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DIGITALDOMAIN

DIGITAL DOMAIN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

MAJOR AND CONNECTED TRANSACTION
AND
POSSIBLE FORMATION OF A NEW JOINT VENTURE COMPANY

INDEPENDENT FINANCIAL ADVISER

Hercules

Hercules Capital Limited

ACQUISITION OF 30% INTEREST IN DIGITAL DOMAIN-RELIANCE, LLC

The Board is pleased to announce the Group's proposed acquisition of the 30% interest in the Target Company not already held by the Group so that upon Completion, the Target Company will be an indirect wholly-owned subsidiary of the Company.

On 27 April 2016, the Company and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the SPA with Prime Focus and the Target Company, pursuant to which Prime Focus has conditionally agreed to procure its subsidiary that owns the Sale Interest to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at the consideration of US$30 million (equivalent to approximately HK$232,500,000) which will be settled by the issue and allotment of the Acquisition Consideration Shares to De-fi Media, a wholly-owned subsidiary of Prime Focus, at the Issue Price of HK$0.596 per Share.

As Prime Focus indirectly owns the Sale Interest, it is a substantial shareholder of the Target Company, being a non-wholly owned subsidiary of the Company. Therefore Prime Focus is a connected person of the Company under the Listing Rules at the subsidiary level. Accordingly, the issue and allotment of the Acquisition Consideration Shares to Prime Focus or its designated subsidiary constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements.

The SGM will be held for the Shareholders to consider and, if thought fit, approve ordinary resolution in respect of the SPA and the transactions contemplated thereunder, including the grant of the Specific Mandate to the Directors for the issue and allotment of the Acquisition Consideration Shares.

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the SPA and the transactions contemplated thereunder. Hercules Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the SPA and the transactions contemplated thereunder.

A circular containing, among other matters, further details of the Acquisition, an accountants report on the Target Group, a valuation report, a letter of advice from the Independent Financial Adviser and a notice to convene the SGM is expected to be despatched to the Shareholders on or before 6 June 2016.

POSSIBLE FORMATION OF A NEW JOINT VENTURE COMPANY ("NEW JV")

On 27 April 2016, the Group also entered into the MOU with Prime Focus and De-fi Media in relation to the possible formation of a new joint venture with business in India which involves the issue of further 325,083,893 new Shares to De-fi Media, a wholly-owned subsidiary of Prime Focus, details of which are set out further below in this announcement.

Completion of the Acquisition is subject to the fulfilment and/or waiver of the conditions precedent set out in the SPA and the formation of the New JV is subject to the signing of definitive contract documentations and the fulfilment of conditions precedent to be set out therein and therefore may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

ACQUISITION OF 30% INTEREST IN DIGITAL DOMAIN-RELIANCE, LLC

The Board is pleased to announce the proposed acquisition of the 30% interest in the Target Company not already held by the Group on terms described further below pursuant to the SPA. The Company acquired the 70% interest in the Target Company it currently holds pursuant to the 2013 Acquisition. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Further information on the SPA and the Target Company is set out below:

The SPA

The principal terms of the SPA are set out below.

Date:	27 April 2016
Parties:	(1) The Purchaser, an indirect wholly-owned subsidiary of the Company (2) The Company as guarantor of the obligations of the Purchaser (3) Prime Focus (whose shares are listed on BSE Limited and National Stock Exchange of India Limited, further information relating to which is set out in "*Information on the Parties to the SPA (other than the Target Company)*" below) in relation to the procurement of the sale of the Sale Interest (4) The Target Company, an indirect subsidiary owned as to 70% by the Company As Prime Focus indirectly owns the Sale Interest, it is a substantial shareholder of the Target Company which is a non-wholly owned subsidiary of the Company. Therefore Prime Focus is a connected person of the Company under the Listing Rules at subsidiary level.
Assets being acquired:	The Sale Interest, representing 30% interest in the Target Company, with all rights (including voting rights and rights to dividends) accruing from 1 April 2016
Consideration for the Sale Interest:	US$30 million (equivalent to approximately HK$232,500,000) which will be settled by the issue and allotment of the Acquisition Consideration Shares to De-fi Media, a wholly-owned subsidiary of Prime Focus, at the Issue Price. The Company agreed to the consideration for the Sale Interest after arm's length negotiations with Prime Focus and having regard to the following: (a) the preliminary valuation by an independent valuer of the fair value of 30% interest of the Target Company as at 31 March, 2016 of approximately US$30,000,000 (further information regarding which will be included in the circular to be issued by the Company to its Shareholders in relation to the Acquisition); and (b) the financial performance and prospects of the Target Group since the Company's acquisition of 70% interest in the Target Company (as described in "*Information on the Target Company and Reasons For and Benefits of the Acquisition*" below).

In this regard, the Company has noted that the consideration for the Sale Interest represents 38.4% premium over the HK$392,000,000 consideration it paid for the 70% interest in the Target Company in the 2013 Acquisition (which implied a valuation of the entire share capital of the Target Company at HK$560,000,000). Based on the shareholders agreement for the formation of the Target Company in anticipation of the purchase in 2013 of the assets of the Target Group the contribution made by the holder of the Sale Interest, which is now indirectly held by Prime Focus, was US$15 million.

Acquisition Consideration Shares: The 390,100,671 Acquisition Consideration Shares issuable to Prime Focus or its designated subsidiary represent approximately 3.62% of the total number of Shares in issue and approximately 3.49% of the total number of Shares in issue as enlarged by the issue of the Acquisition Consideration Shares.

The Issue Price of HK$0.596 represents:

(a) a discount of approximately 5.40% to the closing price of HK$0.63 per Share as quoted on the Stock Exchange on 27 April 2016, being the date of the SPA;

(b) a discount of approximately 10.51% to the average closing price of HK$0.666 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of SPA; and

(c) a discount of approximately 9.15% to the average closing price of HK$0.656 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to date of SPA.

The issue price of the Acquisition Consideration Shares was determined after arm’s length negotiations by reference to the prevailing market prices of the Shares. The Directors considered that the issue price of the Acquisition Consideration Shares is fair and reasonable and in the interests of the Shareholders as a whole.

The Acquisition Consideration Shares, when issued and allotted, will rank *pari passu* in all aspects with the Shares then in issue, including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such issue and allotment.

The Acquisition Consideration Shares are to be issued under the Specific Mandate.

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Acquisition Consideration Shares.

Conditions precedent to Completion:

Completion of the transactions contemplated in the SPA is conditional upon fulfillment of certain conditions precedent for the benefit of the Purchaser and Prime Focus specified below, or the waiver (if applicable) by the party for whose benefit the relevant condition precedent is included in the SPA.

Conditions precedent for the benefit of the Purchaser:

The conditions precedent for the benefit of the Purchaser are, among other things, as follows:

(i) all representations and warranties of Prime Focus being and remaining true and correct in all material aspects as of the date of the SPA and the Closing Date and Prime Focus will cause its wholly-owned subsidiary which owns or will own the Sale Interest at Completion to give representations and warranties to the Purchaser in writing at or before Completion *mutatis mutandis*;

(ii) delivery of completion deliverables by Prime Focus on or before the Closing Date;

(iii) a wholly-owned subsidiary of Prime Focus being the sole legal and beneficial owner of the Sale Interest free and clear of all claims, liens, mortgages, charges, security interests, encumbrances and other restrictions and limitations of any kind and nature whatsoever immediately prior to the Closing Date;

(iv) there being no order or injunction in effect restraining or otherwise prohibiting the transactions contemplated under the SPA at Completion;

(v) neither the execution of the SPA by Prime Focus for the procurement of the sale of the Sale Interest nor the performance of its obligations thereunder being in conflict with, or resulting in a breach of any agreement to which Prime Focus or a wholly-owned subsidiary of Prime Focus (which is or will be the sole legal and beneficial owner of the Sale Interest at Completion) may be a party or by which the Sale Interest may be subject;

(vi) Prime Focus having granted or procured the grant of the License to DD Licensing pursuant to the License Agreement;

(vii) the Listing Committee of the Stock Exchange having unconditionally granted the listing of and permission to deal in the Acquisition Consideration Shares; and

(viii) the Independent Shareholders having approved in a general meeting the transactions contemplated under the SPA as required by the Listing Rules.

Conditions (vii) and (viii) above cannot be waived by the Purchaser.

Conditions precedent for the benefit of Prime Focus:

The conditions precedent for the benefit of Prime Focus and the Target Company are, among other things, as follows:

(i) all representations and warranties of the Purchaser and the Company being and remaining true and correct in all material aspects as of the date of the SPA and the Closing Date;

(ii) delivery of completion deliverables by the Purchaser, the Company and the Target Company on or before the Closing Date;

(iii) there being no order or injunction in effect restraining or otherwise prohibiting the transactions contemplated under the SPA at Completion;

(iv) neither the execution of the SPA by the Purchaser and the Company nor the performance of its respective obligations thereunder being in conflict with or resulting in a breach of any agreement to which the Purchaser and/or the Company may be a party or by which its property or assets may be subject;

(v) the Listing Committee of the Stock Exchange having unconditionally granted the listing of and permission to deal in the Acquisition Consideration Shares; and

(vi) the Independent Shareholders having approved in a general meeting the transactions contemplated under the SPA as required by the Listing Rules.

Conditions (v) and (vi) above cannot be waived by Prime Focus.

License Agreement: As a condition to Completion, Reliance Lowry Digital, being a subsidiary of Prime Focus, will grant to DD Licensing a non-exclusive and non-transferable License to use Lowry Digital®, the patented film restoration technology for a fee of US$1 per annum for a term commencing from the date of the License Agreement and ending on the date of termination of the License Agreement.

Pursuant to the License Agreement, DD Licensing may use the licensed software in executable format for its own use and may sub-license the same to other members of the Group at a fee of not more than US$1 per annum.

Completion: Subject to the conditions precedent being fulfilled and/or waived (as the case may be), Completion shall take place on the Closing Date. The long stop date for satisfaction of the conditions precedent shall be 30 June 2016 or such other date as shall be agreed by the parties to the SPA.

Termination: The SPA may be terminated at any time prior to the Closing Date by:

(a) the written agreement of the parties to the SPA; or

(b) by any party, upon delivery of written notice to the non-terminating parties in the event of a material breach by a non-terminating party of any provision of the SPA, which breach has resulted in a material adverse effect and which is not cured within twenty (20) days following written notice to the non-terminating parties or which breach cannot by its nature be cured prior to Completion.

If the Purchaser terminates the SPA pursuant to (b) above as a result of material breach by Prime Focus, the Purchaser shall have the right to seek specific performance of the SPA by Prime Focus.

INFORMATION ON THE PARTIES TO THE SPA (OTHER THAN THE TARGET COMPANY)

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 Purchaser is a company incorporated under the laws of Delaware and an indirect wholly-owned subsidiary of the Company. It is an investment holding company through which the Company holds its interest in the Target Group.

Prime Focus is a limited liability company formed in India, whose shares are listed on BSE Limited and National Stock Exchange of India Limited. Prime Focus Group engage, amongst other things, in the business of provision of post production and visual effects to advertising, animation and virtual reality industry in India.

INFORMATION ON THE TARGET COMPANY AND REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is a limited liability company formed in the state of Delaware, U.S. and its principal business is investment holding. The Target Group is engaged in visual effects (VFX) productions for motion pictures studios, advertisers and video games.

The Group acquired 70% interest in the Target Company (for a consideration of HK$392 million) and related shareholder's loan (at face value) in 2013 pursuant to the 2013 Acquisition. In 2014, the Group provided VFX production services for feature films, such as "X-Men: Days of Future Past", "Maleficent" and "Night at the Museum: Secret of the Tomb"; and VFX in advertising for major brands such as Nissan, United Airlines, Kia's Super Bowl commercial, the video games "Destiny", "Assassin's Creed" and Microsoft's "Halo" and "Tomb Raider". That year saw "X-Men: Days of Future Past" Nominated for Academy of Motion Picture Arts and Sciences (Oscars) for Best Achievement in Visual Effects; and the Target Group's artists were nominated for 6 Visual Effects Society (VES) awards for their VFX work on "Maleficent", "X-Men: Days of Future Past", the video game "Destiny" and Kia's Super Bowl advertisement and the Group gaining Science and Technical Awards for MOVA and Drop technologies by the Academy of Motion Pictures Arts and Sciences. Since 1 January 2015, the artists of the Target Group have provided VFX production services for feature films "Furious 7" and "Pixels"; the Starz cable channel show "Black Sails"; and marketing campaigns for major brands including Oculus Rift, Gatorade, Nike, Toyota, Cadillac and the NBC "Heroes Reborn" Super Bowl commercial. They were nominated for four Visual Effects Society (VES) awards for their VFX work on Nike: "The Neymar Jr. Experience" and "Black Sails".

Set out below is a summary of the unaudited financial information of the Target Group for the FY2014 and FY2015:

	FY2014 *(Approximate HKD million)*	**FY2015** *(Approximate HKD million)*
Consolidated net loss		
before taxation and extraordinary items	33.7	38.2
after taxation and extraordinary items	34.4	44.8

The financial statements of the Target Group as at 31 December 2015 recorded net liabilities of approximately HK$99.15 million, after taking into account the net amounts due to the Group of approximately HK$114.17 million (included funding advanced by the Group to the Target Group and the shareholder's loans of approximately HK$108.5 million acquired by the Group in the 2013 Acquisition).

The net amounts due to the Group by the Target Group have to be eliminated on consolidation when preparing the Group's consolidated financial statements. In addition, the Group's consolidated financial statements also took into account the enhanced valuation ascribed to the Target Group and its assets under the 2013 Acquisition (compared with Target Group's earlier acquisition of similar assets through bankruptcy sale at a lower value) and associated depreciation/amortisation costs and deferred tax expenses/liabilities. Further information relating to the 2013 Acquisition and the Target Group's acquisition of assets through bankruptcy sale are included in the Company's circular dated 14 June 2013.

The revenue, assets and liabilities of the Target Group accounted for all of the revenue, assets and liabilities of the media and entertainment segment of the Group for FY2014. The Target Group also accounted for approximately 94% of revenue and around one-third of the assets and liabilities of the media entertainment of the Group for FY2015. The remaining revenue, assets and liabilities of that segment for FY2015 was attributable to Group's subsidiary, IM360 Entertainment Inc. established during FY2015, and Immersive Venture Inc., the controlling interest in which was acquired by the Group on 30 December 2015. Based on the notes to the audited financial statements of the Group for FY2014 and FY2015, the reportable segment loss was approximately HK$36.02 million and HK$78.07 million respectively and as at 31 December 2015, the reportable segment assets and reportable segment liabilities were approximately HK$959.32 million and HK$376.52 million respectively.

While the Target Group has not yet reported profit, the Group has continued to implement cost control measures to improve the profit margins of the Target Group. The Target Group's capabilities have also enabled the Group to develop its virtual reality and virtual human offerings and also to expand through acquisitions, joint venture and other collaborations in the virtual reality, enhanced reality, immersive media and 360 imaging sectors in North America and Greater China.

While the Group has completed its acquisition of Immersive Ventures Inc. at the end of 2015 and Lucrative Skill Holdings Limited earlier this year which add to the technology capabilities available to the Group, the existence of a significant minority shareholder in the Target Group invariably imposes constraints on the Group's ability to deploy resources available within the Target Group and exploit synergies that can be created across the teams and technological assets controlled by the Group.

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Group and the Group will also have access to proprietary intellectual property that may be used to develop and enhance its visual effects and 360^{o} virtual reality production technology. This will enable the Group to have greater flexibility in integrating and managing its virtual reality, virtual human and immersive entertainment resources to develop the Greater China market and establish a revenue-driven model through collaboration with content owners, producers and distributors.

In view of the above, the Directors (excluding the independent non-executive Directors whose opinion will be set out in the letter from the Independent Board Committee to be included in the circular) are of the view that the terms of the SPA and the transactions contemplated thereunder and the terms of issue of the Acquisition Consideration Shares are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

POSSIBLE NEW JOINT VENTURE FOR INDIA BUSINESS

In addition to the Acquisition, on 27 April 2016, the Group also entered into the MOU with Prime Focus and De-fi Media in relation to a potential 50:50 New JV with De-fi Media to carry on the JV Business of providing post production and visual effects services to the advertising, animation and virtual reality industry in India. Under the terms of the MOU between the parties, the formation of the New JV will involve:-

(a) on the part of the Group - the payment of US$25,000,000 (equivalent to approximately HK$193,750,000) to be satisfied by the issue of 325,083,893 new Shares credited as fully paid to De-fi Media, a wholly-owned subsidiary of Prime Focus, at the Issue Price (representing approximately 3.01% of the Shares in issue or approximately 2.91% of Shares in issue as enlarged by the issue of the Acquisition Consideration Shares or approximately 2.83% of Shares in issue, as enlarged by the issue of the Acquisition Consideration Shares and the JV Consideration Shares); and

(b) on the part of Prime Focus and De-fi Media - the provision of a 2-year non-competition undertaking by Prime Focus in favour of the Group and the New JV in respect of the JV Business; the contribution by De-fi Media of US$5,000,000 (equivalent to approximately HK$38,750,000) cash into the New JV, pro bono assistance by De-fi Media to the New JV to recruit appropriately qualified staff and an undertaking from De-fi Media (to be guaranteed by Prime Focus) that if the New JV fails to generate at least US$5,000,000 EBITDA (equivalent to approximately HK$38,750,000) for the year ending 31 March 2017, De-fi Media (whose obligations are guaranteed by Prime Focus) will provide cash compensation to the Group equal to 50% of eight times the shortfall.

The formation of the New JV will be subject to the fulfilment of conditions precedent to be set out in the definitive contract documentations which will include, amongst other things, the grant of listing of and permission to deal in the JV Consideration Shares proposed to be issued as part of that transaction and any other relevant regulatory consents that may be identified during the due diligence stage. Prime Focus and De-fi Media have agreed to give the Group three months exclusivity in negotiations with respect to the JV Business.

Based on the existing terms of the MOU, the formation of the New JV will constitute a discloseable transaction of the Company as at the date of this announcement and if aggregated with the Acquisition, a major transaction of the Company, in both cases, for the purposes of Chapter 14 of the Listing Rules. If the formation of the New JV proceeds before completion of the Acquisition, it will also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. A further announcement will be made by the Company after definitive contract documentation for the formation of the New JV is entered into between the parties.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE ACQUISITION

For illustrative purpose only, set below is a summary of the shareholdings in the Company (i) as at the date of this announcement and (ii) immediately after the Completion and the issue and allotment of the Acquisition Consideration Shares assuming there being no other change in the shareholding structure and share capital of the Company from the date of this announcement up to the date of issue and allotment of the Acquisition Consideration Shares:

	As at the date of this announcement		Immediately after Completion and the issue and allotment of the Acquisition Consideration Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Directors				
Peter Chou *(Note 1)*	714,401,746	6.62	714,401,746	6.39
Seah Ang *(Note 2)*	502,134,789	4.65	502,134,789	4.49
Amit Chopra *(Note 3)*	502,134,789	4.65	502,134,789	4.49
Substantial Shareholder				
Zhang Xiaoqun *(Note 4)*	1,672,035,000	15.50	1,672,035,000	14.96
Public Shareholders				
De-fi Media, a wholly-owned subsidiary of Prime Focus	-	-	390,100,671	3.49
Other public Shareholders	7,396,902,225	68.57	7,396,902,225	66.18
Total	**10,787,608,549**	**100.00**	**11,177,709,220**	**100.00**

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 63,000,000 outstanding share options granted under the Company's share option scheme. In addition, Mr. Amit Chopra was conditionally granted on 29 January 2016 an aggregate of 100,000,000 share options subject to the approval by the Shareholders under the Listing Rules.*

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 10,787,608,549 Shares, options to subscribe for 1,315,990,000 Shares (comprising an aggregate of 100,000,000 share options conditionally granted to Mr. Amit Chopra as stated in note 3 above) 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.*

LISTING RULES IMPLICATIONS

As Prime Focus indirectly owns the Sale Interest, it is a substantial shareholder of the Target Company, being a non-wholly owned subsidiary of the Company. Therefore a connected person of the Company under the Listing Rules is at the subsidiary level. Accordingly, the issue and allotment of the Acquisition Consideration Shares to De-fi Media, a wholly-owned subsidiary of Prime Focus, constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition (including the issue and allotment of the Acquisition Consideration Shares under the Specific Mandate) constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements.

The SGM will be held for the Shareholders to consider and, if thought fit, approve ordinary resolution in respect of the SPA and the transactions contemplated thereunder, including the grant of the Specific Mandate to the Directors for the issue and allotment of the Acquisition Consideration Shares.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the SPA and the transactions contemplated thereunder. Hercules Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the SPA and the transactions contemplated thereunder, including the issue and allotment of the Acquisition Consideration Shares under the Specific Mandate.

DESPATCH OF CIRCULAR

A circular containing, among other matters, further details of the Acquisition (including the issue and allotment of the Acquisition Consideration Shares under the Specific Mandate), an accountants report on the Target Group, a valuation report, a letter of advice from the Independent Financial Adviser and a notice to convene the SGM is expected to be despatched to the Shareholders on or before 6 June 2016.

Completion of the Acquisition is subject to the fulfilment and/or waiver of the conditions precedent set out in the SPA and the formation of the New JV is subject to the signing of definitive contract documentations and the fulfilment of conditions precedent to be set out therein and therefore may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

"2013 Acquisition"	the acquisition of the entire issued share capital of Upfield Sky Limited which indirectly held 70% interest in the Target Company at the time, details of which were disclosed in the Company's circular dated 14 June 2013
"Acquisition"	the proposed acquisition by the Purchaser of the Sale Interest under the SPA
"Acquisition Consideration Shares"	the new 390,100,671 Shares, credited as fully paid, to be issued and allotted to Prime Focus or its designated subsidiary in accordance with the SPA as payment of the consideration for the Sale Interest
"Board"	the board of Directors
"Closing Date"	seventh business day following the grant by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Acquisition Consideration Shares and the approval by the Independent Shareholders in a general meeting of the transactions contemplated under this Agreement
"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 Acquisition pursuant to the SPA
"connected person"	has the meaning ascribed to it in the Listing Rules
"DD Opco"	Digital Domain 3.0, Inc, a corporation incorporated in the state of Delaware, U.S. and owns the entire issued share capital in each of Digital Domain Production and Mothership Media as at the date of this announcement
"DD Enterprise"	Digital Domain Enterprise Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"DD Licensing"	DD Licensing Limited (formerly known as Classic Beauty Investments Limited), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

"De-fi Media"	De-fi Media Limited, a company incorporated in the United Kingdom with limited liability and a wholly-owned subsidiary of Prime Focus, and is principally engaged in the provision of post-production services and investment and exploitation of film and media assets
"Digital Domain Production"	Digital Domain Production 3.0 (BC), Ltd., a company incorporated in the province of British Columbia, Canada
"Director(s)"	director(s) of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortization
"FY2014"	financial year ended 31 December 2014
"FY2015"	financial year ended 31 December 2015
"Greater China"	collectively, the People's Republic of China, Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Acquisition (including the issue and allotment of the Acquisition Consideration Shares under the Specific Mandate)
"Independent Financial Adviser"	Hercules Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the SPA and the transactions contemplated thereunder (including the issue and allotment of the Acquisition Consideration Shares under the Specific Mandate)
"Independent Shareholders"	Shareholders, other than those required under the Listing Rules to abstain from voting, who have no interest in the transactions contemplated under the SPA

"Issue Price"	HK$0.596 per Acquisition Consideration Share or JV Consideration Share, as the case may be
"JV Business"	the business of providing post production and visual effects services to the advertising, animation and virtual reality industry in India
"JV Consideration Shares"	the new 325,083,893 Shares, credited as fully paid, to be issued and allotted to De-fi Media as contribution to be made by the Group for the possible formation of the New JV
"License"	a non-exclusive and non-transferable license to use Lowry Digital®, the patented film restoration technology owned by Reliance Lowry Digital for an annual fee of US$1
"License Agreement"	the license agreement to be entered into between Reliance Lowry Digital as licensor and DD Licensing as licensee in respect of the grant of the License
"Mothership Media"	Mothership Media, Inc., a corporation incorporated in the state of Delaware, U.S.
"MOU"	the memorandum of understanding dated 27 April 2016 entered into between the Company, DD Enterprise, Prime Focus and De-fi Media
"New JV"	a possible new 50:50 joint venture between De-fi Media and the Group contemplated under the MOU
"Prime Focus"	Prime Focus Limited, a limited liability company formed in India, whose shares are listed on BSE Limited and National Stock Exchange of India Limited
"Prime Focus Group"	Prime Focus and its subsidiaries
"Purchaser"	DD Holdings US, LLC (formerly known as Galloping Horse US, LLC), a limited liability company formed in the state of Delaware, U.S. and an indirect wholly-owned subsidiary of the Company
"Reliance Lowry Digital"	Reliance Lowry Digital Imaging Services Inc., a subsidiary of Prime Focus
"Sale Interest"	30% interest in the Target Company
"SGM"	a special general meeting of the Company to be convened and held for approving the SPA and the transactions contemplated thereunder, as well as the Specific Mandate

"Share(s)"	ordinary share(s) of par value HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SPA"	the membership interest purchase agreement dated 27 April 2016 entered into between the Company, the Purchaser, Prime Focus (in relation to the procurement of the sale of Sale Interest) and the Target Company in respect of the Acquisition
"Specific Mandate"	the specific mandate to be sought from the Shareholders at the SGM for the issue of the Acquisition Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Digital Domain-Reliance, LLC (formerly known as Galloping Horse-Reliance, LLC and Galloping Horse America, LLC), a limited liability company formed in the state of Delaware, U.S. and an indirect subsidiary owned as to 70% by the Company
"Target Group"	Target Company, DD Opco, Digital Domain Production and Mothership Media
"U.S."	United States of America
"US$"	U.S. dollar, the lawful currency of U.S.

Note: In this announcement, conversion of US$ into HK$ is based on the exchange rate of US$1 to HK$7.75. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in US$ or HK$ were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 27 April 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.