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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)

SHARE AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF THE TARGET GROUP

STOCK PURCHASE AGREEMENT

The Board is pleased to announce that on 29 July 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company and the Vendors entered into the Stock Purchase Agreement, pursuant to which the Vendors have agreed to sell the Sale Shares to the Purchaser, and the Purchaser has agreed to purchase the Sale Shares from the Vendors. The Consideration for the Acquisition is the sum of HK\$18,000,000, which shall be settled by the Purchaser by cash payable to the Vendors of HK\$8,000,000 and by issue of the Consideration Shares at the issue price of HK\$0.87 per Consideration Share of the Company.

Fugu Enterprises has interested in approximately 12% of the issued share capital of a subsidiary of the Company and Mr. Kwong is a director of a subsidiary of the Company and has interested in approximately 8% of the issued share capital of a subsidiary of the Company. Accordingly, Fugu Enterprises and Mr. Kwong are regarded as connected persons of the Company under the GEM Listing Rules. Therefore, the entering into of Stock Purchase Agreement constitutes connected transaction for the Company is only subject to the announcement and reporting requirements but is exempt from the circular, independent financial advice and the Shareholders' approval requirement under the Chapter 20 of the GEM Listing Rules.

As the highest of the applicable percentage ratios under Chapter 19 of GEM Listing Rules for the Acquisition is less than 5%, the Acquisition constitutes a share transaction subject to reporting and announcement requirement under Chapter 19 of GEM Listing Rules.

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STOCK PURCHASE AGREEMENT

Date : 29 July 2016

Parties : (i) Creative Projects Company Limited, a wholly-owned subsidiary of the Company

(ii) Fugu Enterprises Inc. is an investment holding company incorporated in BVI with limited liability

(iii) Mr. Kwong Kwan Yin Roy

(Fugu Enterprises and Mr. Kwong collectively be referred to as Vendors)

Assets to be acquired

Pursuant to the Stock Purchase Agreement, the Purchaser agreed to purchase and the Vendors agreed to sell the Sale Shares, representing 51% of the entire issued share capital of the Target Company.

Consideration

The consideration for the Sale Shares in the sum of HK\$18,000,000 which shall be settled in the following manners:

- (i) by cash payable to the Vendors in the sum of HK\$8,000,000 within fourteen (14) Calendar Days from the Closing Date or such date agreed by all parties;
- (ii) by issue of 11,494,252 Consideration Shares of the Company to the Vendors or such nominee(s) within fourteen (14) Calendar Days from the Closing Date or such date agreed by all parties.

The issue price of HK\$0.87 per Consideration Share represents:

- (i) a discount of approximately 15.53% to the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on 29 July 2016, the date of the Stock Purchase Agreement;

- (ii) a discount of approximately 11.40% over the average closing price of approximately HK\$0.982 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Stock Purchase Agreement; and
- (iii) a discount of approximately 3.44% over the average closing price of approximately HK\$0.901 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Stock Purchase Agreement.

The issue price of HK\$0.87 per Consideration Share was arrived at after arm's length negotiation between the parties with reference to the recent trading price of the Shares and current market conditions. The Directors consider that the issue price is in the interests of the Company and the Shareholders as whole.

Lock-up undertaking

The Consideration Shares are subject to the following lock up period that each of the Vendors agrees not to sell or transfer as follows:

- (i) 50% of the Consideration Shares are subject to a lock up period until 15 July 2017; and
- (ii) 50% of the Consideration Shares are subject to a lock up period until 15 July 2018.

The Consideration Shares will, upon issue and credited as fully paid, rank pari passu in all respect with all the existing shares of the Company then in issue.

Basic of Consideration

The Consideration was determined after arm's length negotiation between the parties thereto with reference to the business and growth prospects of the Target Group.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied, or waived by the Purchaser (as the case may be):

- (i) the completion of the due diligence review and investigation by the Purchaser; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Consideration Shares;

Completion

Completion shall take place within fourteen (14) Calendar Days from Closing Date or such date agreed by all parties.

Upon completion, the Target Group will become the subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group in accordance with the Group's accounting policies.

General Mandate

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolutions passed by the Shareholders at the annual general meeting subject to the limit of up to 20% of the issued share capital of the Company as at the date of the annual general meeting held on 8 December 2015. Accordingly, the issue of the Consideration Shares is not subject to approval of the Shareholders. Under the General Mandate, the Company is authorized to issue up to 766,551,644 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

APPLICATION FOR LISTING

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

INFORMATION OF VENDORS

Fugu Enterprises is a company incorporated in BVI with limited liability and has interested in approximately 12% of the issued share capital of a subsidiary of the Company.

Mr. Kwong is one of the directors of a subsidiary and has interested in approximately 8% of the issued share capital of a subsidiary of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in BVI with limited liability and has no business activity. The Target Company is the sole beneficial owner of the issued share capital of (i) Access Max, (ii) Unison Associates, (iii) GZ Mania and (iv) GME Casting Studio. GZ Mania and GME Casting Studio are principally engaged in artiste management services and music production.

Each of Access Max and Unison Associates is an investment holding company incorporated in BVI and has no business activities.

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 and expand its artist management business and entertainment business. The Acquisition enhances the Group's presence in the market of Hong Kong and PRC. 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.

The Directors (including the independent non-executive Directors) are of the view that entering into of the Stock Purchase Agreement is in the Group's ordinary and usual course of business and on normal commercial terms within the meaning of the GEM Listing Rules. The Directors consider that the terms of the Stock Purchase Agreement are fair and reasonable and entering into of the Stock Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE SHAREHOLDING STRUCTURE

Assuming there being no other change in the shareholding structure of the Company (other than those as contemplated under the Stock Purchase Agreement), the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion of the Acquisition.

	As the date of this announcement		Immediately after Completion of the Acquisition	
	Number of Shares	Approximately %	Number of Shares	Approximately %
Shareholders				
Mr, Shiu Stephen Junior (<i>Note 1</i>)	141,920	0	141,920	0
Fugu Enterprises Inc	–	–	5,747,126	0.14
Mr. Kwong Kwan Yin Roy	–	–	5,747,126	0.14
Public Shareholders	4,091,723,286	100	4,091,723,286	99.72
Total	4,091,865,206	100	4,103,359,458	100

Note:

1. Mr. Shiu Stephen Junior is the Chairman and executive Director of the Company.

LISTING RULES IMPLICATIONS

Fugu Enterprises has interested in approximately 12% of the issued share capital of a subsidiary of the Company and Mr. Kwong is a director of a subsidiary of the Company and has interested in approximately 8% of the issued share capital of a subsidiary of the Company. Accordingly, Fugu Enterprises and Mr. Kwong are regarded as connected persons of the Company under the GEM Listing Rules. Therefore, the entering into of Stock Purchase Agreement constitutes connected transaction for the Company is only subject to the announcement and reporting requirements but is exempt from the circular, independent financial advice and the Shareholders' approval requirement under the Chapter 20 of the GEM Listing Rules.

As the highest of the applicable percentage ratios under Chapter 19 of GEM Listing Rules for the Acquisition is less than 5%, the Acquisition constitutes a share transaction subject to reporting and announcement requirement under Chapter 19 of GEM Listing Rules.

To the best knowledge of the Directors, none of the Directors has a material interest in the transactions contemplated under the Stock Purchase Agreement. Accordingly, no Director is required to abstain from voting on the relevant board resolution to approve the Stock Purchase Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“Access Max”	Access Max International Limited incorporated in BVI with limited liability
“Acquisition”	the acquisition of the Sales shares by the Purchaser from the Vendors pursuant to the Stock Purchase Agreement
“Board”	the board of Directors
“BVI”	British Virgins Islands
“Calendar Day”	a day include a Saturday, Sunday or public holiday on which banks in Hong Kong are generally open for business throughout their normal business hours
“Closing Date”	29 July 2016
“Company”	China 3D Digital Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued shares are listed on the GEM listing of the Stock Exchange

“Consideration”	the aggregate sum of HK\$18,000,000 to be paid by the Purchaser to the Vendors for the Sales Shares as set out in the stock Purchase Agreement
“Consideration Shares”	11,494,252 consideration shares to be allotted and issued by the Company to the Vendors or its nominee(s) as the settlement of the consideration pursuant to the Stock Purchase Agreement
“Director(s)”	the director(s) of the Company
“Fugu Enterprises”	Fugu Enterprises Inc. is an investment holding company incorporated in BVI with limited liability
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 8 December 2015
“GME Casting Studio”	GME Casting Studio Limited incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“GZ Mania”	GZ Maria Management Limited incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the GEM Listing Rules)
“Mr Kwong”	Mr Kwong Kwan Yin Roy

“Purchaser”	Creative Projects Company Limited, a wholly owned subsidiary of the Company
“Sale Shares”	51% ordinary shares of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Purchase Agreement”	the sale and purchase agreement dated 29 July 2016 and entered into between the Purchaser and the Vendors in relation to the Acquisition
“Target Company”	Celestial Talent International Limited is an investment holding company incorporated in BVI with limited liability
“Target Group”	Target Company, Access Max, Unison Associates, GZ Mania and GME Casting Studio
“Unison Associates”	Unison Associates International Limited incorporated in BVI with limited liability
“Vendors”	Fugu Enterprises Inc. and Mr Kwong Kwan Yin Roy
“%”	per cent

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

Hong Kong, 29 July 2016

As at the date of this announcement, the Board comprises Mr Shiu Stephen Junior (Chairman), Mr Sun Lap Key, Christopher, Mr Lee Wing Ho, Albert and Mr Chau Sai Ho, Charles as executive Directors; Mr Kam Tik Lun, Mr Chan Chi Ho and Mr Tam Kwok Ming, Banny as independent non-executive Directors.

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*