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If you have sold or transferred all your shares in **Digital Domain Holdings Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting of the Company to be held at the Conference Room, Suite 2005, 20/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 1 December 2023 at 10:30 a.m. is set out on pages 14 to 15 of this circular. Whether or not you are able to attend the meeting, please complete the form of proxy enclosed with this circular in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

14 November 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

| | |
|---------------------------|---|
| “Announcement” | the announcement of the Company dated 19 October 2023 in relation to the Subscriptions |
| “Board” | the board of Directors |
| “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 an aggregate of 219,375,000 Shares (representing approximately 4.83% of the then issued share capital of the Company) on 2 February 2023 at HK\$0.32 per Share |
| “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 |
| “Latest Practicable Date” | 9 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| “Listing Committee” | the listing committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Second Subscription” | subscription of an aggregate of 646,430,000 Shares (representing approximately 12.44% of the then issued share capital of the Company) on 3 May 2023 at HK\$0.222 per Share |
| “SGM” | the special general meeting of the Company to be held at the Conference Room, Suite 2005, 20/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 1 December 2023 at 10:30 a.m. to consider and, if thought fit, approve the grant of the Specific Mandate and the transactions contemplated under the Subscription Agreements |

DEFINITIONS

| | |
|---------------------------|--|
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “Specific Mandate” | the specific mandate to allot and issue the Subscription Shares to be sought from the Shareholders at the SGM |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber A” | 美音投資股份有限公司 (formerly known as 美音投資有限公司 in Chinese) (Meiyin Investment Co., Ltd.), a company incorporated in Taiwan with limited liability |
| “Subscriber B” | 華采國際股份有限公司 (Irobot Innovation Co., Ltd.), a company incorporated in Taiwan with limited liability |
| “Subscriber C” | 宏享投資開發股份有限公司 (Whole Share Capital Inc.), a company incorporated in Taiwan with limited liability |
| “Subscribers” | the subscribers subscribing for the Subscription Shares under the Subscriptions, that is, Subscriber A, Subscriber B and Subscriber C, each a “Subscriber” |
| “Subscription Agreements” | the three subscription agreements each dated 19 October 2023 entered into by the Company and each of Subscriber A, Subscriber B and Subscriber C in respect of the subscription of Subscription Shares and each a “Subscription Agreement” |
| “Subscription Price” | subscription price as stated in the Subscription Agreements, being HK\$0.207 per Share |
| “Subscription Shares” | up to 1,745,450,000 new Shares to be allotted and issued by the Company to the Subscribers in accordance with the terms of the Subscription Agreements |
| “Subscriptions” | the subscriptions of the Subscription Shares by the Subscribers in accordance with the terms and conditions of the Subscription Agreements |
| “Third Subscription” | subscription of an aggregate of 1,038,966,000 Shares (representing approximately 16.67% of the then issued share capital of the Company) on 20 June 2023 at HK\$0.224 per Share |
| “%” | per cent. |

LETTER FROM THE BOARD



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

Executive Directors:

Mr. SEAH Ang

(Acting Chairman and Chief Executive Officer)

Dr. SUN Ta-Chien

Non-executive Directors:

Mr. LI Weiqiang

Mr. CUI Hao

Ms. Alla Y ALENIKOVA

Mr. Brian Thomas MCCONVILLE

Independent Non-executive Directors:

Mr. DUAN Xiongfei

Ms. LAU Cheong

Dr. Elizabeth Monk DALEY

Mr. WOO King Hang

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of

Business in Hong Kong:

Suite 2005, 20/F.

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

14 November 2023

To the Shareholders

Dear Sir or Madam,

**SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

We refer to the Announcement in relation to the Subscription Agreements pursuant to which the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe for up to 1,745,450,000 Subscription Shares.

Completion of the Subscriptions is subject to, among other things, the passing by the Shareholders of the resolution at the SGM to approve the grant of the Specific Mandate to allot and issue the Subscription Shares and the transactions contemplated under the Subscription Agreements. The purpose of this circular is to provide you with, among others, (i) further details of the Subscriptions and the Subscription Agreements; and (ii) a notice convening the SGM.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENTS

On 19 October 2023, the Company and each of the Subscribers entered into three separate Subscription Agreements in relation to the issue and subscription of new Subscription Shares at the Subscription Price. Save for the identity of the subscribers and number of Subscription Shares, the principal terms of the three Subscription Agreements are substantially the same, which are set out as follows:

Subscription Agreement A

Parties

- (i) the Company, as issuer
- (ii) Subscriber A, as subscriber

Subscription Shares

Pursuant to the terms of the Subscription Agreement A, the Company has conditionally agreed to allot and issue and Subscriber A has conditionally agreed to subscribe for, 580,000,000 Subscription Shares, representing:

- (i) approximately 9.30% of the total number of Shares in issue as at the date of the Subscription Agreement; and
- (ii) approximately 7.27% of the total number of Shares in issue as enlarged by the issue of the Subscription Shares (assuming (a) all the Subscription Agreements have been completed and (b) there will be no other change in the total number of Shares in issue from the Latest Practicable Date and up to the date of Completion).

Subscription Agreement B

Parties

- (i) the Company, as issuer
- (ii) Subscriber B, as subscriber

Subscription Shares

Pursuant to the terms of the Subscription Agreement B, the Company has conditionally agreed to allot and issue and the Subscriber B has conditionally agreed to subscribe for, 565,450,000 Subscription Shares, representing:

- (i) approximately 9.07% of the total number of Shares in issue as at the date of the Subscription Agreement; and

LETTER FROM THE BOARD

- (ii) approximately 7.09% of the total number of Shares in issue as enlarged by the issue of the Subscription Shares (assuming (a) all the Subscription Agreements have been completed and (b) there will be no other change in the total number of Shares in issue from the Latest Practicable Date and up to the date of Completion).

Subscription Agreement C

Parties

- (i) the Company, as issuer
- (ii) Subscriber C, as subscriber

Subscription Shares

Pursuant to the terms of the Subscription Agreement C, the Company has conditionally agreed to allot and issue and the Subscriber C has conditionally agreed to subscribe for, 600,000,000 Subscription Shares, representing:

- (i) approximately 9.62% of the total number of Shares in issue as at the date of the Subscription Agreement; and
- (ii) approximately 7.52% of the total number of Shares in issue as enlarged by the issue of the Subscription Shares (assuming (a) all the Subscription Agreements have been completed and (b) there will be no other change in the total number of Shares in issue from the Latest Practicable Date and up to the date of Completion).

Subscription Price

The Subscription Price is HK\$0.207 per Subscription Share.

The Subscription Price was determined after arm's length negotiation between the Company and each of the Subscribers 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:

- (i) a premium of approximately 5.61% to the closing price of HK\$0.196 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (ii) no premium or discount to the average closing price of HK\$0.207 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreements; and
- (iii) a premium of approximately 11.89% to the closing price of HK\$0.185 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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Based on the closing price of the Shares of HK\$0.196 per Share on 19 October 2023, being the date of the Subscription Agreements, the Subscription Shares have an aggregate market value of HK\$342,108,200. The aggregate nominal value of the Subscription Shares is HK\$17,454,500.

The gross proceeds and the net proceeds (after the deduction of the relevant expenses) from the issue of the maximum number of Subscription Shares will be approximately HK\$361.3 million and approximately HK\$360.9 million, respectively. The net subscription price is approximately HK\$0.2068 per Subscription Share.

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

Conditions Precedent

Completion of each of the Subscription Agreements is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the listing of, and permission to deal in, the Subscription Shares being granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) by the Stock Exchange (and such listing and permission not subsequently revoked prior to Completion) on or before 15 December 2023 (or such later date as the parties to the relevant Subscription Agreement may agree);
- (ii) the passing by the Shareholders of all necessary resolutions at the SGM in compliance with applicable laws and the Listing Rules to approve the grant of the Specific Mandate to allot and issue the relevant Subscription Shares to the relevant Subscriber and the transactions contemplated under the relevant Subscription Agreement;
- (iii) all the representations, warranties and undertakings given by the Company under the relevant Subscription Agreement remaining true and accurate in all material respects; and
- (iv) all the representations, warranties and undertakings given by the relevant Subscriber under the relevant Subscription Agreement remaining true and accurate in all material respects.

The conditions set out in paragraphs (i) and (ii) above are not capable of being waived and the condition set out in paragraph (iii) is capable of being waived by the relevant Subscriber only and the condition set out in paragraph (iv) is capable of being waived by the Company only. If the conditions set out in paragraphs (i) and (ii) above are not satisfied on or before 15 December 2023 (or such later date as the parties to the relevant Subscription Agreement may agree), the relevant Subscription Agreement 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.

As at the Latest Practicable Date, none of the conditions precedent to the Subscription Agreements has been fulfilled.

LETTER FROM THE BOARD

Completion

Completion of each of the Subscription Agreements is not inter-conditional on the completion of the other Subscription Agreements.

Completion of each of the Subscription Agreements is to take place within 10 Business Days immediately following the fulfilment of the conditions precedent in the relevant Subscription Agreement (to the extent not waived).

Ranking of the Subscription Shares

The Subscription Shares shall, when allotted and issued, rank pari passu in all respects among themselves, and with all other Shares in issue as at the date of Completion, save in respect of any entitlements the record date for which falls on or before the date of Completion.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately upon Completion (assuming that (a) all the Subscription Agreements have been completed and (b) there will be no other change in the total number of Shares in issue and shareholding in the Company from the Latest Practicable Date and up to the date of Completion other than the allotment and issue of the Subscription Shares) is as follows:

| | As at the Latest Practicable Date | | Immediately upon Completion | |
|---|--|-----------------------------|--|-----------------------------|
| | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> |
| Director | | | | |
| Seah Ang (<i>Note 1</i>) | 50,213,479 | 0.81 | 50,213,479 | 0.63 |
| Substantial Shareholders | | | | |
| Digital Knight Finance S.à r.l. (<i>Note 2</i>) | 838,806,000 | 13.46 | 838,806,000 | 10.51 |
| Poly Culture Group Corporation Limited (<i>Note 3</i>) | 532,360,000 | 8.54 | 532,360,000 | 6.67 |
| One Music Investment Co., Ltd. (<i>Note 4</i>) | 646,430,000 | 10.37 | 646,430,000 | 8.10 |
| Allied Talent Global Limited (<i>Note 5</i>) | 528,966,000 | 8.49 | 528,966,000 | 6.63 |
| Delight On Group Limited (<i>Note 6</i>) | 510,000,000 | 8.18 | 510,000,000 | 6.39 |
| The Subscribers | | | | |
| Subscriber A | – | – | 580,000,000 | 7.27 |
| Subscriber B | – | – | 565,450,000 | 7.09 |
| Subscriber C | – | – | 600,000,000 | 7.52 |
| Public Shareholders (<i>Note 7</i>) | <u>3,127,023,146</u> | <u>50.16</u> | <u>3,127,023,146</u> | <u>39.19</u> |
| Total: | <u><u>6,233,798,625</u></u> | <u><u>100.00</u></u> | <u><u>7,979,248,625</u></u> | <u><u>100.00</u></u> |

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Notes:

1. 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.
2. Digital Knight Finance S.à r.l. is indirectly wholly-owned by Mr. Ng Clive Cheang Neng.
3. Poly Culture Group Corporation Limited is a company listed on the Main Board of the Stock Exchange (stock code: 3636).
4. One Music Investment Co., Ltd. is owned as to over 90% by Mr. Chen Li-Pai and the remaining by his spouse.
5. Allied Talent Global Limited is wholly-owned by Mr. Huang Chi-Cheng.
6. Delight On Group Limited is wholly-owned by Mr. Ding Jiann-Shing.
7. Among the public Shareholders, 146,250,000 Shares (representing approximately 2.35% of the issued Shares of the Company as at the Latest Practicable Date and approximately 1.83% 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..
8. As at the Latest Practicable Date, the Company has in issue 6,233,798,625 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.
9. 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.

As shown in the table above, there will not be any change in control in the Company as a result of the completion of the Subscriptions.

INFORMATION ON THE SUBSCRIBERS

Based on information provided to the Company, Subscriber A is a company incorporated in Taiwan with limited liability. Its principal business is investment holding and its entire issued share capital is ultimately and beneficially owned as to over 99.9% by its chairman, Mr. Yu Li-Fu ("**Mr. Yu**") and the remaining shareholding interest by Ms. Yu Hsiao-Ping. Mr. Yu is currently the chairman of Yueyin Technology Company Limited and Chipsource Co., Ltd. which are principally engaged in memory modules equipment business.

Based on information provided to the Company, Subscriber B is a company incorporated in Taiwan with limited liability and is principally engaged in general trading. Its entire issued share capital is ultimately and beneficially owned as to 50% by its chairman, Mr. Lu Wen-Der ("**Mr. Lu**"), and 50% by his spouse, Ms. Hsieh Shu Ying. Mr. Lu is currently the chairman of Aeagle Innovations Co., Ltd. ("**Aeagle**") and an independent director of ATrack Technology Inc. ("**ATrack**"). Aeagle is an advertising planning company which conducts corporate sports promotion activities. ATrack is principally engaged in telematics devices and technical support services, the shares of which are listed on the Taiwan Stock Exchange (stock code: 6465).

LETTER FROM THE BOARD

Based on information provided to the Company, Subscriber C is a company incorporated in Taiwan with limited liability. Its principal business is investment holding and its entire issued share capital is ultimately and beneficially owned as to 99.4% by its chairman, Mr. Lee Tsong-Jung (“**Mr. Lee**”), and the remaining shareholding interest by his spouse, Ms. Huang Li-Ching. Mr. Lee is currently an independent director of ADATA Technology Co., Ltd. (“**ADATA**”), the shares of which are listed on the Taiwan Stock Exchange (stock code: 3260). ADATA’s principal business is the manufacture and distribution of DRAM (Dynamic Random Access Memory) modules, flash memories and multimedia products. As at the Latest Practicable Date, 146,250,000 Shares (representing approximately 2.35% of the issued Shares of the Company as at the Latest Practicable Date) are held by ADATA. The chairman of ADATA is Mr. Chen Li-Pai. As disclosed in the announcement of the Company dated 20 April 2023, Mr. Chen Li-Pai and his associates hold approximately 8.39% of the issued shares of ADATA. Mr. Lee was previously the vice president of ASUSTeK Computer Inc.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscribers are independent of each other, and each of Subscriber A, Subscriber B and Subscriber C and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE GROUP AND 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 (VFX) production, post production service and virtual human (VH) business.

As a leading VFX studio in the world, the Group has a history of developing and using proprietary technology to deliver award winning VFX and VH services. In order to continue delivering cutting-edge solutions that both optimize production efficiency (both in terms of production costs and turnaround time) and elevate the quality of its VFX and VH offerings, the Group has established the Digital Domain Research Lab (“**DD Lab**”), which will enable the Group to scale up its efforts in an efficient manner as its needs to harness the power of artificial intelligence and machine learning (Generative AI) for use in character animation, VH production, props and scenes creation and post production work. In short, DD Lab is a research and development (“**R&D**”) unit dedicated towards improving the Group’s capabilities in these areas in light of industry trends to stay at the forefront of the VFX industry, instead of historical limited R&D efforts that had enabled the Group to produce leading quality work for its customers.

DD Lab has developed an initial 4-year research programme that includes projects for automating complex repetitive production tasks or processes and developing tools for creating virtual characters and environments that will improve production time and cost efficiency as well as make available for commercial exploitation user-friendly software applications (including Software as a Service (SaaS)) which DD Lab anticipates it will expand the potential uses of VH across diverse industries. These research projects will be undertaken by the Group’s in-house team (comprising current R&D team and other professional staff with expertise in deep learning, computer vision, graphics and related fields to be recruited) and also through collaboration with academic institutions and their technology departments. As shown below, a large portion of the programme’s budget is allocated towards the costs of research personnel given the specialists skills and knowledge that are needed to be brought together for this

LETTER FROM THE BOARD

programme, while the Group will seek to moderate staff cost through collaboration projects. The Board considers that given that the work product(s) of the research programme could translate into reduced production costs, higher production efficiency, continued and enhanced competitiveness and therefore better revenue/profit generation capability, it is important to reasonably ensure that it can run as planned. Earlier termination of the programme due to lack of funding could mean that earlier stage investments would be wasted. Therefore, the Board considers that it is appropriate for the Company to raise dedicated funding through the Subscriptions for this programme instead of relying on surplus cash generated from operating activities in the current challenging market environment.

The gross proceeds from the issue of the maximum number of Subscription Shares will be approximately HK\$361.3 million. The net proceeds from the issue of the maximum number of Subscription Shares, after the deduction of the relevant expenses, will be approximately HK\$360.9 million. The size of the Subscriptions was mainly determined by reference to specific funding needs of the DD Lab project and general working capital needs of the Group, given that the net proceeds from the First Subscription, Second Subscription and Third Subscription have been and/or will be fully utilised as explained in more detail below.

The Group intends to apply (i) approximately HK\$312 million of the net proceeds towards the continued development of the research projects of DD Lab, with approximately HK\$252.18 million being earmarked towards the cost of research personnel and support staff (including the cost of collaborative partnerships with external institutions); approximately HK\$27.30 million towards intellectual property rights related investments (such as data acquisition costs, R&D expenses and patent applications costs); approximately HK\$24.33 million for hardware and software investments and approximately HK\$8.19 million for rental expenses for additional facilities and research space and other sundry expenses; and (ii) the remainder of approximately HK\$48.9 million towards the general working capital of the Group.

As (i) the DD Lab project is focused on developing technologies of direct application to the Group's core business operations and, upon successful development, will add value to the business of the Group as a whole and help maintain or increase its competitive advantage; and (ii) the Subscribers being operators in tech/tech related industries (who may therefore be more open to risks and rewards inherent in tech-based R&D projects) are willing to invest in the Company, the Directors consider that the proposed fund raising through the issue of the Subscription Shares to be necessary and beneficial for the Group's continuing operations and development, in the interest of the Company and its Shareholders as a whole.

The Company has explored and assessed other financing alternatives, including both debt and equity financing, before entering into the Subscription Agreements with the Subscribers. The Company has not been able to secure terms of debt financing which are commercially acceptable to the Group, as available financing terms are typically for short tenors and/or at high financing costs (given the prevailing high interest rate environment) which would significantly increase pressure on the financial position of the Group. The Company also notes that the depressed equity market environment in Hong Kong means that execution risks for equity financing exercises such as a rights issue to be high and availability of underwriter at commercially acceptable underwriting commission (or at all) is low while transaction costs to launch and close such an exercise is significantly higher than for the Subscription Agreements. Based on the above, the Directors consider that the Subscriptions represent a cost-effective means and a more suitable option for the Group to raise the level of financing it needs.

LETTER FROM THE BOARD

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.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

On 2 February 2023, the Company completed the First Subscription and net proceeds of approximately HK\$69.76 million was raised from two subscribers. The net proceeds from the First Subscription have been fully utilised in accordance with the proposed use (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 and net proceeds of approximately HK\$143.1 million was raised from one subscriber. The net proceeds from the Second Subscription have been fully utilised in accordance with the proposed use (approximately HK\$120 million has been used for development of the Group's media entertainment segment, and approximately HK\$23.1 million has been applied towards the general working capital of the Group).

On 20 June 2023, the Company completed the Third Subscription and net proceeds of approximately HK\$232.5 million was raised from two subscribers. The use of proceeds from the Third Subscription is set out below.

| Proposed use | Actual use |
|---|---|
| <ul style="list-style-type: none">approximately HK\$175 million towards development of the Group's media entertainment segment; and | <ul style="list-style-type: none">approximately HK\$30 million has been used for development of the Group's media entertainment segment (of which HK\$3.9 million has been used for the development and integration of Generative AI technology into the Group's business and production processes) and the remaining amount of approximately HK\$145 million (of which HK\$9.4 million has been earmarked for use in the development and integration of Generative AI technology into the Group's business and production processes) is expected to be utilised on or before 29 February 2024; and |
| <ul style="list-style-type: none">approximately HK\$57.5 million towards the general working capital of the Group. | <ul style="list-style-type: none">approximately HK\$28.2 million has been applied towards the general working capital of the Group and the remaining amount of approximately HK\$29.3 million is expected to be used on or before 29 February 2024. |

LETTER FROM THE BOARD

None of the proceeds from the First Subscription and Second Subscription had been used for the DD Lab project.

No more than 10% of the proceeds from the Third Subscription allocated towards the development and integration of Generative AI technology into the Group's business and production processes has been or will be used in the early stage development and feasibility assessment of DD Lab's research programme or R&D activities that are to be continued by DD Lab.

Save as disclosed above, the Company has not conducted any equity fund raising activity in the 12 months immediately preceding the Latest Practicable Date.

SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Shareholders at the SGM. The issuance of the Subscription Shares is subject to, among other things, approval by the Shareholders at the SGM. A resolution will be proposed to the Shareholders at the SGM to consider and, if thought fit, approve, among other things, the grant of the Specific Mandate to allot and issue the Subscription Shares and the transactions contemplated under the Subscription Agreements.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

SGM

A notice of the SGM to be held at the Conference Room, Suite 2005, 20/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 1 December 2023 at 10:30 a.m. is set out on pages 14 to 15 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, please complete the form of proxy enclosed with this circular in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting (i.e. no later than 10:30 a.m. on Wednesday, 29 November 2023) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Shareholders who are involved in or interested in the Subscriptions will be required to abstain from voting in respect of the resolution to approve the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Subscription Agreements and the transactions contemplated under the Subscription Agreements at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution approving the aforesaid matters.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 November 2023 to Friday, 1 December 2023, both days inclusive, for determining the identity of the Shareholders who are entitled to attend and vote at the SGM. No transfer of Shares will be registered during this period. Shareholders whose names appear on the register of members of the Company on Friday, 1 December 2023 are entitled to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 27 November 2023.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, voting on the resolution to be proposed at the SGM will be taken by poll. After the conclusion of the SGM, the results of the poll will be announced in accordance with Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors are of the opinion that the proposed ordinary resolution for (i) the approval of the transactions contemplated under the Subscription Agreements; and (ii) the granting of the Specific Mandate, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,

For and on behalf of the Board

DIGITAL DOMAIN HOLDINGS LIMITED

Seah Ang

Executive Director and Chief Executive Officer

NOTICE OF SPECIAL GENERAL MEETING



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (“SGM”) of Digital Domain Holdings Limited (the “Company”) will be held at the Conference Room, Suite 2005, 20/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 1 December 2023 at 10:30 a.m. to consider as special business and, if thought fit, passing with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the allotment and issue of up to 1,745,450,000 new shares (the “**Subscription Shares**”) of the Company to 美音投資股份有限公司 (formerly known as 美音投資有限公司 in Chinese) (Meiyin Investment Co., Ltd.) (“**Subscriber A**”), 華采國際股份有限公司 (Irobot Innovation Co., Ltd.) (“**Subscriber B**”), and 宏享投資開發股份有限公司 (Whole Share Capital Inc.) (“**Subscriber C**”, collectively with Subscriber A and Subscriber B, the “**Subscribers**”), respectively, at the subscription price of HK\$0.207 per Subscription Share in accordance with the terms of the three subscription agreements dated 19 October 2023 (the “**Subscription Agreements**”) (a copy of each of which is marked “A”, “B” and “C”, respectively, produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) entered into between the Company and each of the Subscribers and other transactions contemplated thereunder are hereby approved, confirmed and ratified; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) the directors of the Company be and are hereby authorized to do all such acts and things and execute such further documents and take all steps which, in their opinion may be necessary, desirable, or expedient to implement and give effect to the terms of, and all transactions contemplated under, the Subscription Agreements for and on behalf of the Company and to approve any change and amendment thereto as they may consider necessary, desirable or expedient.”

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

Hong Kong, 14 November 2023

Notes:

- (1) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) The form of proxy and the power of attorney or other authority, if any, under which it is signed, or certified copy of such power or authority, shall be delivered to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
- (4) Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.
- (6) The resolution is to be voted by way of poll.
- (7) The register of members of the Company will be closed from Tuesday, 28 November 2023 to Friday, 1 December 2023, both days inclusive, during such period no transfer of shares of the Company will be registered. In order to determine the identity of members of the Company who are entitled to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 November 2023.
- (8) If a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the websites of the Company and the Stock Exchange to notify members of the Company of the date, time and venue of the rescheduled SGM.

Having considered their own situations, members of the Company should decide on their own whether or not they would attend the SGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

- (9) The form of proxy is enclosed.