



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)



2013-2014
First Quarterly Report

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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\$9.70 million for the three months ended 30 September 2013 (the “Three-month Period”), compared with approximately HK\$2.94 million for the corresponding period a year ago. For the Three-month Period, a profit of approximately HK\$1 million was recorded whilst in the last year same period, loss of HK\$1.59 million was recorded. The profit is mainly attributable to the outstanding performance of our artiste.

During the Three-month Period, artist management’s segment contributed revenue of approximately HK\$8.23 million (2012: HK\$0.2 million) and recorded a profit of approximately HK\$2.6 million (2012: HK\$0.1 million). The revenue from the business segment of film and television programme production, distribution and licensing was approximately HK\$1.15 million (2012: HK\$2.5 million). This business segment recorded a profit of approximately HK\$0.9 million (2012: HK\$0.4 million).

PROSPECTS

The Board believes that acquisition of cinemas or operation rights of cinemas will strengthen the Group’s operation by providing the Group with more alternatives to distribute movies. To achieve the goal of the Group to become a leading 3D digital entertainment company offering the best entertainment experience to the audience in Hong Kong and the People’s Republic of China (the “PRC”). The Directors believe that the Company is well positioned to capture the rising demands for entertainment in the PRC attributable to the favourable policies from the local government aimed at boosting local cultural development. In June 2013, CineUnited Circuits Company Limited (“CineUnited”), an indirect wholly-owned subsidiary of the Company entered into a tenancy agreement with ChongQing PengRun Real Estate Development Company Limited (重慶鵬潤房地產開發有限公司) in relation to the 20 years long lease of a premise for development and use as cinema. The premise is situated at Shop 13, Level B1, Guotai Plaza, ChongQing, the PRC (中國重慶國泰廣場B1層13號舖). 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 29% in 2012, ranking number 1 amongst other cities in the PRC. Moreover, in August 2013 CineUnited, an indirect wholly-owned subsidiary of the Company, and Xiamen Hete Properties Company Limited (廈門赫特物業有限公司) entered into the Xiamen Tenancy Agreement, pursuant to which CineUnited has conditionally agreed to rent and Xiamen Hete has conditionally agreed to lease the Xiamen Premises for development and use as cinema for a term of 15 years. The premises are situated at Unit 102 of Xiamen Qixing Lifespace Shopping Mall, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC (中國福建省廈門市思明區七星西路3號102單元廈門七星樂都匯購物中心). The premises have a gross floor area of approximately 2,737 sq.m., comprising seven movie theatres with about 700 seats and the tentative grand opening day is to be sometime in December 2013.

The Director believe that, it will provide an opportunity for the Company to be successful in cinema’s operation in the PRC.

In September 2013, a famous artiste Mr. Cheung Chi Lam joined the Group and the movie version of “Triumph in the Skies II” may be highly likely to be produced in the nearest future. Save as aforesaid, efforts would continually be put into business segment of artiste management to source talented artistes with an aim to achieve satisfactory profit and provide synergy with other operations of the Group.



CAPITAL STRUCTURE

During the three months ended 30 September 2013, the capital structure of the Company has changed as follows:

By an ordinary resolution dated 6 September 2013, the Company was approved to issue five bonus shares for every one share held. The issued share capital of the Company was therefore increased from 932,123,813 shares of HK\$0.005 each to 5,592,742,878 shares of HK\$0.005 each accordingly.

Upon the completion of the Bonus Issue by effective of Share Premium Reduction during the year, approximately, HK\$23,303,095 was credited to share capital and the same amount was debited to the share premium account.

EVENT AFTER REPORTING PERIOD

On 12 August 2013, CineUnited, as a tenant, and 廈門赫特置業有限公司 (Xiamen Hete Properties Company Limited) ("Xiamen Hete"), as landlord, entered into a tenancy agreement (the "Xiamen Operating Lease"), pursuant to which CineUnited has conditionally agreed to rent and Xiamen Hete has conditionally agreed to lease the premises situated at Xiamen Qixing Lifespace Shopping Mall, Unit 102, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC for development and use as cinema for a term of 15 years.

On 6 September 2013, the Xiamen Operating Lease was approved by the shareholders of the Company by way of poll.

Details of the Xiamen Operating Lease was set out in the Company's announcement dated 12 August 2013 and the circular dated 20 August 2013.

FINANCIAL ASSISTANCE FROM AN INDEPENDENT THIRD PARTY

On 9 October 2013, China 3D Digital Entertainment Limited, the holding company, entered into a loan agreement with an independent third party for getting a 6 months loan facility for HKD10 million for the group's money lenders' business. The interest rate was fixed at 10% per annum and the facility is secured by a personal guarantee of Mr. Shiu, Stephen Junior.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 4 November 2013, the Company entered into a placing agreement with Kingston Securities Limited to place, on a best effort basis, a maximum number of 1,118,520,000 placing shares at a placing price of HK\$0.0249 per placing share ("Placing") 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 person.

The conditional listing approval of the Placing has been granted by The Stock Exchange of Hong Kong Limited and the Placing are expected to be completed on or before 19 November 2013. The net proceeds from the Placing will be approximately HK\$27 million.



RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the Three-month Period together with the comparative unaudited figures for the corresponding period in 2012 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 September 2013

	Notes	Three months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	2	9,700	2,944
Other revenue and other gains/(losses) – net		281	109
Cost of film and television programme production and distribution		(290)	(2,089)
Cost of artiste management services		(5,590)	(103)
Selling and distribution costs		(1,475)	(179)
Administrative expenses		(1,066)	(2,081)
Reclassified from equity to profit or loss upon disposal of available-for-sale investments – loss		–	(8)
Finance costs		(529)	(178)
Share of results of a jointly controlled entity		(23)	–
Profit/(Loss) before taxation		1,008	(1,585)
Taxation	3	–	–
Profit/(Loss) for the period		1,008	(1,585)
Profit/(Loss) for the period attributable to:			
Owners of the Company		1,015	(1,577)
Non-controlling interests		(7)	(8)
		1,008	(1,585)
Other comprehensive income/(loss) for the period, net of income tax			
Exchange differences arising on translation of foreign subsidiary		54	1
Release of investment revaluation reserve upon disposal of available-for-sales investments		–	8
Net profit/(loss) arising on revaluation of available-for-sale investment during the period		(448)	502
Other comprehensive income/(loss) for the year, net of income tax		(394)	511
Total comprehensive income/(loss) for the period		614	(1,074)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		621	(1,066)
Non-controlling interests		(7)	(8)
		614	(1,074)
Earnings/(loss) per share (2012: Restated)	4		
Basic		HK cents 0.02	HK cents (0.12)
Diluted		HK cents 0.02	HK cents (0.12)



NOTES:

1. Basis of Preparation and Significant Accounting Policies

The Group's unaudited quarterly financial statements have been prepared in accordance with the applicable disclosure requirement 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 three months ended 30 September 2013 are consistent with those followed in the annual report of the Company for the year ended 30 June 2013, 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

	Three months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
An analysis of the Group's revenue for the period is as follows:		
Artiste management services	8,225	195
Film and television programme production, distribution and licensing		
– production of films and television programmes and licensing of the corresponding rights	1,150	2,473
– distribution of films and television programmes	–	5
Money Lending		
– Loan interest income	304	38
Corporate bonds coupon	–	203
Property investment	21	30
Total	9,700	2,944

NOTES: (Continued)

3. Taxation

No provision for Hong Kong Profits Tax is made in the three months ended 30 September 2013 as the Group has a statutory tax loss brought forward from previous years.

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.

4. Earnings/(Loss) per Share

The calculation of the basic earnings/(loss) per share is based on the profit for the period attributable to shareholders of the Company of HK\$1,015,000 (2012: loss of HK\$1,577,000) and the weighted average number of 5,592,742,880 (2012: 1,327,742,880 (restated)) ordinary shares of the Company in issue during the period.

The calculation of the diluted earnings/(loss) per share for the period is based on the profit attributable to shareholders of HK\$1,015,000 (2012: loss of HK\$1,577,000) and the weighted average number of 5,592,742,880 (2012: 1,327,742,880 (restated)) ordinary shares for the purpose of diluted earnings/(loss) per share during the period.

NOTES: (Continued)

5. Consolidated statement of change in equity

For the period ended 30 September 2013

	Attributable to owners of the Company									
	Share capital	Share premium	Investment revaluation reserve	Contributed surplus	Convertible bonds equity reserve	Translation reserve	Retained earnings/ (accumulated losses)	Sub-total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
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	-	-	502	-	-	-	-	502	-	502
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	8	-	-	-	-	8	-	8
Exchange differences on translation of foreign operations	-	-	-	-	-	1	-	1	-	1
Loss for the period	-	-	-	-	-	-	(1,577)	(1,577)	(8)	(1,585)
Total comprehensive loss for the period	-	-	510	-	-	1	(1,577)	(1,066)	(8)	(1,074)
Issue of share upon placing	7,500	15,000	-	-	-	-	-	22,500	-	22,500
Transaction cost upon placing of share	-	(545)	-	-	-	-	-	(545)	-	(545)
Restricted share premium in the PRC	-	-	-	2	-	-	-	2	-	2
Transfer to convertible bond	-	-	-	-	(36)	-	-	(36)	-	(36)
At 30 September 2012	27,712	105,750	(2,558)	45,654	730	1	28,600	205,869	2,478	208,367
At 1 July 2013	4,660	167,948	(14,423)	71,979	766	54	8,880	239,864	3,340	243,204
Net loss arising on revaluation of available-for-sales investments during the period	-	-	(448)	-	-	-	-	(448)	-	(448)
Exchange differences on translation of foreign operations	-	-	-	-	-	54	-	54	-	54
Profit for the period	-	-	-	-	-	-	1,015	1,015	(7)	1,008
Total comprehensive income for the period	-	-	(448)	-	-	54	1,015	621	(7)	614
Issue of share upon bonus issue	23,303	(23,303)	-	-	-	-	-	-	-	-
Transaction cost attributable to bonus issue	-	(133)	-	-	-	-	-	(133)	-	(133)
Transaction cost attributable to issues of shares	-	(8)	-	-	-	-	-	(8)	-	(8)
At 30 September 2013	27,963	144,504	(14,871)	71,979	766	108	9,895	240,344	3,333	243,677

DIVIDEND

The Board did not recommend the payment of dividend for the Three-month Period (2012: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2013, the interests and short positions of the Directors and chief executive 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 to 5.67 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	8,064,000	0.14%

Save as disclosed above, as at 30 September 2013, none of the Directors or chief executive 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, DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the annual general meeting of the Company held on 26 August 2004, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 11 November 2004 and it is valid for the next ten years.

The Company has not granted any option under the share option scheme since its adoption.

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable any Director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

So far as known to the Directors, as at 30 September 2013, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had any 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.

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Unlimited Creativity Holdings Limited (Note)	Beneficial owner	778,817,592	13.93%

Note: 778,817,592 Shares are held by Unlimited Creativity Holdings Limited (Stock Code: 8079), a Company continued in Bermuda with limited liability, the shares of which are listed on GEM.

Save as disclosed above, as at 30 September 2013, 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

Up to the reporting date, Mr. Shiu Stephen Junior ("Mr. Shiu"), the Chairman and Executive Director of the Company, is a director of 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. The businesses of ODMP 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.



REVIEW OF FIRST QUARTERLY RESULTS

The unaudited consolidated results of the Group for the Three-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.

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

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

AUDIT COMMITTEE

As required by 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") in 2004 with written terms of reference, which deal clearly with its authorities and duties. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports and quarterly reports and discuss with the management over issues relating to auditing, internal control and financial reporting. 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.

The Group's unaudited results for the three months ended 30 September 2013 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices and procedures with an aim to maximizing the shareholders' interests as well as to enhancing the stakeholders' transparency and accountability. In this respect, the Company has complied with all of the code provisions set out in the Code on Corporate Governance contained in Appendix 15 of the GEM Listing Rules during the three months ended 30 September 2013.

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2013 annual report of the Company.

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.

REMUNERATION COMMITTEE

A remuneration committee (the “Remuneration Committee”), consisting of three Independent Non-executive Directors and two Executive Directors, was set up by the Company in accordance with the Code. The Remuneration Committee is responsible for reviewing and developing the remuneration policies of the Directors and senior management, having regard to the Group’s operating results, individual performance and comparable market practices.

NOMINATION COMMITTEE

A nomination committee (the “Nomination Committee”) consisting of three Independent Non-executive Directors and two Executive Directors was set up by the Company in accordance with the Code. The Nomination Committee is responsible for reviewing and making recommendations to the Board regarding any proposed changes, selection of directorships.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the three months ended 30 September 2013.

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

Hong Kong, 14 November 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

