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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 – ACQUISITION OF 19% EQUITY INTEREST OF ASKNET SOLUTIONS AG

THE ACQUISITION

On 3 February 2021, DDCP (an indirect 60% owned subsidiary of the Company) as the Purchaser entered into the Sale and Purchase Agreement with the Seller pursuant to which DDCP has agreed to purchase and the Seller has agreed to sell 248,431 common shares of the Target Company, representing approximately 19% of the total issued common shares of the Target Company, for an aggregate consideration of EUR3,709,075 (approximately HK\$34,976,576).

LISTING RULES IMPLICATIONS

As the applicable percentage ratio calculated by reference to Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Sale and Purchase Agreement is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements but are exempted from shareholders' approval requirement under the Listing Rules.

BACKGROUND AND REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in media entertainment business, including visual effects (“VFX”) production, virtual reality (“VR”) technology services using 360° digital capture technology and computer graphics, post production service and virtual human business. The Group’s operations in North America, the PRC and India mainly serve the North American and PRC markets. As part of its strategy to explore opportunities in the development of or investment in media entertainment operations based in Europe and North America and exploitation of the virtual human and other technologies of the Group, the Company has formed DDCP (owned as to 60% by the Group and as to 40% by a wholly-owned company of Mr. Ng) on 18 January 2021, pursuant to the agreement that was the subject of the Company’s announcements dated 11 December 2020 and 27 December 2020.

DDCP was presented with its first opportunity to invest in Europe through the Acquisition following discussions with the German-based Target Company on the possibility of collaboration that taps on the Group’s VFX, VR and virtual human technology and the Target Company’s extensive customer portfolio in Europe, American and Asia. Founded in 1995, the Target Company is an established procurement, e-commerce and payment specialist with a strong position in the German-speaking academic market providing access to software solutions and IT services with a focus on academic and educational sectors. Shares of the Target Company are traded on the Frankfurt Stock Exchange (ticker code: ASKN). Areas of collaboration under consideration include the deployment of the Group’s virtual human technology in the form of a virtual teaching assistant into the education and lifelong learning sectors in the European market, the development of learning solutions that leverage mixed reality content and the distribution of the Group’s software and hardware products to the education market in Europe. The Board also believes that COVID-19 pandemic has limited impact on the business of the Target Company and expects that the demand in education technology services is likely to increase.

The investment in a substantial shareholding in the Target Company through the Acquisition can bring the relationship between the two groups closer and can also facilitate the joint marketing of their product and service offerings and facilitate the Group’s access to the European and American markets in particular. Accordingly, the Board considers the Acquisition to be in the best interests of the Company.

THE SALE AND PURCHASE AGREEMENT

On 3 February 2021 (after trading hours), the Purchaser and the Seller entered into the Sale and Purchase Agreement pursuant to which the Purchaser has agreed to purchase and the Seller has agreed to sell approximately 19% equity interest in the Target Company for an aggregate consideration of EUR3,709,075 (approximately HK\$34,976,576). The principal terms of the Sale and Purchase Agreement are set out below.

Date

3 February 2021

Parties

- (a) DDCP, as the Purchaser; and
- (b) The Seller.

The Seller is a company incorporated in Luxembourg, and is mainly engaged in digital media sector. The ultimate beneficial owners of the Seller are Aleksandr RUBIN and Brian Thomas McCONVILLE. As at the date of the Sale and Purchase Agreement, the Seller holds 325,203 common shares in the Target Company, representing approximately 24.87% of the total issued common shares of the Target Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject matter and consideration

The Purchaser has agreed to purchase and the Seller has agreed to sell 248,431 common shares of the Target Company, representing approximately 19% of the total issued common shares of the Target Company, for an aggregate consideration of EUR3,709,075 (approximately HK\$34,976,576), i.e. amounting to approximately EUR14.93 (approximately HK\$140.79) per Sale Share. The Purchaser is required to pay the consideration no later than 22 February 2021.

The consideration was arrived at through arm's length negotiations between the Purchaser and the Seller, with reference to the market price of the Sale Shares quoted on the Frankfurt Stock Exchange. The consideration per Sale Share of approximately EUR14.93 (approximately HK\$140.79) represents:

- (i) a discount of approximately 4.9% of the closing price of EUR15.7 (approximately HK\$148.05) per Sale Share as quoted on the Frankfurt Stock Exchange on 2 February 2021, being the trading day immediately preceding the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 6.63% of the average closing price of EUR15.99 (approximately HK\$150.79) per Sale Share as quoted on the Frankfurt Stock Exchange for the seven consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;
- (iii) a discount of approximately 5.74% of the average closing price of EUR15.84 (approximately HK\$149.37) per Sale Share as quoted on the Frankfurt Stock Exchange for the 30 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

Completion

The Acquisition is not subject to any condition precedent and the Seller is required to transfer the Sale Shares to the Purchaser immediately upon receipt of the consideration from the Purchaser.

The Board considers that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the financial information of the Target Company for the two years ended 31 December 2018 and 2019 and for the six months ended 30 June 2019 and 2020:

	For the year ended 31 December		For the six months ended 30 June	
	2019	2018	2020	2019
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	84,305,874	85,836,627	39,606,624	44,814,703
	(approximately)	(approximately)	(approximately)	(approximately)
	HK\$795,004,392)	HK\$809,439,393)	HK\$373,490,464)	HK\$422,602,649)
Loss before taxation	2,719,724	1,907,260	813,658	1,287,937
	(approximately)	(approximately)	(approximately)	(approximately)
	HK\$25,646,997)	HK\$17,985,462)	HK\$7,672,795)	HK\$12,145,246)
Loss after taxation	2,670,593	1,855,516	792,157	1,311,202
	(approximately)	(approximately)	(approximately)	(approximately)
	HK\$25,183,692)	HK\$17,497,516)	HK\$7,470,041)	HK\$12,364,635)

The unaudited net asset value of the Target Company as at 30 June 2020 was approximately EUR1,446,577 (approximately HK\$13,641,221).

LISTING RULES IMPLICATIONS

As the applicable percentage ratio calculated by reference to Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Sale and Purchase Agreement is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements but are exempted from shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares in accordance with the terms of the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“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 person(s)”	the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the lawful currency of the member states of the European Union
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Mr. Ng”	Mr. Clive Ng Cheang Neng
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser” or “DDCP”	Digital Domain Capital Partners S.à r.l., an indirect subsidiary of the Company owned as to 60% by the Group and 40% by Mr. Ng through companies wholly owned by him
“PRC”	the People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale and Purchase Agreement”	the share purchase agreement dated 3 February 2021 entered into between the Purchaser and the Seller in relation to the Acquisition
“Shareholder(s)”	the holder(s) of the Share(s)

“Shares”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Seller”	Digital Investment Platform S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated under the laws of Luxembourg
“Sale Share(s)”	248,431 common shares of the Target Company that are the subject matter of the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	asknet Solutions AG, a publicly traded German ecommerce company, the shares of which are traded on the Frankfurt Stock Exchange (ticker code: ASKN)
“%”	per cent

The exchange rate of EUR1.0 = HK\$9.43 is applied in this announcement. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in EUR have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 3 February 2021

As at the date of this announcement, Mr. Seah Ang is the executive Director; Mr. Jiang Yingchun, Mr. Cui Hao, Mr. Wang Wei-Chung and Mr. Sergei Skatershchikov are the non-executive Directors; and Ms. Lau Cheong, Mr. Duan Xiongfei, Mr. Wong Ka Kong Adam and Dr. Elizabeth Monk Daley are the independent non-executive Directors.