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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 AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 40% EQUITY INTEREST IN DIGITAL DOMAIN CAPITAL PARTNERS S.À R.L.

Financial Adviser to the Company



Crescendo Capital Limited

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



THE ACQUISITION

On 16 August 2021, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the SPA, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell, the Sale Shares, representing 40% of the total equity interest in the JV Company, for an aggregate cash consideration of EUR13,333,333 (equivalent to approximately HK\$122,266,664). Upon completion of the Acquisition, the JV Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated by reference to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the SPA is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Vendor is indirectly wholly-owned by Mr. Ng, who is a substantial Shareholder holding, through its wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company, and the Acquisition constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The SGM will be held for the Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the SPA and transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the SPA and transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolution(s) to be proposed at the SGM to approve the SPA and transactions contemplated thereunder. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Acquisition and other disclosures required pursuant to the Listing Rules, the advice from the Independent Board Committee and the Independent Financial Adviser together with a notice to convene the SGM is expected to be despatched to the Shareholders on or before 6 September 2021.

Reference is made to the announcements of the Company dated 11 December 2020 and 27 December 2020 in relation to, among others, the formation of the JV Company.

The Board is pleased to announce the proposed acquisition of 40% equity interest in the JV Company not already held by the Group on terms described further below pursuant to the SPA. The JV Company was established in January 2021 and is currently owned as to 60% by the Group and 40% by the Vendor. Upon completion of the Acquisition, the JV Company will become an indirect wholly-owned subsidiary of the Company.

THE SPA

The principal terms of the SPA are set out below.

Date: 16 August 2021

Parties: (a) Digital Domain Broadcasting (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser; and
(b) Digital Knight Finance S.à r.l., as the vendor.

The Vendor is an investment holding company incorporated under laws of Luxembourg. The ultimate beneficial owner of the Vendor is Mr. Ng, who is a substantial Shareholder holding, through its wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Assets being acquired: The Sale Shares, representing 40% of the total issued common shares of the JV Company.

Consideration: EUR13,333,333 (equivalent to approximately HK\$122,266,664), which will be settled wholly in cash upon completion of the Acquisition. The Company intends to finance the Acquisition by applying the proceeds raised from the share subscription completed on 30 July 2021.

The consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor, with reference to, inter alia, the original subscription price of the Sale Shares of EUR13,333,333 paid by the Vendor in January 2021 and the unaudited net asset value of the JV Company as at 30 June 2021 of EUR31,273,881 (approximately HK\$286,781,489).

The consideration of the Acquisition represents: (i) the same consideration paid by the Vendor for the subscription of the Sale Shares; and (ii) a premium of approximately 6.6% over the unaudited net asset value of the JV Company attributable to the Sale Shares as at 30 June 2021 of EUR12,509,552 (approximately HK\$114,712,592).

Condition precedent to completion: Completion of the transactions contemplated under the SPA is conditional upon the passing by the Independent Shareholders of resolution(s) to approve the transactions contemplated under the SPA in accordance with the Listing Rules.

Completion: Completion is to take place on the fifth (5th) business day after the condition is satisfied (or such other day as may be agreed by the parties to the SPA). The long stop date for satisfaction of the condition precedent is 30 October 2021 or such other date to be agreed in writing by the parties to the SPA. The SPA will lapse immediately thereafter and be of no further effect and neither party to the SPA will have any claim against or liability or obligation to other party under the SPA.

INFORMATION ON THE JV COMPANY AND REASONS FOR THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in media entertainment business, including visual effects production, virtual reality 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 the Company's 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 Purchaser and the Vendor established the JV Company in Luxembourg on 18 January 2021 pursuant to the joint venture formation agreement dated 11 December 2020 entered into between the Company and HLEE Finance S.à r.l. The Purchaser and the Vendor injected capital of EUR20,000,000 (equivalent to approximately HK\$183,400,000) and EUR13,333,333 (equivalent to approximately HK\$122,266,664) to the JV Company respectively. As of the date of the SPA, the JV Company is owned as to 60% by the Purchaser and 40% by the Vendor. The principal activities of the JV Company are the development of, and investment in, media entertainment business in Europe and North America.

As of the date of this announcement, the major investments held by the JV Company include (i) approximately 19% of the total issued common shares of ASKNET, which is a procurement, e-commerce and payment specialist with a focus on academic and educational sectors and whose shares are traded on the Frankfurt Stock Exchange (ticker code: ASKN); (ii) approximately 3.01% of the total issued common shares of HLEE, which is a media and sports marketing company whose shares are traded on SIX Swiss Exchange (ticker code: HLEE.SW); and (iii) 4.5% bond in a principal amount of EUR9,500,000 purchased in July 2021 and agreed to be repurchased on 15 December 2021 by the issuer, namely, FBNK Finance S.à r.l.

Based on the unaudited management accounts of the JV Company, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the JV Company recorded a net loss before taxation and net loss after taxation of EUR2,059,452 (approximately HK\$18,885,175) and EUR2,059,452 (approximately HK\$18,885,175) respectively for the period from 18 January 2021 (the incorporation date) to 30 June 2021. As of 30 June 2021, the unaudited net asset value of the JV Company amounted to EUR31,273,881 (approximately HK\$286,781,489).

The Group is optimistic about the long-term development of its media entertainment business in the European and American markets. Therefore, the Group intends to consolidate full control over the JV Company through the Acquisition in order to allow the Group greater flexibility in deploying the resources being held by the JV Company for the Group's business development in the European market.

The Directors believe that the terms (including the consideration) of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole despite the fact that the consideration represents a premium over the unaudited net asset value of the JV Company attributable to the Sale Shares as at 30 June 2021, having taken into account the original subscription price of the Sale Shares paid by the Vendor and the initial incorporation and set up costs incurred by the JV Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated by reference to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the SPA is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Vendor is indirectly wholly-owned by Mr. Ng, who is a substantial Shareholder holding, through its wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company, and the Acquisition constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The SGM will be held for the Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the SPA and transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the SPA and transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolution(s) to be proposed at the SGM to approve the SPA and transactions contemplated thereunder. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Acquisition and other disclosures required pursuant to the Listing Rules, the advice from the Independent Board Committee and the Independent Financial Adviser together with a notice to convene the SGM is expected to be despatched to the Shareholders on or before 6 September 2021.

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 SPA
“ASKNET”	asknet Solutions AG, a German e-commerce company, the shares of which are traded on the Frankfurt Stock Exchange (ticker code: ASKN)
“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
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HLEE”	Highlight Event and Entertainment AG, a Swiss media and sports marketing company, the shares of which are traded on SIX Swiss Exchange (ticker code: HLEE.SW)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Acquisition
“Independent Financial Adviser”	Octal Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders, other than those required under the Listing Rules to abstain from voting, who have no interest in the transactions contemplated under the SPA
“JV Company”	Digital Domain Capital Partners S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated under the laws of Luxembourg on 18 January 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luxembourg”	the Grand Duchy of Luxembourg
“Mr. Ng”	Mr. Clive Ng Cheang Neng
“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
“Purchaser”	Digital Domain Broadcasting (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company
“Sale Share(s)”	4,800 common shares of the JV Company, representing 40% of the total equity interest in the JV Company
“SGM”	a special general meeting of the Company to be convened and held for approving the SPA and transactions contemplated thereunder

“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“SPA”	the sale and purchase agreement dated 16 August 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Digital Knight Finance S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated under the laws of Luxembourg and indirectly wholly-owned by Mr. Ng
“%”	per cent

The exchange rate of EUR1.0 = HK\$9.17 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, 16 August 2021

As of the date of this announcement, Mr. Seah Ang and Dr. Chang San-Cheng are the executive Directors; Mr. Jiang Yingchun, Mr. Cui Hao, Mr. Sergei Skatershchikov and Mr. Brian Thomas McConville are the non-executive Directors; and Ms. Lau Cheong, Mr. Duan Xiongfei, Dr. Elizabeth Monk Daley and Mr. Woo King Hang are the independent non-executive Directors.