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DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF COMPANY WHICH OWNS CERTAIN PROPERTIES IN HONG KONG

On 19 March 2019 (after the trading hours of the Stock Exchange), the Vendor (a wholly owned subsidiary of the Company), the Purchaser and the Company (as guarantor of the Vendor) entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire issued share capital and the shareholder's loans of the Target Company at cash consideration of HK\$216 million (subject to adjustment). The principal business of the Target Group is property investment in Hong Kong and its principal asset is the Property.

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 19 March 2019 (after the trading hours of the Stock Exchange), the Vendor (a wholly owned subsidiary of the Company), the Purchaser and the Company (as guarantor of the Vendor) entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire issued share capital and the shareholder's loans of the Target Company at cash consideration of HK\$216 million (subject to adjustment).

SALE AND PURCHASE AGREEMENT

Date

19 March 2019

Parties to the Agreement

Famous Frame International Holdings Limited as the Purchaser

Sun Innovation Properties Holdings Limited as the Vendor

The Company as guarantor of the Vendor's obligations under the Agreement

The Purchaser is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Subject Matter

The Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire issued share capital and shareholder's loans (in the amount of HK\$124,595,000 as at the date of this announcement) of the Target Company at a cash consideration of HK\$216,000,000 (subject to adjustment). The Target Company through its wholly owned subsidiaries indirectly owns the Property, which is the principal asset of the Target Group.

Consideration

The aggregate consideration for the Disposal is HK\$216 million (subject to adjustment with reference to the net asset value (as defined in the Agreement) of the Target Company as at completion), which is payable in cash in the following manner:

- a. as to HK\$30 million as deposit upon signing of the Agreement (by applying the earnest money of the same amount paid by the Purchaser upon the signing of the non-binding letter of intent dated 30 January 2019); and
- b. as to the balance of HK\$186 million (subject to adjustment) on the date of completion.

The consideration for the Disposal was arrived at after arm's length negotiation between the Vendor and the Purchaser, having taken into account valuation of the Property by an independent valuer as at 31 December 2018, the prevailing market price of similar properties in the area and the prevailing market conditions.

Conditions Precedent

Completion of the Agreement is conditional upon:

- (i) the Purchaser having completed its due diligence review on the business, financial and legal aspects of the Target Group and reasonably satisfied with the results thereof;
- (ii) the Vendor having procured the relevant Target Group companies to prove and give good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong); and
- (iii) the Company having complied with the applicable requirements under the Listing Rules.

If any of the conditions precedent is not fulfilled or waived by the date of completion, the Purchaser is entitled to cancel the transaction under the Agreement whereupon the deposit will be returned to the Purchaser and neither party will have any claim against its counterparty. If the Purchaser fails to complete the transaction under the Agreement (other than as a result of default of the Vendor), a sum equivalent to HK\$5,000,000 out of the deposit as liquidated damages will be forfeited by the Vendor. If the Vendor fails to complete the transaction under the Agreement (other than as a result of default of the Purchaser), the deposit will be refunded to the Purchaser without prejudice to the Purchaser's right to claim for damages and/or specific performance.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. The principal business of the Target Group is property investment in Hong Kong and its principal asset is the Property.

Set out below is a summary of the audited consolidated financial information of the Target Group for the two years ended 31 December 2016 and 31 December 2017 and the unaudited consolidated financial information for the year ended 31 December 2018:

	For the year ended 31 December		
	2016	2017	2018
	HK\$	HK\$	HK\$
Net profits before tax	3,673,000	5,059,000	2,380,000
Net profits after tax	3,673,000	5,059,000	2,380,000
		As at	As at
		31 December 2017	31 December 2018
		HK\$	HK\$
Total asset value		216,356,000	209,071,000
Net asset value		86,753,000	84,295,000

Upon completion, the Target Group will cease to be subsidiaries of the Company and the results of the Target Group will no longer be consolidated into the Group's financial statements.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) media entertainment business, including visual effects production, VR technology services using 360° digital capture technology and computer graphics, post production service and virtual human business; and (ii) property investment business.

The Directors have noted the continuing softening of the real estate market in Hong Kong and believe that it is appropriate to realise its investments in the Property and to deploy its financial resources. The Company plans to use approximately HK\$57 million of the proceeds to partly repay the principal of outstanding bank loans of the Company and use the remaining proceeds net of expenses for the Group's working capital (including pledging approximately HK\$62 million to secure its letters of credit banking facilities) and for acquiring one or more alternative investment property should appropriate opportunity arise.

In view of the above, it is expected that the Group will record a profit on disposal of approximately HK\$7.4 million (based on the sale price and the unaudited net carrying value of the Target Company as at 31 December 2018 with reference to the fair value of the Property as at 31 December 2018), the Directors considered the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the sale and purchase agreement dated 19 March 2019 entered into between the Vendor, the Purchaser and the Company as the Vendor’s guarantor in relation to the Disposal
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Digital Domain Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 547)
“connected persons(s)”	the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Group pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a third party/parties who is/are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	Shop A and Shop B on the Ground Floor and the external walls of such shops, and loading and unloading bay nos. U1, U2, U3, U9 and U10 on the First Floor and car parking space nos. 22, 23, 33, 50 and 50A on the Second Floor, Citicorp Centre, No. 18 Whitfield Road, Hong Kong
“Purchaser”	Famous Frame International Holdings Limited, a company incorporated in the BVI with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sun Innovation HK Properties Holdings Limited, a company incorporated in BVI with limited liability which is wholly owned by the Vendor as at the date of the Agreement
“Target Group”	the Target Company and its subsidiaries

“Vendor”

Sun Innovation Properties Holdings Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement

By Order of the Board

DIGITAL DOMAIN HOLDINGS LIMITED

Seah Ang

Executive Director and Chief Executive Officer

Hong Kong, 19 March 2019

As at the date of this announcement, Mr. Peter Chou, Mr. Seah Ang, Mr. Amit Chopra and Mr. Wei Ming are the executive Directors, Mr. Pu Jian and Dr. Song Alan Anlan are the non-executive Directors and Ms. Lau Cheong, Mr. Duan Xiongfei, Mr. Wong Ka Kong Adam and Mr. John Alexander Lagerling are the independent non-executive Directors.