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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)

PROPOSED ISSUE OF NEW SHARES UNDER THE GENERAL MANDATE

PROPOSED ISSUE OF NEW SHARES UNDER THE GENERAL MANDATE

On 12 June 2023, the Company entered into the Subscription Agreements in relation to the issue and subscription of new Subscription Shares. Subject to the fulfilment of condition precedent of the relevant Subscription Agreement, the Company agreed to issue and each of Subscriber A and Subscriber B agreed to subscribe for 528,966,000 Subscription Shares and 510,000,000 Subscription Shares respectively at the Subscription Price of HK\$0.224 per Subscription Share.

The total number of Subscription Shares represent approximately 20.00% of the total number of Shares in issue as at the date of this announcement and approximately 16.67% of the total number of Shares as enlarged by the issue of the Subscription Shares (assuming (a) all Subscription Agreements have been completed and (b) there will be no other change in the total number of Shares from the date of this announcement and up to the date of Completion).

USE OF PROCEEDS

The net proceeds from the issue of the Subscription Shares, after the deduction of the relevant expenses, will be approximately HK\$232.5 million. The Group intends to apply the net proceeds as to approximately HK\$175 million towards development of the Group's media entertainment segment and the remainder of approximately HK\$57.5 million towards the general working capital of the Group.

GENERAL MANDATE

The issue of the Subscription Shares will be pursuant to the General Mandate and is not subject to Shareholders' approval. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the issue of the Subscription Shares is subject to the condition precedent under the Subscription Agreements and may or may not take place. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 12 June 2023, the Company entered into the Subscription Agreements in relation to the issue and subscription of new Subscription Shares at the Subscription Price.

Save for the identity of the subscriber and number of Subscription Shares, the principal terms of the two Subscription Agreements are substantially the same.

Subscription Agreement A

Subscriber : Allied Talent Global Limited
聯穎環球有限公司
(**"Subscriber A"**)

Number of Subscription Shares to be issued : 528,966,000 (representing approximately 10.18% of the total number of Shares in issue as at the date of this announcement and approximately 8.49% of the total number of Shares as enlarged by the issue of these Subscription Shares)

Subscription Agreement B

Subscriber : Delight On Group Limited
樂安集團有限公司
(**"Subscriber B"**)

Number of Subscription Shares to be issued : 510,000,000 (representing approximately 9.82% of the total number of Shares in issue as at the date of this announcement and approximately 8.18% of the total number of Shares as enlarged by the issue of these Subscription Shares)

The Subscription Price payable by each of Subscriber A and Subscriber B under the relevant Subscription Agreement shall be paid in cash to the Company at Completion.

Based on information provided to the Company, Subscriber A is a BVI Business Company incorporated in the British Virgin Islands. Its principal business is investment holding and its entire issued share capital is ultimately and beneficially owned by Mr. Huang Chi-Cheng (“**Mr. Huang**”). Mr. Huang is the founder and the chairman of BaaSid International Lab Co., Ltd. and also the chairman of Croxlink Inc. BaaSid International Lab Co., Ltd. and Croxlink Inc. are principally engaged in information software and information security businesses. Mr. Huang is currently a director of each of Asia Pacific RegTech Association and Digital Governance Association, Taiwan.

Based on information provided to the Company, Subscriber B is a BVI Business Company incorporated in the British Virgin Islands. Its principal business is investment holding and its entire issued share capital is ultimately and beneficially owned by Mr. Ding Jiann-Shing (“**Mr. Ding**”). Mr. Ding is the general manager of RDIPC Taiwan Co., Ltd. (“**RDIPC**”) and has served RDIPC for over 30 years. RDIPC is principally engaged in information technology equipment, hardware and software businesses. Mr. Ding is also a director of Taiwan Tsinghua Industrial Management and Cultural Education Foundation.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Subscriber A, Subscriber B and their respective ultimate beneficial owner is a third party independent of the Company and its connected persons.

Subscription Price

The Subscription Price is HK\$0.224 per Subscription Share.

The Subscription Price was determined after arm’s length negotiation between the Company and each of Subscriber A and Subscriber B. The Company agreed the Subscription Price with reference to the average closing price per Share for the five consecutive trading days immediately preceding the date of the Subscription Agreements.

The Subscription Price represents:

- (1) a discount of approximately 9.68% to the closing price of HK\$0.248 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements; and
- (2) a discount of approximately 19.13% to the average closing price of HK\$0.277 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreements.

Based on the closing price of the Shares of HK\$0.248 per Share on the date of the Subscription Agreements, the Subscription Shares have an aggregate market value of HK\$257,663,568. The aggregate nominal value of the Subscription Shares is HK\$10,389,660.

The gross proceeds and the net proceeds (after the deduction of the relevant expenses) from the issue of the Subscription Shares will be HK\$232.7 million and approximately HK\$232.5 million respectively. The net subscription price is approximately HK\$0.2238 per Subscription Share.

Condition precedent

The obligations of the Company and each of Subscriber A and Subscriber B to effect Completion under the relevant Subscription Agreement are conditional upon the listing of, and permission to deal in, the Subscription Shares which are subject to that relevant agreement being granted by the Stock Exchange (and such listing and permission not subsequently revoked prior to Completion) on or before 30 June 2023 (or such later date as the parties to the relevant agreements may agree).

In the event that such condition precedent is not satisfied on or before 30 June 2023 (or such later date as the parties to the relevant agreements may agree), the Subscription Agreements shall terminate and neither party shall be liable to the other or have any claim against the other party for damages, compensation or otherwise save and except any liability for antecedent breaches of either party.

Completion of each Subscription Agreement is not conditional on the completion of the other.

Completion

Completion of each Subscription Agreement is to take place within 10 Business Days immediately following the fulfilment of the condition precedent in the relevant agreement.

Ranking of the Subscription Shares

The Subscription Shares will, when issued, rank *pari passu* in all respects among themselves and with the Shares in issue at the time of issue and allotment of the Subscription Shares save in respect of any rights the record date for which falls on or before Completion.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately upon Completion (assuming that (a) all Subscription Agreements have been completed and (b) there will be no other change to the share capital of and shareholding in the Company other than the issue and allotment of the Subscription Shares) is:

	As at the date of this announcement		Immediately upon Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Director				
Seah Ang (Note 1)	50,213,479	0.97	50,213,479	0.81
Substantial Shareholders				
Digital Knight Finance S.à r.l. (Note 2)	838,806,000	16.15	838,806,000	13.46
Poly Culture Group Corporation Limited	532,360,000	10.25	532,360,000	8.54
One Music Investment Co., Ltd. (Note 3)	646,430,000	12.44	646,430,000	10.37
The Subscribers				
Subscriber A	-	-	528,966,000	8.49
Subscriber B	-	-	510,000,000	8.18
Public Shareholders				
(Note 4)	3,127,023,146	60.19	3,127,023,146	50.16
Total:	5,194,832,625	100.00	6,233,798,625	100.00

Notes:

- Mr. Seah Ang holds these Shares through his wholly-owned company, Global Domain Investments Limited. Mr. Seah Ang also holds 10,000,000 outstanding share options granted under the Company's share option scheme adopted on 27 April 2012 and amended on 3 April 2014.*
- Digital Knight Finance S.à r.l. is indirectly wholly-owned by Mr. Ng Clive Cheang Neng.*
- One Music Investment Co., Ltd. is owned as to over 90% by Mr. Chen Li-Pai and remaining by his spouse.*
- Among the public Shareholders, 146,250,000 Shares (representing approximately 2.82% of the issued Shares of the Company as at the date of this announcement and approximately 2.35% of the issued Shares of the Company immediately upon Completion) are held by ADATA Technology Co., Ltd., the chairman of which is Mr. Chen Li-Pai. As disclosed in the announcement dated 20 April 2023, Mr. Chen Li-Pai and his associates hold approximately 8.39% of the issued shares of ADATA Technology Co., Ltd.*
- As at the date of this announcement, the Company has in issue 5,194,832,625 Shares and options to subscribe for 224,465,324 Shares granted pursuant to the share option scheme of the Company adopted on 27 April 2012 and amended on 3 April 2014.*
- The aggregate of the percentage figures in the above table may not add up to 100% due to rounding of the percentage figures to two decimal places.*

REASONS FOR, AND THE BENEFITS OF, THE ISSUE OF THE SUBSCRIPTION SHARES AND USE OF PROCEEDS

The Company is an investment holding company. Its subsidiaries are principally engaged in media entertainment business, including visual effects production, post production service and virtual human business.

The Directors believe that the investment of Mr. Huang and Mr. Ding through the Subscribers can lend support to the Group's efforts in building opportunities for product and/or services collaboration with Taiwan-based technology related companies. Completion of the Subscription Agreements will also strengthen the operating capital of the Group and broaden the shareholder base of the Company.

The Directors are of the view that the Subscription Agreements are entered into upon normal commercial terms and that the terms of the Subscription Agreements (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds and the net proceeds (after the deduction of the relevant expenses) from the issue of the Subscription Shares will be HK\$232.7 million and approximately HK\$232.5 million respectively.

The Group intends to apply the net proceeds as to (i) approximately HK\$175 million towards development of the Group's media entertainment segment including but not limited to the development and integration of generative artificial intelligence technology into the Group's business and production process as AI generated content can be a valuable approach for enhancing the creativity, efficiency and effectiveness of a visual effects company and (ii) the remainder of approximately HK\$57.5 million towards the general working capital of the Group. Given that the net proceeds from the First Subscription and Second Subscription have been and will be fully utilised as explained in more details below and the Company will need to put in place healthy level of cash flow to satisfy the Group's expected operating expenditure, the Directors consider that the Subscription Agreements are necessary and beneficial for the Group's continuing operations and development.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

On 2 February 2023, the Company completed the First Subscription to two subscribers. The net proceeds from the First Subscription was approximately HK\$69.76 million. The use of proceeds from the First Subscription is set out below:

Proposed use	Actual use
<ul style="list-style-type: none"> approximately HK\$60 million towards development of the Group's media entertainment segment; and approximately HK\$9.76 million towards the general working capital of the Group. 	<ul style="list-style-type: none"> approximately HK\$60 million has been used for development of the Group's media entertainment segment; and approximately HK\$9.76 million has been applied towards the general working capital of the Group.

On 3 May 2023, the Company completed the Second Subscription to one subscriber. The net proceeds from the Second Subscription was approximately HK\$143.1 million. The use of proceeds from the Second Subscription is set out below:

“Business Day(s)”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business and on which the Stock Exchange is open for the business of dealing in securities
“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)
“Completion”	completion of the issue of the Subscription Shares pursuant to the Subscription Agreements
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“First Subscription”	subscription of Shares on 2 February 2023 of an aggregate of 219,375,000 Shares (representing approximately 4.83% of the then issued share capital of the Company) at HK\$0.32 per Share
“General Mandate”	the general mandate granted to the Directors at the annual general meeting held on 31 May 2023 pursuant to which a maximum of 1,038,966,525 Shares, being 20% of the total number of Shares in issue as at 31 May 2023, may fall to be allotted and issued
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ding”	has the meaning ascribed to it in the section headed “Introduction” of this announcement
“Mr. Huang”	has the meaning ascribed to it in the section headed “Introduction” of this announcement
“RDIPC”	has the meaning ascribed to it in the section headed “Introduction” of this announcement

“Second Subscription”	subscription of Shares on 3 May 2023 of an aggregate of 646,430,000 Shares (representing approximately 12.44% of the then issued share capital of the Company) at HK\$0.222 per Share
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	has the meaning ascribed to it in the section headed “Introduction - Subscription Agreement A” of this announcement
“Subscriber B”	has the meaning ascribed to it in the section headed “Introduction - Subscription Agreement B” of this announcement
“Subscription Agreements”	the subscription agreements dated 12 June 2023 entered into by the Company and each of Subscriber A and Subscriber B in respect of the subscription of Subscription Share(s)
“Subscription Price”	subscription price as stated in the Subscription Agreements, being HK\$0.224 per Share
“Subscription Share(s)”	new Shares to be issued by the Company to Subscriber A or Subscriber B in accordance with the terms of the Subscription Agreements
“substantial shareholder(s)”	has the same meaning ascribed to it in the Listing Rules
“%”	per cent

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

Hong Kong, 12 June 2023

As at the date of this announcement, Mr. Seah Ang and Dr. Sun Ta-Chien are the executive Directors; Mr. Li Weiqiang, Mr. Cui Hao, Ms. Alla Y Alenikova 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.