

2012-2013 Interim Report



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 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 the 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\$38.3 million for the six months ended 31 December 2012 (the “Six-month Period”), compared with approximately HK\$10.8 million for the corresponding period a year ago. For the Six-month Period, a loss of approximately HK\$9.4 million was recorded whilst in the last year same period, loss of HK\$9.5 million was recorded. The loss is mainly attributable to the high movie production and administration cost.

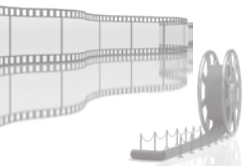
During the Six-month Period, artiste management contributed revenue of approximately HK\$0.5 million (2011: HK\$0.9 million) and recorded a profit of approximately HK\$0.06 million (2011: loss of HK\$1 million). The revenue from the business segment of film and television programme production, distribution and licensing was approximately HK\$37 million (2011: HK\$9.8 million) and recorded a profit of HK\$5.7 million (2011: HK\$0.5 million). It was mainly contributed from box office and overseas distribution rights of the movie “Due West: Our Sex Journey” (一路向西) and “Natural Born Lover” (天生愛情狂) which were released in September 2012 and October 2012 respectively. Up to the reporting date, the movie “Due West: Our Sex Journey” is still on show and the total box office has exceeded HK\$20 million, whereas the box office of “Natural Born Lover” had been fully reflected in the current period’s result.

In September 2012, Good Lead Corporation Limited, the Group’s indirect wholly owned subsidiary has entered into a joint venture agreement amounting to approximately RMB85 million with “中盟世紀(北京)傳媒有限公司” for cooperation in producing and distributing a movie, namely “3D Iceman Cometh (冰封俠3D情深四百年)” in the PRC. As there were some differences of opinions in the production with the company, the whole project will be taken up by them, currently, we are under negotiation for the details of the project handover.

PROSPECTS

The success of the movie production of “3D Sex & Zen-Extreme Ecstasy” and “Due West-Our Sex Journey” is a reflection of high anticipation of supreme quality 3D movies in the market. As such, may be in 2014, a new D-Box system will be implemented to produce “4D Sex and Zen (4D肉蒲團)” (the sequels of 3D Sex and Zen) to promote the enjoyment in movie. Moreover, the Group will produce a modern action martial arts movie “Bauhinia Heroine 3D (紫荊俠3D)” in 2013. The scripts and casting of the film has been ascertained.

In March of 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. The film will be released in February 2013.



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 People's Republic of China (the PRC). In March 2012, the Group entered into a Letter of intent with ChongQingPengRun 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 PRC. 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 the PRC.

According to the Mainland China's "12th Five-Year Plan", the State Council has resolved to support the PRC studio production and the tourism and culture development. This is in line with the Group's direction for development.

On 21 August 2012, China 3D Digital Entertainment Limited, a wholly owned subsidiary of the Group entered into the 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 the ("CCPH MOU") with 中國人文科學發展公司 (Chinese Corporation For Promotion Humanities) respectively, 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.

CCPH is wholly-owned by Chinese Academy of Social Sciences (referred to as CASS – 中國社會科學院). According to the official website of CCPH (www.ccp.com.cn), CCPH was established in 1980 in Beijing, the PRC and is principally engaged in international trade, international communication and corporation, information technology services, advertising and consulting services.

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



LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, total borrowing of the Group (excluding payables) amounted to approximately HK\$14 million (30 June 2012: HK\$14 million). During the Half Yearly Period, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 6% (30 June 2012: 7%).

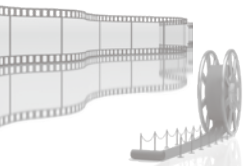
In addition to its share capital and reserves, the Group also made use of cash flow generated from operations and the borrowings, mainly including convertible bond and promissory note payable, to finance its operation. The promissory note payable is denominated in Hong Kong dollars, unsecured, interest-free 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 2012 was approximately HK\$58.1 million (30 June 2012: HK\$51.2 million)

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2012 was 29 (30 June 2012: 23) and total staff costs for the Half Yearly Period were approximately HK\$3.6 million (2011: HK\$2.9 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.



CONTINUING CONNECTED TRANSACTION AND PROVISION FOR FINANCIAL ASSISTANCE

On 9 October 2012, a Tenancy Agreement was jointly entered into between Wit Way, as landlord, Top Euro Limited, an indirect wholly-owned subsidiary of Unlimited Creativity Holdings Limited (“Unlimited Creativity”), the substantial shareholder of the Company and Mark Glory International Enterprise Limited, an indirect wholly-owned subsidiary of the Company, both as tenants, in relation to the lease of a premises located in Hong Kong. The duration of the Tenancy Agreement is for three years commencing from 1 November 2012 to 31 October 2015 with a monthly rental of HK\$220,000, inclusive of management charges and government rent (equivalent to HK\$2,640,000 per annum), but exclusive of government rates and all other outgoings. The rent, government rates and all outgoings of the premises shall be paid by the Tenants in equal shares.

If either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other's party outstanding Contingent Rental Liability amounting to HK\$1,320,000 per annum. The taking up of the Contingent Rental Liability constitutes a provision of financial assistance under the GEM Listing Rules.

EVENTS AFTER REPORTING PERIOD

Placing of New Shares Under General Mandate

On 18 December 2012 Kingston Securities Ltd, the placing agent and the Company entered into the Placing Agreement up to Jan 31, 2013, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 55,000,000 Placing Shares at a price of HK\$0.133 per Placing Share, to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons. A maximum of 55,000,000 Placing Shares under the Placing represent approximately 19.85% of the existing issued share capital of the Company of 277,123,813 Shares and approximately 16.56% of the issued share capital of 332,123,813 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$275,000.

The maximum gross proceeds from the Placing will be HK\$7,315,000. The maximum net proceeds from the Placing will amount to approximately HK\$7,100,000 which is intended to be used for production of movies and general working capital of the Group. The maximum net proceeds raised per Share upon the completion of the Placing will be approximately HK\$0.129 per Share.

On 14 January 2013, the new Shares of 55,000,000 had placed to six Placees at HK\$0.133 per Placing Share.



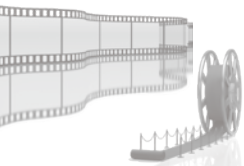
RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the Three-month and Six-month Period together with the comparative unaudited figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2012

	Notes	Three months ended 31 December		Six months ended 31 December	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	2 & 3	35,391	1,907	38,335	10,771
Other revenue and other gains/(losses) – net		78	894	187	(419)
Cost of film and television programme production and distribution	3	(29,465)	(1,582)	(31,657)	(9,110)
Selling and distribution costs		(1,469)	(143)	(1,648)	(736)
Administrative expenses		(7,291)	(5,375)	(9,372)	(8,940)
Reclassified from equity to profit or loss upon disposal of available-for-sale investments – loss		(4,883)	–	(4,891)	–
Finance costs		(194)	(544)	(372)	(1,092)
Loss before taxation	4	(7,833)	(4,843)	(9,418)	(9,526)
Taxation	5	–	–	–	–
Loss for the period		(7,833)	(4,843)	(9,418)	(9,526)
Loss for the period attributable to:					
Owners of the Company		(7,846)	(4,843)	(9,423)	(9,526)
Non-controlling interests		13	–	5	–
		(7,833)	(4,843)	(9,418)	(9,526)



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the three months and six months ended 31 December 2012

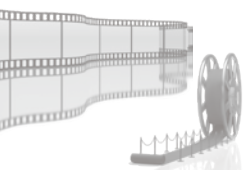
	Notes	Three months ended 31 December		Six months ended 31 December	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Other comprehensive income/(loss) for the period, net of income tax					
Exchange differences arising on translation of foreign subsidiary		(1)	-	-	-
Release of investment revaluation reserve upon disposal of available-for-sales investments		4,883	-	4,891	-
Net (loss)/profit arising on revaluation of available-for-sale investment during the period		(3,196)	125	(2,694)	(97)
Other comprehensive profit/(loss) for the period, net of income tax		1,686	125	2,197	(97)
Total comprehensive loss for the period		(6,147)	(4,718)	(7,221)	(9,623)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(6,160)	(4,718)	(7,226)	(9,623)
Non-controlling interests		13	-	5	-
		(6,147)	(4,718)	(7,221)	(9,623)
Loss per share (2011: restated)	6				
Basic		HK(0.14) cents	HK(0.06) cents	HK(3.40) cents	HK(2.74) cents
Diluted		HK(0.14) cents	HK(0.05) cents	HK(3.40) cents	HK(2.74) cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		As at	
	Notes	31 December 2012 (Unaudited) HK\$'000	30 June 2012 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	1,470	1,032
Investment property		5,840	5,840
Available-for-sale investment	10	75,278	71,482
Prepayment, deposits and other receivables	15	49,404	6,607
Film rights and films production in progress	7 & 11	16,078	31,207
		148,070	116,168
Current assets			
Inventories	12	967	152
Music production in progress	12	–	254
Loan receivables	13	9,000	1,010
Trade receivables	14	6,475	1,340
Prepayments, deposits and other receivables	15	22,216	9,761
Bank balances and cash		51,414	83,040
		90,072	95,557
Total assets		238,142	211,725
Current liabilities			
Trade payables		152	250
Accruals, deposits received and other payables		21,194	9,948
		21,346	10,198
Net current assets		68,726	85,359
Total assets less current liabilities		216,796	201,527
Non-current liabilities			
Convertible bond	8	1,722	1,649
Promissory note payable	8	12,691	12,358
		14,413	14,007
Net assets		202,383	187,520
Capital and reserves			
Share capital		1,385	20,212
Reserves		198,007	164,822
		199,392	185,034
Non-controlling interests		2,991	2,486
Total equity		202,383	187,520



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

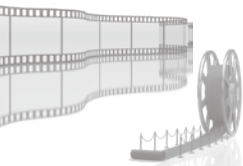
For the six months ended 31 December 2012

	Attributable to owners of the Company								
	Share capital	Share premium	Investment revaluation reserve	Contributed surplus	Convertible bond equity (accumulated reserve)	Retained earnings/ losses	Sub-total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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-sales investments during the period	-	-	(97)	-	-	-	(97)	-	(97)
Loss for the period	-	-	-	-	-	(9,526)	(9,526)	-	(9,526)
Total comprehensive loss for the period	-	-	(97)	-	-	(9,526)	(9,623)	-	(9,623)
Capital reduction	(41,700)	-	-	41,700	-	-	-	-	-
At 31 December 2011	1,738	307,964	(114)	45,652	6,508	(248,230)	113,518	-	113,518
At 1 July 2012	20,212	91,295	(3,068)	45,652	766	30,177	185,034	2,486	187,520
Net gain arising on revaluation of available-for-sales investments during the period	-	-	(2,694)	-	-	-	(2,694)	-	(2,694)
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	4,891	-	-	-	4,891	-	4,891
Loss for the period	-	-	-	-	-	(9,423)	(9,423)	5	(9,418)
Total comprehensive loss for the period	-	-	2,197	-	-	(9,423)	(7,226)	5	(7,221)
Issue of share upon placing	7,500	15,000	-	-	-	-	22,500	-	22,500
Share consolidation	(26,327)	26,327	-	-	-	-	-	-	-
Transaction cost for share consolidation	-	(300)	-	-	-	-	(300)	-	(300)
Transaction cost upon placing of share	-	(545)	-	-	-	-	(545)	-	(545)
Restricted share premium in the PRC	-	-	-	2	-	-	2	-	2
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	500	500
Transfer from convertible bond	-	-	-	-	(73)	-	(73)	-	(73)
At 31 December 2012	1,385	131,777	(871)	45,654	693	20,754	199,392	2,991	202,383



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 31 December 2012*

	Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash used in operating activities	(23,202)	(1,273)
Net cash used in investing activities	(30,474)	(12,866)
Net cash from/(used in) financing activities	22,050	(41)
Net decrease in cash and cash equivalents	(31,626)	(14,180)
Cash and cash equivalents at beginning of the period	83,040	72,881
Cash and cash equivalents at end of the period	51,414	58,701
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	51,414	58,701



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group’s financial statements for the year ended 30 June 2012. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations).

The condensed financial statements have been prepared under historical cost convention.

This condensed financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s financial statements for the year ended 30 June 2012, except for the adoption of the following amendments which become effective for accounting periods beginning on or after 1 July 2012:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Asset

The adoption of the above amendments has had no material impact on the Group’s results of operations and financial position.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

1. BASIS OF PREPARATION (Continued)

The Group has not adopted earlier or applied the following amendments, new and revised HKFRSs that have been issued but not yet effective, in this interim financial report.

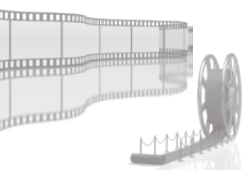
HKAS 19 (As revised in 2011)	Employee Benefits ¹
HKAS 27 (As revised in 2011)	Separate Financial Statements ¹
HKAS 28 (As revised in 2011)	Investments in Associates and Joint Ventures ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ²
HKFRS 1 (Amendments)	Government Loans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

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

2. REVENUE RECOGNITION

Revenue represents the aggregate of amounts received and receivable from services provided, event production completed, albums sold, net of sales returns, musical works licensed, production and distribution of films and television programmes, licensing of distribution rights over films and television programmes and security sold during the year.

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business, net of discounts and sales related taxes.

Artiste management fee income is recognised when the services are provided.

Income from the production and distribution of films and television programmes is recognised when the production is completed and released and the amount can be measured reliably.

Income from the licensing of distribution rights over films and television programmes is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers or when the notice of delivery is served to the customers.

Income from event production is recognised when the events are completed or the services are provided and the amount can be measured reliably.

Sales of albums are recognised when the albums are delivered and the title has passed.

Income from the licensing of the musical works is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers.

Corporate bonds coupon is accrued on a time basis, by reference to the notional amount at the annual coupon rate.

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the term of the lease.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

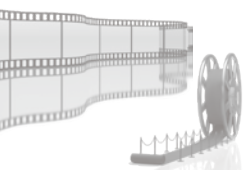
2. REVENUE RECOGNITION (Continued)

	Three months ended 31 December		Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
An analysis of the Group's revenue for the period is as follows:				
Artiste management services	304	592	499	904
Film and television programme				
– Production, distribution and licensing of films and television programmes and licensing of the corresponding rights	34,433	1,025	36,906	9,577
– distribution of films and television programmes	–	290	5	290
Money Lending				
– Loan interest income	386	–	424	–
Corporate bonds coupon	238	–	441	–
Property investment	30	–	60	–
	35,391	1,907	38,335	10,771

3. 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 TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

3. 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		Film and television programmes, production, distribution and licensing				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	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	HK\$'000	HK\$'000
Segment revenue																
Revenue from external customers	499	904	36,906	9,867	5	-	424	-	441	-	60	-	38,335	10,771		
Segment results	55	(982)	5,693	463	5	-	424	-	441	-	60	-	6,678	(519)		
Bank interest income															36	161
Unallocated corporate expenses, net															(10,869)	(8,076)
Reclassified from equity to profit and loss upon disposal of available for sale investment-loss															(4,891)	-
Gain on disposal of subsidiaries															-	-
Finance costs															(372)	(1,092)
Share of results of a jointly controlled entity															-	-
Loss before taxation															(9,418)	(9,526)
Taxation															-	-
Loss for the year															(9,418)	(9,526)

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.



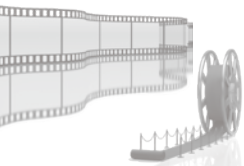
NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

4. LOSS BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss before taxation has been arrived at after charging/(crediting):				
Staff costs, including directors' remuneration				
– Basic salaries and allowances	3,493	1,275	3,493	2,707
– Retirement benefits scheme contributions	60	110	102	151
Total staff costs	3,553	1,385	3,595	2,858
Gross rental income from investment property	(30)	–	(60)	–
Less: direct operating expenses from investment property that generated rental income during the year	10	–	19	–
	(20)	–	(41)	–
Amortisation of film rights*	14,205	365	16,147	4,812
Cost of inventories and music production in progress recognised as expenses**	103	–	110	–
Consultancy fee	715	1,118	776	2,071
Depreciation of property, plant and equipment	42	71	139	95
Minimum lease payments under operating leases:				
– Land and building	462	–	703	286

* 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 TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the Quarterly Period and the half year period as the Group has no estimated assessable profits for these Periods (Three months and Six months ended 31 December 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 both periods.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to shareholders of the Company of HK\$9,423,000 (2011: HK\$9,526,000) and the weighted average number of 277,123,813 (2011: 347,502,089) ordinary shares of the Company in issue during the period.

The calculation of the diluted loss per share for the period is based on the loss attributable to shareholders of HK\$9,423,000 (2011: HK\$9,526,000) and the weighted average number of 277,509,913 ordinary shares for the purpose of diluted loss per share during the period (2011: 347,502,089 (restated)).

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 2012	1,032	7,420
Additions	577	24,805
Depreciation and amortisation	(139)	(16,147)
	<hr/>	<hr/>
At 31 December 2012	1,470	16,078



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

8. 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 2012	1,649	12,358
Interest charge	73	333
At 31 December 2012	1,722	12,691

Notes:

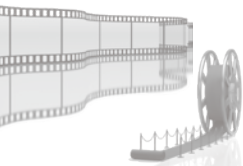
- (a) On 21 October 2009, the Company issued convertible bond with a nominal value of HK\$100 million. The bond bears interest from the date of issue at a rate of the HIBOR plus 2% per annum and will mature on 20 October 2014. It is transferable and may be converted into ordinary shares of the Company at an initial conversion price of HK\$0.70 per ordinary share, the conversion price has been adjusted to HK\$5.18 as a result of share consolidation on 19 November 2012. 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 in a proportion of 61.72%: 38.28%, 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 rate of the liability component is 11.88% per annum.

Prior to 30 June 2012, the convertible bond with principal amount of HK\$98,000,000 was converted and early redeemed. Details refer to the annual financial report as at 30 June 2012.

Up to 31 December 2012, principal amount of HK\$2,000,000 is still outstanding and will mature on 20 October 2014.

- (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 TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

9. 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 2012 (Unaudited) HK\$'000	30 June 2012 (Audited) HK\$'000
In respect of:		
Rented premises		
Within one year	2,721	2,104
In the second to fifth year, inclusive	5,320	3,740
Total	8,041	5,844

The lease payments are fixed over the lease term. In October 2012, a Tenancy Agreement was jointly entered into between Wit Way, as landlord, Top Euro Limited, an indirect wholly-owned subsidiary of Unlimited Creativity Holdings Limited and Mark Glory International Enterprise Limited, an indirect wholly-owned subsidiary of the Company both as tenants, in which either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other's party outstanding Contingent Rental Liability amounting to HK\$1,320,000 per annum, save as aforesaid, no other arrangement have been entered into for contingent rental payments.

(b) Other commitments

	As at	
	31 December 2012 (Unaudited) HK\$'000	30 June 2012 (Audited) HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Artiste fees	6,288	–
Film production cost	36,664	38,274
Guaranteed sum to be paid under various distributor agreements	7,156	7,035
	50,108	45,309



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

10. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
Available-for-sale investments comprised of:		
Listed shares, at fair value (note (a))	17,790	13,466
Unlisted shares, at cost (note (b))	46,674	46,674
Corporate bonds – listed (note (c))	10,814	11,342
	75,278	71,482

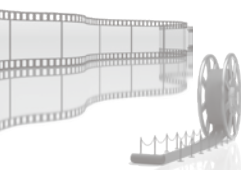
Notes:

- (a) At the end of the reporting period, the fair value of listed shares are referenced to the quoted market bid prices available on the relevant stock exchange.
- (b) The amount represents 13.28% equity interests in the issued ordinary shares of Dragonlott Holdings Limited (“DHL”), a private entity incorporated in Jersey, the Channel Islands, with limited liability. The principal activities of DHL and its subsidiaries are provision of general management services and consultancy services of sports lottery in the PRC.

The amount is measured at cost less any identified impairment loss at the end of the reporting period as the range of reasonable fair value estimates is so significant that it cannot be measured reliably. The fair value on initial recognition during the year ended 30 June 2010 is measured by an aggregation of (1) cash consideration of HK\$35,840,000 and (2) fair value of a promissory note of HK\$10,834,000 (note 30). No financial or other relevant information from the management of DHL had been provided for determining any impairment of the investment was necessary at the end of the reporting period and therefore no impairment was recognised in the consolidated statements of comprehensive income for the year ended 30 June 2012 accordingly.

- (c) The Group's corporate bonds comprised of (i) callable corporate bonds with maturity date on or before 2017 carried at the coupon rate ranging from 7.625% to 11.25% per annum and (ii) perpetual callable corporate bonds with no maturity date carried at the coupon rate ranging from 6% to 7.25% (2011: 7.25%) per annum. All of the callable corporate bonds were denominated in USD.

All of the callable corporate bonds are traded over-the-counter with maturity dates over one year and were classified as non-current assets accordingly. At the end of the reporting period, the fair values for all of the callable corporate bonds were referenced to the quoted market bid prices available on the relevant industry group.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

11. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of respective film rights and the corresponding recoverable amounts for the periods under review. The recoverable amount of the relevant assets had been determined on the basis of the present value of expected future revenue net of the relevant expenses arising from distribution and licensing of distribution rights of each of the films, by reference to the recent market information of the film industry. No impairment loss has been recognised for the period under review.

Films production in progress represents films under production. During the period ended 31 December 2012, the directors of the Company assessed of which no impairment loss is necessary in respect of the films production in progress. (Three months and Six months ended 31 December 2011: Nil). The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

12. INVENTORIES AND MUSIC PRODUCTION IN PROGRESS

(a) Inventories

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
Finished goods	967	152

Inventories of approximately HK\$62,000 (2011: Nil) are carried at net realisable value and approximately HK\$905,000 (2011: Nil) are carried at cost.

(b) Music production in progress

	HK\$'000
As at 1 July 2011, 30 June 2012 and 1 July 2012	254
Addition	–
Transfer to Inventories	(254)
As at 31 December 2012	–

The Group performed impairment test as at 31 December 2012 by comparing the carrying amounts of the music production in progress with the recoverable amounts.

No impairment loss has been recognised in respect for the year ended 31 December 2012 for the music production in progress.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

13. LOANS RECEIVABLES

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
Loans receivables	9,000	1,010

As at 31 December 2012, all loans receivables are denominated in Hong Kong dollars, secured by customers' pledged properties, carried at fixed interest rate of 13.39% per annum with the payment term for one year.

The following is an aged analysis for the loans receivables at the end of the reporting period:

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
0 – 30 days	9,000	1,010

No loans receivables were past due at the end of the reporting period.

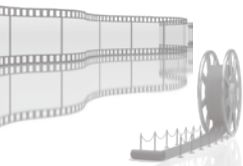
No allowance for impairment on loan receivables was recognised during the year.

14. 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:

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
Current	6,475	1,340



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
Prepayments (<i>note</i>)	56,206	10,690
Deposits and other receivables	15,414	5,678
	71,620	16,368
Represented by:		
Receivables from related companies	1,118	530
Receivables from third parties	70,502	15,838
	71,620	16,368

The amount of prepayments, deposits and other receivables is analysed for reporting purpose as follow:

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
– Non-current portion		
Prepayments	38,151	3,644
Deposits	11,253	2,963
	49,404	6,607
– Current portion		
Prepayments	18,055	7,046
Deposits	2,874	431
Other receivables	1,287	2,284
	22,216	9,761
	71,620	16,368



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Note:

Prepayments mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 31 December 2012, the amount of prepayments, deposits and other receivables that were expected to be settled within twelve months from the end of the reporting period was classified as current asset. The remaining balances were classified as non-current assets.

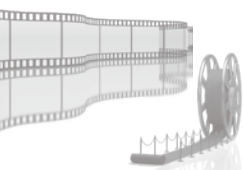
The amount of prepayments at the end of the reporting period is analysed for reporting purpose as follow:

	As at 31 December 2012 (Unaudited) HK\$'000	As at 30 June 2012 (Audited) HK\$'000
Prepayments for:		
– Acquisition of film distribution rights	7,226	5,904
– Film production costs	40,925	2,665
– Film promotion costs	–	61
– Others	8,055	2,060
	56,206	10,690
Less: Non-current portion	(38,151)	(3,644)
Current portion	18,055	7,046

Non-current portion of prepayments mainly comprised of prepayments for acquisition of film distribution rights and film production costs. In the opinion of the directors of the Company, the non-current portion of prepayments for acquisition of film distribution rights and film production costs related to films that were not expected to be released within twelve months from the end of the reporting period were classified as non-current assets accordingly.

Non-current portion of deposit comprised of rental deposit, management deposit, and interior design deposit of the cinema invested in the PRC. The anticipated lease term of the cinema is 20 years and the initial deposit is non-refundable until the end of the lease.

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of prepayments, deposits and other receivables mentioned above. The Group does not hold any collateral over these balances.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

16. CONTINGENT LIABILITY

On 9 October 2012, a Tenancy Agreement was jointly entered into between Wit Way, as landlord, Top Euro Limited, an indirect wholly-owned subsidiary of Unlimited Creativity Holdings Limited (“Unlimited Creativity”), the substantial shareholder of the Company and Mark Glory International Enterprise Limited, an indirect wholly-owned subsidiary of the Company, both as tenants, in relation to the lease of a premises located in Hong Kong. The duration of the Tenancy Agreement is for three years commencing from 1 November 2012 to 31 October 2015 with a monthly rental of HK\$220,000, inclusive of management charges and government rent (equivalent to HK\$2,640,000 per annum), but exclusive of government rates and all other outgoings. The rent, government rates and all outgoings of the premises shall be paid by the Tenants in equal shares.

If either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other's party outstanding Contingent Rental Liability amounting to HK\$1,320,000 per annum. The taking up of the Contingent Rental Liability constitutes a provision of financial assistance under the GEM Listing Rules.

17. EVENTS AFTER REPORTING PERIOD

Placing of New Shares under General Mandate

On 18 December 2012 Kingston Securities Ltd, the placing agent and the Company entered into the Placing Agreement up to 31 January, 2013, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort bases, a maximum of 55,000,000 Placing Shares at a price of HK\$0.133 per Placing Share, to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons. A maximum of 55,000,000 Placing Shares under the Placing represent approximately 19.85% of the existing issued share capital of the Company of 277,123,813 Shares and approximately 16.56% of the issued share capital of 332,123,813 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$275,000.

The maximum gross proceeds from the Placing will be HK\$7,315,000. The maximum net proceeds from the Placing will amount to approximately HK\$7,100,000 which is intended to be used for production of movies and general working capital of the Group. The maximum net proceeds raised per Share upon the completion of the Placing will be approximately HK\$0.129 per Share.

On 14 January 2013, the new Shares of 55,000,000 had placed to six Placees at HK\$0.133 per Placing Share.



DIVIDEND

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

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

As at 31 December 2012, the interests and 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 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:

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	1,344,000	0.49%

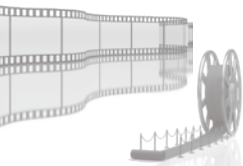
Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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 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 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 PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

So far as known to the Directors, as at 31 December 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	31,886,760	11.51%
Unlimited Creativity Holdings Limited (Note 2)	Beneficial owner and interest in a controlled corporation	60,124,692	21.70%

Note:

- (1) Be Cool Limited is indirectly wholly-owned subsidiary by Unlimited Creativity Holdings Limited.
- (2) 60,124,692 Shares refer to the aggregate of (a) 28,237,932 Shares held by Unlimited Creativity Holdings Limited and (b) 31,886,760 Shares held by Be Cool Limited, an indirect wholly-owned subsidiary of Unlimited Creativity Holdings Limited.

Save as disclosed above, as at 31 December 2012, the Directors were not aware of any other person or corporation (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.



INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as known to the Directors, as at 31 December 2012, the Directors were not aware of any other person who had an interests or short position in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTEREST

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business, which competes or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

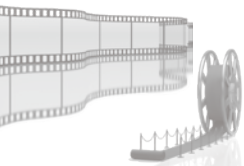
Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the six months ended 31 December 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 31 December 2012, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 15 to the Listing Rules, except for the following deviation of Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants.

The audit committee (the "Committee") comprises three independent non-executive Directors, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Banny. Mr. Kam Tik Lun is the chairman of the Committee. The primary duties of the Committee are to review the Company's annual report and accounts, half-year report, quarterly reports and monthly reports and to provide advice and comments thereon to the board of Directors. The Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Group's unaudited results for the six months ended 31 December 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

REVIEW OF INTERIM RESULTS

The unaudited consolidated results of the Group for the Six-month 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, Banny.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 31 December 2012.



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

During the Six-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, 14 February 2013

As at the date hereof, the Board comprises:

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

