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D I G I T A L D O M A I N

## **DIGITAL DOMAIN HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 547)**

### **TRANSFER OF CONVERTIBLE NOTES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

#### **TRANSFER OF CONVERTIBLE NOTES**

The Company has been notified by CITIC Limited, SBCVC and Zheng Hao that on 30 September 2016, CITIC Limited, SBCVC and Zheng Hao acquired from Harmony Energy Limited (being holder of the Convertible Notes in the principal amount of HK\$190.512 million) Convertible Notes in the principal amount of HK\$84 million, HK\$84 million and HK\$22.512 million respectively.

#### **THE SUBSCRIPTION**

On 30 September 2016 (after trading hours), the Company entered into the Subscription Agreements with CITIC Limited and SBCVC in relation to the Subscription. Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue an aggregate of 363,636,364 Shares to the Subscribers and/or their respective nominees at the Subscription Price of HK\$0.55 per Subscription Share. The Subscription Shares will be allotted and issued pursuant to the General Mandate.

The Subscription Shares represent approximately 3.06% of the existing issued share capital of the Company of 11,877,709,220 Shares and approximately 2.97% of the issued share capital of the Company of 12,241,345,584 Shares as enlarged by the Subscription.

The Subscription Price represents (i) a discount of approximately 9.84% to the closing price of HK\$0.61 per Share as quoted on the Stock Exchange on 30 September 2016, being the date of the Subscription Agreements; and (ii) a discount of approximately 4.18% to the average closing price per Share of HK\$0.574 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Subscription Agreements.

The Subscription is conditional upon (a) the warranties given by the Company pursuant to the Subscription Agreements remaining true and accurate in all material respects and not misleading in any material respect as of the date of Completion; (b) the Listing Committee granting listing of, and permission to deal in, the Subscription Shares; (c) completion of equity fund raising for not less than HK\$300,000,000 by the Company at or before Completion; and (d) simultaneous completion of the Subscription Agreements.

The gross proceeds and net proceeds from the Subscription will be approximately HK\$200 million and HK\$199.85 million respectively, and are intended to be applied towards media entertainment segment and as general working capital purposes of the Group.

## **TRANSFER OF CONVERTIBLE NOTES**

The Company has been notified by CITIC Limited, SBCVC and Zheng Hao that on 30 September 2016, CITIC Limited, SBCVC and Zheng Hao acquired from Harmony Energy Limited (being holder of the Convertible Notes in the principal amount of HK\$190.512 million) Convertible Notes in the principal amount of HK\$84 million, HK\$84 million and HK\$22.512 million respectively.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Zheng Hao and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Based on notification from CITIC Limited, SBCVC and Zheng Hao, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after full conversion of the Convertible Notes at the prevailing Conversion Price of HK\$0.04 per Conversion Share:

	As at the date of this announcement		Immediately after full conversion of the Convertible Notes at the prevailing Conversion Price of HK\$0.04 per Conversion Share	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Directors</b>				
Peter Chou (Note 1)	714,401,746	6.01	714,401,746	3.30
Seah Ang (Note 2)	502,134,789	4.23	502,134,789	2.32
Amit Chopra (Note 3)	502,134,789	4.23	502,134,789	2.32
<b>Substantial Shareholder</b>				
Zhang Xiaoqun (Note 4)	1,672,035,000	14.08	1,672,035,000	7.71
<b>Holders of Convertible Notes</b>				
CITIC Limited	-	-	2,100,000,000	9.69
SBCVC	-	-	2,100,000,000	9.69
Zheng Hao	-	-	562,800,000	2.60
Fortune Base Development Limited	-	-	5,037,200,000	23.24
<b>Public Shareholders</b>				
Other public Shareholders	8,487,002,896	71.45	8,487,002,896	39.15
<b>Total</b>	<b><u>11,877,709,220</u></b>	<b><u>100.00</u></b>	<b><u>21,677,709,220</u></b>	<b><u>100.00</u></b>

Notes:

1. Mr. Peter Chou holds these Shares through his wholly-owned companies, Kabo Limited and Honarn Inc. Kabo Limited holds 602,561,746 Shares and Honarn Inc. holds 111,840,000 Shares.
2. Mr. Seah Ang holds these Shares through his wholly-owned company, Global Domain Investments Limited. Mr. Seah Ang also holds 100,000,000 outstanding share options granted under the Company's share option scheme.
3. Mr. Amit Chopra holds these Shares through his wholly-owned company, Redmount Ventures Limited. Mr. Amit Chopra also holds 163,000,000 outstanding share options granted under the Company's share option scheme.
4. Mr. Zhang Xiaoqun holds these Shares through his wholly-owned company, Fortune Source International Limited.
5. As at the date of this announcement, the Company has in issue 11,877,709,220 Shares, options to subscribe for 1,423,790,000 Shares granted pursuant to the share option scheme of the Company, HK\$392,000,000 in principal amount of Convertible Notes that are convertible into Shares at the Conversion Price of HK\$0.04 per Share, subject to adjustments. An aggregate of 310,870,361 Shares are to be issued in connection with the Group's acquisition of further interest in Immersive Ventures Inc., which was the subject of the Company's announcements dated 11 December 2015 and 30 December 2015 respectively.
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.

## **THE SUBSCRIPTION AGREEMENTS**

On 30 September 2016 (after trading hours), the Company and the Subscribers entered into the Subscription Agreements, pursuant to which the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 363,636,364 Shares at the Subscription Price on the terms and subject to the conditions set out in the Subscription Agreements.

Save for the identity of the Subscribers and the number of Subscription Shares, the Subscription Agreements are on substantially the same terms with each other. The principal terms of the Subscription Agreements are set out as follows:

### **Date**

30 September 2016 (after trading hours)

### **Parties to the Subscription Agreements**

(a) The Subscribers; and

(b) The Company

### **Subscribers**

CITIC Limited is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00267).

SBCVC is an exempted limited partnership registered in the Cayman Islands and is managed by SoftBank China Venture Capital. SoftBank China Venture Capital, which was established in 2000, is known for, among its other investments, its early investment in Alibaba, and was the seed investor in Taobao.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Subscribers is a third party independent of the Company and its connected persons (as defined under the Listing Rules). Each of the Subscribers does not have any interest in the Shares except pursuant to the Subscription Agreements and except to the extent that they are holders of the Convertible Notes in the principal amount of HK\$168 million. It is expected that each of the Subscribers will not become substantial Shareholder (as defined under the Listing Rules) immediately after completion of the Subscription.

## Subscription Shares

The Subscription Shares are to be subscribed by the Subscribers and/or their respective nominees in the following proportion:

Subscribers	Number of Subscription Shares
CITIC Limited	181,818,182
SBCVC	181,818,182

As at the date of this announcement, the authorised share capital of the Company is HK\$750,000,000 divided into 75,000,000,000 Shares, of which 11,877,709,220 Shares are in issue.

The 363,636,364 Subscription Shares represent (i) approximately 3.06% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription). The aggregate nominal value of the Subscription Shares will be approximately HK\$3.64 million.

The Subscription Shares, when issued, will rank *pari passu* in all respect with the Shares then in issue.

## Subscription Price

The Subscription Price represents (i) a discount of approximately 9.84% to the closing price of HK\$0.61 per Share as quoted on the Stock Exchange on 30 September 2016, being the date of the Subscription Agreements; and (ii) a discount of approximately 4.18% to the average closing price per Share of HK\$0.574 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Subscription Agreements.

The estimated expenses for the Subscription are approximately HK\$0.15 million, comprising professional fees and expenses. Assuming that all the Subscription Shares could be successfully subscribed, the net price to the Company of each Share is approximately HK\$0.5496 per Subscription Share.

The Subscription Price was negotiated on an arm's length basis between the Company and the Subscribers with reference to current market conditions and prevailing market price and liquidity of the Shares.

The Board also considers that the terms of the Subscription Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **Condition of the Subscription**

Completion of the subscription of Subscription Shares is conditional upon:

- (a) the warranties given by the Company pursuant to the Subscription Agreements remaining true and accurate in all material respects and not misleading in any material respect as of the date of Completion by reference to the facts and circumstances subsisting as at the date of Completion;
- (b) the Listing Committee granting listing of, and permission to deal in, the Subscription Shares (either unconditionally or subject to conditions which are acceptable to the parties) and such listing and permission not subsequently revoked prior to commencement of dealings in the Subscription Shares on the Stock Exchange;
- (c) completion of equity fund raising for not less than HK\$300,000,000 by the Company at or before Completion; and
- (d) simultaneous completion of the Subscription Agreements.

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

Save for condition (b) which cannot be waived, any of the above conditions may only be waived by the Subscribers in writing. If the foregoing conditions are not fulfilled or waived on or prior to 31 October 2016, or such later date as may be agreed in writing between the Company and the Subscribers, the Subscription Agreements will be terminated and the Company and the Subscribers will automatically be released from all obligations under the Subscription Agreements, save and except any liability for antecedent breaches by either party.

## **Completion of the Subscription**

Completion of the Subscription will take place on the third Business Day following the conditions of the Subscription being satisfied or such later time and/or date as the Company and the Subscribers may agree in writing.

## **Undertaking of the Subscribers**

Pursuant to the Subscription Agreements, each of the Subscribers has undertaken to the Company that without the prior written consent of the Company, it shall not and shall procure that none of its associates (as defined under the Listing Rules) or companies controlled by it or any nominee or trustee holding in trust for it shall not, at any time during the six months following Completion, pledge, charge, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Subscription Shares or any interest therein held by it or enter into any arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Subscription Shares or any interest therein.

Each of the Subscribers has also undertaken to the Company pursuant to the Subscription Agreements that it shall agree, if so proposed by the Company, to the extension of the maturity date of the Convertible Notes by not more than 5 years.

## **GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES**

The Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM and therefore the issue of the Subscription Shares will not be subject to the approval by the Shareholders. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 2,157,521,709 Shares, representing 20% of the issued nominal capital of the Company as at the date of the AGM.

Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) media entertainment business, (ii) property investment business and (iii) trading business.

The gross proceeds and net proceeds from the Subscription will be approximately HK\$200 million and HK\$199.85 million respectively, and are intended to be applied towards media entertainment segment and as general working capital purposes of the Group.

As disclosed in the Company's annual report 2015 and its announcements dated 12 May 2016 and 19 July 2016, the Group has been proactively seeking and developing opportunities in expanding its development of its visual effects ("VFX"), computer graphics ("CG"), virtual reality ("VR"), and virtual human and immersive entertainment businesses. The Directors consider that the Subscription represents a good opportunity to raise additional funds for the future development of the Company and to broaden the capital base of the Company. Moreover, the net proceeds of the Subscription will strengthen the Group's financial position for future development of the Group. Accordingly, the Directors consider that the Subscription is in the interest of the Company and its Shareholders as a whole.

## EQUITY FUND RAISING ACTIVITIES BY IN THE PAST TWELVE MONTHS

Set out below are the fund raising activities announced by the Company in the past twelve months prior to the date of this announcement:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised</b>	<b>Proposed use of proceeds</b>	<b>Actual use of the net proceeds up to the date of this announcement</b>
16 December 2015 and 28 December 2015	Placing of 560,000,000 Shares	Approximately HK\$235.34 million	media entertainment segment and as general working capital purposes of the Group	media entertainment segment: approximately HK\$195.81 million; and  general working capital (including but not limited to salary and rental): approximately HK\$39.53 million
30 May 2016 and 10 June 2016	Placing of 700,000,000 Shares	Approximately HK\$344.61 million	media entertainment segment and as general working capital purposes of the Group	media entertainment segment: approximately HK\$132.67 million;  general working capital (including but not limited to salary and rental): approximately HK\$55.28 million; and  unutilised portion: approximately HK\$156.66 million



## EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the changes to the shareholding structure of the Company as a result of completion of the Subscription (assuming there being no other change in the share capital and shareholding structure of the Company between the date of this announcement and completion of the Subscription and without taking into account the Shares which falls to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes):

	As at the date of this announcement		Immediately after completion of the Subscription	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Directors</b>				
Peter Chou ( <i>Note 1</i> )	714,401,746	6.01	714,401,746	5.84
Seah Ang ( <i>Note 2</i> )	502,134,789	4.23	502,134,789	4.10
Amit Chopra ( <i>Note 3</i> )	502,134,789	4.23	502,134,789	4.10
<b>Substantial Shareholder</b>				
Zhang Xiaoqun ( <i>Note 4</i> )	1,672,035,000	14.08	1,672,035,000	13.66
<b>Public Shareholders</b>				
The Subscribers	-	-	363,636,364	2.97
Other public Shareholders	8,487,002,896	71.45	8,487,002,896	69.33
<b>Total</b>	<b><u>11,877,709,220</u></b>	<b><u>100.00</u></b>	<b><u>12,241,345,584</u></b>	<b><u>100.00</u></b>

*Notes:*

1. Mr. Peter Chou holds these Shares through his wholly-owned companies, Kabo Limited and Honarn Inc. Kabo Limited holds 602,561,746 Shares and Honarn Inc. holds 111,840,000 Shares.
2. Mr. Seah Ang holds these Shares through his wholly-owned company, Global Domain Investments Limited. Mr. Seah Ang also holds 100,000,000 outstanding share options granted under the Company's share option scheme.
3. Mr. Amit Chopra holds these Shares through his wholly-owned company, Redmount Ventures Limited. Mr. Amit Chopra also holds 163,000,000 outstanding share options granted under the Company's share option scheme.
4. Mr. Zhang Xiaoqun holds these Shares through his wholly-owned company, Fortune Source International Limited.
5. As at the date of this announcement, the Company has in issue 11,877,709,220 Shares, options to subscribe for 1,423,790,000 Shares granted pursuant to the share option scheme of the Company, HK\$392,000,000 in principal amount of Convertible Notes that are convertible into Shares at the Conversion Price of HK\$0.04 per Share, subject to adjustments. An aggregate of 310,870,361 Shares are to be issued in connection with the Group's acquisition of further interest in Immersive Ventures Inc., which was the subject of the Company's announcements dated 11 December 2015 and 30 December 2015, respectively.
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.

## WARNING

**Shareholders and potential investors should note that the completion of the Subscription is subject to conditions under the Subscription Agreements to be fulfilled. As the Subscription may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 7 June 2016
“Board”	the board of Directors of the Company
“Business Day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong and on which the Stock Exchange is open for the business of dealing in securities
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 267)
“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 subscription of the Subscription Shares pursuant to the Subscription Agreements
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.04 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Notes
“Conversion Shares”	Shares to be issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	convertible notes due 2017 in the aggregate outstanding principal amount of HK\$392 million issued by the Company, details of which were disclosed in the Company’s announcements dated 28 March 2013 and 27 November 2014 and circular dated 14 June 2013

“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SBCVC”	SBCVC Digital Fund, L.P., an exempted limited partnership registered in the Cayman Islands
“Shareholder(s)”	the holder(s) of the Share(s)
“Shares”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Subscribers”	CITIC Limited and SBCVC
“Subscription”	the subscription of an aggregate of 363,636,364 Subscription Shares to be allotted and issued to the Subscribers and/or their respective nominees pursuant to the terms of the Subscription Agreements
“Subscription Agreement(s)”	the conditional Subscription Agreement(s) dated 30 September 2016 entered into between the Company on the one hand and the Subscribers on the other in relation to the Subscription
“Subscription Price”	the price of HK\$0.55 per Subscription Share
“Subscription Share(s)”	an aggregate of 363,636,364 Shares to be subscribed under the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zheng Hao”

Zheng Hao Investments Limited, a company incorporated under the laws of the British Virgin Islands

“%”

per cent

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

Hong Kong, 30 September 2016

*As at the date of this announcement, Mr. Peter Chou, Mr. Seah Ang and Mr. Amit Chopra are the executive directors of the Company and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Wong Ka Kong Adam are the independent non-executive directors of the Company.*