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## **China 3D Digital Entertainment Limited**

### **中國3D數碼娛樂有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8078)

#### **DISCLOSEABLE TRANSACTION ACQUISITION OF 40% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND INVOLVING THE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

The Board is pleased to announce that on 14 December 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell and transfer the Sale Shares to the Purchaser, and the Purchaser has agreed to purchase the Sale Shares from the Vendor. The Consideration for the Acquisition is the sum of HK\$13,600,000, which shall be settled and discharged by the Purchaser by cash payable to the Vendor on Completion of HK\$6,600,000 plus the Adjustment Amount and by issue of the Convertible Bonds by the Company.

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

A circular containing, among other things, further details of the Sale and Purchase Agreement and the Specific Mandate are to be despatched by the Company to its shareholders as soon as possible in accordance with the GEM Listing Rules.

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Principal terms of the Sale and Purchase Agreement are set out below.

## **SALE AND PURCHASE AGREEMENT**

**Date** 14 December 2015 (after trading hours)

### **Parties**

- (i) Double Spirit Development Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company, as the Purchaser
- (ii) Stephen Chau, as the Vendor

(The Purchaser and the Vendor collectively be referred to as the “**Parties**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquires, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement and subject to conditions, the Vendor has agreed to sell and the Purchaser has agreed to purchase from the Vendor, free from any encumbrance whatsoever, the Sale Shares, representing 40% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement.

### **Consideration**

The Consideration in the sum of HK\$13,600,000, which shall be settled and discharged by the Purchaser in accordance with the mode and manner as set out thereunder:

- (i) by cash payable to the Vendor on Completion of HK\$6,600,000 plus the Adjustment Amount; and
- (ii) by issue of the Convertible Bonds within 7 days from the date on which the 2016 Actual Profit is presented by the Vendor (or such other date as may be agreed by the Parties in writing).

## **Profit Guarantee**

The Vendor guarantees to the Purchaser that the 2016 Actual Profit shall not be less than HK\$3,000,000, and undertakes that if the 2016 Guaranteed Profit is not achieved, the Consideration shall be adjusted downward as calculated below:

$$\text{Shortfall} = (\text{2016 Guaranteed Profit} - \text{2016 Actual Profit}) \times 11 \times 50\%$$

If there is any shortfall of the 2016 Guaranteed Profit, such shortfall shall be deducted from the principal amount of the Convertible Bonds provided that the maximum amount of shortfall payable by the Vendor shall be HK\$7,000,000.

In any event, the Company will only issue the Convertible Bonds with the amount after the adjustment in relation to the abovementioned profit guarantee have been made (i.e. after deduction of shortfall from the principal amount of the Convertible Bonds).

## **Conditions Precedent**

Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

- (i) the completion of the due diligence review and investigation by the Purchaser;
- (ii) the passing of the resolution by the shareholders of the Company in the SGM approving the Specific Mandate, the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Convertible Bonds;
- (iv) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Sale and Purchase Agreement having been obtained by the respective parties to the Sale and Purchase Agreement (including but not limited to the necessary consent from the Stock Exchange, if any);
- (v) the entering by the Target Company of a service agreement with the Vendor for the management of the Target Company and the Target Group;
- (vi) the entering by the Purchaser, Vendor, Ms. Tam Yuk Ching, Jenny and the Company of the Shareholders' Agreement, pursuant to which (a) the Vendor shall retain overall control of the board of directors and power of management of the Target Company and the Target Group; and (b) the Purchaser shall provide business development opportunities in movie and television related businesses to the artists of the Target Company and the Target Group; and

- (vii) none of the warranties made by the Vendors under the Sale and Purchase Agreement have been breached in any material respect, or is misleading or untrue in any material respect.

### **Completion**

Completion shall take place on the Completion Date after satisfaction (or waived by the Purchaser).

Upon Completion, the Company will be indirectly interested in the 40% of the entire issued share capital of the Target Company and the Target Company will be accounted for as an associate of the Company and accounted for in the consolidated financial statements using the equity method.

### **EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE**

	<b>As at the date of this announcement</b>		<b>Immediately after Completion and conversion of the Convertible Bonds</b>	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Vendor	–	–	18,741,634	0.49%
Other public Shareholders	3,832,758,224	100%	3,832,758,224	99.51%
	<u>3,832,758,224</u>	<u>100%</u>	<u>3,851,499,858</u>	<u>100%</u>

### **PRINCIPLE TERMS OF THE CONVERTIBLE BONDS**

Principal amount: Up to HK\$7,000,000

Interest: Zero coupon rate

Conversion price: The price at which each Share shall be issued upon conversion shall be HK\$0.3735 (subject to adjustment), being the 10-days weighted average closing price of the Company prior to the date of the Sale and Purchase Agreement.

Maturity date: 31 December 2017

Transferability: The Convertible Bonds may only be assigned or transferred subject to the Company's prior written approval.

Conversion:	<p>The bondholder shall have the right to exercise the Conversion rights of the Convertible Bonds of the aggregate principal amount up to HK\$3,500,000 in whole or in any integral multiple of HK\$500,000 thereof during the Tranche 1 Conversion Period.</p> <p>The bondholder shall have the right to exercise the Conversion rights of the remaining outstanding principal amount of the Convertible Bonds which have not been converted in Tranche 1 Conversion Period in whole or in any integral multiple of HK\$500,000 thereof during the Tranche 2 Conversion Period.</p>
Conversion Shares:	Assuming that the Convertible Bonds is fully converted into Conversion Shares at the initial conversion price of HK\$0.3735, a total of 18,741,634 Conversion Shares will be issued which represent approximately 0.49% of the issued share capital of the Company as at the date hereof and approximately 0.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
Adjustment to Conversion Price	The Conversion Price of the Convertible Bonds is subject to adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and further issue of shares or convertible securities with conversion price less than the then market price provided that the Conversion Price shall not at any time fall below the par value of the Shares.
Redemption:	The Company shall redeem the Convertible Bonds or the then outstanding principal amount thereof on the Maturity Date.
Ranking of Conversion Shares	The Conversion Shares shall rank pari passu in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall have the right to participate in all dividends and other distributions the record date of which falls on or after the conversion date.
Tranche 1 Conversion Period	The period commencing from the issue date up to and including the end of the calendar year 31 December 2016.

Tranche 2 Conversion Period      The period commencing from the issue date up to and including the Maturity Date.

### **INFORMATION OF THE TARGET COMPANY AND TARGET GROUP**

The Target Company is a company incorporated in the BVI with limited liability and is engaged in the Business.

The principal business of the Target Group is providing model management and agency services in Hong Kong, Macau Special Administrative Region, PRC and Taiwan.

The Target Group is one of Asia's most progressive full service modeling and talent agency. It specializes in promoting fresh faces and outstanding new talent within the fashion and entertainment sectors in Asia and overseas, positioned at the forefront of international model and artiste management. It boasts a highly experienced and dedicated team and also excellent relationships with a vast array of prominent international and local models, artistes, celebrities and professional athletes. The Target Group is equipped with prominent models and artistes of diversified ages, types, and nationalities, including Pakho Chau, Shiga Lin and Jeannie Chan and arranged them with local and overseas jobs including advertisements, publications, television commercials, fashion exhibits, music videos, image consultations, promotional activities and casting services.

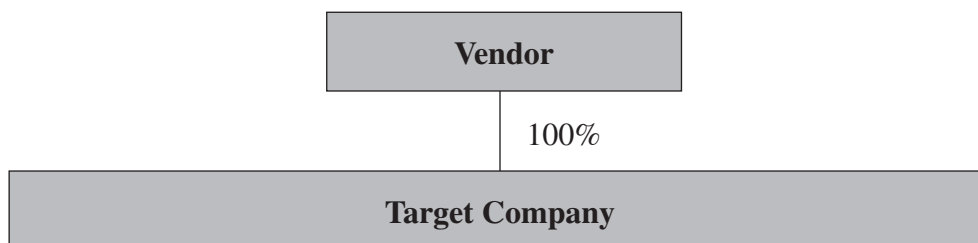
### **INFORMATION OF THE VENDOR**

Mr. Stephen Chau is a business person with vast experience in managing model agency businesses in the entertainment industry in Hong Kong.

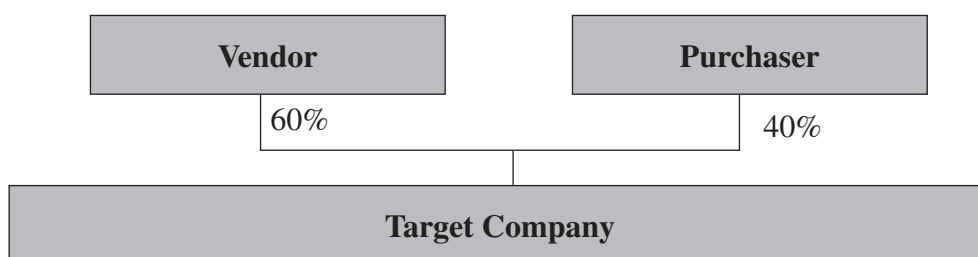
## SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group:

### *Immediately prior to Completion*



### *Immediately upon Completion*



## REASONS AND BENEFITS OF THE ACQUISITION

The Group intends to continue developing its model management agency and entertainment business. The Acquisition enhances the Group's presence in the market of Hong Kong, Macau, PRC and Taiwan. Furthermore, the Acquisition will complement the Group's business projects in the entertainment industry, enabling further collaborations with potential and existing business partners through the Target Group.

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

The Conversion Shares will be issued under the Specific Mandate to be sought at the SGM. Applications will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the Sale and Purchase Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

A circular containing, among other things, further details of the Sale and Purchase Agreement and the Specific Mandate are to be despatched by the Company to its shareholders as soon as possible in accordance with the GEM Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“Adjustment Amount”	the amount (payable as an adjustment to the Consideration) equal to 40% of the net asset value of the Company as shown in the consolidated financial statements of the Group made up to the Completion Date
“Board”	the board of Directors
“Business”	business of full service modelling and talent agency which the Target Company is principally engaged in
“Business Day(s)”	a day on which banks in Hong Kong are open for normal banking business
“BVI”	British Virgin Islands
“Company”	China 3D Digital Entertainment Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM Board
“Completion”	completion of the Acquisition and transactions contemplated under the Sale and Purchase Agreement in accordance with its terms
“Completion Date”	31 December 2015 or such other date as the Parties may agree in writing
“Consideration”	the aggregate sum of up to HK\$13,600,000 to be paid by the Purchaser to the Vendor for the Sale Shares in such time, mode and manner as set out in the Sale and Purchase Agreement
“Convertible Bonds”	the fixed interest convertible bonds in the principal amount of HK\$7,000,000 to be issued by the Company under the Specific Mandate to the Vendor as subscriber pursuant to the Subscription Agreement



“Conversion Shares”	the Share(s) to be issued by the Company upon conversion of a Convertible Bonds;
“Director(s)”	the director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, trust, encumbrance, security interest, assignment by way of security or other third party right or interest
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Purchaser”	Double Spirit Development Limited, a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 December 2015 entered into between the Purchaser, the Vendor and the Company in relation to the Acquisition
“Sale Shares”	40 ordinary shares of the Target Company, representing the 40% of the entire issued share capital in the Target Company as at the date of the Sale and Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholder’s agreement to be entered into between the Target Company Shareholders and the Target Company in relation to the management of the Target Company

“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM for the allotment and issue of up to a maximum of HK\$7,000,000 Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Starz Holdings Limited, a company incorporated in the BVI with limited liabilities
“Target Company Shareholders”	the Purchaser, the Vendor, the Target Company and Ms. Jenny Tam
“Target Group”	Target Company, Starz People (HK) Limited, Starz Entertainment Co., Limited, Starz Pictures Limited, Starz Music Limited and Soundgood Production Limited
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the Specific Mandate
“Vendor”	Mr. Stephen Chau
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.
“2016 Actual Profit”	the actual consolidated net profit before tax (as shown in the management accounts prepared in accordance with Hong Kong Financial Reporting Standards and to be certified by any director of the Company) of the Company (and its subsidiaries, if any) for the period from 1 April 2015 to 31 March 2016 (both days inclusive)
“2016 Guaranteed Profit”	profit guarantee that the 2016 Actual Profit shall not be less than HK\$3,000,000

By Order of the Board  
**China 3D Digital Entertainment Limited**  
**Shiu Stephen Junior**  
*Chairman*

Hong Kong, 14 December 2015

As at the date hereof, the Board comprises:

*Executive Directors:* Mr. Shiu Stephen Junior (Chairman)  
Mr. Sun Lap Key, Christopher  
Mr. Lee Wing Ho, Albert

*Independent Non-executive Directors:* Mr. Chan Chi Ho  
Mr. Kam Tik Lun  
Mr. Tam Kwok Ming, Banny

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 this announcement 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 announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for seven days from the day of its posting and on the website of the Company at [www.china3d8078.com](http://www.china3d8078.com).*

*\* for identification purposes only*