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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 20 April 2023, the Company entered into the Subscription Agreement in relation to the issue and subscription of new Subscription Shares. Subject to the fulfilment of condition precedent of the Subscription Agreement, the Company agreed to issue and the Subscriber agreed to subscribe for 646,430,000 Subscription Shares at the Subscription Price of HK\$0.222 per Subscription Share.

The total number of Subscription Shares represent approximately 14.21% of the total number of Shares in issue as at the date of this announcement and approximately 12.44% of the total number of Shares as enlarged by the issue of the Subscription Shares (assuming 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\$143.1 million. The Group intends to apply the net proceeds as to approximately HK\$120 million towards development of the Group's media entertainment segment and the remainder of approximately HK\$23.1 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 Agreement and may or may not take place. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 20 April 2023, the Company entered into the Subscription Agreement in relation to the issue and subscription of new Subscription Shares at the Subscription Price.

Subscriber	:	One Music Investment Co., Ltd. 一音投資股份有限公司 (the “Subscriber”)
Number of Subscription Shares to be issued	:	646,430,000 (representing approximately 14.21% of the total number of Shares in issue as at the date of this announcement and approximately 12.44% of the total number of Shares as enlarged by the issue of these Subscription Shares)

The Subscription Price payable by the Subscriber under the Subscription Agreement shall be paid in cash to the Company at Completion.

Based on information provided to the Company, the Subscriber is a company incorporated in Taiwan with limited liability. Its principal business is investment holding.

The issued share capital of the Subscriber is ultimately and beneficially owned as to over 90% by Mr. Chen Li-Pai and remaining by his spouse.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owners is a third party independent of the Company and its connected persons as at the date of this announcement. The Subscriber will, upon Completion, become a substantial shareholder and a connected person of the Company.

Subscription Price

The Subscription Price is HK\$0.222 per Subscription Share.

The Subscription Price was determined after arm’s length negotiation between the Company and the Subscriber. 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 Agreement.

The Subscription Price represents:

- (1) a discount of approximately 9.39% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (2) a discount of approximately 12.32% to the average closing price of HK\$0.2532 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

Based on the closing price of the Shares of HK\$0.245 per Share on the date of the Subscription Agreement, the Subscription Shares have an aggregate market value of HK\$158,375,350. The aggregate nominal value of the Subscription Shares is HK\$6,464,300.

The gross proceeds and the net proceeds (after the deduction of the relevant expenses) from the issue of the Subscription Shares will be approximately HK\$143.5 million and approximately HK\$143.1 million respectively. The net subscription price is approximately HK\$0.221 per Subscription Share.

Condition precedent

The obligations of the Company and the Subscriber to effect Completion under the Subscription Agreement are conditional upon the listing of, and permission to deal in, the Subscription Shares which are subject to the Subscription Agreement being granted by the Stock Exchange (and such listing and permission not subsequently revoked prior to Completion) on or before 5 May 2023 (or such later date as the parties to the Subscription Agreement may agree).

In the event that such condition precedent is not satisfied on or before 5 May 2023 (or such later date as the parties to the Subscription Agreement may agree), the 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.

Completion

Completion of the Subscription Agreement is to take place within 10 Business Days immediately following the fulfilment of the condition precedent in the Subscription 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 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	1.10	50,213,479	0.97
Substantial Shareholders				
Digital Knight Finance S.à r.l. (Note 2)	838,806,000	18.44	838,806,000	16.15
Poly Culture Group Corporation Limited	532,360,000	11.70	532,360,000	10.25
Jade Link Holdings Limited (Note 3)	503,720,000	11.07	503,720,000	9.70
The Subscriber	-	-	646,430,000	12.44
Public Shareholders (Note 4)	2,623,303,146	57.68	2,623,303,146	50.50
Total:	4,548,402,625	100.00	5,194,832,625	100.00

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. *Jade Link Holdings Limited is wholly-owned by Ms. Tang Elaine Yilin.*
4. *Among the public Shareholders, 146,250,000 Shares (representing approximately 3.22% of the issued Shares of the Company as at the date of this announcement and approximately 2.82% 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. Based on information provided to the Company, Mr. Chen Li-Pai and his associates hold approximately 8.39% of the issued shares of ADATA Technology Co., Ltd.*
5. *As at the date of this announcement, the Company has in issue 4,548,402,625 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.*
6. *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 Completion of the Subscription Agreement will strengthen the Group's balance sheet and provide it with additional operating capital in the challenging business and operating environment, as described in the Group's annual result announcement for the financial year ended 31 December 2022. The Company sees the proposed personal investment by Mr. Chen Li-Pai, as the chairman and founder of ADATA Technology Co., Ltd. (which held approximately 3.22% of the Shares in issue as at the date of the Subscription Agreement acquired pursuant to the First Subscription), through the Subscriber, as a testimony of his and ADATA Technology Co., Ltd.'s confidence in the prospects of the Group. The Board also consider that Mr. Chen Li-Pai's established reputation in the Taiwan market can help the Group's continued efforts in making inroads to secure business opportunities with Taiwan-based technology related companies.

The Directors are of the view that the Subscription Agreement is entered into upon normal commercial terms and that the terms of the Subscription Agreement (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 approximately HK\$143.5 million and approximately HK\$143.1 million respectively.

The Group intends to apply the net proceeds as to approximately HK\$120 million towards development of the Group's media entertainment segment and the remainder of approximately HK\$23.1 million towards the general working capital of the Group.

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\$54 million has been used for development of the Group’s media entertainment segment; • approximately HK\$9.76 million has been applied towards the general working capital of the Group; and • approximately HK\$6 million will be used on or before 30 June 2023 for development of the Group’s media entertainment segment.

Save as disclosed above, the Company has not conducted any equity fund raising activity in the 12 months immediately preceding the date of this announcement.

GENERAL MANDATE

The Subscription Shares will be issued pursuant to the General Mandate and is not subject to Shareholders’ approval. On 2 February 2023, an aggregate of 219,375,000 Shares were allotted pursuant to the General Mandate for the First Subscription. The remaining General Mandate is sufficient to cover the issuance of the Subscription Shares.

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

None of the Directors have any interest in the Subscription Agreement or the transactions contemplated thereunder.

WARNING

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“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 Agreement
“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 by the Company 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 16 June 2022 pursuant to which a maximum of 865,805,525 Shares, being 20% of the total number of Shares in issue as at 16 June 2022, 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
“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”	has the meaning ascribed to it in the section headed “Introduction” of this announcement
“Subscription Agreement”	the subscription agreement dated 20 April 2023 entered into by the Company and the Subscriber in respect of the subscription of Subscription Share(s)
“Subscription Price”	subscription price as stated in the Subscription Agreement, being HK\$0.222 per Share
“Subscription Share(s)”	new Shares to be issued by the Company to the Subscriber in accordance with the terms of the Subscription Agreement
“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, 20 April 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.