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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)

MAJOR TRANSACTION

ACQUISITION OF APPROXIMATELY 4% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 24 March 2016 (after trading hours), the Purchaser 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 US\$13,619,726, which shall be settled and discharged by the Company issuing Ordinary Shares to the Vendor in accordance terms and conditions of the Sale and Purchase Agreement.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 25% but are below 100%, the Acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the GEM Listing Rules.

A circular containing, among other matters, (i) further details of the Acquisition and (ii) a notice convening the SGM, is expected to be dispatched to the Shareholders on or before 14 April 2016.

The Board is pleased to announce that on 24 March 2016 (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.

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

SALE AND PURCHASE AGREEMENT

Date 24 March 2016 (after trading hours)

Parties

- (1) Horizon Coast Limited, as the Purchaser
- (2) AID Partners Visual Entertainment, L.P., as the Vendor
- (3) China 3D Digital Entertainment Limited

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 (as defined in the GEM Listing Rules).

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase from the Vendor, the Sale Shares free from all Encumbrances and together with all rights attached thereto and all dividends and distributions declared, paid or made on or after the date of the Sale and Purchase Agreement.

Consideration

The consideration payable by the Purchaser to the Seller for the Sale Shares shall be in the sum of US\$13,619,726, which shall be settled and discharged by the issue of the Ordinary Shares.

The Consideration payable in respect of the Sale Shares has been arrived at after arm's length negotiations between the Purchaser and the Vendor and was determined having reference to (i) the nature of the business of the Target Company, its business prospects, market environment and operating conditions, as well as its strategic synergies with its existing business partners, (ii) the potential earnings prospects of the Target Company, and (iii) consolidated net assets attributable to owners of the Target Group of approximately US\$46.5 million as at 31 March 2015.

The Issue Price of HK\$0.410 per Share represents a discount of approximately 15.46% over the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement.

Conditions Precedent

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

- (i) the completion of the due diligence review and investigation by the Purchaser to the reasonable satisfaction of the Purchaser;
- (ii) the Target Company providing its written approval to the transactions contemplated under the Sale and Purchase Agreement;
- (iii) the passing of the resolution by the Shareholders in the SGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Ordinary Shares;
- (v) 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); and
- (vi) none of the warranties made by the Vendor under the Sale and Purchase Agreement have been breached in any material respect, or is misleading or untrue in any material respect.

Pursuant to the Sale and Purchase Agreement, the Purchaser has the right to waive any of the above conditions in writing, save for (iii), (iv) and (v).

In the event that the above conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 31 July 2016 or such later date as the Vendor and the Purchaser may agree in writing, the Sale and Purchase Agreement shall cease and determine and save and except antecedent breach thereof, neither the Vendor and the Purchaser shall have any obligations towards each other.

Completion

Subject to the various conditions precedents and terms of the Sale and Purchase Agreement having been fulfilled or waived, Completion shall take place 2 Business Days immediately after fulfilment (or waiver) of the conditions precedent under the Sale and Purchase Agreement or such other date as the Vendor and the Purchaser may agree in writing

Upon Completion, the Company will be indirectly interested in approximately 4% of the entire issued share capital of the Target Company.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

	As at the date of this announcement		Immediately after allotment and issue of the Ordinary Shares	
	<i>No. of Shares</i>	<i>Approx..%</i>	<i>No. of Shares</i>	<i>Approx..%</i>
Vendor	–	–	259,106,982	6.33%
Other public Shareholders	3,832,758,224	100%	3,832,758,224	93.67%
	<u>3,832,758,224</u>	<u>100%</u>	<u>4,091,865,206</u>	<u>100%</u>

INFORMATION OF THE PURCHASER

The Purchaser is engaged in the entertainment business and specialises in film and television programme production, distribution and licensing.

INFORMATION OF THE TARGET COMPANY

The Target Company is established on 16 August 2011 in the Netherlands and a subsidiary of Prime Focus Limited, a company incorporated in India and listed on the National Stock Exchange and Bombay Stock Exchange under the symbol PFOCUS and 532748. The Target Company and its subsidiaries are the world's largest provider of value-added creative and technical services for 2D to 3D content conversion, visual effects ("VFX") and animation services to studios and production houses across the world. In addition to the highly successful 3D conversion business, the Target Company also provides world-class VFX services to major studios.

The following is a summary of the audited financial information of the Target Group:

	For the year ended 31 March 2015 (US\$'000)	For the year ended 31 March 2014 (US\$'000)
Revenue	141,752	79,970
(Loss)/Profit before taxation	(26,631)	427
Loss/Profit after taxation	(27,274)	1,811

INFORMATION OF THE VENDOR

The Vendor is a limited liability partnership organized and existing under the laws of the Cayman Islands, having the Preferred Shares as its only investment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in the entertainment business, with a focus in television programme and film production, distribution, distribution licensing, cinema operation and management in both Hong Kong and the PRC, artists management, money lending activities and acquisitions of corporate bonds, preference shares as well as investment in securities.

The Group intends to continue developing its visual entertainment business. 3D and VFX are now key elements of big budget films. With the increasing budgets of tentpole movies, there is a tremendous demand for world-class 3D and VFX services. Entering into the Acquisition enhances the Group's presence in Asia Pacific region and allows the Group to gain a firm foothold in the entertainment industry in Hong Kong and the People's Republic of China. The Directors of the Company, are of the view that the Acquisition is conducted on normal commercial terms and in the ordinary and usual course of its business, is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 25% but are below 100%, the Acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the GEM Listing Rules.

SGM

The SGM will be convened at which resolutions will be proposed to seek the approval of the Shareholders by way of a poll for the transactions contemplated under the Sale and Purchase Agreement, including, amongst other matters, the Acquisition.

GENERAL INFORMATION

A circular containing, among other matters, (i) further details of the Acquisition and (ii) a notice convening the SGM, is expected to be dispatched to the Shareholders on or before 14 April 2016.

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
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and Sunday) on which banks in Hong Kong are open for business
“Company”	China 3D Digital Entertainment Limited, a company continued into Bermuda with limited liability, the shares of which are listed on GEM Board of the Stock Exchange
“Completion”	completion of the Acquisition and transactions contemplated under the Sale and Purchase Agreement in accordance with its terms
“Consideration”	the sum of US\$13,619,726 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
“Director(s)”	the director(s) of the Company
“Encumbrances”	any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title creation, right of set off, counterclaim, trust arrangement or other security interest or arrangement or restriction of any kind; any arrangement whereby any rights are subordinated to any rights of any third party; and the interest of a vendor or lessor under any conditional sale agreement, lease, hire purchase agreement or other title retention arrangement

“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 People’s Republic of China
“Issue Price”	the price HK\$0.410 per ordinary shares of the Company
“Ordinary Shares”	the 259,106,982 ordinary shares of the Company to be issued and allotted to the Vendor at the Issue Price per ordinary share of the Company upon Completion
“Purchaser”	Horizon Coast Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Preferred Shares”	Class B convertible redeemable preferred shares in the Target Company each with a par value of EUR0.01 per share
“Sale and Purchase Agreement”	the agreement dated 24 March 2016 entered into between the Purchaser and the Vendor and China 3D in relation to the Acquisition
“Sale Shares”	187,500 Preferred Shares of the Target Company, representing approximately 4% of the entire issued share capital in the Target Company prior to Completion
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the relevant matters mentioned in this announcement
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Prime Focus World N.V., a private limited company incorporated and existing under the laws of the Netherlands
“Target Group”	Target Company and its subsidiaries
“Vendor”	AID Partners Visual Entertainment, L.P., a limited liability partnership organized and existing under the laws of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 24 March 2016

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
Mr. Chau Sai Ho, Charles

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 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.

** for identification purposes only*