

# Third Quarterly 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)

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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 2012 (the “Nine-month Period”), compared with approximately HK\$11.6 million for the corresponding period a year ago. For the Nine-month Period, a loss of approximately HK\$9.1 million was recorded whilst in the last year same period, loss of HK\$26.8 million was recorded. The loss is mainly attributable to the high movie production and advertising cost as well as administrative cost.

During the Nine-month Period, the Group received revenue of approximately HK\$10.3 million (2011: HK\$8.8 million) from the business segment of film production and distribution. This business segment recorded a gross profit of approximately HK\$2.8 million (2011: loss of HK\$14.5 million). In addition, artiste management contributed revenue of approximately HK\$1.1 million (2011: HK\$2.8 million) and recorded a profit of HK\$0.8 million (2011: profit of HK\$1.5 million). Furthermore, the newly developed segments of the Group for money lending as well as acquisition of corporate bond recorded revenue of HK\$0.1 million (2011: Nil) and HK\$0.1 million (2011: Nil) respectively.

### PROSPECTS

Since one of the expertise of the Group is the production of hot topic films, the Group has acquired the movie right of a bestselling novel, namely, “Yi Lu Xiang Xi” (一路向西), written by Xiang Xi Cun Shang Chun Shu (向西村上春樹), a network super hot author, and will conduct the production and distribution of the movie with the same name based on this novel. The novel was officially introduced to the market on 17th January 2012, and with hot sales responses, was reprinted less than 24 hours, and then further reprinted in mid-February, ranking among the bestsellers of major bookstores.

In the March of the 2012, the Group has acquired a permanent global distribution right of the starring lineup in the realm of Chinese language movies “Together在一起” (provisionally named), which is a comedy featuring love starring Mr. Ko Chen Tung, Kaiko (柯震東) and Ms. Chen Yan Hsi, Michelle (陳妍希), the two leading actors for “You Are the Apple of My Eye” (那些年·我們一起追的女孩), and this represents their cooperation again after the success of the aforesaid blockbuster. “Together在一起” is also starred by a brand-new acting combination comprising box office hits Mr. Yen Chi Tan, Donnie (甄子丹), a superstar, and Ms. AngelaBaby (楊穎), an young artist queen. The Company anticipates that the movie might attract a more diverse audience into cinemas in regions of Asia.

To achieve the goal of the Group to become a leading 3D digital entertainment company offering the best entertainment experience to the audience in the Hong Kong and the PRC, 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 possible 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 upon entering into the Letter of Intent and the Possible Lease, if materialises, will provide an opportunity for the Company to be successful in cinema's operation in PRC.

So as to generate a stable and regular fixed income to the Group, in February 2012, the Group acquired a Money Lender license to carry out money lending activities as part of its principal business activities. Moreover, the Group started to purchase some listed companies' fixed rate, senior unsecured corporate bonds, rating by S&P as BB grade or above.

## SIGNIFICANT EVENTS AFTER REPORTING PERIOD

According to the published circular date 20th April 2012, a Special General Meeting of the Company will be held on 22nd May 2012 for the resolution of the Proposed Share Premium Reduction and Bonus Issue of ordinary shares.

The Board is of the view that the Proposed Share Premium Reduction will facilitate the Bonus Issue of the purpose of complying with the Company's Bye-laws, and give the Company more flexibility on its dividend policy and distribution in the future. The Board considers that the Proposed Share Premium Reduction is in the best interest of the Company and the Shareholders as a whole.

The Board proposes the Bonus Issue to the Shareholders on the basis of two (2) Bonus Shares for every one (1) Share held on 31st May 2012.

As at 18th April 2012, the authorised share capital of the Company was HK\$100,000,000 divided into 20,000,000,000 Shares, of which 1,347,492,089 Shares were in issue and fully paid. On the basis of 1,347,492,089 Shares in issue as at 18th April 2012, a total of 2,694,984,178 Bonus Shares will be issued pursuant to the Bonus Issue.

The Proposed Share Premium Reduction is conditional upon (1) the passing of a special resolution by the Shareholders to approve the Proposed Share Premium Reduction at the SGM; and (2) compliance with the relevant legal procedures and requirements under the Companies Act and the Bye-laws of the Company to effect the Proposed Share Premium Reduction.

## RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and nine months period ended 31st March 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

**Condensed Consolidated Statement of Comprehensive Income**  
For the nine months ended 31st March 2012

	Notes	Three months ended 31st March 2012 (Unaudited) HK\$'000	Three months ended 31st March 2011 (Unaudited) HK\$'000	Nine months ended 31st March 2012 (Unaudited) HK\$'000	Nine months ended 31st March 2011 (Unaudited) HK\$'000
Revenue	2	812	76	11,640	11,649
Other income		877	227	401	597
Cost of film and television programme production and distribution		2,978	–	(6,132)	(14,628)
Selling and distribution costs		(339)	(91)	(1,075)	(3,640)
Administrative expenses		(3,310)	(2,149)	(12,250)	(12,475)
Finance Costs		(557)	(1,719)	(1,649)	(9,418)
Share of results of a jointly controlled entity		–	–	–	(1,538)
Gain on disposal of subsidiaries		–	82	–	2,644
Profit/(loss) before taxation		461	(3,574)	(9,065)	(26,809)
Taxation	3	–	–	–	–
Profit/(loss) for the period attributable to owners of the Company		461	(3,574)	(9,065)	(26,809)
Other comprehensive income					
Net gain arising on revaluation of available-for-sale investments during the period		1,185	–	2,010	–
Exchange difference on translation of foreign operations		–	–	–	4
Other comprehensive income for the period (net of tax)		1,185	–	2,010	4
Total comprehensive profit/(loss) attributable to owners of the Company		1,646	(3,574)	(7,055)	(26,805)
<b>Earning/(loss) per share</b>	4				
– basic and diluted		0.11 HK cents	(1.48) HK cents (restated)	(2.46) HK cents	(12.44) HK cents (restated)

## NOTES:

**1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Group's unaudited quarterly financial statement 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 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 accounting policies adopted in preparing the unaudited consolidated financial statements for the nine months ended 31st March 2012 are consistent with those followed in the annual report of the Company for the year ended 30th June 2011, except in relation to the new and revised standards, amendments and interpretations that affect the Company and its subsidiaries and are adopted for the first time for the preparation of current period's consolidated financial statements.

The condensed consolidated accounts have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

**2. REVENUE**

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

	<b>Three months ended 31st March 2012 (Unaudited) HK\$'000</b>	Three months ended 31st March 2011 (Unaudited) HK\$'000	<b>Nine months ended 31st March 2012 (Unaudited) HK\$'000</b>	Nine months ended 31st March 2011 (Unaudited) HK\$'000
Artiste management	229	76	1,133	2,845
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	266	–	9,843	8,576
– distribution of films and television programmes	165	–	455	228
	431	–	10,298	8,804
Money Lending				
– Loan interest income	62	–	62	–
Corporate bonds coupon	90	–	147	–
	812	76	11,640	11,649

## NOTES: (Continued)

### 3. TAXATION

No provision for Hong Kong Profits Tax has been made for the three months and nine months period ended 31st March 2012 as the Group has no estimated assessable profits for the three months and nine months ended 31st March 2012 respectively (Three months and nine months ended 31st March 2011: 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.

### 4. EARNING/(LOSS) PER SHARE

The calculation of the basic and diluted earning/(loss) per share is based on the earning/(loss) for the three months and nine months period ended 31st March 2012 attributable to owners of the Company of a profit of HK\$461,000 and a loss of HK\$9,065,000 (2011: HK\$3,574,000 and HK\$26,809,000) respectively and the weighted average number of 412,033,860 and 368,856,239 (2011(Restated): 241,353,758 and 215,470,198) ordinary shares of the Company in issue during these periods.

The computation of the diluted earning/(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 earning/(loss) per share.

## NOTES: (Continued)

**5. CAPITAL AND RESERVES**

For the nine months ended 31st March 2012

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Convertible bond equity reserve	Special reserve	Investment revaluation reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st July 2010 (Audited)	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 subsidiaries	-	-	-	-	-	-	4	-	4	-	4
Total comprehensive loss 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	-	-	(79,831)	-	(75,000)	-	(2,545)	154,830	(2,546)	1,941	(605)
At 31st March 2011 (Unaudited)	5,430	235,605	3,952	22,203	-	-	-	(236,547)	30,643	-	30,643
At 1st July 2011 (Audited)	43,438	307,964	3,952	6,508	-	(17)	-	(238,704)	123,141	-	123,141
Loss for the period	-	-	-	-	-	-	-	(9,065)	(9,065)	-	(9,065)
Net gain arising on revaluation of available-for-sales investments during the period	-	-	-	-	-	2,010	-	-	2,010	-	2,010
Total comprehensive loss for the period	-	-	-	-	-	2,010	-	(9,065)	(7,055)	-	(7,055)
Issue of shares	4,999	74,999	-	-	-	-	-	-	79,998	-	79,998
Transaction costs attributable to issue of shares	-	(1,669)	-	-	-	-	-	-	(1,669)	-	(1,669)
Capital reduction	(41,700)	-	41,700	-	-	-	-	-	-	-	-
Early redemption of convertible bond	-	-	-	(5,742)	-	-	-	3,025	(2,717)	-	(2,717)
At 31st March 2012 (Unaudited)	6,737	381,294	45,652	766	-	1,993	-	(244,744)	191,698	-	191,698



## DIVIDEND

The Board did not recommend the payment of an interim dividend for the Nine-month Period (2011: Nil).

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

As at 31st March 2012, 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:

<b>Name of director</b>	<b>Capacity/ Nature of Interests</b>	<b>Number of ordinary/ underlying shares held</b>	<b>Approximate percentage holding</b>
Shiu Stephen Junior	Beneficial owner	8,960,000	0.66%

Save as disclosed above, as at 31st March 2012, 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 2012, 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 2012, 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 1)	Beneficial owner	33,168,400	2.46%
Unlimited Creativity Holdings Limited (Note 1)	Beneficial owner and interest in a controlled corporation	90,641,280	6.73%
Platinum Century Limited (Note 2)	Beneficial owner	111,000,000	8.24%
Ms. Tam Yuk Ching, Jenny (Note 2)	Interest in controlled corporation	111,000,000	8.24%
Global Zone Development Limited (Note 3)	Beneficial owner	102,000,000	7.57%
Mr. Chung Man Tai, Leslie (Note 3)	Interest in controlled corporation	102,000,000	7.57%
Golden Peak Global Limited (Note 4)	Beneficial owner	276,000,000	20.48%
Mr. Liu Jian (Note 4)	Interest in controlled corporation	276,000,000	20.48%
Ms. Wang Yun Fang (Note 4)	Family interest	276,000,000	20.48%

## OTHER PERSON'S INTERESTS AND SHORT POSITIONS (Continued)

### Long positions in shares of the Company (Continued)

#### Notes:

1. Be Cool Limited is indirectly wholly-owned by Unlimited Creativity Holdings Limited which shares are listed on the GEM Board of the Stock Exchange.
2. Ms. Tam Yuk Ching, Jenny is the beneficial owner of Platinum Century Limited.
3. Mr. Chung Man Tai, Leslie is the beneficial owner of Global Zone Development Limited.
4. Mr. Liu Jian is the beneficial owner of Golden Peak Global Limited. By virtue of being the spouse of Mr. Liu Jian, Ms. Wang Yun Fang was also deemed to have interest in the same shares.

Save as disclosed above, as at 31st March 2012, 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.

## ESTABLISHMENT OF NOMINATION COMMITTEE

The Board has established the Nomination Committee on 26th March 2012. The members of the Nomination Committee includes Mr. Shiu Stephen Junior, Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Benny, of which Mr. Shiu Stephen Junior acts as the chairman.

## 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, HLB Hodgson Imprey 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. The Audit Committee currently comprises 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 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, 14th May 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