
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Digital Domain Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) PROPOSED CAPITAL REORGANISATION AND
CHANGE IN BOARD LOT SIZE**
(2) PROPOSED RE-ELECTION OF DIRECTORS
**(3) DISCLOSEABLE AND CONNECTED TRANSACTION
AND**
(4) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company



Crescendo Capital Limited

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



A notice convening the special general meeting of the Company to be held at the Conference Room, Suite 1201, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong, at 10:30 a.m. on Wednesday, 6 October 2021, or any adjournments of the meeting, at which the above proposals will be considered, is set out on pages SGM-1 to SGM-4 of this circular.

Whether or not you intend to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

To safeguard your health and safety and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the special general meeting of the Company:

- (i) conduct compulsory body temperature check for attendees at the entrance of the meeting venue and anyone with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue;
- (ii) properly wear surgical mask prior to admission to the meeting venue and at any time within the meeting venue;
- (iii) appropriate settings will be arranged at the meeting venue to meet the relevant regulatory requirements; and
- (iv) no refreshments will be served at the meeting.

Attendees may be denied entry into the meeting venue at the absolute discretion of the Company as permitted by law if any safety regulation or the above precautionary measures cannot be complied with.

For your health and safety, the Company reminds attendees that you should carefully consider the risks of attending the special general meeting of the Company, taking into account the current situation of the COVID-19 pandemic, and encourages you to exercise your right to vote at the meeting by appointing the chairman of the meeting as your proxy.

13 September 2021

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	4
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	24
APPENDIX – GENERAL INFORMATION	38
NOTICE OF SPECIAL GENERAL MEETING	SGM-1

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares in accordance with the terms of the SPA
“Adjusted Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“ASKNET”	asknet Solutions AG, a German e-commerce company, the shares of which are traded on the Frankfurt Stock Exchange (ticker code: ASKN)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Bye-Laws”	the bye-laws of the Company
“Capital Reduction”	the proposed reduction in the issued share capital of the Company as detailed in the section headed “Proposed Capital Reorganisation and Change in Board Lot Size” in the Letter from the Board of this circular
“Capital Reorganisation”	the Share Consolidation and the Capital Reduction
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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)
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the lawful currency of the member states of the European Union

DEFINITIONS

“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the existing issued share capital of the Company before the Capital Reorganisation becomes effective
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HLEE”	Highlight Event and Entertainment AG, a Swiss media and sports marketing company, the shares of which are traded on the SIX Swiss Exchange (ticker code: HLEE.SW)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Independent Financial Adviser”	Octal Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“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
“JV Company”	Digital Domain Capital Partners S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated under the laws of Luxembourg on 18 January 2021
“Latest Practicable Date”	8 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luxembourg”	the Grand Duchy of Luxembourg
“Mr. Ng”	Mr. Clive Ng Cheang Neng
“PRC”	the People’s Republic of China, and for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Purchaser”	Digital Domain Broadcasting (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company
“Sale Shares”	4,800 common shares of the JV Company, representing 40% of the total equity interest in the JV Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	a special general meeting of the Company to be held on 6 October 2021 at which (i) Shareholders will be asked to consider and, if thought fit, approve the resolutions for effecting the Capital Reorganisation and approving the re-election of Directors; and (ii) Independent Shareholders will be asked to consider and, if thought fit, approve the resolution for approving the SPA and transactions contemplated thereunder
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the Existing Share(s) or as the context may require, the Adjusted Share(s)
“Share Consolidation”	the proposed consolidation of the Existing Share(s) in the existing issued share capital of the Company whereby every ten (10) Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.10 each
“SPA”	the sale and purchase agreement dated 16 August 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Digital Knight Finance S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated under the laws of Luxembourg and indirectly wholly-owned by Mr. Ng
“%”	per cent

For reference purposes only and unless otherwise specified, the exchange rate of EUR1.0 = HK\$9.17 is applied in this circular. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in EUR have been, could have been or may be converted at such or any other rate or at all.

EXPECTED TIMETABLE

The expected timetable for implementation of the Capital Reorganisation and the change in board lot size is set out below:

Event	Expected date/time
Latest time for lodging transfer of the Existing Shares in order to qualify for attending the SGM	4:30 p.m. on Wednesday, 29 September 2021
Closure of register of members of the Company (both days inclusive)	Thursday, 30 September 2021 to Wednesday, 6 October 2021
Latest date and time for lodging forms of proxy for the SGM	10:30 a.m. on Monday, 4 October 2021
Date and time of the SGM	10:30 a.m. on Wednesday, 6 October 2021
Announcement of voting results of the SGM	Wednesday, 6 October 2021

The following events are conditional on the results of the SGM and the fulfilment of the conditions of the Capital Reorganisation. The dates are therefore tentative.

Event	Expected date/time
Effective date of the Capital Reorganisation	Monday, 11 October 2021
Dealing in the Adjusted Shares commences	9:00 a.m. on Monday, 11 October 2021
First day of free exchange of existing share certificates into new share certificates for Adjusted Shares	Monday, 11 October 2021
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 11 October 2021
Temporary counter for trading in Adjusted Shares in temporary board lots of 1,000 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 11 October 2021
Effective date of the change in board lot size.	Tuesday, 26 October 2021

EXPECTED TIMETABLE

Event	Expected date/time
Original counter for trading in the Adjusted Shares in new board lots of 5,000 Adjusted Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 26 October 2021
Parallel trading in the Adjusted Shares (in the form of new share certificates for Adjusted Shares and existing share certificates) commences.	9:00 a.m. on Tuesday, 26 October 2021
Designated agent starts to stand in the market to provide matching services for odd lots of the Adjusted Shares	9:00 a.m. on Tuesday, 26 October 2021
Designated agent ceases to stand in the market to provide matching services for odd lots of the Adjusted Shares.	4:00 p.m. on Monday, 15 November 2021
Temporary counter for trading in Adjusted Shares in temporary board lots of 1,000 Adjusted Shares (in the form of existing share certificates) closes	4:10 p.m. on Monday, 15 November 2021
Parallel trading in the Adjusted Shares (in the form of new share certificates for Adjusted Shares and existing share certificates) ends.	4:10 p.m. on Monday, 15 November 2021
Last day for free exchange of existing share certificates for new share certificates for Adjusted Shares	Wednesday, 17 November 2021

All times and dates specified in the expected timetable above refer to Hong Kong times and dates unless otherwise specified. Dates or time specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

LETTER FROM THE BOARD



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

Executive Directors:

Mr. SEAH Ang

(Acting Chairman and Chief Executive Officer)

Dr. CHANG San-Cheng

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Directors:

Mr. JIANG Yingchun

Mr. CUI Hao

Mr. Sergei SKATERSHCHIKOV

Mr. Brian Thomas MCCONVILLE

Head Office and Principal Place of

Business in Hong Kong:

Suite 1201, 12/F.

Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

Independent Non-executive Directors:

Mr. DUAN Xiongfei

Ms. LAU Cheong

Dr. Elizabeth Monk DALEY

Mr. WOO King Hang

13 September 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION AND
CHANGE IN BOARD LOT SIZE
(2) PROPOSED RE-ELECTION OF DIRECTORS
(3) DISCLOSEABLE AND CONNECTED TRANSACTION
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 21 July 2021 relating to the Capital Reorganisation and proposed change in board lot size and dated 16 August 2021 relating to the Acquisition.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding (i) details of the Capital Reorganisation and the change in board lot size; (ii) re-election of Directors; (iii) details of the Acquisition; (iv) the letter from the Independent Board Committee to the Independent Shareholders in relation to the SPA and transactions contemplated thereunder; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the SPA and transactions contemplated thereunder; and (vi) a notice of the SGM.

(1) PROPOSED CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

The Board proposes to implement the Capital Reorganisation as follows:

- (1) **Share Consolidation** – the consolidation of every ten (10) issued Existing Shares into one (1) Consolidated Share whereby increasing the par value of all the then issued Consolidated Shares from HK\$0.01 to HK\$0.10 each; and
- (2) **Capital Reduction** – following the Share Consolidation, the reduction of the issued share capital whereby (i) the total number of Consolidated Shares will be rounded down to the nearest whole number, (ii) the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01 each by cancelling HK\$0.09 of the paid-up capital on each issued Consolidated Share; and (iii) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company.

Any fractional Adjusted Shares arising from the Capital Reorganisation will be disregarded and will not be issued to the Shareholders. All such fractional Adjusted Shares will be aggregated and sold, if possible. The proceeds of such sale (net of related expenses) will be retained for the benefit of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following:

- (a) the passing of the necessary resolutions by the Shareholders at the SGM to approve the Capital Reorganisation;
- (b) the Listing Committee granting approval for the listing of, and permission to deal in, the Adjusted Shares in issue immediately upon the Capital Reorganisation becoming effective;
- (c) compliance with Section 46(2) of the Companies Act, including but not limited to (i) the publication of a notice in relation to the Capital Reduction in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the Effective Date (as defined below); and (ii) the Board being satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and

LETTER FROM THE BOARD

- (d) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation, if any.

According to the indicative timetable, the Capital Reorganisation is expected to become effective on Monday, 11 October 2021 (the “**Effective Date**”) subject to the fulfilment of the above conditions.

Effect of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$750,000,000.00 divided into 75,000,000,000 Existing Shares of HK\$0.01 each, of which 43,290,276,258 Existing Shares have been allotted and issued, and are fully paid or credited as fully paid. Upon the Capital Reorganisation becoming effective and assuming there being no change in the share capital of the Company prior to completion of the Capital Reorganisation, the authorised share capital of the Company will be HK\$750,000,000.00 divided into 75,000,000,000 Adjusted Shares of HK\$0.01 each, of which 4,329,027,625 Adjusted Shares will be in issue.

All Adjusted Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other. The Capital Reorganisation will not result in any change in the relative rights of the Shareholders, save for any fractional Adjusted Shares to which Shareholders may otherwise be entitled to, which will not be issued to Shareholders. Instead, all such fractional Adjusted Shares will be aggregated and sold, if possible. The proceeds of such sale (net of related expenses) will be retained for the benefit of the Company. Fractional Adjusted Shares will only arise if an integral number does not result when the total number of Existing Shares held by a Shareholder (regardless of the number of share certificates held by such Shareholder) is divided by ten (10).

Other than the expense to be incurred in relation to the Capital Reorganisation, the implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders on the date on which the Capital Reorganisation is to be effected.

Change in board lot size

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 10,000 Existing Shares. The Board has approved, conditional upon the Capital Reorganisation becoming effective, that the board lot size for trading on the Stock Exchange be changed from the current 10,000 Existing Shares to 5,000 Adjusted Shares.

Based on the closing price of HK\$0.076 per Existing Share as at the Latest Practicable Date, the board lot value of 10,000 Existing Shares is only HK\$760. A minimal board lot value of HK\$2,000 will be attained when the board lot size is changed to 5,000 Adjusted Shares upon the change in board lot size becoming effective.

The change in board lot size will not result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Reasons for the Capital Reorganisation and change in board lot size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has stated that (i) any trading price less than HK\$0.1 will be considered as trading at extremity as referred to in Rule 13.64 of the Listing Rules and (ii) the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.076, with a board lot size of 10,000 Existing Shares, the Company is trading below HK\$2,000 per board lot.

In order to comply with the trading requirements under the Listing Rules and reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Capital Reorganisation. It is expected that the Capital Reorganisation will bring about a corresponding upward adjustment in the trading price per Adjusted Share and reduce the overall transaction and handling costs of dealings in the shares of the Company as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

Further, under the Companies Act, the Company is restricted in its ability to issue Shares at a price lower than their par value. The Capital Reduction will reduce the par value of the Consolidated Shares, which will provide the Company with greater flexibility to accommodate the issue of new Adjusted Shares in the future when necessary and thereby enabling the re-capitalisation of the share capital of the Company.

Based on the closing price of HK\$0.076 per Existing Share (equivalent to the theoretical closing price of HK\$0.76 per Adjusted Share) as at the Latest Practicable Date, (i) the value of each board lot of 10,000 Adjusted Shares would be HK\$7,600 assuming the Capital Reorganisation has become effective; and (ii) the estimated market value per board lot of 5,000 Adjusted Shares would be HK\$3,800 assuming the change in board lot size has also been effective. Given the current trading price of the Shares, the proposed ratio of the Share Consolidation will make the Company compliant with the trading requirements under the Listing Rules while minimising the number of fractional shares to be created as a result of the Capital Reorganisation. In addition, the change in board lot size will reduce the trading amount for each new board lot of Adjusted Shares to a relatively low level so that the Company does not increase the trading amount for each board lot to the extent unnecessary in its effort to comply with the relevant trading requirements by the Stock Exchange.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no intention to carry out other corporate action or arrangement that may affect the trading in the shares of the Company, including share consolidation, share subdivision, change in board lot size and further fund raising exercise, in the next 12 months which would have a contradictory effect to the Capital Reorganisation.

In view of the above, the Directors are of the view that the implementation of the Capital Reorganisation and the proposed adjustment in board lot size are beneficial to and in the interests of the Company and the Shareholders as a whole.

Listing and dealings

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the equity or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

LETTER FROM THE BOARD

Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may, on or after Monday, 11 October 2021 until Wednesday, 17 November 2021 (both days inclusive), submit share certificates for the Existing Shares (in green colour) to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Adjusted Shares (in purple colour), on the basis of ten (10) Existing Shares for one (1) Adjusted Share. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever the number of certificates cancelled/issued is higher. After 4:10 p.m. on Monday, 15 November 2021, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for certificates for the Adjusted Shares at any time but will not be accepted for delivery, trading, registration and settlement purposes.

Odd lot trading arrangements

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation and/or change in board lot size, the Company has appointed Computershare Hong Kong Investor Services Limited as an agent to arrange for matching services on a best effort basis regarding the sale and purchase of odd lots of Adjusted Shares from 9:00 a.m. on Tuesday, 26 October 2021 to 4:00 p.m. on Monday, 15 November 2021 (both days inclusive). Shareholders who wish to acquire odd lots of the Adjusted Shares to make up a full board lot, or to dispose of their holding of odd lots of the Adjusted Shares, may contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 4:30 p.m. within such period). Holders of the Adjusted Shares who would like to match odd lots are recommended to make an appointment in advance by dialing the telephone number of Computershare Hong Kong Investor Services Limited set out above.

Shareholders should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot trading arrangement is recommended to consult his/her/its own professional advisers.

LETTER FROM THE BOARD

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the Latest Practicable Date, there are outstanding share options entitling the holders thereof to subscribe for up to an aggregate of 2,244,653,349 Existing Shares under the share option scheme adopted by the Company on 27 April 2012 and amended on 3 April 2014 (“**Share Option Scheme**”). Assuming there is no change in the number of share options outstanding under the Share Option Scheme, it is expected that a total of up to 224,465,334 Adjusted Shares may be issued under the Share Option Scheme after the Capital Reorganisation becoming effective.

Pursuant to the terms and conditions of Share Option Scheme, the Capital Reorganisation may cause adjustments to the exercise prices of the outstanding share options and the number of Adjusted Shares to be issued thereunder as the Company’s auditors or independent financial adviser shall certify in writing to the Board. The Company has engaged the Company’s auditors to issue such certification regarding the adjustments to the outstanding share options. Further announcement will be made by the Company in respect of the said adjustments as and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding derivatives, options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Adjusted Shares, as the case may be.

(2) PROPOSED RE-ELECTION OF DIRECTORS

In accordance with Bye-law 86(2) of the Bye-Laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting.

Accordingly, (i) Dr. Chang San-Cheng (“**Dr. Chang**”), who was appointed as an executive Director; (ii) Mr. Brian Thomas McConville (“**Mr. McConville**”), who was appointed as a non-executive Director; and (iii) Mr. Woo King Hang (“**Mr. Woo**”), who was appointed as an independent non-executive Director, all on 28 June 2021, will cease to hold office at the first general meeting of the Company (i.e. the SGM) after their appointment and, being eligible, will offer themselves for re-election at the SGM.

The biographical details of Dr. Chang, Mr. McConville and Mr. Woo are set out below:

LETTER FROM THE BOARD

Dr. Chang San-Cheng

Dr. Chang, aged 67, was appointed as an executive Director and a member of the executive committee of the Company with effect from 28 June 2021. He is currently an independent director, the chairman of the investment committee and a member of the audit committee and the remuneration committee of Acer Incorporated, the shares of which are listed on Taiwan Stock Exchange Corporation (TSE: 2353) and London Stock Exchange (LSE: ACID) respectively. He is also the chairman of the SanCode Foundation, honorary dean of School of Big Data Management at Soochow University, and former Premier of the Executive Yuan of Taiwan.

Dr. Chang began his career as a lecturer, associate professor, and professor at the Department of Civil Engineering of National Taiwan University from 1981 to 1990. He was director for the National Center for High-performance Computing from 1991 to 1997. Dr. Chang was also director of the Department of Planning and Evaluation of National Science Council. In addition, he served at Acer as vice president of the e-Enabling Service Business Group between 2000 and 2010, and was regional director of Google's hardware operations in Asia between 2010 and 2012.

With a solid engineering discipline, Dr. Chang earned his Bachelor's Degree in Civil Engineering from National Taiwan University. He has a Master's Degree from Stanford University and a Ph.D. from Cornell University in Civil and Environmental Engineering.

Dr. Chang entered into an appointment letter with the Company with no fixed term but he is subject to retirement by rotation according to the Bye-Laws and the appointment is terminable by either party by giving one month's prior notice. Pursuant to the appointment letter, Dr. Chang would not receive any emolument from the Company.

Save as disclosed above, Dr. Chang: (i) did not have any interests in the Company's shares within the meaning of Part XV of the SFO as at the Latest Practicable Date; (ii) does not hold any other position with the Company or other members of the Group; (iii) has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iv) does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company; and (v) is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information relating to the re-election of Dr. Chang that needs to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

Mr. Brian Thomas McConville

Mr. McConville, aged 55, was appointed as a non-executive Director and a member of the remuneration committee of the Company with effect from 28 June 2021. He is a senior level executive with 30 years' experience providing effective fiscal and operations management leadership to both new and expanding enterprises. He has a record of accomplishment of improving operations, impacting business growth and maximizing profits through achievements in investment management, costs reductions, internal controls, and productivity/efficiency improvements. Mr. McConville has served in executive roles as chief executive officer, president, and vice chairman in areas including artificial intelligence, cloud-based technology, and media. He was also a managing principal in a U.S. based holding company focused on management of positions in listed European companies. Mr. McConville was an owner, president, and board member of Collectrium, LLC, which was successfully sold to Christies Auction House in 2015. He is also an avid art collector, with a focus on Asian contemporary works. Mr. McConville holds a Bachelor of Arts in Political Studies from Bard College.

Mr. McConville entered into an appointment letter with the Company with no fixed term but he is subject to retirement by rotation according to the Bye-Laws and the appointment is terminable by either party by giving one month's prior notice. Pursuant to the appointment letter, the director's fee of Mr. McConville is US\$60,000 per annum, which was determined with reference to his experience, qualifications, duties and responsibilities in the Company, as well as current market conditions.

Save as disclosed above, Mr. McConville: (i) did not have any interests in the Company's shares within the meaning of Part XV of the SFO as at the Latest Practicable Date; (ii) does not hold any other position with the Company or other members of the Group; (iii) has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iv) does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company; and (v) is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information relating to the re-election of Mr. McConville that needs to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

Mr. Woo King Hang

Mr. Woo, aged 59, was appointed as an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company with effect from 28 June 2021. He has extensive experience in financial and business management. Mr. Woo is currently the vice chairman of the board of directors and a non-executive director of Centenary United Holdings Limited (“**Centenary United**”). He is also an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of Hans Energy Company Limited (“**Hans Energy**”). Mr. Woo was an executive director of Bamboos Health Care Holdings Limited (“**Bamboos**”), between May 2019 and July 2019. He was also a project controller of NWS Service Management Limited from January 2019 to April 2019, and served as a financial controller and an executive director of Hip Hing Construction Company Limited from February 2006 to June 2010 and from July 2010 to December 2018 respectively, both companies being wholly-owned subsidiaries of NWS Holdings Limited (“**NWSHL**”). The shares of each of Centenary United (stock code: 1959), Hans Energy (stock code: 554), Bamboos (stock code: 2293) and NWSHL (stock code: 659) are listed on the main board of the Stock Exchange.

Mr. Woo is a fellow member of each of the Institute of the Chartered Accountants in England and Wales, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Certified Public Accountants. He holds a Master’s Degree of Business Administration from Kellogg School of Management, Northwestern University and the Hong Kong University of Science and Technology, a Bachelor’s Degree of Laws from Peking University and a Master’s Degree of Laws from the City University of Hong Kong. In addition, Mr. Woo is a member of each of the panel of assessors and the health committee of the Medical Council of Hong Kong, the Chinese medicine practitioners board and the disciplinary committee of the Chinese Medicine Council of Hong Kong, the Chiropractors Council, the Advisory Committee on Admission of Quality Migrants and Professionals as well as the disciplinary committee of the Hong Kong Institute of Certified Public Accountants. He is also the vice chairman of the Hong Kong PHAB Association and a council member of the Hong Kong Chinese Orchestra.

Mr. Woo was a director of Bell Tea Overseas Limited (“**BTO**”, formerly known as Hip Hing Overseas Limited) from 2 July 2010 to 18 October 2018. BTO was a wholly-owned subsidiary of NWSHL and incorporated in Hong Kong on 13 April 1993 and was principally engaged in the business of construction overseas. On 19 September 2018, a winding up order (the “**Order**”) was granted by the High Court of Hong Kong (the “**High Court**”) on BTO. Mr. Woo confirmed that the Order was in relation to the non-payment for a sum arising from an arbitration case involving contractual dispute relating to the construction works of a building in Dubai which commenced in or about 2007 and was completed in or about 2011 between the petitioner of the Order and a joint venture entity (the “**BTO JV**”) in which BTO had 30% interests. An award (the “**Award**”) was granted by an arbitration institution in Dubai in favor of the said petitioner, which then enforced the whole amount of the Award in the High Court against, among others, BTO. Mr. Woo further confirmed that he was not involved in any of the matters concerning the operations of the BTO JV, the construction works or the said arbitration or matters leading to the granting of the Order.

LETTER FROM THE BOARD

Mr. Woo entered into an appointment letter with the Company with no fixed term but he is subject to retirement by rotation according to the Bye-Laws and the appointment is terminable by either party by giving one month's prior notice. Pursuant to the appointment letter, the director's fee of Mr. Woo is HK\$156,000 per annum, which was determined with reference to his experience, qualifications, duties and responsibilities in the Company, as well as current market conditions.

Save as disclosed above, Mr. Woo: (i) did not have any interests in the Company's shares within the meaning of Part XV of the SFO as at the Latest Practicable Date; (ii) does not hold any other position with the Company or other members of the Group; (iii) has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iv) does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company; and (v) is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information relating to the re-election of Mr. Woo that needs to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules.

(3) DISCLOSEABLE AND CONNECTED TRANSACTION

On 16 August 2021, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the SPA, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares, representing 40% of the total equity interest in the JV Company not already held by the Group, for a cash consideration of EUR13,333,333 (equivalent to approximately HK\$122,266,664).

THE SPA

The principal terms of the SPA are set out below.

- Date: 16 August 2021
- Parties:
- (a) Digital Domain Broadcasting (Hong Kong) Limited, an investment holding company indirectly wholly-owned by the Company, as the purchaser; and
 - (b) Digital Knight Finance S.à r.l., as the vendor.

The Vendor is an investment holding company incorporated under laws of Luxembourg. As at the Latest Practicable Date, the ultimate beneficial owner of the Vendor was Mr. Ng, who was a substantial Shareholder holding, through its wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Assets being acquired:	The Sale Shares, representing 40% of the total issued common shares of the JV Company
Consideration:	<p>EUR13,333,333 (equivalent to approximately HK\$122,266,664), which will be settled wholly in cash upon completion of the Acquisition. The Company intends to finance the Acquisition by applying the proceeds raised from the share subscription completed on 30 July 2021.</p> <p>The consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor, with reference to, inter alia, the original subscription price of the Sale Shares of EUR13,333,333 paid by the Vendor in January 2021 and the unaudited net asset value of the JV Company as at 30 June 2021 of EUR31,273,881 (approximately HK\$286,781,489).</p> <p>The consideration of the Acquisition represents: (i) the same consideration paid by the Vendor for the subscription of the Sale Shares; and (ii) a premium of approximately 6.6% over the unaudited net asset value of the JV Company attributable to the Sale Shares as at 30 June 2021 of EUR12,509,552 (approximately HK\$114,712,592).</p>
Condition precedent to completion:	Completion of the transactions contemplated under the SPA is conditional upon the passing by the Independent Shareholders of the resolution to approve the transactions contemplated under the SPA in accordance with the Listing Rules.
Completion:	Completion is to take place on the fifth (5th) Business Day after the condition is satisfied (or such other day as may be agreed by the parties to the SPA). The long stop date for satisfaction of the condition precedent is 30 October 2021 or such other date to be agreed in writing by the parties to the SPA. The SPA will lapse immediately thereafter and be of no further effect and neither party to the SPA will have any claim against or liability or obligation to other party under the SPA.

LETTER FROM THE BOARD

INFORMATION ON THE JV COMPANY AND REASONS FOR THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in media entertainment business, including visual effects (VFX) production, virtual reality (VR) technology services using 360 degree digital capture technology and computer graphics, post-production service and virtual human business.

The Group's operations in North America, the PRC and India mainly serve the North American and PRC markets. As part of the Company's strategy to explore opportunities in the development of, or investment in, media entertainment operations based in Europe and North America and exploitation of the virtual human and other technologies of the Group, the Purchaser and the Vendor established the JV Company in Luxembourg on 18 January 2021 pursuant to the joint venture formation agreement dated 11 December 2020 entered into between the Company and HLEE Finance S.à r.l. The Purchaser and the Vendor injected capital of EUR20,000,000 (equivalent to approximately HK\$183,400,000) and EUR13,333,333 (equivalent to approximately HK\$122,266,664) to the JV Company respectively. As of the date of the SPA, the JV Company was owned as to 60% by the Purchaser and 40% by the Vendor respectively. The principal activities of the JV Company are the development of, and investment in, media entertainment business in Europe and North America.

Since its establishment in January 2021, the JV Company proactively explored opportunities for business cooperation with reputable business partners which can exploit the virtual human, VFX and VR technologies of the Group in the European and North American markets. The JV Company has established business relationships and networks with certain media and entertainment companies as well as technology companies in Europe and expected that there will be great opportunities for business development and cooperation between the JV Company and such corporations. As at the Latest Practicable Date, the major investments held by the JV Company include (i) approximately 19% of the total issued common shares of ASKNET, which is a procurement, e-commerce and payment specialist with a focus on academic and educational sectors and whose shares are traded on the Frankfurt Stock Exchange (ticker code: ASKN); (ii) approximately 3.01% of the total issued common shares of HLEE, which is a media and sports marketing company whose shares are traded on the SIX Swiss Exchange (ticker code: HLEE.SW); and (iii) a 4.5% bond in principal amount of EUR9,500,000 purchased in July 2021 and agreed to be repurchased on 15 December 2021 by the issuer, namely, FBNK Finance S.à r.l.

Based on the unaudited management accounts of the JV Company, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the JV Company recorded a net loss before taxation and net loss after taxation of EUR2,059,452 (approximately HK\$18,885,175) and EUR2,059,452 (approximately HK\$18,885,175) respectively for the period from 18 January 2021 (the incorporation date) to 30 June 2021. As of 30 June 2021, the unaudited net asset value of the JV Company amounted to EUR31,273,881 (approximately HK\$286,781,489).

LETTER FROM THE BOARD

Although its establishment is relatively recent, the JV Company has already built good business relationships with various potential business partners and customers in the European market. The JV Company has been in discussion with a European-based technology company specialized in the education sector for a possible collaboration in the development of learning solutions that leverage virtual human technology in the form of a virtual teaching assistant. The JV Company and a company with automobile related business in Europe are also exploring the possibilities of artificial intelligence functions with a virtual human assistant. In addition, the JV Company has been in negotiation with a local distributor for distributing the Group's virtual reality hardware and software products in Europe. Visual effects/post-production and mixed reality services are also under negotiations between the JV Company and a film production/event company in Europe.

The Group is optimistic about the long-term development of its media entertainment business in the European and American markets and believes that the business relationships established with the potential customers and business partners are invaluable and have paved the way for the JV Company to succeed in the European market. As most of the aforementioned business opportunities of the JV Company hinge on the Group's VFX, VR and virtual human technologies, the management of the Company considers that the business relationships established by the JV Company could be well maintained even after the Acquisition. Therefore, the Group intends to consolidate full control over the JV Company as soon as practicable through the Acquisition in order to allow the Group greater autonomy in introducing and/or launching the Group's technologies, products and/or services in the European market through the JV Company. Moreover, transactions for deploying the Group's technologies in, and/or offering products and services of the Group to, the JV Company may constitute non-exempt continuing connected transactions of the Company as the joint venture partner of the JV Company is also a connected person of the Company. By having full control over the JV Company, it is more cost-effective and efficient for the Group to carry out transactions with the JV Company from time to time.

The Directors believe that the terms (including the consideration) of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole despite the fact that the consideration represents a premium over the unaudited net asset value of the JV Company attributable to the Sale Shares as at 30 June 2021, having taken into account (i) the original subscription price of the Sale Shares paid by the Vendor, which serves as a reference for the historical transaction price of the Sale Shares; (ii) the initial incorporation and set up costs incurred by the JV Company; and (iii) the invaluable business relationship and network established by the JV Company in the media and entertainment industry in Europe. In addition, the premium of consideration over the unaudited net asset value of the JV Company attributable to the Sale Shares was mainly attributable to the unrealized loss in investments in securities held by the JV Company which is a non-cash item.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated by reference to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the SPA is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Vendor is indirectly wholly-owned by Mr. Ng, who is a substantial Shareholder holding, through its wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company, and the Acquisition constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, HLEE Finance S.à r.l., a company indirectly wholly-owned by Mr. Ng, was interested in 6,814,760,000 Shares, representing approximately 15.74% of the total issued share capital of the Company. By reason of his interest in the Acquisition, Mr. Ng and his associates (including HLEE Finance S.à r.l.) are required to abstain from voting for the approval of the SPA and transactions contemplated thereunder at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Ng and his associates, no Shareholder has any material interest in the Acquisition which is different from the other Shareholders and therefore no other Shareholder is required to abstain from voting at the SGM to approve the SPA and transactions contemplated thereunder.

Furthermore, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has an interest in the Capital Reorganisation which is materially different from the other Shareholders. As such, no Shareholder is required to abstain from voting under the Listing Rules at the SGM on the resolutions to effect the Capital Reorganisation.

SPECIAL GENERAL MEETING

The SGM will be convened and held at the Conference Room, Suite 1201, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong at 10:30 a.m. on Wednesday, 6 October 2021 for (i) the Shareholders to consider and, if thought fit, approve the resolutions for effecting the Capital Reorganisation and approving the re-election of Directors; and (ii) the Independent Shareholders to consider and, if thought fit, approve the resolution for approving the SPA and transactions contemplated thereunder, by way of poll. A notice convening the SGM is set out on pages SGM-1 to SGM-4 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

The register of members of the Company will be closed from Thursday, 30 September 2021 to Wednesday, 6 October 2021 (both days inclusive), during which period no transfer of the Existing Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the SGM, all share transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 29 September 2021.

LETTER FROM THE BOARD

Whether or not you intend to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

Pursuant to Bye-law 66 of the Bye-laws and Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll save that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the voting of the resolutions as set out in the notice of SGM shall be taken by way of poll at the SGM. The result of the poll will be announced after the SGM.

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the SGM:

- (i) conduct compulsory body temperature check for attendees at the entrance of the SGM venue and anyone with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the SGM venue;
- (ii) properly wear surgical mask prior to admission to the SGM venue and at any time within the SGM venue;
- (iii) appropriate settings will be arranged at the SGM venue to meet the relevant regulatory requirements with respect to physical distancing. As a result, there will be limited capacity for attendees to attend the SGM; and
- (iv) no refreshments will be served at the SGM.

Attendees may be denied entry into the SGM venue at the absolute discretion of the Company as permitted by law if any safety regulation or the above precautionary measures cannot be complied with.

For the health and safety of the Shareholders, the Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account the current situation of the COVID-19 pandemic, and encourages the Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the SGM arrangements at short notice and may issue further announcement on such arrangements as appropriate.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 23 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 24 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, in relation to the SPA and transactions contemplated thereunder.

Although the Acquisition is not conducted in the ordinary and usual course of business of the Company, the Directors and the Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the terms of the SPA and transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and Shareholders as a whole. Accordingly, the Directors and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the SPA and transactions contemplated thereunder.

The Board also considers that the proposed Capital Reorganisation and change in board lot size and the proposed re-election of Directors are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends you to vote in favour of the resolutions relating to the Capital Reorganisation to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
DIGITAL DOMAIN HOLDINGS LIMITED
Seah Ang
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

13 September 2021

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of Digital Domain Holdings Limited dated 13 September 2021 (the “**Circular**”), of which this letter forms part. Capitalized terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in relation to the Acquisition. Octal Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the Acquisition. The letter of advice from the Independent Financial Adviser is set out on pages 24 to 37 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 22 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that although the transactions contemplated under the SPA are not conducted in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the SPA and transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Lau Cheong

Duan Xiongfei

Elizabeth Monk Daley

Woo King Hang

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

13 September 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are contained in the circular to the Shareholders dated 13 September 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the letter from the Board (the “**Letter from the Board**”) of the Circular, on 16 August 2021, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the SPA, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell, the Sale Shares, representing 40% of the total equity interest in the JV Company, for an aggregate cash consideration of EUR13,333,333 (equivalent to approximately HK\$122,266,664). The JV Company was established in January 2021 and is currently owned as to 60% by the Group and 40% by the Vendor. Upon completion of the Acquisition, the JV Company will become an indirect wholly-owned subsidiary of the Company.

The Vendor is indirectly wholly-owned by Mr. Ng, who is a substantial Shareholder holding, through its wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company, and the Acquisition constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the SPA and transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolution to be proposed at the SGM to approve the SPA and transactions contemplated thereunder. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we (i) were not connected with the Directors, chief executives and substantial Shareholders, the Vendor or any of their respective subsidiaries or associates or parties acting in concert with any of them; and (ii) did not have any shareholding, directly or indirectly, in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Therefore, we are considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there was no engagement between the Company or the Vendor and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the Vendor or any of its subsidiaries or their respective associates, and any parties acting in concert with them.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussions with the management of the Company regarding the Group and the Acquisition including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information, among other things, the SPA, to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Vendor and their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the responsibility statement in the Appendix to the Circular, the Directors collectively and individually accept full responsibility for the Circular, which includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

Should there be any material changes after the Latest Practicable Date, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE ACQUISITION

1. Background information of the Group and the JV Company

(i) *Information of the Group*

The Company is an investment holding company. Its subsidiaries are principally engaged in media entertainment business, including visual effects (VFX) production, virtual reality (VR) technology services using 360 degree digital capture technology and computer graphics, post-production service and virtual human business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The major information of the audited consolidated income statement and the unaudited consolidated income statement for the years ended 31 December 2019 (“**FY2019**”) and 2020 (“**FY2020**”) and for the six months ended 30 June 2020 (“**1H2020**”) and 2021 (“**1H2021**”) extracted from the annual report of the Company for FY2020 (the “**2020 Annual Report**”) and the interim results announcement of the Company for 1H2021 (the “**2021 Interim Results Announcement**”), respectively, are summarised below:

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2020	2020	2021
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>(re-presented)</i>		<i>(re-presented)</i>	
	<i>(Note)</i>		<i>(Note)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from continuing operations</i>				
– Visual effects production service	469,807	503,713	304,607	371,038
– Post-production service	21,704	40,886	5,299	8,933
– 360 degree digital capture technology application and virtual reality services	56,548	49,140	22,194	31,980
– Granting of licence for virtual reality contents	–	7,562	–	2,712
Total revenue from continuing operations	548,059	601,301	332,100	414,663
Gross profit from continuing operations	79,082	64,730	37,506	63,856
Gross profit margin (%)	14.4%	10.8%	11.3%	15.4%
Loss for the year/period attributable to the owners of the Company from continuing operations	(391,077)	(584,205)	(107,455)	(103,796)

Note: On 17 July 2020, the Group entered into a share sale and purchase agreement with an independent purchaser in connection with the disposal of 22.29% equity interest of Lead Turbo Limited. The disposal was completed on 31 July 2020.

For the purpose of presenting discontinued operation, the comparative consolidated income statement has been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2020 compared to FY2019

During FY2020, the revenue of the Group from continuing operations amounted to approximately HK\$601.3 million, representing an increase of approximately HK\$53.2 million or 9.7% from approximately HK\$548.1 million for FY2019.

As disclosed in the 2020 Annual Report, the increase in revenue was mainly contributed by the increase in the visual effects production service segment and the post-production service segment of approximately HK\$33.9 million and approximately HK\$19.2 million, respectively. Nevertheless, during FY2020, the Group's gross profit from continuing operations amounted to approximately HK\$64.7 million, representing a decrease of approximately HK\$14.4 million compared to approximately HK\$79.1 million for FY2019. This was mainly due to the increase of the Group's cost of sales and services rendered of approximately HK\$67.6 million from approximately HK\$469.0 million for FY2019 to approximately HK\$536.6 million in FY2020. The gross profit margin of the Group decreased from approximately 14.4% for FY2019 to approximately 10.8% for FY2020, mainly due to the postponement of revenue from projects in North America whilst additional costs incurred to catch up the subsequent film schedules and provision of facility for staff to work from home for projects as a result of COVID-19 pandemic.

The loss attributable to the owners of the Company from continuing operations increased by approximately HK\$193.1 million from approximately HK\$391.1 million for FY2019 to approximately HK\$584.2 million for FY2020, primarily as a result of the increase of impairment losses on goodwill of cash generating units in 360 degree digital capture technology application from approximately HK\$74.4 million for FY2019 to approximately HK\$305.1 million for FY2020.

1H2021 compared to 1H2020

During 1H2021, the revenue of the Group from continuing operations amounted to approximately HK\$414.7 million, representing an increase of approximately HK\$82.6 million or 24.9% from approximately HK\$332.1 million for 1H2020.

As disclosed in the 2021 Interim Results Announcement, the increase in revenue was mainly contributed by the increase in the visual effects production service segment and the 360 degree digital capture technology application and virtual reality services segment of approximately HK\$66.4 million and approximately HK\$9.8 million, respectively. During 1H2021, the Group's gross profit amounted to approximately HK\$63.9 million, representing an increase of approximately HK\$26.4 million compared to approximately HK\$37.5 million for 1H2020. This was mainly due to the aforementioned increase of the Group's revenue for 1H2021. The gross profit margin of the Group increased from approximately 11.3% for 1H2020 to approximately 15.4% for 1H2021, which was mainly due to cost reduction measures adopted by the Group to enhance operational efficiency during 1H2021.

The loss attributable to the owners of the Company from continuing operations slightly decreased by approximately HK\$3.7 million from approximately HK\$107.5 million for 1H2020 to approximately HK\$103.8 million for 1H2021. As disclosed in the 2021 Interim Results Announcement, the decrease in loss was primarily as a result of the aforementioned increase of the revenue and the decrease in administrative expenses and other net operating expenses during 1H2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The major information of the consolidated financial position of the Group as at 31 December 2020 and 30 June 2021 extracted from the 2020 Annual Report and the 2021 Interim Results Announcement, respectively, are summarised below:

	As at 31 December 2020	As at 30 June 2021
	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	1,210,892	1,293,342
Current assets	286,358	536,876
Total assets	1,497,250	1,830,218
Current liabilities	418,352	349,552
Non-current liabilities	266,027	329,122
Total liabilities	684,379	678,674
Total equity	812,871	1,151,544
Equity attributable to owners of the Company	841,431	1,074,724

The Group's total assets as at 31 December 2020 and 30 June 2021 mainly included intangible assets, interests in associates, trade receivables, other receivables and prepayments and bank balances and cash which together amounted to approximately HK\$1,270.7 million and approximately HK\$1,526.2 million, representing approximately 84.9% and 83.4% of the total assets of the Group, respectively. The bank balances and cash of the Group were approximately HK\$113.9 million and approximately HK\$345.7 million as at 31 December 2020 and 30 June 2021, respectively. The increase of bank balances and cash of the Group for 1H2021 was mainly due to the net proceeds of approximately HK\$340.5 million from a share subscription exercise completed on 18 January 2021. As at 31 December 2020 and 30 June 2021, the Group's total liabilities mainly included trade payables, other payables and accruals and financial liabilities (i.e. bank loans, other loans and lease liabilities) (including current and non-current portions) of approximately HK\$587.8 million and approximately HK\$515.0 million, which together represented approximately 85.9% and approximately 75.9% of the total liabilities of the Group, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Information of the JV Company

The JV Company was established in Luxembourg on 18 January 2021 pursuant to the joint venture formation agreement dated 11 December 2020 entered into between the Company and HLEE Finance S.à r.l. (the “**JV Agreement**”). The Purchaser and the Vendor injected capital of EUR20,000,000 (equivalent to approximately HK\$183,400,000) and EUR13,333,333 (equivalent to approximately HK\$122,266,664) to the JV Company, respectively.

As of the Latest Practicable Date, the JV Company was owned as to 60% by the Purchaser and 40% by the Vendor respectively. The principal activities of the JV Company are the development of, and investment in, media entertainment business in Europe and North America.

The JV Company acquired in February 2021 approximately 19% of the total issued common shares of ASKNET, which is a procurement, e-commerce and payment specialist with a focus on academic and educational sectors and whose shares are traded on the Frankfurt Stock Exchange (ticker code: ASKN). Furthermore, during the first half of 2021, the JV Company acquired in aggregate approximately 3.01% of the total issued common shares of HLEE, which is a media and sports marketing company whose shares are traded on the SIX Swiss Exchange (ticker code: HLEE.SW). In July 2021, a 4.5% bond in a principal amount of EUR9,500,000 was purchased and agreed to be repurchased on 15 December 2021 by the issuer, namely, FBNK Finance S.à r.l. (the “**Bond**”). As at the Latest Practicable Date, the investments of the JV Company were mainly the shares of ASKNET and HLEE and the Bond.

Besides investing in listed securities in the entertainment industry, the JV Company intends to establish in Europe a media entertainment operation which can fully exploit the virtual human and other technologies of the Group. It is also the intention of the JV Company to distribute the Group’s software and hardware products, such as virtual reality glasses, in Europe. The JV Company is proactively exploring opportunities for business cooperation with reputable business partners which can exploit the virtual human, visual effects production and virtual reality technologies of the Group in the European and North American markets and it is in discussions with various parties for collaboration.

Based on the unaudited management accounts of the JV Company for the period ended 30 June 2021, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the JV Company recorded a net loss before and after taxation of approximately EUR2.1 million (approximately HK\$18.9 million) for the period from 18 January 2021 (the incorporation date) to 30 June 2021. As of 30 June 2021, the unaudited net asset value of the JV Company amounted to approximately EUR31.3 million (approximately HK\$286.8 million).

2. Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, it is the Company’s strategy to explore opportunities in the development of, or investment in, media entertainment operations based in Europe and North America and exploitation of the virtual human and other technologies of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the announcements of the Company dated 11 December 2020 (the “**2020 Announcement**”) and 27 December 2020 (the “**2020 Supplemental Announcement**”), the Company and the Vendor subscribed for shares in the JV Company such that the Group and the Vendor would hold 60% and 40% interests in the JV Company, respectively. The Purchaser and the Vendor injected capital of EUR20,000,000 (equivalent to approximately HK\$183,400,000) and EUR13,333,333 (equivalent to approximately HK\$122,266,664) to the JV Company, respectively.

Based on the 2020 Announcement, it is intended that the JV Company and/or its subsidiaries would be engaged in (i) the development of or investment in media entertainment operations based in Europe and North America and to exploit the virtual human and other technologies of the Group on terms acceptable to the Company; and (ii) such other business as may from time to time, subject to the approval by the shareholders of the JV Company together holding not less than 70% of the total number of issued shares at the time.

As stated in the Letter from the Board, although its establishment is relatively recent, the JV Company has already built good business relationships with various potential business partners and customers in the European market. The JV Company has been in discussion with a European-based technology company specialized in the education sector for a possible collaboration in the development of learning solutions that leverage virtual human technology in the form of a virtual teaching assistant. The JV Company and a company with automobile related business in Europe are also exploring the possibilities of artificial intelligence functions with a virtual human assistant. In addition, the JV Company has been in negotiation with a local distributor for distributing the Group’s virtual reality hardware and software products in Europe. Visual effects/post-production and mixed reality services are also under negotiations between the JV Company and a film production/event company in Europe.

The Group is optimistic about the long-term development of its media entertainment business in the European and American markets and believes that the business relationships established with the potential customers and business partners are invaluable and have paved the way for the JV Company to succeed in the European market. As most of the aforementioned business opportunities of the JV Company hinge on the Group’s VFX, VR and virtual human technologies, the management of the Company considers that the business relationships established by the JV Company could be well maintained even after the Acquisition. Therefore, the Group intends to consolidate full control over the JV Company as soon as practicable through the Acquisition in order to allow the Group greater autonomy in introducing and/or launching the Group’s technologies, products and/or services in the European market through the JV Company.

According to the “2021 Education Finance Watch” published by the World Bank on 19 February 2021, public spending on total education has increased from approximately US\$12.2 billion in 2014 to approximately US\$15.9 billion in 2019, representing a compound annual growth rate of approximately 5.4%. In addition, according to a forecast published on 23 February 2021 by Holon IQ, a market intelligence platform for the global education market, it is expected that the market size of provision of education technology services will grow at an average annual growth rate of 16.3% until 2025, resulting in a global market size of US\$404 billion. In a general perspective, the COVID-19 pandemic may lead not only to short term spending but also to a longer-term integration of digital technologies, which may increase the demand in remote learning services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the COVID-19 pandemic and the associated restrictions have negatively impacted the retail and physical business of media entertainment industry of Europe. According to the “Cultural and Creative Sectors in Post-COVID-19 Europe” (the “**European Release**”) released by European Parliament in February 2021, the industry sector of arts, entertainment, recreation and other service activities recorded the largest decrease in both gross value-added and hours worked among all the industry sectors in Europe for the 1st quarter of 2020, mainly as a result of the lockdown measures taken by local governments. As further mentioned from the European Release, the lockdown measures have limited the possibility for entertainment companies to distribute and disseminate content physically through traditional channels (cinemas, theatres, museums, etc.), but have alternatively sped up digital distribution of media due to the increase in growing consumption of culture through digital media. From a business perspective, the digital distribution, mainly through online streaming, brings opportunities for new revenue streams (mainly based on the exploitation of digital and new technologies and/or new forms of partnerships) and consequently for future business model innovation. The management of the Company believes that many traditional entertainment companies would adopt digital strategy and media transformation to react quickly to the market changes, which can result in growth in the digital and cross-platform use of media content.

In light of the above, we concur with the view of the management of the Company that (i) the invaluable business relationships with potential customers established by the JV Company might facilitate the Group in establishing its presence in the European market in long term; (ii) the market outlook of media entertainment industry in Europe is promising; and (iii) obtaining full control of the JV Company through the Acquisition would allow the Group greater autonomy in introducing and/or launching the Group’s technologies, products and/or services in the European market through the JV Company and enable the Group to devise business plans and strategies that conform with its overall business development goals.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the SPA

Set out below is a summary of the principal terms for the SPA. Independent Shareholders are advised to read further details of the SPA as disclosed in section headed “The SPA” in the Letter from the Board.

Date:	16 August 2021
Parties:	(a) Digital Domain Broadcasting (Hong Kong) Limited, an investment holding company indirectly wholly-owned by the Company, as the purchaser; and (b) Digital Knight Finance S.à r.l., as the vendor.

The Vendor is an investment holding company incorporated under laws of Luxembourg. As at the Latest Practicable Date, the ultimate beneficial owner of the Vendor was Mr. Ng, who was a substantial Shareholder holding, through its wholly-owned corporations, approximately 15.74% of the total issued share capital of the Company.

Assets being acquired:	The Sale Shares, representing 40% of the total issued common shares of the JV Company.
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Consideration:	EUR13,333,333 (equivalent to approximately HK\$122,266,664), which will be settled wholly in cash upon completion of the Acquisition.
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The Company intends to finance the Acquisition by applying the proceeds raised from the share subscription completed on 30 July 2021.

Condition precedent to completion:	Completion of the transactions contemplated under the SPA is conditional upon the passing by the Independent Shareholders of the resolution to approve the transactions contemplated under the SPA in accordance with the Listing Rules.
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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Evaluation on the consideration of the Acquisition

The Group was interested in 60% of the equity interest of the JV Company as at the Latest Practicable Date and the JV Company was accounted for as an indirect subsidiary of the Company. However, as aforementioned in the section headed “Reasons for and benefits of the Acquisition” in this letter, any investment in business other than media entertainment operations based in Europe and North America will require the approval by shareholders of the JV Company holding 70% of the number of shares in issue in accordance with the JV Agreement. The Directors therefore are of the view that the Group currently does not have full control on investment decisions in new businesses of the JV Company. Upon completion of the Acquisition, we concur with the Directors that once the entire equity interest of the JV Company is obtained, the future investment decision and future business development of the JV Company will solely be determined by the Group. In view that the JV Company will become a wholly-owned subsidiary of the Company upon completion of the Acquisition and the consideration represents a premium over the net asset value of the JV Company as at 30 June 2021, we analysed whether the premium is fair and reasonable to the Independent Shareholders.

As disclosed in the Letter from the Board, the consideration of the Acquisition of EUR13,333,333 (equivalent to approximately HK\$122,266,664) represents a premium of approximately 6.6% over the unaudited net asset value of the equity interests of the JV Company attributable to the Sale Shares as at 30 June 2021 of EUR12,509,552 (equivalent to approximately HK\$114,712,592). Taking into account the investment in ASKNET and HLEE being the listed security investments of the JV Company, which are publicly traded on the market, we demonstrate the net asset value of the JV Company as at 30 June 2021 adjusted with the closing price of ASKNET and HLEE as at 16 August 2021, being the date of the announcement (the “**Announcement**”) relating to the Acquisition (the “**Adjusted NAV**”) to reflect the latest share price performance of ASKNET and HLEE up to the date of the Announcement. Set out below are the calculation of the Adjusted NAV for illustrative purpose only:

The unaudited net asset value of the JV Company as at 30 June 2021	EUR31,273,881
Less: the carrying amount of investment in ASKNET and HLEE held by the JV Company as at 30 June 2021 <i>Note 1</i>	EUR(9,170,907)
Add: the carrying amount of investment in ASKNET and HLEE held by the JV Company as at the date of the Announcement <i>Note 2</i>	EUR9,715,676
The Adjusted NAV	EUR31,818,650
The Adjusted NAV attributable to the Sale Shares	EUR12,727,460
The consideration of the Acquisition	EUR13,333,333
The premium based on the difference between the consideration of the Acquisition and the Adjusted NAV attributable to the Sale Shares	4.8%

Note:

1. Extracted from the management account of the JV Company for the 1H2021 provided by the Company.
2. Calculated with reference to their closing price as at the date of the Announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, the Adjusted NAV attributable to the Sale Shares is approximately EUR12.7 million (approximately HK\$116.7 million). The consideration of the Acquisition of approximately EUR13.3 million (equivalent to approximately HK\$122.3 million) represents a premium (the “**Premium**”) of approximately 4.8% to the Adjusted NAV attributable to the Sales Shares of approximately EUR12.7 million (equivalent to approximately HK\$116.7 million) as at the date of the Announcement.

In order to justify the reasonableness of the Premium, we have conducted research on the circulars published on the Stock Exchange during the recent twelve months prior to the Latest Practicable Date involving acquisition transactions of companies, in which (i) their relevant consideration of target company has been determined with reference to independent valuation taking into account of control premium; (ii) their control premium is referenced to the international market studies; and (iii) the purchaser would obtain the entire equity interest of the target company after acquisition. Based on above selection criteria, we have identified 6 comparable transactions (the “**Comparable Transactions**”). We considered that the Comparable Transactions are comparable to the Acquisition in view that the purchasers of the Comparable Transactions would own 100% of the equity interest in the relevant target companies and all aspects of operations of the latter would be solely determined by these purchasers after acquisition, which is similar to the Acquisition. Furthermore, we are of the view that the Comparable Transactions covered in the twelve-month period are fair and reasonable as they would be reflective to the recent market conditions for the comparison. To the best of our knowledge and according to the selection criteria as stated above, the list of Comparable Transactions is an exhaustive list of comparable transactions meeting the aforesaid criteria. The following table sets out the details of the Comparable Transactions:

Company (Stock code)	Date of circular	Consideration	Percentage of the target group/company subject to the acquisition	Control premium as considered in valuation report
ZZ Capital International Limited (8295)	18 September 2020	RMB850.0 million	100%	25.6%
Apollo Future Mobility Group Limited (860)	24 December 2020	EUR36.0 million	100%	20.0%
Fire Rock Holdings Limited (1909)	13 January 2021	RMB900.0 million	100%	24.5%
L & A International Holdings Limited (8195)	15 March 2021	HK\$80.0 million	70% <i>Note</i>	30.0%
China Modern Dairy Holdings Ltd. (1117)	14 May 2021	RMB3,480.0 million	100%	20.0%
Sino-i Technology Limited (250)	28 June 2021	RMB488.0 million	100%	20.0%
			Maximum	30.0%
			Minimum	20.0%
			Average	23.4%
The Premium				4.8%

Note: According to the circular of L & A International Holdings Limited dated 15 March 2021, the target company was owned as to 30% by the purchaser as at the latest practicable date of the circular, while the remaining 70% of equity interest of the target company would be acquired by the purchaser in the transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above table, we noted that the control premium adopted in those transactions were not less than 20%, whereas the Premium of approximately 4.8% is lower than them.

4. Possible financial effect of the Acquisition

As at the Latest Practicable Date, the Group was interested in 60% of the equity interest of the JV Company. Upon completion of the Acquisition, the JV Company will become an indirect wholly-owned subsidiary of the Company and its financial results, assets and liabilities will continue to be consolidated in the consolidated financial statements of the Group.

(i) Earnings

Upon completion of the Acquisition, the owners of the Company will be entitled to the entire profit of the JV Company. The actual gain or loss from the Acquisition to be recorded by the Group is subject to the final audit to be performed by the auditors of the Company.

There will be no gain or loss to be recognised in the income statement upon completion of the Acquisition as the difference between the consideration and the net assets of the JV Company will be recognised through equity.

(ii) Assets and liabilities

The consideration of the Acquisition of approximately EUR13.3 million (equivalent to approximately HK\$122.3 million) represents (i) a premium of approximately 6.6% to the unaudited net asset value of the equity interests of the JV Company attributable to the Sale Shares of approximately EUR12.5 million (equivalent to approximately HK\$114.7 million) as at 30 June 2021; and (ii) a premium of approximately 4.8% to the Adjusted NAV attributable to the Sales Shares of approximately EUR12.7 million (equivalent to approximately HK\$116.7 million) as at the date of the Announcement. Although the consideration of the Acquisition is at a premium to the net asset value of JV Company, we concur with the management of the Company that such premium could be recognised in equity. Although the exact effect of the Acquisition to net asset value of the Group cannot be quantified at the moment, the management of the Company is of positive view in future economic benefits from the JV Company.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon the completion of the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

We understand that the consideration of the Acquisition is slightly higher than the Adjusted NAV attributable to the Sale Shares, representing the Premium of approximately 4.8% over the Adjusted NAV attributable to the Sale Shares. However, taking into account of wider perspective and in particular that:

1. the Acquisition would enable the Group to exercise full control to improve its efficiency in decision making in relation to and have greater autonomy in introducing and/or launching its technologies, products and/or services in the European market through the JV Company;
2. the Acquisition would be potentially conducive in promoting the Group's services and technology in Europe in future, as well as establishing and maintaining customer relationships through future business cooperation with European listed companies and clients;
3. the future industry outlook of media entertainment industry in Europe; and
4. the Premium is lower than the control premium of the Comparable Transactions,

we consider that the Premium of approximately 4.8% over the Adjusted NAV attributable to the Sale Shares is justifiable after taking into consideration of the above merits of the Acquisition. Although the Acquisition is not in the ordinary and usual course of business of the Group, we considered that the terms of the SPA and transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the entering into the SPA is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the SPA and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to The Codes on Takeovers and Mergers and Share Buy-backs of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of The Codes on Takeovers and Mergers and Share Buy-backs.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, to the best knowledge of the Directors and chief executives of the Company, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives of the Company are taken or deemed to have under such provision of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total interests (Long/short positions)	Approximate percentage of issued share capital
Seah Ang	Interest of controlled corporation and beneficial owner <i>(Notes 1 and 2)</i>	2,008,531,324	100,000,000	2,108,531,324 (Long position)	4.87%
	Interest of controlled corporation <i>(Note 1)</i>	502,134,789	–	502,134,789 (Short position)	1.16%

Notes:

- Global Domain Investments Limited was deemed to be interested in 2,008,531,324 Shares by holding 502,134,789 Shares and taking a deemed interest in 1,506,396,535 Shares under section 317 of the SFO. Mr. Seah Ang was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Global Domain Investments Limited.
- Mr. Seah Ang held 100,000,000 options granted under the share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors and chief executives of the Company, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which the Directors or chief executives of the Company are taken or deemed to have under such provision of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the persons or companies (not being a Director or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Capacity	Number of Shares and underlying Shares held	Long/short positions	Approximate percentage of issued share capital
HLEE Finance S.à r.l.	Beneficial interest (Note 1)	6,814,760,000	Long position	15.74%
Poly Culture Group Corporation Limited	Beneficiary of a trust (other than a discretionary interest)	5,323,600,000	Long position	12.30%
Jade Link Holdings Limited	Beneficial interest (Note 2)	5,037,200,000	Long position	11.64%
Le Nouveau Holdings Inc.	Beneficial interest (Note 3)	2,400,000,000	Long position	5.54%
Wise Sun Holdings Limited	Person having a security interest in shares, beneficial owner and interest of controlled corporation (Note 4)	2,316,654,789	Long position	5.35%

Name	Capacity	Number of Shares and underlying Shares held	Long/short positions	Approximate percentage of issued share capital
Bright Ace Holdings Limited	Interest of controlled corporation (Note 4)	2,316,654,789	Long position	5.35%
Zhou Jian	Interest of controlled corporation and beneficial owner (Notes 4, 5 and 6)	2,531,878,527	Long position	5.85%
CITIC Limited	Interest of controlled corporation (Note 7)	2,181,178,182	Long position	5.04%
CITIC Group Corporation	Interest of controlled corporation (Note 7)	2,181,178,182	Long position	5.04%
Peter Chou	Interest of controlled corporation (Note 8)	2,176,041,324	Long position	5.03%
	Interest of controlled corporation (Note 8)	602,561,746	Short position	1.39%

Notes:

1. HLEE Finance S.à r.l. was indirectly wholly-owned by Mr. Ng through C Digital Libraries Inc., a company directly wholly-owned by Mr. Ng, as at the Latest Practicable Date.
2. Jade Link Holdings Limited was wholly-owned by Ms. Tang Elaine Yilin as at the Latest Practicable Date.
3. Le Nouveau Holdings Inc. was wholly-owned by Mr. Norman Paul Hansen as at the Latest Practicable Date.
4. Wise Sun Holdings Limited beneficially holds 534,083,465 Shares and was deemed to be interested in 502,134,789 Shares held by Redmount Ventures Limited, and by having a security interest in 1,280,436,535 Shares under section 317 of the SFO. Redmount Ventures Limited is wholly-owned by Wise Sun Holdings Limited which in turn is wholly-owned by Bright Ace Holdings Limited. Mr. Zhou Jian was deemed to be interested in the above Shares by virtue of his 100% shareholding interest in Bright Ace Holdings Limited.
5. Mr. Zhou Jian was deemed to be interested in 65,223,738 Shares held by Ultra Gain Development Limited, which is 100% controlled by Mr. Zhou Jian.
6. Mr. Zhou Jian holds 150,000,000 options granted under the share option scheme of the Company.

7. CITIC Group Corporation was deemed to be interested in 2,181,178,182 Shares held by Master Time Global Limited. Such Shares were owned by Master Time Global Limited which in turn is wholly-owned by Dynasty One Investments Limited while Dynasty One Investments Limited is wholly-owned by CITIC Limited. CITIC Limited is 32.53% and 25.60% controlled by CITIC Polaris Limited and CITIC Glory Limited respectively which are 100% controlled by CITIC Group Corporation.
8. Kabo Limited was deemed to be interested in 2,008,531,324 Shares by holding 602,561,746 Shares and taking a deemed interest in 1,405,969,578 Shares under section 317 of the SFO. Mr. Peter Chou was deemed to be interested in the above Shares (long and short positions) by virtue of his 100% shareholding interest in Kabo Limited. In addition, Mr. Peter Chou was deemed to be interested in 167,510,000 Shares held by Honarn Inc., which is 100% controlled by Mr. Peter Chou.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the persons or companies (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group.

DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any service contracts with any member of the Group (excluding contract expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which had been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

QUALIFICATION OF EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion, letter or advice which are contained in this circular:

Octal Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
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Octal Capital Limited has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter, which has been prepared for inclusion in this circular, and references to its name and/or its opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, Octal Capital Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Octal Capital Limited did not have any interest, direct or indirect, in any asset which had been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

GENERAL

- (a) The registered office and principal place of business of the Company in Hong Kong are situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Suite 1201, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong respectively.
- (b) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, which is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Fok Lai Yan. Ms. Fok is an associate member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.
- (d) This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, Suite 1201, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong, up to and including the date of the SGM:

- (a) the SPA;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 23 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 37 of this circular;
- (d) the written consent referred to in the paragraph headed "Qualification of Expert and Consent" in this appendix; and
- (e) this circular.

NOTICE OF SPECIAL GENERAL MEETING



DIGITAL DOMAIN HOLDINGS LIMITED

數字王國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Digital Domain Holdings Limited (the “**Company**”) will be held at the Conference Room, Suite 1201, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong at 10:30 a.m. on Wednesday, 6 October 2021 for the purposes of consideration and, if thought fit, passing the following resolutions of the Company:

SPECIAL RESOLUTION

1. “**THAT** subject to and conditional upon (inter alia) (i) the compliance by the Company with section 46(2) of the Companies Act 1981 of Bermuda, and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the Adjusted Shares (as defined below) in issue immediately upon the Capital Reorganisation (as defined below) becoming effective, and with effect from 11 October 2021:
 - (a) every ten (10) issued shares of par value of HK\$0.01 each in the share capital of the Company be consolidated (the “**Share Consolidation**”, together with the Capital Reduction (as defined below), the “**Capital Reorganisation**”) into one (1) share of par value of HK\$0.10 each (each a “**Consolidated Share**”);
 - (b) subject to and forthwith upon the Share Consolidation becoming effective, the paid-up capital of the Company shall be reduced by (i) rounding down the total number of Consolidated Shares to the nearest whole number; and (ii) then reducing the par value of each issued Consolidated Share from HK\$0.10 to HK\$0.01 by the cancellation of HK\$0.09 of the paid-up capital on each issued Consolidated Share so that each issued Consolidated Share will be treated as one fully paid-up share of par value of HK\$0.01 each in the share capital of the Company (each such reduced ordinary share, an “**Adjusted Share**”) (the “**Capital Reduction**”);
 - (c) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company, and the directors of the Company (the “**Directors**”) be authorised to apply the amount standing to the credit of the contributed surplus account of the Company to offset part of the balance of the accumulated losses of the Company on the date the Capital Reorganisation becomes effective;

NOTICE OF SPECIAL GENERAL MEETING

- (d) all fractional entitlements to the Adjusted Shares resulting from the Share Consolidation be disregarded and will not be issued to holders of the same but all such fractional Adjusted Shares shall be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company in such manner and on such terms as the Directors may think fit;
- (e) the Adjusted Shares shall rank pari passu in all respects with each other and have such rights and subject to such restrictions as set out in the bye-laws of the Company; and
- (f) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign all such documents, including under seal where applicable, which they may, in their absolute discretion, deem necessary, desirable, appropriate or expedient to give effect and implement any of the foregoing.”

ORDINARY RESOLUTIONS

2. **“THAT**

- (a) Dr. CHANG San-Cheng be re-elected as an executive director of the Company;
- (b) Mr. Brian Thomas MCCONVILLE be re-elected as a non-executive director of the Company; and
- (c) Mr. WOO King Hang be re-elected as an independent non-executive director of the Company.”

3. **“THAT**

- (a) The transactions contemplated under the sale and purchase agreement dated 16 August 2021 (the “SPA”) (a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) entered into between Digital Domain Broadcasting (Hong Kong) Limited (as the purchaser) and Digital Knight Finance S.à r.l. (as the vendor) in relation to the acquisition of 40% of the total equity interest in Digital Domain Capital Partners S.à r.l. for a cash consideration of EUR13,333,333 (equivalent to approximately HK\$122,266,664), details of which are set out in the circular of the Company dated 13 September 2021 to the shareholders of the Company be and are hereby approved; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) the Directors be and are hereby authorized to do all such acts and things and execute such further documents and take all steps which, in their opinion may be necessary, desirable, or expedient to implement and give effect to the terms of, and all transactions contemplated under, the SPA for and on behalf of the Company and to approve any change and amendment thereto as they may consider necessary, desirable or expedient.”

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

Hong Kong, 13 September 2021

Notes:

- (1) A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and together with a power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the appointed time for the holding the Meeting or any adjournment thereof.
- (2) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (3) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) The register of members of the Company will be closed for a period commencing from Thursday, 30 September 2021 to Wednesday, 6 October 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 29 September 2021.
- (5) Each of the above resolutions will be put to vote by way of a poll at the Meeting.
- (6) The form of proxy is enclosed.
- (7) If a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the websites of the Company and The Stock Exchange of Hong Kong Limited to notify members of the Company of the date, time and venue of the rescheduled Meeting.

Having considered their own situations, members of the Company should decide on their own whether or not they would attend the Meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.

NOTICE OF SPECIAL GENERAL MEETING

- (8) To safeguard the health and safety of the members of the Company and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the Meeting:
- (i) conduct compulsory body temperature check for attendees at the entrance of the Meeting venue and anyone with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the Meeting venue;
 - (ii) properly wear surgical mask prior to admission to the Meeting venue and at any time within the Meeting venue;
 - (iii) appropriate settings will be arranged at the Meeting venue to meet the relevant regulatory requirements; and
 - (iv) no refreshments will be served at the Meeting.

Attendees may be denied entry into the Meeting venue at the absolute discretion of the Company as permitted by law if any safety regulation or the above precautionary measures cannot be complied with.

- (9) For the health and safety of the members of the Company, the Company reminds attendees that they should carefully consider the risks of attending the Meeting, taking into account the current situation of the COVID-19 pandemic, and encourages the members of the Company to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy.