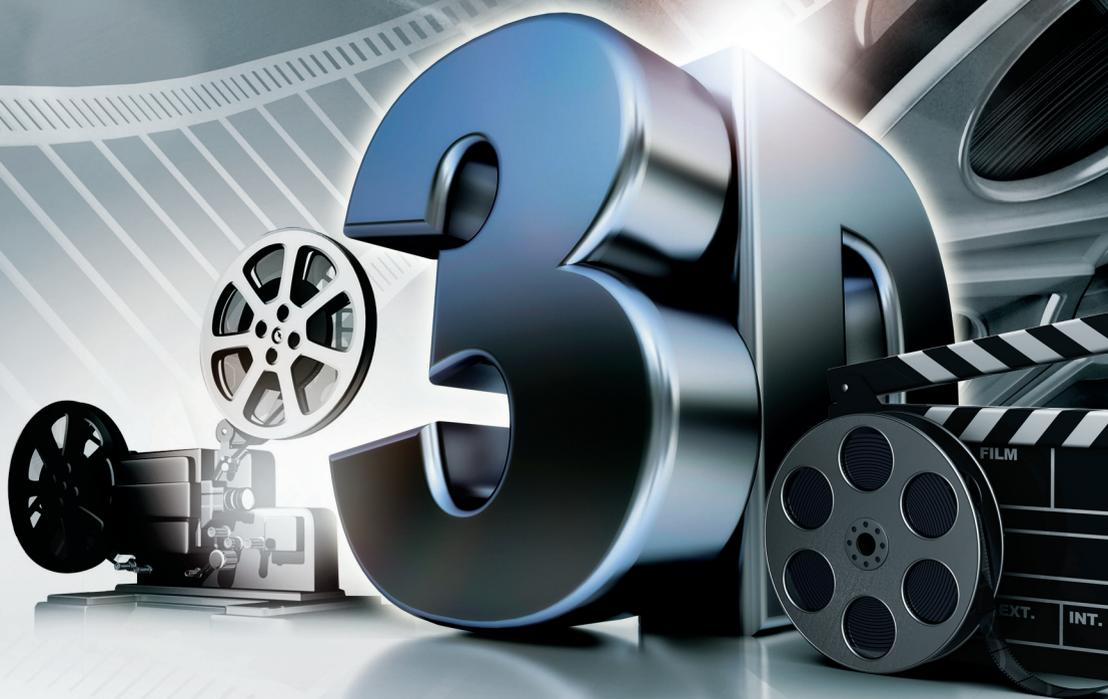


Interim Report
2011/2012



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)

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This report, for which the directors (the “Board” or 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 in 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\$10.8 million for the six months ended 31 December 2011 (the “Half Yearly Period”), compared with approximately HK\$11.6 million for the corresponding period a year ago. A loss of approximately HK\$9.5 million was recorded (2010: HK\$23.2 million). The loss is mainly attributable to the high movie production and advertising cost as well as administrative cost associated with listing.

During the Half Yearly Period, the Group received revenue of approximately HK\$9.9 million (2010: HK\$8.8 million) from the business segment of film production and distribution. This business segment recorded a profit of approximately HK\$0.5 million (2010: loss of HK\$14.4 million). In addition, artiste management contributed revenue of approximately HK\$0.9 million (2010: HK\$2.8 million) and recorded a loss of approximately HK\$1.0 million (2010: profit of HK\$1.7 million).

PROSPECTS

The Company has entered into a legal binding agreement with an independent third party, Wanda Media Company Limited, to co-invest, produce and distribute the key movie “3D Iceman Cometh” (the “Movie”).

Pursuant to another agreement with top-ranked movie star Mr. Yen Chi Tan, he has confirmed to act as principal actor and action director for the Movie. The production of Movie is expected to be started in the 2nd quarter of 2012 and launched in the 4th quarter of 2013. It is optimistic that the Movie would bring a positive financial impact to the Group.

Another major movie of the Company for this year is named “Nature Born Lover” which is directed by a famous director, Mr. Yip Lim Sum. Movie hot star Mr. Cheung Chi Lam and Ms. Lau Sum Yau are to be the principal actor and actress respectively for this movie. The relevant production is expected to be started in the 1st quarter of 2012 and launched in the 3rd quarter of 2012. It is also expected to have positive contributions to the Group’s financial results.

CAPITAL STRUCTURE

During the Half Yearly Period, the capital structure of the Company has changed as follows:

Share Consolidation

By a special resolution dated 16 December 2011, every twenty-five (25) Existing Shares of HK\$0.005 each in the issued and unissued share capital of the Company were consolidated into one (1) Consolidated Share of HK\$0.125 in the issued and unissued share capital of the Company with effect from 19 December 2011. Immediately after the Share Consolidation, the authorised share capital of the Company is HK\$100,000,000.00 divided into 800,000,000 Consolidated Shares of HK\$0.125 each and there are 347,502,089 Consolidated Shares of HK\$0.125 each in issue.

CAPITAL STRUCTURE (Continued)

Capital Reduction

By a special resolution dated 16 December 2011, the reduction of the issued share capital was made through a cancellation of the paid-up capital of the Company to the extent of HK\$0.12 on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share is reduced from HK\$0.125 to HK\$0.005 and a round down of the total number of Consolidated Shares in the issued share capital of the Company to a whole number, i.e. 347,502,089 Consolidated Shares of HK\$0.005 each in issue.

The credit of approximately HK\$41.7 million from the Capital Reduction was credited to the contributed surplus account of the Company.

Subdivision

By a special resolution dated 16 December 2011, the Subdivision was made involving the subdivision of each authorised but unissued Consolidated Share (including those arising from the Capital Reduction) into 25 New Shares of HK\$0.005 each.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, total borrowing of the Group (excluding payables) amounted to approximately HK\$25.5 million (30 June 2011: 24.6 million). During the Half Yearly Period, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 18% (30 June 2011: 16%).

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.

COMMITMENTS

Total commitments of the Group as at 31 December 2011 was approximately HK\$57.1 million (30 June 2011: HK\$9.9 million)

CONTINGENT LIABILITIES

As at 31 December 2011, the Group was involved in legal proceedings in relation to the refusal to register a transfer of the promissory note and issue a new promissory note. The outcome of the legal proceeding is uncertain because it is still in early stage and is difficult for the Directors to assess the impact of the litigation on the financial position of the Group.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2011 was 21 (30 June 2011: 10) and total staff costs for the Half Yearly Period were approximately HK\$2.9 million (2010: HK\$5.9 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical insurances and other fringe benefits. 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 Half Yearly Period.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Proposed Placing of New Shares

On 10 January 2012, the Company entered into the Placing Agreement with an independent placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent, a maximum number of 3,000,000,000 Placing Shares in a maximum of six tranches (in which each tranche shall not be less than 500,000,000 Placing Shares, save for the last tranche) on a best effort basis, to not fewer than six independent Placees at a price of HK\$0.08 per Placing Share, which is subjected to Shareholders' approval. The net proceeds from such proposed placing is intended to be used for the production of 2D and 3D movies, possible acquisition of cinema and/or rights of cinema in PRC, general working capital of the Group and/or possible investment in the future.

Change in Board Lot Size

On 10 January 2012, the Board proposed to change the board lot size for trading in the Shares from 10,000 Shares to 30,000 Shares and the change took effect from 7 February 2012.

Redemption of Convertible Bonds

The Company has served a redemption notice to exercise its redemption right under the convertible bonds due 2014 for redeeming an outstanding principal amount of HK\$6 million on 2 February 2012, the principal sum together with accrued interests shall be paid out of the internal resources of the Group. After the aforesaid early redemption, the outstanding principal sum of the convertible bonds issued by the Company is HK\$11 million.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2011

	Notes	Three months ended 31 December		Six months ended 31 December	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	2	1,907	2,142	10,771	11,572
Other income		894	94	(419)	371
Cost of film and television programme production and distribution		(1,582)	(517)	(9,110)	(14,628)
Selling and distribution costs		(143)	(766)	(736)	(3,549)
Administrative expenses		(5,375)	(3,764)	(8,940)	(10,327)
Finance costs		(544)	(2,903)	(1,092)	(7,699)
Share of results of a jointly controlled entity		-	-	-	(1,538)
Gain on disposal of subsidiaries		-	2,562	-	2,562
Loss before taxation	4	(4,843)	(3,152)	(9,526)	(23,236)
Taxation	5	-	-	-	-
Loss for the period attributable to owners of the Company		(4,843)	(3,152)	(9,526)	(23,236)
Other comprehensive income					
Exchange differences on translation of foreign operations		-	21	-	4
Net gain/(loss) arising on revaluation of available-for-sale investments during the period		125	-	(97)	-
Other comprehensive income for the period (net of tax)		125	21	(97)	4
Total comprehensive loss attributable to owners of the Company		(4,718)	(3,131)	(9,623)	(23,232)
Loss per share	6		(Restated)		(Restated)
- basic and diluted		(1.39) HK cents	(1.39) HK cents	(2.74) HK cents	(11.5) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		As at	
	Notes	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	1,179	596
Available-for-sale investment		52,125	48,222
Prepayment and other receivables		2,000	3,531
Film rights	7	4,394	8,728
		59,698	61,077
Current assets			
Financial assets at fair value through profit or loss		8,322	–
Trade receivables	8	1,298	13,360
Prepayments, deposits and other receivables		14,980	3,441
Bank balances and cash		58,701	72,881
		83,301	89,682
Current liabilities			
Other payables and accrued charges		4,018	3,055
		4,018	3,055
Net current assets			
		79,283	86,627
Total assets less current liabilities			
		138,981	147,704
Non-current liabilities			
Convertible bond	9	13,433	12,851
Promissory note payable	9	12,030	11,712
		25,463	24,563
		113,518	123,141
Capital and reserves			
Share capital		1,738	43,438
Reserves		111,780	79,703
Total equity			
		113,518	123,141

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2011

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible bond equity reserve HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 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	-	-	-	-	-	-	-	(23,236)	(23,236)	-	(23,236)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	4	-	4	-	4
Total comprehensive income / (expense) for the period	-	-	-	-	-	-	4	(23,236)	(23,232)	-	(23,232)
Issue of new shares	1,704	50,047	-	-	-	-	-	-	51,751	-	51,751
Issue of shares upon conversion of convertible bond	206	15,242	-	(5,359)	-	-	-	-	10,089	-	10,089
Transaction costs attributable to issue of new shares	-	(1,173)	-	-	-	-	-	-	(1,173)	-	(1,173)
Transfer to profit or loss on disposal of subsidiaries	-	-	-	-	-	-	(2,511)	-	(2,511)	1,941	(570)
At 31 December 2010	5,430	235,605	83,783	22,203	75,000	-	34	(387,804)	34,251	-	34,251
At 1 July 2011	43,438	307,964	3,952	6,508	-	(17)	-	(238,704)	123,141	-	123,141
Loss for the period	-	-	-	-	-	-	-	(9,526)	(9,526)	-	(9,526)
Net loss arising on revaluation of available-for-sale investments during the period	-	-	-	-	-	(97)	-	-	(97)	-	(97)
Total comprehensive expenses for the period	-	-	-	-	-	(97)	-	(9,526)	(9,623)	-	(9,623)
Capital reduction	(41,700)	-	41,700	-	-	-	-	-	-	-	-
At 31 December 2011	1,738	307,964	45,652	6,508	-	(114)	-	(248,230)	113,518	-	113,518

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 31 December 2011

	Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash from operating activities	(1,273)	42,691
Net cash used in investing activities	(12,866)	(71,505)
Net cash from financing activities	(41)	35,791
Net (decrease)/increase in cash and cash equivalents	(14,180)	6,977
Cash and cash equivalents at beginning of the period	72,881	16,625
Cash and cash equivalents at end of the period	58,701	23,602
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	58,701	23,602

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules.

The unaudited condensed 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.

The unaudited consolidated results for the six months ended 31 December 2011 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee. The accounting policies and basis of preparation adopted in preparing the interim financial information are consistent with those used in the Company's annual financial statements for the year ended 30 June 2011, except in relation to the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants that affect the Company and its subsidiaries and are adopted for the first time for the current period's financial information.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of 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 for the period is as follows:

	Three months ended 31 December		Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Artiste management	592	395	904	2,768
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	1,025	1,633	9,577	8,576
– distribution of films and television programmes	290	114	290	228
	1,315	1,747	9,867	8,804
	1,907	2,142	10,771	11,572

3. SEGMENT INFORMATION

Segment information has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker.

The segment information reported to the Executive Directors is analysed on the basis of the nature of business. Accordingly, the Group's operating segments are analysed as follows: (a) artiste management and (b) film and television programme production, distribution and licensing. They are strategic business units and are managed separately as each business requires different expertise and marketing strategies.

Notes: (Continued)

3. SEGMENT INFORMATION (Continued)

Principal activities of the operating segments are as follows:

Artiste management	–	provision of management services to artistes
Film and television programme production, distribution and licensing	–	production and distribution of films and television programmes and licensing of distribution rights over films and television programmes

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1. Segment profit (loss) represents the profit earned by or loss from the segment without allocation of central administration costs, interest income, finance costs and share of results of a jointly controlled entity. This is the measure reported to the Executive Directors for the purpose of resource allocation and performance assessment.

Information regarding the above segments reported to the Executive Directors is as below.

	Six months ended 31 December 2011			Six months ended 31 December 2010		
	Artiste management (Unaudited) HK\$'000	Film and television programme, production, distribution and licensing (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Artiste management (Unaudited) HK\$'000	Film and television programme, production, distribution and licensing (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	904	9,867	10,771	2,768	8,804	11,572
Segment results	(982)	463	(519)	1,669	(14,441)	(12,772)
Interest income			161			60
Unallocated corporate expenses, net			(8,076)			(3,849)
Finance costs			(1,092)			(7,699)
Share of results of a jointly controlled entity (note)			-			(1,538)
Gain on disposal of subsidiaries			-			2,562
Loss before taxation			(9,526)			(23,236)

Note: The share of results of a jointly controlled entity belongs to the segment of film and television programme production, distribution and licensing.

Notes: (Continued)

4. LOSS BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss before taxation has been arrived at after charging:				
Amortisation for film rights (included in cost of film and television programme production and distribution)	365	–	4,812	5,588
Depreciation of property plant and equipment	71	164	95	328
Impairment loss on musical album (included in cost of artiste management)	202	–	202	–
Impairment loss on film rights recognised (included in cost of film and television programme production and distribution)	–	511	–	9,030

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the Quarterly Period and the Half Yearly Period as the Group has no estimated assessable profits for both periods (Three months and six months ended 31 December 2010: Nil).

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)

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the Quarterly Period and the Half Yearly Period attributable to owners of the Company of HK\$4,843,000 and HK\$9,526,000 (2010: HK\$3,152,000 and HK\$23,236,000) respectively and the weighted average number of 347,502,089 and 347,502,089 (2010: 226,620,425 and 202,809,761 (restated)) respectively 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.

7. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT AND FILM RIGHTS

An analysis of movements of the assets of the Group for the Half Yearly Period is as follows:

	Property, plant and equipment (Unaudited)	Film rights (Unaudited)
	HK\$'000	HK\$'000
CARRYING AMOUNTS		
At 1 July 2011	596	8,728
Additions	678	478
Depreciation and amortisation	(95)	(4,812)
At 31 December 2011	1,179	4,394

Notes: (Continued)

8. TRADE RECEIVABLES

The Group allows credit periods of up to 60 days to its trade customers. 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:

	As at	
	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
Current	146	13,360
Overdue		
0 - 30 days	1,124	–
31 - 60 days	28	–
61 - 90 days	–	–
over 90 days	–	–
	1,152	–
	1,298	13,360

9. MOVEMENT OF CONVERTIBLE BOND AND PROMISSORY NOTE PAYABLE

An analysis of movements of the liabilities of the Group for the Half Yearly Period is as follows:

	Convertible bond (Unaudited) <i>(note (a))</i> HK\$'000	Promissory note payable (Unaudited) <i>(note (b))</i> HK\$'000
CARRYING AMOUNTS		
At 1 July 2011	12,851	11,712
Interest charge	582	318
Interest paid	–	–
Repayment during the period	–	–
Conversion during the period	–	–
At 31 December 2011	13,433	12,030

Notes: (Continued)

9. MOVEMENT OF CONVERTIBLE BOND AND PROMISSORY NOTE PAYABLE (Continued)

Notes:

- (a) On 21 October 2009, the Company issued convertible bond with a nominal value of HK\$100 million to the former substantial shareholder of the Company. The bond bears interest from the date of issue at a rate of the HIBOR plus 2% per annum and will mature on 20 October 2014. It is transferable and may be converted into ordinary shares of the Company at an initial conversion price of HK\$0.70 per ordinary share, subject to anti-dilutive adjustments. The Company is entitled to redeem the convertible bond at 100% of its aggregated principal amount and accrued contractual interest at any time after six months from the date of issue of the convertible bond until the maturity date.

The convertible bond was split into liability (including the value of closely-related early redemption option held by the Company) and equity components of HK\$61,720,000 and HK\$38,280,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount to the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible bond equity reserve. The effective interest of the liability component is 12.74% per annum.

- (b) During the year ended 30 June 2010, the Company issued a promissory note to settle part of the consideration in the acquisition of the available-for-sale investment. The amount is unsecured and non-interest bearing. The principal sum of HK\$14,160,000 is to be repaid on the date falling five years from 18 January 2010. The fair value of HK\$10,834,000 on initial recognition is measured by computing the present value of estimated future cash flows at the effective interest rate of 5.5%.

Notes: (Continued)

10. COMMITMENTS

(a) Operating lease commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at	
	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
In respect of:		
Rented premises		
Within one year	934	-
In the second to fifth year, inclusive	2,199	-
	3,133	-

The lease payments are fixed over the lease term and no arrangements have been entered into for contingent rental payments.

(b) Other commitments

	As at	
	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Artiste fees	4,808	-
Film production cost	42,203	2,350
Guaranteed sum to be paid under various distributor agreements	6,912	7,559
	53,923	9,909

11. CONTINGENT LIABILITIES

As at 31 December 2011, the Group was involved in legal proceedings in relation to the refusal to register a transfer of the promissory note and issue a new promissory note. The outcome of the legal proceeding is uncertain because it is still in early stage and is difficult for the Directors to assess the impact of the litigation on the financial position of the Group.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Half Yearly Period (2010: Nil).

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

As at 31 December 2011, the interests or short positions of the Directors and chief executives of the Company and their associates 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 required to be kept under 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:

Long positions in shares of the Company

Name of Director	Capacity/ Nature of interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Shiu Stephen Junior	Beneficial owner	8,960,000	2.58%

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 26 August 2004 and became effective on 11 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 31 December 2011, the Company had not granted any right to subscribe for equity or debt securities of the Company to any Director or chief executives of the Company or their spouse or children under 18 years of age.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

So far as known to the Directors, as at 31 December 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 (Note)	Beneficial owner	33,168,400	9.54%
Unlimited Creativity Holdings Limited	Beneficial owner and interest in a controlled corporation	86,726,880	24.96%

Note: Be Cool Limited is indirectly wholly-owned by Unlimited Creativity Holdings Limited which shares are listed on the GEM Board of the Stock Exchange.

Save as disclosed above, as at 31 December 2011, the Directors were not aware of any other persons or corporations (other than the Directors or chief executives 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 controlling 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.

CORPORATE GOVERNANCE

The Board has adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices (the “Code Provisions”) under Appendix 15 of the GEM Listing Rules. During the Half Yearly Period, the Board is pleased to confirm that the Company has complied fully with the Code Provisions except with the deviation from code provision A.2.1 which requires the role of chairman and chief executive officer be separate and not be performed by the same individual. Currently, Mr. Shiu Stephen Junior 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 TRANSACTIONS

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 on terms no less exacting than the required standard of dealings. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had throughout the Half Yearly Period complied with the required standard of dealings as set out in the Model Code.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the Company discloses the change in information of the Directors as follows:

Mr. Lee Wing Ho, Albert (“Mr. Lee”) has been re-designated as an Executive Director of the Company from an Independent Non-executive Director with effect from 24 October 2011; and Mr. Lee has been appointed as the Compliance Officer of the Company on the same date.

REVIEW OF INTERIM RESULTS

The unaudited consolidated results of the Group for the Half Yearly Period have not been audited nor reviewed by the Company’s auditor, HLB Hodgson Impey Cheng, 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. As at the date hereof, the Audit Committee comprises the three Independent Non-executive Directors of the Company, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Benny.

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

During the Half Yearly 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, 13 February 2012

As at the date hereof, the Board comprised:

Executive Directors:

Mr. Shiu Stephen Junior (*Chairman*)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert

Independent Non-executive Directors:

Mr. Kam Tik Lun
Mr. Chan Chi Ho
Mr. Tam Kwok Ming, Banny