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)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 30 June 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of China 3D Digital Entertainment Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("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.

* *for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the "Group") reported total revenue of approximately HK$17.7 million for the year ended 30 June 2012, compared with approximately HK$54 million for the year ended 30 June 2011. For the year ended 30 June 2012, a loss of approximately HK$8.8 million was recorded whilst in the last year, a loss of HK$36.1 million was recorded. The lost is mainly attributable to the high movie production, advertising cost as well as administrative cost.

An analysis of the Group's revenues and results by reportable segments are set out in note 3 and 4 respectively to the consolidated financial statement.

PROSPECTS

The Board believes that acquisition of cinemas or operation rights of cinemas will strengthen the Group's operation by providing the Group with more alternatives to distribute movies. The Group entered into a letter of intent with ChongQing PengRun Real Estate Development Company Limited (重慶鵬潤房地產開發有限公司) in relation to the 20 years long lease of a premise for development and use as cinema. The premise is situated at Guotai Plaza, ChongQing, the People's Republic of China. According to the State Administration of Radio Film and Television (國家廣播電影電視總局), box office in Chongqing has grown by 43% in 2011, ranking number 1 amongst other cities in the PRC. The Directors believe that, it will provide an opportunity for the Company to be successful in cinema's operation in PRC.

The PRC film industry grows swiftly in recent years. The box office in China reached RMB10 billion last year, revealing huge potential. The Group is full of confidence in film production. During the period under review, the Company has finished producing the film of "Yi Lu Xiang Xi" (一路向西) which is being released in September 2012. Moreover, the Group plans to produce Iceman Cometh 3D (冰封俠3D情深四百年) and Bauhinia Heroine 3D (紫荊俠3D) in 2012 and 2013 respectively. The scripts and casting of the films have been ascertained.

On the other hand, effort would continually be put into business segment of artiste management to source talented artistes with an aim to achieve satisfactory profit and provide synergy with other operations of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, total borrowing of the Group (excluding payables) amounted to approximately HK$14 million (2011: HK$24.60 million). As an early redemption of Convertible Bond amounting to HK$15 million had been conducted during the Year, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was largely reduced from 16% in 2011 to 7% in 2012.

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations and the borrowings, mainly including convertible bond and promissory note payable, to finance its operation. The promissory note payable is denominated in Hong Kong dollars, unsecured, interest-free and has a fixed repayment term.

Other than disclosed above, the Group has no other external borrowings. The Group's bank and cash held in hand were mainly denominated in Hong Kong dollars. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk should the need arise. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Year.

CHARGES ON GROUP ASSET

As at 30 June 2012, the Group has no asset pledged to bank to secure the bank borrowing granted to the Group (2011: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 23 (2011: 27) full-time employees. The total employee remuneration, include that of the Directors, for the year ended 30 June 2012 amounted to approximately HK$6.9 million (2011: HK$7.5 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice. To provide incentive or rewards to the employees, the Company has adopted a share option scheme in year 2004. No option was granted or outstanding during the Year.

CAPITAL STRUCTURE

During the Year, the capital structure of the Company has changed as follows:

Capital Reorganisation

By a special resolution dated 16 December 2011, the Company implemented the capital reorganisation which involved the share consolidation and the capital reduction. The share consolidation involved the consolidation of every twenty five (25) issued and unissued Shares of HK$0.005 each in the share capital of the Company into one (1) consolidated share of HK$0.125 each ("Consolidated Shares"). The capital reduction involved the reduction of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK$0.12 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Shares will be reduced from HK$0.125 to HK$0.005. The subdivision involved the subdivision of each authorized but unissued Consolidated Share into 25 new shares of HK$0.005 each.

Placing of New Shares under Specific Mandate

On 22 March 2012, the Company completed the first tranche of the placing of 999,990,000 new shares of the Company at the placing price of HK$0.08 per placing share. The net proceeds from the first tranche of the placing amount to approximately HK$78.2 million.

Share Premium Reduction and Bonus Issue of Shares

On 30 March 2012, the Company proposed (i) to reduce the credit standing to the share premium account of the Company and to apply the credit arising from such reduction to such extent for eliminating the entire amount of the accumulated losses; (ii) the bonus issue to the shareholders on the basis of two (2) bonus shares for every one (1) share.

On 22 May 2012, the necessary resolutions approving, amongst other things, the share premium reduction and the bonus issue were duly passed by the shareholders by way of poll at the special general meeting held on that date. 2,694,984,178 bonus shares were dispatched to shareholders on 7 June 2012.

COMMITMENTS

Total commitments of the Group as at 30 June 2012 was approximately HK$51.2 million (2011: HK$9.9 million)

CONTINGENT LIABILITIES

As at 30 June 2012, the Group and the Company did not have any significant contingent liabilities.

EVENT AFTER REPORTING PERIOD

On 9 August 2012, the ordinary resolution regarding the amendments to the terms of the Placing Agreement pursuant to the Supplemental Agreements (the First Supplemental Agreement and the Second Supplemental Agreement collectively the "**Supplemental Agreements**") was duly passed by the Shareholders by way of poll at the special general meeting.

On 6 September 2012, the Company completed the second tranche of the placing of 1,500,000,000 new shares ("**Second Tranche Placing**") of the Company at the placing price of HK$0.015 per placing share. The net proceeds from the second tranche of the placing amount to approximately HK$21.90 million. The Company and the Placing Agent have mutually agreed that, subject to the completion of the Second Tranche Placing, the Placing Agreement (as supplemented by the Supplemental Agreements) will not be further extended and therefore to be lapsed after the completion of Second Tranche Placing.

On 27 March 2012, the CineUnited Circuits Company Limited as a tenant, an indirect wholly-owned subsidiary of the Company, and ChongQing PengRun Real Estate Development Company Limited (重慶鵬潤房地產開發有限公司) as a landlord entered into a letter of intent in relation to the 20 years long-term lease of a premises for development and use as cinema (the "Premises"). The Premises is situated at Guotai Plaza, ChongQing, the PRC. It is expected that a formal tenancy agreement (the "Formal Tenancy Agreement") will be entered into on or before the end of June 2012, details of which are set out in the Company's announcement dated 27 March 2012. The Formal Tenancy Agreement is not yet entered on the date when the consolidated financial statements are authorised for issue.

On 21 August 2012 (after trading hours), the Company entered into (i) a memorandum of understanding (the "CASS MOU") with 中國社會科學院社會科學成果開發中心 (Social Science Development Centre of Chinese Academy of Social Sciences) ("CASS Social Development Centre"); and (ii) a memorandum of understanding (the "CCPH MOU") with 中國人文科學發展公司 (Chinese Corporation For Promotion Humanities) ("CCPH") regarding their potential investment and co-operation.

The potential investment covered the areas, included (i) set up an investment fund; (ii) development of related projects after completion of the construction of the headquarter of 燕郊"中國學者之家" (Yanjiao Home of Chinese Scholar); (iii) establishment of cultural club in Beijing, the PRC, by the Company with the assistance of CASS Social Science Development Centre; and (iv) the marketing operation in co-ordination with 社科院人文公司影視中心 (CASS Humanity Company Movie Centre) under the CASS MOU and film production under the CCPH MOU.

The Board announces the audited consolidated financial statements of the Group for the Year together with comparative audited figures for the preceding financial year as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	3	**17,718**	53,977
Other income	5	**1,919**	969
Cost of film and television programmes production and distribution		**(7,327)**	(53,289)
Cost of artiste management services		**(845)**	(90)
Selling and distribution costs		**(2,333)**	(10,774)
Administrative expenses		**(16,287)**	(18,661)
Gain on disposal of subsidiaries		**–**	2,644
Finance costs	6	**(1,676)**	(9,342)
Share of results of a jointly controlled entity		**–**	(1,538)
Loss before taxation	7	**(8,831)**	(36,104)
Taxation	8	**–**	–
Loss for the year		**(8,831)**	(36,104)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(9,102)**	(36,104)
Non-controlling interests		**271**	–
		(8,831)	(36,104)
Other comprehensive income, net of income tax			
Exchange differences on translation of foreign operations		**–**	4
Net loss arising on revaluation of available-for-sale investments during the year		**(3,051)**	(17)
Reclassification adjustment relating to foreign operations disposed of during the year		**–**	(2,545)
Other comprehensive loss for the year, net of income tax		**(3,051)**	(2,558)
Total comprehensive loss for the year		**(11,882)**	(38,662)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(12,153)**	(38,662)
Non-controlling interests		**271**	–
		(11,882)	(38,662)
Loss per share	9		
Basic and diluted (2011: Restated)		**HK$(0.69)cents**	HK$(7.38)cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**1,032**	596
Investment property		**5,840**	–
Available-for-sale investments		**71,482**	48,222
Prepayments, deposits and other receivables		**6,607**	3,531
Film rights and films production in progress		**31,207**	8,728
		116,168	61,077
Current assets			
Inventories		**152**	–
Music production in progress		**254**	–
Loans receivables		**1,010**	–
Trade receivables	10	**1,340**	13,360
Prepayments, deposits and other receivables		**9,761**	3,441
Bank balances and cash		**83,040**	72,881
		95,557	89,682
Total assets		**211,725**	150,759
Current liabilities			
Trade payables	11	**250**	–
Accruals, deposits received and other payables		**9,948**	3,055
		10,198	3,055
Net current assets		**85,359**	86,627
Total assets less current liabilities		**201,527**	147,704
Non-current liabilities			
Convertible bond		**1,649**	12,851
Promissory note payable		**12,358**	11,712
		14,007	24,563
Net assets		**187,520**	123,141
Capital and reserves attributable to owners of the Company			
Share capital		**20,212**	43,438
Reserves		**164,822**	79,703
		185,034	123,141
Non-controlling interests		**2,486**	–
Total equity		**187,520**	123,141

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2012

The Group	Share capital HK$'000	Share premium* HK$'000	Special reserve* HK$'000	Investment revaluation reserve* HK$'000	Contributed surplus* HK$'000	Translation reserve* HK$'000	Convertible bond equity reserve* HK$'000	Retained earnings* HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 July 2010	3,520	171,489	75,000	–	83,783	2,541	27,562	(364,568)	(673)	(1,941)	(2,614)
Exchange differences on translation of foreign operations	–	–	–	–	–	4	–	–	4	–	4
Net loss arising on revaluation of available-for-sale investments during the year	–	–	–	(17)	–	–	–	–	(17)	–	(17)
Reclassification adjustment relating to foreign operations disposed of during the year	–	–	–	–	–	(2,545)	–	–	(2,545)	–	(2,545)
Loss for the year	–	–	–	–	–	–	–	(36,104)	(36,104)	–	(36,104)
Total comprehensive loss for the year	–	–	–	(17)	–	(2,541)	–	(36,104)	(38,662)	–	(38,662)
Issue of shares upon placing	1,704	50,047	–	–	–	–	–	–	51,751	–	51,751
Issue of shares upon rights issue	38,008	76,016	–	–	–	–	–	–	114,024	–	114,024
Transaction cost attributable to issue of shares	–	(4,735)	–	–	–	–	–	–	(4,735)	–	(4,735)
Issue of shares upon conversion of convertible bond	206	15,147	–	–	–	–	(5,359)	–	9,994	–	9,994
Early redemption of convertible bond	–	–	–	–	–	–	(15,695)	7,137	(8,558)	–	(8,558)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	1,941	1,941
Transfer to accumulated losses	–	–	(75,000)	–	(79,831)	–	–	154,831	–	–	–
As at 30 June 2011 and 1 July 2011	43,438	307,964	–	(17)	3,952	–	6,508	(238,704)	123,141	–	123,141
Net loss arising on revaluation of available-for-sale investments during the year	–	–	–	(3,051)	–	–	–	–	(3,051)	–	(3,051)
Loss for the year	–	–	–	–	–	–	–	(9,102)	(9,102)	271	(8,831)
Total comprehensive loss for the year	–	–	–	(3,051)	–	–	–	(9,102)	(12,153)	271	(11,882)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	2,215	2,215
Capital reduction	(41,700)	–	–	–	41,700	–	–	–	–	–	–
Share premium reduction	–	(275,969)	–	–	–	–	–	275,969	–	–	–
Issue of shares upon placing	5,000	74,999	–	–	–	–	–	–	79,999	–	79,999
Issue of shares upon bonus issue	13,474	(13,474)	–	–	–	–	–	–	–	–	–
Transaction cost attributable to issue of shares	–	(2,225)	–	–	–	–	–	–	(2,225)	–	(2,225)
Early redemption of convertible bond	–	–	–	–	–	–	(5,742)	2,014	(3,728)	–	(3,728)
As at 30 June 2012	**20,212**	**91,295**	**–**	**(3,068)**	**45,652**	**–**	**766**	**30,177**	**185,034**	**2,486**	**187,520**

* These reserve accounts comprise the consolidated reserve of approximately HK$164,822,000 (2011: HK$79,703,000) in the consolidated statement of financial position.

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New and amended standards and interpretation adopted by the Group

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 12 (Amendments) "Deferred tax – Recovery of Underlying Assets"

The Group has early adopted HKAS 12 (Amendments) which is effective for annual periods beginning on or after 1 January 2012.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. Therefore, based on the amendments, the Group's investment property in Hong Kong does not have to provide deferred tax on fair value changes arising from revaluation of investment property or arising from a business combination, unless the presumption is rebutted. There is no investment property in prior period. Accordingly, no prior period adjustment has been required.

Notes: (Continued)

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) New and amended standards and interpretation adopted by the Group (Continued)

HKAS 24 (Revised) "Related Party Disclosures"

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transaction with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definition of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS9 and Transition Disclosure[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Notes: (Continued)

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The application of HKFRS 9 might affect the classification, measurement and presentation of the Group's financial assets and financial liabilities.

Notes: (Continued)

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK(SIC)-Int 13 "Jointly Controlled Entities- Non-Monetary Contributions by Ventures", HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 1, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Notes: (Continued)

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)**

   (b) **New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted (Continued)**

   HKFRS 13 "Fair Value Measurement"

   HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

   HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The application of the HKFRS 13 might affect the amounts reported and result in more extensive disclosures in the consolidated financial statements of the Group.

   HKAS 1 (Amendments) "Presentation of Items of Other Comprehensive Income"

   The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

   The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

   The directors of the Company have commenced their assessments of the impact of the above new and revised HKFRSs, but it is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results and the financial position of the Group.

Notes: (Continued)

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis except for investment property and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

3. TURNOVER

	2012	2011
	HK$'000	*HK$'000*
An analysis of the Group's turnover for the year is as follow:		
Artiste management services fee income	**1,869**	3,030
Films and television programmes production and licensing of the corresponding rights	**13,139**	50,720
Distribution of films and television programmes	**508**	227
Gain on disposal of financial assets designated as FVTPL	**1,723**	–
Rental income	**90**	–
Money lending	**96**	–
Bonds interest income	**293**	–
	17,718	53,977

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar products and service provided. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has six reportable segments, (i) artiste management services, (ii) production of films and television programmes, (iii) distribution of films and television programmes, (iv) money lending, (v) securities and bonds investment, and (vi) property investment. The segmentation is based on the information about the operations of the Group that Chief Operating Decision Maker uses to make decisions.

Notes: (Continued)

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable segment for the current and prior years:

	Artiste management services		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue														
Revenue from external customers	**1,869**	3,030	**13,139**	50,947	**508**	–	**96**	–	**2,016**	–	**90**	–	**17,718**	53,977
Segment results	**(1,624)**	1,341	**5,775**	(18,930)	**(1,945)**	–	**75**	–	**2,016**	–	**629**	–	**4,926**	(17,589)
Bank interest income													**239**	66
Unallocated corporate expenses													**(12,320)**	(10,345)
Gain on disposal of subsidiaries													**–**	2,644
Finance costs													**(1,676)**	(9,342)
Share of results of a jointly controlled entity													**–**	(1,538)
Loss before taxation													**(8,831)**	(36,104)
Taxation													**–**	–
Loss for the year													**(8,831)**	(36,104)

The accounting policies on segment reporting are the same as the Group's accounting policies. Segment results represent the profit earned by or loss incurred from each segment without allocation of central administration costs, bank interest income, finance costs, share of results of a jointly controlled entity and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and performance assessment.

Notes: (Continued)

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment for the current and prior years:

	Artiste management services		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**2,480**	672	**119,671**	97,800	**3,916**	–	**1,020**	–	**24,808**	1,548	**6,173**	–	**158,068**	100,020
Other non-current financial asset													**46,674**	46,674
Unallocated corporate assets													**6,983**	4,065
Total assets													**211,725**	150,759
Segment liabilities	**430**	90	**9,048**	1,451	**47**	–	**5**	–	**–**	–	**45**	–	**9,575**	1,541
Unallocated corporate liabilities													**14,630**	26,077
Total liabilities													**24,205**	27,618

All assets are allocated to reportable segments other than other non-current financial asset, and unallocated head office and corporate assets as these assets are managed on a group basis; and

All liabilities are allocated to reportable segments other than current tax liabilities, convertible bond, promissory note, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes: (Continued)

4. SEGMENT INFORMATION (CONTINUED)

Other information

The following is an analysis of the Group's other segment information for the current and prior years:

	Artiste management services		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure	**–**	596	**–**	–	**–**	–	**–**	–	**–**	–	**5,176**	–	**5,176**	596
Depreciation of property, plant and equipment	**123**	292	**–**	–	**160**	55	**–**	–	**–**	–	**–**	–	**283**	347
Amortisation of film rights	**–**	–	**1,782**	21,164	**749**	–	**–**	–	**–**	–	**–**	–	**2,531**	21,164
Impairment loss on film rights recognised	**–**	–	**–**	9,029	**–**	–	**–**	–	**–**	–	**–**	–	**–**	9,029
Written down on inventory and music production in progress	**104**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**104**	–
Fair value change of an investment property	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(664)**	–	**(664)**	–

Reconciliation of other segment information

	Segment total		Adjustment (note)		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**283**	347	**–**	54	**283**	401

Note: The amount represents the item included in unallocated corporate expenses.

Information about major customers

Revenue from two customers contributing over 10% (2011: one) of the total revenue of the Group for the year ended 30 June 2012 is approximately HK$8,379,000 and HK$3,417,000 respectively (2011: HK$41,524,000 for one largest customer) under production of films and television programmes segment.

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in Hong Kong, The People's Republic of China other than Hong Kong (the "PRC"), Taiwan, Japan, other Asian countries, North America, European countries and other areas.

The Group's revenue from external customers by geographical location of customers during the reporting period and information about the non-current assets other than available-for-sale investments at costs by geographical location of the assets at the end of the reporting period are detailed below.

	Revenue from customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**10,285**	42,031	**69,494**	14,403
The PRC	**927**	2,519	**–**	–
Taiwan	**–**	2,825	**–**	–
Japan	**381**	24	**–**	–
Other Asian countries *(note (a))*	**905**	4,987	**–**	–
North America *(note (b)*	**1,555**	–	**–**	–
European countries *(note (c))*	**3,478**	972	**–**	–
Other areas	**187**	619	**–**	–
	17,718	53,977	**69,494**	14,403

Notes:

(a) Other Asian countries mainly included Brunei, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand and Russia.

(b) North America included the United States and Canada.

(c) European countries mainly included Italy, the United Kingdom, Germany, France, Switzerland, Poland, Netherland and Belgium.

Notes: (Continued)

5. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**239**	30
Exchange gains	**–**	314
Gain arising on change in fair value of financial assets designated as FVTPL	**–**	55
Gain arising on change in fair value of an investment property	**664**	–
Other interest income	**–**	36
Recouped artiste fee	**100**	296
Gain on early redemption of convertible bond	**701**	–
Sales of film materials	**–**	61
Others	**215**	177
	1,919	969

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on other loan wholly repayable within one year	**–**	56
Interest on bank overdraft	**6**	–
Interest on amount due to a substantial shareholder of the Company/former immediate holding company	**–**	3,653
Interest on convertible bond	**1,025**	5,023
Imputed interest on promissory note payable	**645**	610
	1,676	9,342

Notes: (Continued)

7. LOSS BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs, including directors' remuneration		
– Basic salaries and allowances	**6,691**	7,333
– Retirement benefits scheme contributions	**198**	163
Total staff costs	**6,889**	7,496
Gross rental income from investment property	**(90)**	–
Less: direct operating expenses from investment property that generated rental income during the year	**34**	–
	(56)	–
Auditors' remuneration		
– Current year	**520**	700
– Under provision in prior year	**–**	250
Amortisation of film rights*	**2,531**	21,164
Cost of inventories and music production in progress recognised as expenses*	**35**	10
Consultancy fee	**2,700**	837
Depreciation of property, plant and equipment	**283**	401
Impairment loss on film rights recognised*	**–**	9,029
Impairment loss on prepaid artiste fees	**46**	111
(Gain)/loss on early redemption of convertible bond	**(701)**	1,660
Minimum lease payments under operating leases:		
– Land and building	**549**	657
Written down on inventories and music production in progress**	**104**	90

* Included in "Cost of film and television programmes production and distribution" of the consolidated statement of comprehensive income.

** Included in "Cost of artiste management services" of the consolidated statement of comprehensive income.

Notes: (Continued)

8. TAXATION

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group and the Company has no assessable profit derived from Hong Kong for the year.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

As at 30 June 2012, the Group had unused tax losses of approximately HK$28,750,000 (2011: HK$23,816,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The loss may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

Notes: (Continued)

8. TAXATION (CONTINUED)

A reconciliation of the tax expenses applicable to loss before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation	**(8,831)**	(36,104)
Tax credit of Hong Kong Profits Tax at 16.5% (2011: 16.5%)	**(1,457)**	(5,957)
Tax effect of share of results of a jointly controlled entity	**–**	254
Tax effect of expenses non-deductible for tax purpose	**1,341**	1,925
Tax effect of income non-taxable for tax purpose	**(664)**	(889)
Tax effect of tax losses not recognised	**1,234**	5,116
Tax effective of utilisation of tax losses previously not recognised	**(382)**	(481)
Effective of different tax rates of subsidiaries operating in other jurisdictions	**–**	102
Others	**(72)**	(70)
Taxation charge for the year	**–**	–

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$9,102,000 (2011: HK$36,104,000) and the weighted average number of 1,327,854,366 (2011: 489,570,328 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basis and diluted loss per share for both years has been adjusted and restated to reflect the capital reorganisation and bonus issue occurred during the year.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bond since their exercise would result in an anti-dilutive effect on loss per share.

10. TRADE RECEIVABLES

The Group allows credit periods of up to 60 days to its trade debtors. Included in the Group's trade receivables balance, no trade receivables (2011: Nil) are past due at the reporting date for which the Group has not provided for impairment loss. Based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired are eventually recoverable. The management of the Group closely monitors the credit quality of debtors and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the due date at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
Current	**1,340**	13,360

Movement in the allowance for bad and doubtful debts

	2012	2011
	HK$'000	*HK$'000*
At the beginning of the year	**–**	2,036
Eliminated upon disposal of subsidiaries	**–**	(2,036)
At the end of the year	**–**	–

Allowance for bad and doubtful debts are trade receivables which are either aged over 1 year or individually impaired that have been placed under liquidation or in severe financial difficulties, which are generally not recoverable based on the historical experience. The Group does not hold any collateral over these balances.

11. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the due date at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
Current	**250**	–

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2012 and 2011.

REVIEW OF RESULTS

The audited annual results of the Group for the Year have been reviewed by the audit committee of the Company, which is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee comprises the three Independent Non-executive Directors, namely Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kook Ming, Banny.

EXTRACT OF AUDITOR'S REPORT

The following is an extract of the auditor's report on the Group's consolidated financial statements for the Year:

BASIS FOR QUALIFIED OPINION

(a) *Opening balances and corresponding figures*

The consolidated financial statements of the Group for the year ended 30 June 2011, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the significance of the possible effect of the limitation on the scope of the audit in relation to the investment in Dragonlott Holdings Limited ("DHL"). Details of the qualified audit opinions were set out in the independent auditors' report dated 19 September 2011 and included in the Company's annual report for the year ended 30 June 2011.

We were not able to obtain sufficient appropriate audit evidence to enable us to assess the limitation of scope for the year ended 30 June 2011. Any adjustments found to be necessary to the opening balances as at 1 July 2011 may affect the balance of accumulated loss as at 1 July 2011 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2012. The comparative figures showed in the consolidated financial statements may not be comparable with the figures for the current period.

(b) *Available-for-sale investments*

Included in the Group's available-for-sale investments of approximately HK$71,482,000 as at 30 June 2012 was an aggregate amount of approximately HK$46,674,000 investment in DHL in which the Group holds 13.28% equity interests. The directors of the Company have not been provided with any financial or other relevant information of DHL as at 30 June 2012 from the management of DHL and therefore it was unable to determine of any impairment in respect of the investment in DHL was necessary at the end of the reporting period. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the carrying amount of the investment in DHL was free from material misstatement as at 30 June 2012. Any adjustments found to be necessary would affect the state of the Group's affair as at 30 June 2012 and the loss for the year then ended.

Any adjustments found to be necessary in respect of the matters set out in points (a) and (b) above would have a significant and consequential effect on the financial position of the Company and of the Group as at 30 June 2012 and 2011 and the results and cash flows of the Group for the years then ended, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the possible effects on the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CORPORATE GOVERNANCE

The Company has adopted various policies to ensure compliance with the code provisions ("Code Provisions") as set out in Appendix 15 of the GEM Listing Rules that are considered to be relevant to the Company and has complied with the Code Provisions save as disclosed below.

Mr. Shiu Stephen Junior currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

MODEL CODE FOR SECURITIES DEALING BY DIRECTORS

The Company had adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all the Directors, all the Directors confirmed that they had throughout the Year complied with the required standard of dealings as set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The Annual Report of the Company containing all the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and be published on the GEM website of the Stock Exchange (www.hkgem.com) and the Company's website (www.china3d8078.com) in due course.

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

Hong Kong, 24 September, 2012

As at the date hereof, the Board comprise:

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 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.