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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 INVOLVING OPERATING LEASE

THE XIAMEN LEASE

On 12 August 2013 (after trading hours), CineUnited (as tenant), an indirect wholly-owned subsidiary of the Company, and Xiamen Hete (as landlord) entered into the Tenancy Agreement, pursuant to which CineUnited has conditionally agreed to rent and Xiamen Hete has conditionally agreed to lease the Premises for development and use as Cinema for a term of 15 years.

IMPLICATION UNDER THE GEM LISTING RULES

As one of the the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Xiamen Lease is more than 25% but less than 100%, the Xiamen Lease constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the GEM Listing Rules. The SGM will be held to consider and, if thought fit, pass the ordinary resolution(s) to approve the Tenancy Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, further details of the Xiamen Lease and a notice of SGM will be despatched to the Shareholders on or before 2 September 2013 in compliance with the GEM Listing Rules. No Shareholder is required to abstain from voting on the ordinary resolutions to approve the Tenancy Agreement and the transactions contemplated thereunder.

THE XIAMEN LEASE

On 12 August 2013 (after trading hours), CineUnited (as tenant), an indirect wholly-owned subsidiary of the Company, and Xiamen Hete (as landlord) entered into the Tenancy Agreement, pursuant to which CineUnited has conditionally agreed to rent and Xiamen Hete has conditionally agreed to lease the Premises for development and use as cinema (the “**Cinema**”) for a term of 15 years.

Set out below are the major terms of the Tenancy Agreement:

Date:

12 August 2013

Parties involved:

- (i) Xiamen Hete, as landlord
- (ii) CineUnited, an indirect wholly-owned subsidiary of the Company

According to information available to the Company, Xiamen Hete is principally engaged in the operation of Xiamen Qixing Lifespace Shopping Mall (the “**Lifespace Mall**”), Unit 102, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC (中國廈門市思明區七星西路3號102單元廈門七星樂都滙購物中心). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Xiamen Hete and its ultimate shareholders are Independent Third Parties. Based on the information provided by Xiamen Hete, the Premises are beneficially owned as to 100% by Xiamen Hete as landlord.

The Premises

The Premises are situated at the Lifespace Mall. Based on information available to the Company, the Premises have a gross floor area of approximately 2,737 sq. m., comprising seven movie theatres with about 700 seats.

Term

Xiamen Hete agreed to deliver the Premises on 1 October 2013 or the date of approval of the Tenancy Agreement by the Shareholders, whichever is earlier (the “**Delivery Date**”). The Xiamen Lease is for a term of 15 years (the “**Term**”) commencing from the Delivery Date.

Xiamen Hete agreed to deliver the Premises to CineUnited on the Delivery Date for decoration. A rent-free decoration period (the “**Decoration Period**”) is granted to CineUnited, commencing from the Delivery Date to the earlier of (i) the date falling on the five months after the Delivery Date; or (ii) the date prior to the commencement of business operation of the Cinema (the “**Commencement Date**”), which is agreed to be on or before 1 March 2014. Nonetheless, CineUnited shall still pay a property management fee of RMB20 per sq.m. per month during the Decoration Period.

In the event that (i) CineUnited fail to commence the business operation of the Cinema on or before 1 March 2014 without any written agreement between CineUnited and Xiamen Hete or such delay is caused by Xiamen Hete; or (ii) CineUnited fails to obtain the approvals (excluding the approvals which were allowed to be obtained after the commencement of the business operation of the Cinema) from the relevant government authorities for the operation of the Cinema on or before 1 March 2014, CineUnited shall pay a penalty fee.

The rental and related charge:

The rental charge of the Premises will be payable monthly upon (i) the opening of the Lifespace Mall; or (ii) the next day following the completion of the Decoration Period, whichever is later (the “**Effective Date**”). Xiamen Hete will also charge a property management fee monthly for the Premises.

Details of the rental charge and property management fee are set out in the table below:

Period	Rent per month <i>(RMB)</i>	Property management fee per month <i>(Note 1 & 2)</i> <i>(RMB)</i>
First six months from the Effective Date	67,156	32,844
The 7th month to the 12th month from the Effective Date	134,312	65,688
2nd year from the Effective Date	134,312	65,688
3rd year from the Effective Date	134,312	65,688
4th year from the Effective Date	138,341.36	67,658.64
5th year from the Effective Date	142,491.60	69,688.40
6th year from the Effective Date	146,766.35	71,779.05
7th year from the Effective Date	151,169.34	73,932.42
8th year from the Effective Date	155,704.42	76,150.39
9th year from the Effective Date	160,375.55	78,434.90
10th year from the Effective Date	165,186.82	80,787.95
11th year from the Effective Date	170,142.42	83,211.59
12th year from the Effective Date	175,246.70	85,707.94
13th year from the Effective Date	180,504.10	88,279.18
14th year from the Effective Date	185,919.22	90,927.56
15th year from the Effective Date	191,496.80	93,655.39

Notes:

1. The property management fee is subject to annual increment in accordance with the consumer price index in the PRC.
2. CineUnited shall also pay certain miscellaneous charges during the Term.
3. CineUnited shall pay a monthly property management fee of RMB20 per sq.m. during the Decoration Period.

The rental and related charge was determined between CineUnited and Xiamen Hete after arm's length negotiations, taking into account (i) the location of the Premises; (ii) the box office turnover in Xiamen; and (iii) the inflation. The Board considers that the rental and related charge is fair and reasonable.

It is the intention of the Company to finance the rental and related charge by the internal resources of the Group.

Guarantee Deposit

CineUnited shall pay a guarantee deposit of RMB5 million (the “**Guarantee Deposit**”). The Guarantee Deposit may be applied for remedy for any breach of the terms of the Tenancy Agreement by CineUnited.

Condition precedent

The Tenancy Agreement shall be effective upon the Tenancy Agreement and the transaction contemplated thereunder having been approved by the Shareholders at the SGM.

Decoration

Prior to the decoration of the Premises, CineUnited shall submit the design graph and related documents to Xiamen Hete for its approval. All fees incurred for the decoration shall be borne by CineUnited. CineUnited shall indemnify Xiamen Hete for any loss incurred from CineUnited's decoration.

Xiamen Hete agreed to provide CineUnited a decoration subsidy with a maximum amount of RMB14.5 million.

Operation

The business operation of the Premises is limited to cinema operation.

Given that CineUnited may not be qualified to apply for all necessary permits and licenses for the operation of the Cinema, the Company will procure an indirect wholly-owned subsidiary which is qualified to apply for all necessary permits and licenses for the operation of the Cinema (the “**Qualified Subsidiary**”) to operate the Cinema in conjunction with CineUnited. The Qualified Subsidiary is making necessary applications and intended to obtain all necessary permits and licenses before commencement of the Term.

Insurance

All remedy and litigation incurred by property damage and casualty of CineUnited and third parties in the Premises shall be borne by CineUnited. CineUnited shall arrange insurance which is satisfactory to Xiamen Hete during the Term (including the Decoration Period).

Termination

Other than the rights of Xiamen Hete to terminate the Tenancy Agreement upon occurrence of certain events (such as breach of terms of the Tenancy Agreement by CineUnited), both parties to the Tenancy Agreement can terminate the Tenancy Agreement should the following occurs: (i) the Premises being taken or demolished by the PRC government; (ii) the property rights of the Premises being restricted by any PRC government authority; (iii) leasing of the Premises being restricted by the PRC laws/regulations; and/or (iv) force majeure. In such case, Xiamen Hete shall repay CineUnited the Guarantee Deposit and any rent prepaid by CineUnited.

Before the end of the Term, should CineUnited indicate that it will not fulfill the obligations under the Tenancy Agreement or cease the operation of the Cinema, CineUnited should pay Xiamen Hete all of the rental and related charges payable under the Tenancy Agreement and an additional penalty fee.

Reason for the Xiamen Lease

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

The Directors believe that the Company is well positioned to capture the rising demands for entertainment in the PRC attributable to the favourable policies from the local government aimed at boosting local cultural development. The goal of the Company is to become a leading 3D digital entertainment company offering high quality entertainment experience to the audience in Hong Kong and the PRC. The Directors believe that the entering into the Tenancy Agreement will provide an opportunity for the Company to tap into the cinema’s operation in Xiamen.

Due to the above, the Board is of the view that the terms of the Tenancy Agreement are fair and reasonable and the Xiamen Lease is in the interests of the Company and the Shareholders as a whole.

Implication under the GEM Listing Rules

As one of the the applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Xiamen Lease is more than 25% but less than 100%, the Xiamen Lease constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the GEM Listing Rules. The SGM will be held to consider and, if thought fit, pass the ordinary resolution(s) to approve the Tenancy Agreement and the transaction contemplated thereunder.

Risk factor

As at the date of this announcement, as the relevant permits and licenses are still under application, neither CineUnited nor the Qualified Subsidiary had obtained all necessary permits and licenses for the operation of the Cinema. Accordingly, the commencement of the operation of the Cinema may be affected by the progress of the applications of relevant permits and licenses.

GENERAL

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TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning given to that term in the GEM Listing Rules
“Board”	the board of Directors
“CineUnited”	CineUnited Circuits Company Limited (影聯院線有限公司), a company incorporated in Hong Kong, as a tenant under the Tenancy Agreement, an indirect wholly-owned subsidiary of the Company
“Company”	China 3D Digital Entertainment Limited, a company incorporated in Bermuda with limited liability and its issued Shares are listed on GEM

“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and its/their ultimate beneficial owner(s) which are independent of the Company and its connected persons and their respective associates
“PRC”	the People’s Republic of China
“Premises”	the premises for development and use as cinema situated at Xiamen Qixing Lifespace Shopping Mall, Unit 102, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC (中國廈門市思明區七星西路3號102單元廈門七星樂都滙購物中心)
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened to consider, if thought fit, and approve the Tenancy Agreement and the transactions
“Share(s)”	ordinary shares of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“sq.m.”	square meter(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 12 August 2013 entered between CineUnited and Xiamen Hete regarding the Xiamen Lease
“Xiamen Hete”	廈門赫特置業有限公司 (Xiamen Hete Properties Company Limited*), a company incorporated in the PRC with limited liability, as a landlord under the Tenancy Agreement
“Xiamen Lease”	the long term lease of the Premises
“%”	per cent.

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

Hong Kong, 12 August 2013

As at the date hereof, the Board comprises:

Executive Directors:

Mr. Shiu Stephen Junior
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 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 purpose only