



中國 3D 數碼娛樂有限公司
CHINA 3D DIGITAL ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)
(GEM Stock Code: 8078)

Third Quarterly Report 2010-2011



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This report, 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 report 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 report misleading.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported total revenue of approximately HK\$11.6 million for the nine months ended 31st March 2011 (the “Nine-month Period”), compared with approximately HK\$117.5 million for the corresponding period a year ago. A loss of approximately HK\$26.8 million was recorded (2010: HK\$48.2 million).

During the Nine-month Period, artiste management contributed revenue of approximately HK\$2.8 million (2010: HK\$30.7 million) and recorded a profit of approximately HK\$1.5 million (2010: HK\$16.8 million). In addition, the Group received revenue of approximately HK\$8.8 million (2010: HK\$44.5 million) from the business segment of film and television programme production and distribution. This business segment recorded a loss of approximately HK\$14.5 million (2010: HK\$45.1 million).

In the previous financial year, the Group disposed of certain subsidiaries which carried out event production and music production and distribution operations. After such disposal, the Group ceased the businesses of event production and music production and distribution. During the nine months ended 31st March 2010, event production contributed revenue of approximately HK\$12.6 million and recorded a loss of approximately HK\$2.5 million, and music production and distribution contributed revenue of approximately HK\$29.7 million and recorded a loss of approximately of HK\$0.6 million.

PROSPECTS

The Group's first 3D movie “3D Sex & Zen: Extreme Ecstasy” was released in April 2011. On the first day of release, the box office of the movie scored a record-breaking HK\$2.73 million in Hong Kong history, exceeding HK\$2.62 million of another 3D movie of international director James Cameron's “Avatar” and HK\$2.56 million of erotic film “Lust, Caution” made by famous director Ang Lee. The success of the movie is a reflection of high anticipation of supreme quality 3D movies in the market. It is believed the movie will bring satisfactory revenue and cash flow to the Group in the coming months.

In the coming year, we expect to produce two more 3D movies. It is believed our products will become blockbusters and create a positive impact on our financial performance.

Since the Company renamed to “China 3D Digital Entertainment Limited”, its name has become popular among audiences as the Company has made its first step in the entertainment industry. With our first success in the movie market, the management is confident that our brand can develop well in the ongoing future.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group has acquired and disposed of certain subsidiaries during the Nine-month Period, details of which are set out as follows:

Acquisition of New 3D Movie Business

On 8th October 2010, the Company acquired the entire interests in New Smart International Creation Limited (“New Smart”) at a consideration of approximately HK\$12.6 million. New Smart is engaged in production of “3D Sex & Zen: Extreme Ecstasy” which was released in April 2011.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of Speedy Champion Investments Limited

On 19th October 2010, the Group completed the disposal of the entire interests in Speedy Champion Investments Limited together with the holding companies of the copyrights and distribution rights in various films and television programmes which were produced or distributed by the Group (the "SCI Group"). The consideration of such disposal was HK\$0.1 million and the Group recorded a gain on disposal of approximately HK\$2.5 million.

Disposal of Bright Win Group Limited

On 2nd December 2010, the Group completed the disposal of the entire interests in Bright Win Group Limited together with the holding companies of the copyrights and distribution rights in films (the "Bright Win Group"). The consideration of such disposal was HK\$0.1 million and the Group recorded a gain on disposal of approximately HK\$0.1 million.

Disposal of Racelead Limited

On 31st January 2011, the Group completed the disposal of the entire interests in Racelead Limited. The consideration of such disposal was approximately HK\$0.1 million and the Group recorded a gain on disposal of approximately HK\$0.1 million.

EVENTS AFTER THE REPORTING PERIOD

Rights Issue

On 1st February 2011, the board of directors of the Company (the "Board" or the "Directors") announced that the Company proposed to raise not less than HK\$114.0 million and not more than HK\$132.5 million, before expenses, by way of a rights issue of not less than 7,601,608,210 Rights Shares and not more than 8,828,194,312 Rights Shares at the Subscription Price of HK\$0.015 per Rights Share on the basis of seven Rights Shares for every one Share ("Rights Issue") held on 29th March 2011 ("Record Date") payable in full upon application.

On 29th March 2011, the necessary resolutions approving, amongst other things, the Rights Issue, were duly passed by the Independent Shareholders by way of poll at the special general meeting held on that date.

The Rights Issue was over-subscribed and as no outstanding Convertible Bonds was converted before the Record Date, 7,601,608,210 Rights Shares were allotted and issued, representing 87.5% of the then issued share capital of the Company as enlarged by the 7,601,608,210 Rights Shares, on 19th April 2011 when the Rights Issue became unconditional. The shares certificates for fully-paid Rights Issue were dispatched to shareholders on 21st April 2011.

The Company received gross proceeds of approximately HK\$114.0 million and the net proceeds of the Rights Issue would be approximately HK\$110.0 million.

The Board announces the unaudited consolidated results of the Group for the three months ended 31st March 2011 (the "Quarterly Period") and the Nine-month Period together with the comparative figures for the corresponding periods in 2010 as set out below.

RESULTS

	Notes	Three months ended 31st March		Nine months ended 31st March	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) (Restated) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) (Restated) HK\$'000
Continuing operations					
Revenue	2	76	14,396	11,649	75,237
Other income		227	685	597	4,080
Cost of film and television programme production and distribution		-	(8,928)	(14,628)	(70,971)
Selling and distribution costs		(91)	(2,955)	(3,640)	(9,027)
Administrative expenses		(2,149)	(12,213)	(12,475)	(32,374)
Finance costs		(1,719)	(3,958)	(9,418)	(12,804)
Share of results of a jointly controlled entity		-	8	(1,538)	862
Gain on disposal of subsidiaries		82	1,129	2,644	1,129
Loss before taxation		(3,574)	(11,836)	(26,809)	(43,868)
Taxation	3	-	(453)	-	(1,231)
Loss for the period from continuing operations		(3,574)	(12,289)	(26,809)	(45,099)
Discontinued operations					
Loss for the period from discontinued operations	4	-	(2,088)	-	(3,145)
Loss for the period attributable to owners of the Company		(3,574)	(14,377)	(26,809)	(48,244)
Other comprehensive income:					
Exchange differences on translation of foreign operations		-	(12)	-	36
Share of change in equity of a jointly controlled entity		-	-	4	2
Other comprehensive income for the period		-	(12)	4	38
Total comprehensive income for the period		(3,574)	(14,389)	(26,805)	(48,206)
Loss per share					
From continuing and discontinued operations	5				
- basic and diluted		HK cents (0.33)	HK cents (4.32)	HK cents (1.87)	HK cents (16.99)
From continuing operations					
- basic and diluted		HK cents (0.33)	HK cents (4.03)	HK cents (1.87)	HK cents (16.28)

NOTES:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated results of the Group have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The amounts included in the unaudited consolidated results are computed based on all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA")

The unaudited consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which were measured at fair values on initial recognition.

In the Nine-month Period, the Group had adopted certain new HKFRSs, amendments and interpretations (collectively referred to as "new HKFRSs"), issued by the HKICPA that are effective for accounting periods beginning on or after 1st July 2010. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior periods have been prepared and presented. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these unaudited consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 30th June 2010.

The Group applied HKFRS 3 (Revised) "Business Combination" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interest in a subsidiary after control is obtained and for loss of control of a subsidiary for its acquisition and disposal of certain subsidiaries during the Nine-month Period. The financial impact of such acquisition and disposal as a result of the application of these standards had been reflected in the unaudited condensed consolidated financial statements of the Group.

The application of other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

NOTES: (Continued)

2. REVENUE

An analysis of the Group's revenue is as follows:

	Three months ended		Nine months ended	
	31st March		31st March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Continuing operations				
Artiste management fee income	76	10,369	2,845	30,694
Film and television programme production, distribution and licensing – production of films and television programmes and licensing of the corresponding rights	–	3,756	8,576	43,880
– distribution of films and television programmes	–	271	228	663
	–	4,027	8,804	44,543
	76	14,396	11,649	75,237

3. TAXATION

No provision for Hong Kong Profits Tax has been made for the Quarterly Period and the Nine-month Period as the Group has no estimated assessable profits for both periods.

The charges for the corresponding periods in previous year represented Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profits for those periods

No provision for income tax in respect of operations in overseas has been made as the Group has no assessable profits in the respective jurisdictions for these periods.

NOTES: (Continued)

4. DISCONTINUED OPERATIONS

On 19th March 2010, the Group disposed of certain subsidiaries which carried out event production and music production and distribution operations. Since then, the Group ceased the businesses of event production and music production and distribution (i.e discontinued operations).

The loss from the discontinued operations are analysed as follows:

	Three months ended 31st March 2010 (Unaudited) HK\$'000	Nine months ended 31st March 2010 (Unaudited) HK\$'000
Revenue		
– Event production	4,077	12,587
– Music production and distribution	8,827	29,679
	12,904	42,266
Other (loss)/income	(518)	3,115
Cost of self-organised events	–	(3,779)
Cost of provision of event production services	(3,892)	(8,511)
Cost of music production and distribution	(4,290)	(17,521)
Selling and distribution costs	(261)	(901)
Administrative expenses	(6,031)	(17,814)
Loss for the period	(2,088)	(3,145)

5. LOSS PER SHARE*From continuing and discontinued operations*

The calculation of the basic and diluted loss per share from continuing and discontinued operations is based on the loss for the Quarterly Period and the Nine-month Period attributable to owners of the Company of HK\$3,574,000 and HK\$26,809,000 (2010: HK\$14,377,000 and HK\$48,244,000) respectively and the weighted average number of 1,085,944,030 and 1,432,061,321 (2010: 332,726,982 and 283,888,425, after adjusting the effect of the Share Subdivision effective on 21st September, 2010) ordinary shares of the Company in issue during these periods.

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

NOTES: (Continued)

5. Loss per Share (Continued)*From continuing operations*

The calculation of the basic and diluted loss per share from continuing operations is based on the following data:

Loss is calculated as follows:

	Three months ended 31st March		Nine months ended 31st March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss for the purpose of calculating basic loss per share	(3,574)	(14,377)	(26,809)	(48,244)
Less: Loss for the period from the discontinued operations	–	(2,088)	–	(3,145)
Loss for the purpose of calculating basic and diluted loss per share from the continuing operations	(3,574)	(12,289)	(26,809)	(45,099)

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operations

No basic and diluted earnings or loss per share from discontinued operations for the Quarterly Period and the Nine-month Period is computed as the Group has no profit or loss from the discontinued operations for these periods.

Basic and diluted loss per share from discontinued operations for the Quarterly Period and the Nine-month Period ended 31st March 2010 were HK cent 0.29 per share and HK cent 0.71 per share, based on the loss for the period from the discontinued operations of HK\$2,088,000 and HK\$3,145,000 respectively.

The denominators used are the same as those detailed above for both basic and diluted loss per share from the continuing and discontinued operations.

NOTES: (Continued)

6. CAPITAL AND RESERVES

	Attributable to owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Convertible bond equity reserve			Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				Special reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Reserve (Unaudited) HK\$'000				
At 1st July 2009	2,600	105,614	83,783	-	75,000	2,971	(313,942)	(43,974)	(1,941)	(45,915)
Loss for the period	-	-	-	-	-	-	(48,244)	(48,244)	-	(48,244)
Exchange differences on translation of foreign operations	-	-	-	-	-	36	-	36	-	36
Share of changes in equity of a jointly controlled entity	-	-	-	-	-	2	-	2	-	2
Total comprehensive income for the period	-	-	-	-	-	38	(48,244)	(48,206)	-	(48,206)
Issue of shares	906	54,485	-	-	-	-	-	55,391	-	55,391
Recognition of equity component of convertible bond	-	-	-	38,280	-	-	-	38,280	-	38,280
Transfer upon conversion of convertible bonds	-	10,336	-	(10,336)	-	-	-	-	-	-
Transfer to profit or loss on disposal of subsidiaries	-	-	-	-	-	(1,129)	-	(1,129)	-	(1,129)
At 31st March 2010	3,506	170,435	83,783	27,944	75,000	1,880	(362,186)	362	(1,941)	(1,579)
At 1st July 2010	3,520	171,489	83,783	27,562	75,000	2,541	(364,568)	(673)	(1,941)	(2,614)
Loss for the period	-	-	-	-	-	-	(26,809)	(26,809)	-	(26,809)
Exchange differences on translation of foreign operations	-	-	-	-	-	4	-	4	-	4
Total comprehensive income for the period	-	-	-	-	-	4	(26,809)	(26,805)	-	(26,805)
Issue of shares	1,704	50,047	-	-	-	-	-	51,751	-	51,751
Issue of share upon conversion of convertible bond	206	15,242	-	(5,359)	-	-	-	10,089	-	10,089
Transaction costs attributable to issue of shares	-	(1,173)	-	-	-	-	-	(1,173)	-	(1,173)
Transfer to profit or loss on disposal of subsidiaries	-	-	(79,830)	-	(75,000)	(2,545)	154,830	(2,545)	1,941	(604)
At 31st March 2011	5,430	235,605	3,953	22,203	-	-	(236,547)	30,644	-	30,644

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Nine-month Period (2009: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31st March 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of director	Capacity/ Nature of Interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Shiu Stephen Junior (<i>Note</i>)	Beneficial owner	32,000,000	2.95%
	Other Interest	224,000,000	N/A

Note:

For the purpose of disclosure under the SFO, the references to "Other Interest" as disclosed above represented deemed interests in the Rights Shares to be provisionally allotted to the relevant Director and/or Shareholders and/or its controlled corporations under the Company's Rights Issue of Shares on the basis of seven Rights Shares for every one Share held as announced by the Company on 1st February 2011. As the Shares under "Other Interest" were not yet issued as at 31st March 2011 and/or were deemed interests subject to the outcome of the Rights Issue, the unissued Shares under "Other Interest" should be disregarded for the purpose of interpretation of the shareholding of the respective Shareholders as at 31st March 2011.

Save as disclosed above, as at 31st March 2011, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company's existing share option scheme (the "Share Option Scheme") was approved for adoption on 26th August 2004 and became effective on 11th November 2004 and valid for the next ten years.

The Company had not granted any option under the Share Option Scheme since its adoption.

As at 31st March 2011, the Company had not granted any right to subscribe for equity or debt securities of the Company to any Director or chief executive of the Company or their spouse or children under 18 years of age.

OTHER PERSON'S INTERESTS AND SHORT POSITIONS

So far as known to the Directors, as at 31st March 2011, the persons or corporations (other than the Directors or chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Be Cool Limited (Notes 1 and 2)	Beneficial owner	77,482,000	7.14%
	Other Interest	460,474,000	N/A
Unlimited Creativity Holdings Limited (Notes 1 and 2)	Beneficial owner and interest in a controlled corporation	136,286,000	12.55%
	Other Interest	754,012,000	N/A
Everleap Limited (Notes 2 and 3)	Other Interest	1,400,000,000	N/A
Ms. Wu Hoi Shan (Notes 2, 3 and 4)	Family Interest	70,843,329	6.52%
	Other Interest	1,400,000,000	N/A
Mr. Tang Yu Ming, Nelson (Notes 2, 3 and 4)	Interest in controlled corporations	70,843,329	6.52%
	Other Interest	1,400,000,000	N/A
Kingston Securities Limited (Note 5)	Other Interest	8,828,194,312	N/A
Kingston Capital Asia Limited (Note 5)	Other Interest	8,828,194,312	N/A
Galaxy Sky Investments Limited (Note 5)	Other Interest	8,828,194,312	N/A
Ms. Chu Yuet Wah (Note 5)	Other Interest	8,828,194,312	N/A
Active Dynamic Limited (Note 5)	Other Interest	8,828,194,312	N/A
Emperor Capital Group Limited (Note 6)	Other Interest	3,333,000,000	N/A

OTHER PERSON'S INTERESTS AND SHORT POSITIONS (Continued)

Long positions in shares of the Company (Continued)

Name	Capacity/ Nature of interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Million Way Holdings Limited (<i>Note 6</i>)	Other Interest	3,333,000,000	N/A
STC International Limited (<i>Note 6</i>)	Other Interest	3,333,000,000	N/A
Ms. Luk Siu Man, Semon (<i>Note 6</i>)	Other Interest	3,333,000,000	N/A
Dr. Yeung Sau Shing, Albert (<i>Note 6</i>)	Other Interest	3,333,000,000	N/A

Notes:

1. Be Cool Limited is indirectly wholly-owned by Unlimited Creativity Holdings Limited.
2. For the purpose of disclosure under the SFO, the references to "Other Interest" as disclosed above represented deemed interests in the Rights Shares to be provisionally allotted to the relevant Director and/or Shareholders and/or its controlled corporations under the Company's Rights Issue of Shares on the basis of seven Rights Shares for every one Share held as announced by the Company on 1st February 2011. As the Shares under "Other Interest" were not yet issued as at 31st March 2011 and/or were deemed interests subject to the outcome of the Rights Issue, the unissued Shares under "Other Interest" should be disregarded for the purpose of interpretation of the shareholding of the respective Shareholders as at 31st March 2011.
3. For the purpose of disclosure under the SFO, the reference to "Other Interest" as disclosed above represented the deemed interests in the Rights Shares sub-underwritten by Everleap Limited ("Everleap"). As the Shares under "Other Interest" were not yet issued as at 31st March 2011 and/or were deemed interests subject to the outcome of the Rights Issue, the unissued Shares under "Other Interest" should be disregarded for the purpose of interpretation of the shareholding of the respective Shareholders as at 31st March 2011. As the Rights Issue was over-subscribed, the above sub-underwriting obligation of Everleap was terminated. Ms. Wu Hoi Shan is the beneficial owner of Everleap Limited. Mr. Tang Yu Ming, Nelson is the spouse of Ms. Wu Hoi Shan, was also deemed to have interest in the same shares.
4. The 70,843,329 shares comprised 38,843,329 shares held by Hyde Park Group Limited and 32,000,000 shares held by Island New Finance Limited and Mr. Tang Yu Ming, Nelson is the beneficial owner of these two companies. By virtue of being the spouse of Mr. Tang Yu Ming, Nelson, Ms. Wu Hoi Shan, was also deemed to have interest in the same shares.

OTHER PERSON'S INTERESTS AND SHORT POSITIONS (Continued)

Long positions in shares of the Company (Continued)

Notes: (Continued)

5. For the purpose of disclosure under the SFO, the references to "Other Interest" as disclosed above represented the deemed interests in the Rights Shares underwritten by Kingston Securities Limited ("Kingston") under the underwriting agreement between the Company and Kingston dated 1st February 2011. As the Shares under "Other Interest" were not yet issued as at 31st March 2011 and/or were deemed interests subject to the outcome of the Rights Issue, the unissued Shares under "Other Interest" should be disregarded for the purpose of interpretation of the shareholding of the respective Shareholders as at 31st March 2011. As the Rights Issue was over-subscribed, the above underwriting obligation of Kingston was terminated.
6. For the purpose of disclosure under the SFO, the references to "Other Interest" as disclosed above represented the deemed interests in the Rights Shares sub-underwritten by Emperor Securities Limited ("ESL"), a wholly-owned subsidiary of Emperor Capital Group Limited. As the Shares under "Other Interest" were not yet issued as at 31st March 2011 and/or were deemed interests subject to the outcome of the Rights Issue, the unissued Shares under "Other Interest" should be disregarded for the purpose of interpretation of the shareholding of the respective Shareholders as at 31st March 2011. As the Rights Issue was over-subscribed, the above sub-underwriting obligation of ESL was terminated.

Save as disclosed above, as at 31st March 2011, the Directors were not aware of any other person or corporation (other than the Directors or chief executive of the Company) who had any interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

COMPETING INTERESTS

One Dollar Productions Limited (“ODP”) is a company principally engaged in artiste management. Mr. Shiu Stephen Junior (“Mr. Shiu”), the Chairman and Executive Director of the Company, is a director of ODP and together with his associate hold as to 100% equity interests in ODP. Mr. Shiu also holds directorship in One Dollar Movies Productions Limited (“ODMP”), a company engaged in the production of movies, and together with his associate(s) hold indirectly as to 59.4% equity interests in ODMP. He is also a director of One Dollar Distribution Limited (“ODD”), a company engaged in the distribution of movies, and together with his associate(s) hold indirectly as to 25% equity interests in ODD. The businesses of ODP, ODMP and ODD may constitute competition with the business of the Group.

Save as disclosed above, the Directors believe that none of the Directors nor the substantial shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

REVIEW OF THIRD QUARTERLY RESULTS

The unaudited results of the Group for the Nine-month Period have not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but have been reviewed by the Audit Committee of the Company, who 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 currently comprises three Independent Non-executive Directors of the Company, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Lee Wing Ho, Albert.

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

During the Nine-month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 12th May 2011

As at the date hereof, the Board comprised:

Executive Directors:

Mr. Shiu Stephen Junior (*Chairman*)

Mr. Tsang Pui Lan, Patrick

Independent Non-executive Directors:

Mr. Kam Tik Lun

Mr. Chan Chi Ho

Mr. Lee Wing Ho, Albert