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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 IN RELATION TO FINANCIAL ASSISTANCE TO A CONNECTED PERSON**

#### **THE LOAN AGREEMENT**

On 13 February 2023, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower and Mr. Zhu, pursuant to which the Lender agreed to provide the Borrower with the Loan in the principal amount of US\$3,000,000 with a tenor of three years at an interest rate ranging from 8% to 12% per annum.

#### **LISTING RULES IMPLICATIONS**

Mr. Zhu, as a director of a number of subsidiaries of the Company, is a connected person of the Company. The Borrower, being an associate (as defined in the Listing Rules) of Mr. Zhu, is also a connected person of the Company. Accordingly, the provision of the Loan by the Lender to the Borrower pursuant to the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

#### **THE LOAN AGREEMENT**

On 13 February 2023, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower and Mr. Zhu (with respect to covenants in relation to the notification of certain change of control event described below under "Repayment" and certain other warranties), pursuant to which the Lender agreed to provide the Borrower with the Loan. The principal terms of the Loan Agreement are summarised as follows:

<b>Date:</b>	13 February 2023
<b>Lender:</b>	Digital Domain Pictures (HK) Limited, as the Lender. It is an investment holding company, indirect wholly-owned by the Company and holds 10% equity interest in the Borrower.
<b>Borrower:</b>	Digital Eve Technology Limited, as the Borrower. The Borrower is owned by Mr. Zhu (through Future Path) as to 90%. Further information on the Borrower is set out under “Reasons for and Benefits of the Loan Agreement” below.
<b>Principal amount of the Loan:</b>	US\$3,000,000, which will be funded by the internal resources of the Group.
<b>Term:</b>	Three years
<b>Interest and interest rate:</b>	Interest is payable semi-annually in arrears (with adjustments such that the relevant interest payment date falls on a business day) at (i) 8% per annum for the first year; (ii) 10% per annum for the second year; and (iii) 12% per annum thereafter.
<b>Repayment:</b>	<p>The principal amount of the Loan together with all accrued interests are repayable on the date falling three years from the date on which the Loan is made.</p> <p>The Loan will also become immediately repayable upon certain change of control event, i.e. if Mr. Zhu ceases to be the sole legal and beneficial owner of Future Path, or if Future Path ceases to hold at least 51% of the issued shares in the Borrower.</p>
<b>Prepayment:</b>	The Borrower may prepay all or part of the Loan at any time together with accrued interest on the amount prepaid without premium or penalty.
<b>Default interest:</b>	If the Borrower defaults in repaying any amount under the Loan Agreement on or before its due date, default interest of 14.8% per annum will accrue on the unpaid sum from the due date to the date of the actual repayment.

The terms of the Loan, including the interest rate, are determined after arm’s length negotiation between the Lender and the Borrower with reference to the cost of funds of the Group, including prevailing borrowing rates, the interest rate structure and tenor of the Loan (designed to encourage earlier repayment of the Loan) and the purpose of the Loan described below.

## **REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT**

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 Borrower is incorporated in the British Virgin Islands. It is indirectly owned by Mr. Zhu (who is a director of a number of subsidiaries of the Group) as to 90% and by the Company as to 10%. The Borrower is established recently for the purposes of developing a platform to collaborate with talent management companies and intellectual property owners to exploit virtual content, for example in the production of non-fungible tokens (NFTs) and creation of metaverse experiences in the “Web 3.0” environment. In view of the Group’s substantial content library and the potential production work that the Borrower can generate for the Group, subject to compliance with the requirements of the Listing Rules, the Company has made a small initial investment into the Borrower pro rata to its equity interest, so that it may enjoy 10% equity upside of any future growth of the Borrower while the Group continues to focus on the building of its core businesses. Accordingly, the Company has also determined it to be in the interests of the Group to provide additional initial funding for the Borrower’s working capital in the form of the Loan.

Having considered the above and the terms of the Loan (including the basis upon which it is determined disclosed under “The Loan Agreement”), the Directors (including all the independent non-executive Directors) consider that the terms of the Loan Agreement are fair and reasonable, the Loan Agreement is on normal commercial terms although the provision of the Loan is not in the Group’s ordinary course of business, and is in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Mr. Zhu, as a director of a number of subsidiaries of the Company, is a connected person of the Company. The Borrower, being an associate (as defined in the Listing Rules) of Mr. Zhu, is also a connected person of the Company. Accordingly, the provision of the Loan by the Lender to the Borrower pursuant to the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the Loan Agreement. Accordingly, none of the Directors was required to abstain from voting on the relevant board resolutions to approve the Loan Agreement.

## DEFINITIONS

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

“Board”	the board of Directors
“Borrower”	Digital Eve Technology Limited, a company incorporated in the British Virgin Islands
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Future Path”	Future Path International Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Zhu
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lender”	Digital Domain Pictures (HK) Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan in the principal amount of US\$3,000,000 by the Lender to the Borrower pursuant to the terms and conditions of the Loan Agreement
“Loan Agreement”	the agreement dated 13 February 2023 entered into between the Lender, the Borrower and Mr. Zhu in relation to the Loan
“Mr. Zhu”	Mr. Zhu Xi
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of 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, 13 February 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.*