening, pathing, cleanup, and consistency checks, allowing our artists to focus on the creative elements that truly differentiate their work. This increases our output capacity without expanding headcount, shortens production timelines, and allows us to scale operations efficiently during peak demand. Anim Assist doesn't replace animators - it empowers them, turning each artist into a more productive team member while preserving the unique creative vision that defines exceptional animation

The Greater China Region:

- On 16 January 2026, Digital Domain was invited to participate **The WAIC UP! Global Summit 2026** at **Hong Kong Science Park (HKSTP)**, and showcased our cutting-edge Virtual Human technology, demonstrating how immersive digital experiences are redefining industry applications and human-AI interaction. At the event, Mr. William Wong, Chairman of the Board of Digital Domain welcomed Professor Dong SUN, JP, Secretary for Innovation, Technology and Industry of the Hong Kong Special Administrative Region (HKSAR), along with HKSTP management, for an engaging visit to our showcase area.

- On 30 March 2026, **VIU TV** and **Now TV**, the major television services in Hong Kong owned by PCCW, aired a segment on their news program **Now Report** (經緯線). The story focused on CHEN Tsz Kin, a teenager with Duchenne Muscular Dystrophy (DMD), and Digital Domain's creation of an AI virtual human for him. The project aims to support Tsz Kin's dream of inspiring others and extending his positive influence on society through a virtual presence.

- In Asia, the Group re-aligned its virtual human business unit through a restructure, exchanging the assets for common shares in **Crisp Momentum Inc.** (a company publicly traded on the US Over-the-Counter (OTC) market: **CRSF**). This transaction establishes Digital Domain as a strategic investor in CRSF. Furthermore, the restructured virtual human company co-developed a specialised product line marketed as "**crisp humans**", designed specifically for AI virtual human applications and broader enterprise AI business solutions in collaboration with CRSF.

C. Digital Domain staff from the global studio participated in several events:

North America Region:

- In March 2026, our software partner, **SideFX**, hosted an event at Gnomon, an accredited, for-profit college in North Hollywood focused on preparing artists for careers in 3D animation, VFX, and gaming, where FX Lead, Mr. Jie MENG, showcased our groundbreaking destruction work in ***"The Conjuring: Last Rites"***. Jie delivered a presentation on how Houdini was used to create large-scale destruction while maintaining shot-to-shot continuity across more than 50 VFX shots.

- Animation Director Ms. Elizabeth "Liz" BERNARD joined other panellists to explore mentorship, create opportunities for women, and support them during **VES Vancouver**'s second annual Women's Day celebration. This event took place to celebrate National Women's Day and Women's History Month in March, highlighting crucial conversations about advancements and the appreciation of women in the VFX industry.

- Head of CG, Mr. Bob WHITE, and CG Supervisor, Mr. Chi-Chang CHU, were featured speakers at **FMX 2026**, exemplifying our strategic partnership with **Chaos**. Bob and Chi-Chang showcased our innovative visual effects work, specifically highlighting the groundbreaking production on ***"The Wizard of Oz." at Sphere*** and the detailed VFX behind ***"The Fantastic Four: First Steps"***.

- Following the successful **FMX 2026** presentation with **Chaos**, Chaos has invited Digital Domain to participate in a dedicated day of talks at **SIGGRAPH 2026** on 21 July 2026. Additionally, another software partner, **Autodesk**, has invited a Digital Domain member to join their Vision Talk series to present a project that utilizes their tools. While we are evaluating these opportunities, receiving partner invitations to SIGGRAPH demonstrates Digital Domain's presence, influence among industry peers, and leadership in visual effects innovation.

- Our Animation Director, Ms. Elizabeth "Liz" BERNARD, has been invited to participate in **View Conference 2026**, taking place in Torino, Italy, in October. This event is an international event dedicated to computer graphics, animation, VFX, games, and immersive media. Although this opportunity is still under discussion, Digital Domain's participation will mark our team as a true VFX pioneer and industry benchmark.

The Greater China Region:

- On 22 January 2026, **The 11th China International Music Industry Conference** was hosted by the state-approved Digital Music Demonstration Park under the National Music Industry Base, drew nearly a thousand professionals and enthusiasts to explore pathways for upgrading the sector. Digital Domain's representative in China delivered a keynote address on cross-industry endorsement of virtual humans, visual effects and visualization with music.

- On 29 January 2026, **The New-Quality Imaging Industry Innovation and Application Conference**, organised by the **People's Government of Bao'an District, Shenzhen**, brought together hundreds of insiders, including Digital Domain's representative in China who examined how artificial intelligence is reshaping the creative landscape.

- On 5 February 2026, Digital Domain was invited to support the **HKDI Connect 2026**, hosted by the **Hong Kong Design Institute (HKDI)**, and showcased our cutting-edge virtual human and AI solutions, including real-time conversational virtual human that revolutionize public-facing services. As we believe in bridging academia and industry to equip the next generation with skills in AI, digital media, and immersive experiences, this support for HKDI reflects our long-standing commitment to nurturing Hong Kong's creative ecosystem.

- On 16 March 2026, Mr. William Wong, Chairman of the Board of Digital Domain, was interviewed by **the Hong Kong Economic Herald**, the longest-running Chinese-language financial magazine in Hong Kong. In the feature, Mr. Wong discussed Digital Domain's strategic partnership with the **Office for Attracting Strategic Enterprises (OASES)**. With OASES's strong support, Digital Domain has collaborated with HKSTP, facilitating connections with potential clients, attracting top-tier talent, and scaling its industry impact.

- On 29 March 2026, **The 19th ZGC Forum Annual Conference** announced in Beijing. As the joint force, **the China Film Foundation** gathered hundreds of industry practitioners under one roof, to dive into the innovation sweeping filmmaking driven by artificial intelligence. Digital Domain's representative in China was invited to be one of the panellists.

- On 15 April 2026, **The 12th Golden Sand New Audio-Visual Competition** arrived in Chengdu, Sichuan, marked the highlight of the 13th China Internet Audio-Visual Convention. Digital Domain's representative in China served as an award presenter for the gala.

- Run annually by **B4B Limited**, **The B4B Challenge** is an initiative designed to boost diverse applications of artificial intelligence. Entered its 10th edition, this year's B4B Challenge launched on 23 January 2026, then held the awards ceremony on 15 April 2026, with Digital Domain onboard as a supportive partner.

- On 20 April 2026, Mr. William Wong, the Chairman of the Board, Digital Domain, was interviewed by **HOY TV**, one of the largest free-TV channels in Hong Kong, sharing our strong and continuing partnership with HKSTP, as well as our vision and mission — using Generative AI as rocket fuel to accelerate our technology, and making advanced technology more accessible to everyone.

- **The 6th China Yue Opera Festival** opened in Shaoxing, Zhejiang. Marking the 120th anniversary of Yue Opera, Digital Domain enabled Ms. Yulan XU and Ms. Wenjuan WANG to stage a comeback as virtual humans. The duo presented excerpts from the Dream of Red Mansions, renewing the classic repertoire with innovative artistry. The performance later aired on CCTV-11 on 30 May 2026, followed by a rerun on CCTV-3 on 6 June 2026.

- **The 4th Guang Chuang Conference**, hosted by Guang Chang at **The 22nd China (Shenzhen) International Cultural Industry Fair**, in Shenzhen, Guangdong. Digital Domain's representative in China addressed the audience with a keynote speech.

D. DDCP AND INVESTMENTS IN EUROPE

Formation of DDCP
Digital Domain Capital Partners S.à r.l. ("DDCP"), an indirect wholly-owned subsidiary of the Company, was incorporated in the Grand Duchy of Luxembourg in 2021.

Investment in HLEE
Highlight Event and Entertainment AG ("HLEE"), a publicly traded Swiss media and sports marketing company, the shares of which are traded on the Swiss Stock Exchange (ticker code: HLEE. SW). HLEE carries its business in segments of film, sport and event-marketing and sport events through its subsidiaries and affiliates in Europe. As at 30 June 2026, DDCP holds 251,140 HLEE shares represented approximately 1.94% of the total number of bearer shares of HLEE in issue.

Investment in CCAP
C Capital Holdings AG ("CCAP", formerly known as "Youngtimers AG (YTME)") is a publicly traded Swiss special situation investment firm focused on the APAC – centric investments in consumer, consumer tech, deep tech and emerging technology companies, the shares of which are traded on the Swiss Stock Exchange (ticker code: CCAP.SW). As at 30 June 2026, the CCAP shares held by DDCP represented approximately 7.18% (13,999,500 shares) of the total issued bearer shares of CCAP.

TRADING SEGMENT

The trading segment recorded a turnover of approximately HK$45,468,000 (2025: HK$42,465,000) and the profit of this segment is HK$4,261,000 (2025: HK$213,000).

Continuing Connected Transactions ("CCT") in relation to Distributor Agreement
Further to the business development efforts for DRAM (Dynamic Random Access Memory) trading in 2023 and first half of 2024, on 25 October 2024, Digital Domain Gaming Media Limited ("DD Gaming Media"), a wholly-owned subsidiary of the Company, and ADATA Technology Co., Ltd. ("ADATA"), a substantial Shareholder and a connected person of the Company, entered into a distributor agreement ("Distribution Agreement"), pursuant to which DD Gaming Media has been appointed as the exclusive general distributor of ADATA to promote, market, sell and distribute the XPG products (all existing and future products under the XPG (Xtreme Performance Gear) brand, including but not limited to computer memory, storage devices, computer and gaming peripherals and accessories, laptops, lifestyle gears and other similar or associated products and ancillary services) ("XPG Products") to third party customers in the Greater China and the Americas ("Territories"). For further details, please refer to the announcements for this transaction dated 25 October 2024 and 11 November 2024 and circular for this transaction dated 26 October 2024.

Despite the increase in turnover, escalating memory component (DRAM) prices increased end-product costs and dampened end-market unit demand which caused slow replenishment cycles across our customers to maintain lower buffer inventory level. As a result, our trading revenue and sales volumes fell short of the original projections established during the proposal of this CCT in 2024. Management will continue to monitor market conditions and related macroeconomic factors closely before determining the renewal of this CCT, which had been approved for the FY2024 to FY2026 period.

CAPITAL

Shares

As at 30 June 2026, the total number of the Company shares of HK$0.01 each in issue (the "Shares") was 7,979,248,625 Shares.

Share Options

The share option scheme of the Company was adopted on 27 April 2012 and amended on 3 April 2014 (the "2012 Option Scheme"). The 2012 Option Scheme was effective for a period of 10 years and expired on 27 April 2022. The other share option scheme of the Company was adopted on 16 June 2022 (the "2022 Option Scheme"). The 2022 Option Scheme is valid and effective for a period of 10 years commencing on 16 June 2022. For illustrative purpose, the exercise price and the number of the share options under the 2012 Option Scheme have been adjusted for the effect of capital reorganisation effective on 11 October 2021.

On 29 January 2016, a total of 37,950,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 37,950,000 new Shares at an exercise price of HK$4.13 per Share. For details, please refer to the Company's announcements dated 29 January 2016 and 7 June 2016, and the circular dated 30 April 2016. During the Review Period, no share option was exercised and the remaining 35,383,331 share options were cancelled or have lapsed. No share option was exercised and 37,950,000 share options were cancelled or have lapsed since the grant-date (29 January 2016).

On 22 June 2016, a total of 10,000,000 share options were granted under the 2012 Option Scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 10,000,000 new Shares at an exercise price of HK$4.95 per Share. For details, please refer to the Company's announcement dated 22 June 2016. During the Review Period and since the grant-date (22 June 2016), no share option was exercised and 10,000,000 share options were cancelled or have lapsed.

On 29 July 2016, a total of 5,000,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 5,000,000 new Shares at an exercise price of HK$5.66 per Share. For details, please refer to the Company's announcement dated 29 July 2016. During the Review Period, no share option was exercised, cancelled or has lapsed. No share option was exercised and 1,320,007 share options were cancelled or have lapsed since the grant-date (29 July 2016) to 30 June 2026.

On 13 February 2017, a total of 30,000,000 share options were granted under the 2012 Option Scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 30,000,000 new Shares at an exercise price of HK$4.69 per Share. For details, please refer to the Company's announcements dated 13 February 2017 and 1 June 2017, and the circular dated 27 April 2017. During the Review Period and since the grant-date (13 February 2017), no share option was exercised, cancelled or has lapsed.

On 24 April 2019, a total of 13,000,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 13,000,000 new Shares at an exercise price of HK$1.30 per Share. For details, please refer to the Company's announcement dated 24 April 2019. During the Review Period and since the grant-date (24 April 2019), no share option was exercised, cancelled or has lapsed.

On 21 May 2020, a total of 47,800,000 share options were granted under the 2012 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 47,800,000 new Shares at an exercise price of HK$0.46 per Share. For details, please refer to the Company's announcement dated 21 May 2020. During the Review Period, no share option was exercised, cancelled or has lapsed. 170,000 share options were exercised and 2,000,000 share options were cancelled or have lapsed since the grant-date (21 May 2020).

On 26 July 2024, a total of 220,000,000 share options were granted under the 2022 Option Scheme to the grantees. The share options entitle the grantees to subscribe for up to a total of 220,000,000 new Shares at an exercise price of HK$0.245 per Share. For details, please refer to the Company's announcement dated 26 July 2024. During the Review Period and since the grant-date (26 July 2024), no share option was exercised, cancelled or has lapsed.

On 1 November 2024, a total of 40,000,000 share options were granted under the 2022 Option Scheme to a grantee. The share options entitle the grantee to subscribe for up to a total of 40,000,000 new Shares at an exercise price of HK$0.49 per Share. For details, please refer to the Company's announcement dated 1 November 2024. During the Review Period and since the grant-date (1 November 2024), no share option was exercised, cancelled or has lapsed.

As at 1 January 2026 and 30 June 2026, 172,902,762 share options were available for grant under the 2022 Option Scheme.

During the Review Period, no share option was granted under the 2022 Option Scheme. As a result, the number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the Review Period divided by the weighted average number of shares of the relevant class in issue for the period was nil.

Share Trading on OTCQX

The Company's American Depositary Shares (ADSs) under a sponsored American Depositary Receipt ("ADR") Programme with the Bank of New York Mellon are currently traded on U.S. OTCQX Market under the symbol "DDHLY". For details, please refer to the Company's announcement dated 11 November 2024.

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

In 2026, the Group had banking facilities from two banks in the United States amounting to US$19,000,000 (approximately HK$149,015,000) with US$10,000,000 (approximately HK$78,429,000) being utilised during the period. These banking facilities were secured by time deposits of the Group. The Group had available banking facilities from a bank in Hong Kong in the amount of US$10,000,000 (approximately HK$78,429,000) which is unutilised and secured by time deposits of the Group. The Group had banking facilities from a bank in Canada in amount of CAD7,250,000 (approximately HK$40,053,000) of which CAD190,000 (approximately HK$1,049,000) and CAD4,129,000 (approximately HK$22,810,000) was utilised for general working capital and equipment lease facility loan respectively. These banking facilities were secured by corporate guarantees provided by several subsidiaries.

In addition to the banking facilities mentioned above, an indirectly-owned subsidiary of the Group in the entertainment media segment, which was discontinued at the end of December 2010, obtained a banking facility amounting to HK$6,000,000 from a bank in Hong Kong in 2009 which consisted of a 5-year instalment loan ("Five Year 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 provided an 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, the operation of the aforesaid subsidiary has been discontinued since the end of December 2010. The Five-Year Loan has been fully classified as a current liability.

As at 30 June 2026, the Group also had lease liabilities of HK$101,429,000, which were determined at the present value of the lease payments that are payable at that date. The amount included in lease liabilities consisted of HK$21,027,000 related to leased assets (equipment amounted to CAD3,799,000 (approximately HK$20,987,000) and HK$40,000) which are secured by the lessor's charge over the leased assets. Among these leased assets, the terms of payments were 36 months and 60 months respectively. Payments were on a fixed payment basis and the underlying interest rates were fixed at respective contract dates. No arrangements were entered into for contingent rental payments.

The Group had other loans of approximately HK$206,527,000 as at 30 June 2026. One indirect wholly-owned subsidiary has a loan in amount of US$3,500,000 (approximately HK$27,065,000) which is unsecured, interest-free and is not repayable within 13 months from 30 June 2026. One indirect wholly-owned subsidiary also had a term loan facility of US$10,000,000 (approximately HK$78,429,000) and HK$80,000,000, with a guarantee provided by the Company. The subsidiary drew down the facility in 2015 and 2018. The outstanding balance of these loans as at 30 June 2026 were US$8,000,000 (approximately HK$62,743,000) and HK$34,290,000. These loans are unsecured, with a floating interest rate (prime rate quoted by a bank in Hong Kong) and are repayable on demand. One indirect wholly-owned subsidiary also had other loan with principal amount of HK$12,000,000. This loan is secured by shares charge of a subsidiary and repayable in the next two years. During the period ended 30 June 2026, the Company had a non-revolving credit facility of US$15,000,000 (approximately HK$117,644,000), provided by a substantial shareholder ("Facility"). For this Facility, US$8,980,000 (approximately HK$70,429,000) was drawn down which is unsecured, with a fixed interest rate and it was repaid in July 2026.

The total cash and bank balance as at 30 June 2026 was approximately HK$99,293,000. As at 30 June 2026, the Group had banking facilities of approximately HK$267,497,000. Utilised portions of these bank facilities were set at a floating interest rate of these bank loans, loans amounting to approximately HK$78,429,000 are denominated in United States dollars and loans amounting to approximately HK$23,859,000 are denominated in Canadian dollars of which approximately HK$22,810,000 for equipment lease facility loan. During the Review Period, all of the Group's bank loans (except the Five Years Loan was classified as current liabilities) were classified as either current liabilities or non-current liabilities according to the agreed scheduled repayment dates. According to the agreed scheduled repayment dates, the maturity profile of the Group's bank borrowings (excluded the Five Years Loan) as at 30 June 2026 was spread over a period of five years, with approximately 1% repayable within one year and 99% repayable between two to three years.

The Group's current assets were approximately HK$268,409,000 while the current liabilities were approximately HK$455,900,000 as at 30 June 2026. As at 30 June 2026, the Group's current ratio was 0.59 (as at 31 December 2025: 0.97).

As at 30 June 2026, the Group's gearing ratio, representing the Group's financial liabilities (i.e. bank loans, other loans and lease liabilities) divided by the equity attributable to owners of the Company was 251% (as at 31 December 2025: 200%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's revenue, expenses, assets and liabilities were mainly denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Canadian dollars ("CAD"), Renminbi ("RMB"), Indian Rupees ("INR") and Euro ("EUR"). The exchange rates for the USD against the HKD remained relatively stable during the Review Period. As some of the financial statements for the business operations in North America, Chinese Mainland, India and Europe were reported in CAD, RMB, INR and EUR, respectively, if the CAD or RMB or INR or EUR were to depreciate relative to the HKD, the reported earnings/expenses for the Canadian portion, Chinese Mainland portion, Indian portion or European portion would decrease.

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

CONTINGENT LIABILITIES

Save as disclosed under "Possible Indemnification" of the Media Entertainment Segment above, as at 30 June 2026, the Group did not have any material contingent liabilities.

EMPLOYEES OF THE GROUP AND REMUNERATION POLICY

As at 30 June 2026, the total headcount of the Group was 765. 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 bonuses, a share option scheme and retirement schemes.

PROSPECT

The global macroeconomic environment throughout the first half of 2026 has remained persistently complex and challenging. The Group continues to navigate systemic headwinds. These include heightened geopolitical tensions, escalating sovereign debt, volatile global tariff regimes, inflationary pressures, and elevated unemployment rates across key regions. These compounding external factors have injected substantial volatility into our core operating markets. Consequently, they have created significant uncertainty regarding the operating cost structures of both the Group and our clients, while simultaneously dampening global consumer sentiment and shifting demand patterns.

Client demand for our premium media and entertainment products and services is intrinsically linked to global consumer confidence. Because our clients' intellectual properties and content offerings span multiple international jurisdictions, economic fluctuations in major territories—specifically the United States, Chinese Mainland, and Europe—directly impact client's budgets. This has resulted in compressed advertising expenditures, tighter control over feature film release schedules, and deferred campaign timelines. Concurrently, the adverse impacts from the increasing DRAM prices also added pressure to our international trading operations.

Notwithstanding these macroeconomic and sector-specific headwinds, the Group remains steadfast in its commitment to innovation and operational excellence. Moving forward, management will execute a targeted strategy to "Enhance VFX Core" and "Expand AI Suite".

In response to ongoing market volatility, the Group has maintained a highly prudent and disciplined approach to its global operations. Rigorous financial discipline was successfully enforced during the period, characterized by strict overhead controls, asset optimization, and the realignment of underperforming business units. Management continuously evaluates the cost frameworks, organizational functions, business arrangements, and performance metrics of each VFX studio and regional business unit across North America and Asia.

AI continues to serve as a pivotal disruptive and transformative force within the media, film, and television content creation industries. Advanced and generative AI applications are now deeply embedded across multiple production stages. While these technological advancements drive significant operational efficiencies, they have also accelerated an industry-wide evolution of traditional operating models. Recognizing these market dynamics, the Group launched **DDAI** in May 2026, a proprietary infrastructure specifically engineered to address the rigorous technical demands of modern cinematic and episodic workflows. DDAI represents a strategic milestone in how Digital Domain collaborates with filmmakers, major studios, and creative talents. By seamlessly integrating the structural precision of traditional computer-generated imagery ("CGI") pipelines with the expansive, expressive capabilities of generative AI, DDAI positions the Group to capture emerging market opportunities and optimize production cost-structures going forward.

The Board and management are resolutely focused on governing the Group in the absolute best interests of the Company and its shareholders as a whole. Our core objective remains clear: to drive sustainable, long-term growth by leveraging the intrinsic diversity of our geographical markets, shareholders, directors, and workforce.

We extend our profound gratitude to our clients, shareholders, and partners for their unwavering trust and support. In closing, the Board wishes to express its sincere appreciation to the management team and all staff members of the Group for their outstanding dedication, resilience, and contributions throughout the six months ended 30 June 2026.

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 (the "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 2026, the outstanding loan principal of this Facility amounted to approximately HK$4,909,000 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 Review Period, the Company was in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules except for the following:

(a) There is no separation of the roles of the chairman and the chief executive officer ("CEO") or chief executive during the Review Period. Mr. Wong Cheung Lok assumed the roles of the chairman of the Board and CEO of the Company. The Board believes that vesting of the roles of chairman and CEO in Mr. Wong is beneficial to the operation and management of the Group due to his in-depth knowledge in the Group's operation and his extensive business network and connection;

(b) The chairman of the Board is not subject to retirement by rotation pursuant to bye-law 87(1) of the Company's bye-laws. Mr. Wong Cheung Lok, the Chairman of the Board and CEO, was re-elected as an executive Director at the annual general meeting of the Company held on 29 June 2026 according to the Bye-laws. In addition, Mr. Wong has entered into a letter of appointment for an unspecified term but his appointment is terminable by giving at least three months' prior notice; and

(c) The Company held the annual general meeting on 29 June 2026. Dr. Sun Ta-Chien, the executive Director and Mr. Wang Wei-Chung, the non-executive Director were unable to attend the above annual general meeting.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the Review Period.

By Order of the Board
DIGITAL DOMAIN HOLDINGS LIMITED
Wong Cheung Lok
Chairman and Chief Executive Officer

Hong Kong, 27 August 2026

As at the date of this announcement, Mr. Wong Cheung Lok, Mr. Ong Wen-Chyi and Mr. Chen Shu-Min are the executive Directors; Ms. Chu Wing Sze and Mr. Sudheer Suresh Reddy are the non-executive Directors; and Ms. Lau Cheong, Mr. Duan Xiongfei, Dr. Elizabeth Monk Daley and Mr. Yip Kit Chau are the independent non-executive Directors.