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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)

CONNECTED TRANSACTION FORMATION OF JOINT VENTURE COMPANY

THE JOINT VENTURE AGREEMENT

The Board is pleased to announce that on 6 June 2024, Tower Talent, an indirect wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with SPLHL Shareholder in relation to the formation of the Joint Venture Company which issued share capital will be owned as to 40% by Tower Talent, 40% by SPLHL Shareholder and 20% by the Management Team Company.

LISTING RULES IMPLICATIONS

As the Management Team Company is expected to be owned as to 50% by Mr. Seah, being the Acting Chairman, Chief Executive Officer and an executive Director of the Company, the Management Team Company will therefore be an associate of Mr. Seah and the entering into of the Joint Venture Agreement will be deemed a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the formation of the Joint Venture Company are more than 0.1% but less than 5%, the transaction contemplated under the Joint Venture Agreement constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 6 June 2024, Tower Talent, an indirect wholly-owned subsidiary of the Company, and SPLHL Shareholder entered into the Joint Venture Agreement in relation to the formation of the Joint Venture Company with joint contribution by the Parties to develop and commercialise an AI-driven digital rights library for film, television and media and entertainment industry.

PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

A summary of the salient terms of the Joint Venture Agreement is set out below.

Date: 6 June 2024

Parties: (a) SPLHL Shareholder
(b) Tower Talent

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, SPLHL Shareholder and its ultimate beneficial owners are Independent Third Parties.

Formation of the Joint Venture Company and capital contributions

Capital contributions are to be made to the Joint Venture Company in the following manner:

Name	Capital contribution to be contributed by each Party (US\$)	Percentage of issued shares in the Joint Venture Company
Tower Talent	400,000	40%
SPLHL Shareholder	400,000	40%
Management Team Company	200,000	20%
Total	1,000,000	100%

The amount of the capital contribution to be injected by the Parties into the Joint Venture Company was determined after arm's length negotiations among the Parties with reference to the Joint Venture Company's capital requirements for its expected business development and in accordance with their respective shareholding proportion and shall be paid in cash.

The issued shares of the Management Team Company are initially expected to be held as to 50% and 50% by the respective representative of the management of the Company and SPLHL, being Mr. Seah and Ms. Ma, Hsin-Ting, the chairperson and an executive director of SPLHL, who will jointly decide future allocation of shares of the Management Team Company to staff of the Joint Venture Company.

Business of the Joint Venture Company

The Joint Venture Company will primarily engage in development and commercialisation of an AI-driven digital rights library for film, television and media and entertainment industry. The Joint Venture Company will become the exclusive agent for SPLHL's digital content production and AIGC in the globe and SPLHL's digital content distribution business in the globe excluding Greater China and the Middle East. The Joint Venture Company will also assist in digitizing both newly created and licensed IP, as well as commercialising them globally. The digital content production services are expected to be primarily procured from the Group which services will not be exclusive to the Joint Venture Company.

Management of the Joint Venture Company

The board of directors of the Joint Venture Company shall initially consist of three members. For so long as the SPLHL Shareholder or Tower Talent holding at least 30% of the shares of the Joint Venture Company, SPLHL Shareholder shall be entitled to nominate two directors and Tower Talent shall be entitled to nominate one director. The chief executive officer of the Joint Venture Company shall be appointed by SPLHL Shareholder.

Certain reserved matters of the Joint Venture Company are subject to the approval by shareholders of the Joint Venture Company holding not less than 70% issued shares, such as future financing, issue of new shares, winding up of the Joint Venture Company, etc.

Restrictions on equity transfers and right of first refusal

If any shareholder of the Joint Venture Company intends to transfer its equity interests to a third party (except to subsidiaries of the transferor), consent from the other shareholder is required and such other shareholder shall have the right of first refusal under the same terms, such right being subject to compliance with the applicable requirements of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company is an investment holding company. Its subsidiaries are principally engaged in media entertainment business, including visual effects production and virtual human business. SPLHL and its subsidiaries are principally engaged in new retail business and IP creation and operation business in the PRC.

The Joint Venture Company is intended to enable the Company and SPLHL to pool their respective strengths towards creating greater value for their respective stakeholders. From the perspective of the Group, the Board considers that the terms of the Joint Venture Company can assist the Group to secure revenue stream as a preferred digital content production services provider of the Joint Venture Company, which is to become the exclusive agent for SPLHL's digital content production and AIGC in the globe and SPLHL's digital content distribution business in the globe excluding Greater China and the Middle East. The formation of the Joint Venture Company is also expected to create additional channels for generating revenue from the Group's digital library and potentially share resources towards the training of the AI database models to create a sophisticated database using AIGC technologies. Leveraging on SPLHL's capability in IP creation where SPLHL creates and/or manages celebrity IPs, the Joint Venture Company's targeted clients are film and television companies, concert companies and artist management firms. This will in turn help the Group in increasing its exposure to different clientele.

In addition, the introduction of the Management Team Company which is initially evenly owned by the chairperson of each of the Company and SPLHL would demonstrate commitment not only of the Company and SPLHL but their chairpersons towards building out the performance of the Joint Venture Company's business. Future allocation of shares of the Management Team Company to the Joint Venture Company's employees would better align their interests with shareholders of the Joint Venture Company which is expected to generate more value to shares of the Joint Venture Company.

The Group intends to finance its capital commitment in the Joint Venture Company using internal financial resources and/or bank borrowings. The Joint Venture Company is expected to be accounted for as an associate of the Company. The Company notes that SPLHL has recently announced a placing exercise on 2 May 2024 and has earmarked certain amount of the net proceeds towards investing in a joint venture of this kind and developing related business.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement are fair and reasonable and the Joint Venture Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and is in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON TOWER TALENT

Tower Talent is an indirect wholly-owned subsidiary of the Company. The Company and its subsidiaries are principally engaged in media entertainment business, including visual effects production and virtual human business.

INFORMATION ON THE SPLHL SHAREHOLDER AND ITS ULTIMATE BENEFICIAL OWNER

SPLHL Shareholder is an indirect wholly-owned subsidiary of SPLHL and is principally engaged in media content production and licensing business.

SPLHL is a company incorporated in the Cayman Islands with limited liability. SPLHL acts as an investment holding company and SPLHL and its subsidiaries are principally engaged in new retail business and IP creation and operation business in the PRC.

LISTING RULES IMPLICATIONS

As the Management Team Company is expected to be owned as to 50% by Mr. Seah, being the Acting Chairman, Chief Executive Officer and an executive Director of the Company, the Management Team Company will therefore be an associate of Mr. Seah and the entering into of the Joint Venture Agreement will be deemed a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the formation of the Joint Venture Company are more than 0.1% but less than 5%, the transaction contemplated under the Joint Venture Agreement constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Seah is considered to have a material interest in the formation of the Joint Venture Company due to his position in the Company. Mr. Seah abstained from voting on the resolutions in relation to the Joint Venture Agreement proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the formation of the Joint Venture Company and is required to abstain from voting on the resolutions in relation to the Joint Venture Agreement.

DEFINITIONS

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

“AI”	Artificial Intelligence
“AIGC”	Artificial Intelligence Generated Content
“associate(s)”, “connected person(s)”, “connected transaction”, “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Digital Domain Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 547)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties who are not connected persons of the Company and are independent of the Company and its connected persons
“IP”	intellectual properties
“Joint Venture Agreement”	the joint venture agreement dated 6 June 2024 entered into between Tower Talent and SPLHL Shareholder in respect of the formation of the Joint Venture Company
“Joint Venture Company”	Star Plus Domain Limited, a limited liability company incorporated under the laws of British Virgin Islands to be set up by Tower Talent, SPLHL Shareholder and Management Team Company pursuant to the terms of the Joint Venture Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Team Company”	a new company to be established by the representatives of the management of the Company and SPLHL, being Mr. Seah and Ms. Ma Hsin-Ting, the chairperson and an executive director of SPLHL

“Mr. Seah”	Mr. Seah Ang, the Acting Chairman, Chief Executive Officer and an executive Director of the Company
“Parties”	Tower Talent, SPLHL Shareholder and Management Team Company, each of them a “Party”, who will become shareholders of the Joint Venture Company
“PRC”	the People’s Republic of China
“SPLHL”	Star Plus Legend Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6683)
“SPLHL Shareholder”	Star Odyssey Limited, an indirect wholly-owned subsidiary of SPLHL, being a party to the Joint Venture Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tower Talent”	Tower Talent Holdings Limited, an indirect wholly-owned subsidiary of the Company, being a Party to the Joint Venture Agreement
“US\$”	the United States dollar(s), the lawful currency of the United States of America
%	per cent.

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

Hong Kong, 6 June 2024

As at the date of this announcement, Mr. Seah Ang and Dr. Sun Ta-Chien are the executive Directors; 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.