



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 Interim 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\$18.7 million for the six months ended 31 December 2013 (the “Six-month Period”), compared with approximately HK\$38.3 million for the corresponding period a year ago. For the Six-month Period, a profit of approximately HK\$0.6 million was recorded whilst in the last year same period, loss of HK\$9.4 million was recorded. The profit is mainly attributable to the outstanding performance of our artiste.

During the Six-month Period, artist management’s segment contributed revenue of approximately HK\$16 million (2012: HK\$0.5 million) and recorded a profit of approximately HK\$7.9 million (2012: HK\$55,000). The revenue from the business segment of film and television programme production, distribution and licensing was approximately HK\$2.1 million (2012: HK\$36.9 million). This business segment recorded a profit of approximately HK\$1.2 million (2012: HK\$5.7 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 it will be opened in February 2014.

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 this 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.



LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, total borrowing of the Group (excluding payables) amounted to approximately HK\$45.2 million (30 June 2013: HK\$23.8 million). During the Half Yearly Period, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 12.1% (30 June 2013: 8.4%).

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, promissory note payable and short term loans, 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 2013 was approximately HK\$271 million (30 June 2013: HK\$261.3 million).

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2013 was 20 (30 June 2012: 29) and total staff costs for the Half Yearly Period were approximately HK\$2.0 million (2012: HK\$3.6 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.

EVENT AFTER THE REPORTING PERIOD

CAPITAL REORGANISATION

By a special resolution dated 6 January 2014, the Company implemented the capital reorganisation which involved the share consolidation, the capital reduction and the share sub-division. The share consolidation involved the consolidation of every ten (10) issued and unissued Shares of HK\$0.005 each in the share capital of the Company into one (1) consolidated share of HK\$0.05 each ("Consolidated Shares"). The capital reduction involved the reduction of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK\$0.045 on each of the ten issued Consolidated Shares such that the nominal value of each issued Consolidated Shares will be reduced from HK\$0.05 to HK\$0.005. The subdivision involved the subdivision of each authorized but unissued Consolidated Share into 10 new shares of HK\$0.005 each.



FINANCIAL ASSISTANCE FROM AN INDEPENDENT THIRD PARTY

On 27 January 2014, 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 HK\$10 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.

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.

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 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2013

	Notes	Three months ended 31 December		Six months ended 31 December	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	2 & 3	8,955	35,391	18,655	38,335
Other revenue and other gains/(losses) – net		82	78	363	187
Cost of sales	3	(2,933)	(29,465)	(8,813)	(31,657)
Selling and distribution costs		(446)	(1,469)	(1,921)	(1,648)
Administrative expenses		(5,303)	(7,291)	(6,369)	(9,372)
Reclassified from equity to profit or loss upon disposal of available-for-sale investments – loss		–	(4,883)	–	(4,891)
Loss on Disposal of investment property		(22)	–	(22)	–
Finance costs		(635)	(194)	(1,164)	(372)
Share of results of a jointly controlled entity		(68)	–	(91)	–
Profit/(loss) before taxation	4	(370)	(7,833)	638	(9,418)
Taxation	5	–	–	–	–
Profit/(loss) for the period		(370)	(7,833)	638	(9,418)
Profit/(loss) for the period attributable to:					
Owners of the Company		(370)	(7,846)	645	(9,423)
Non-controlling interests		–	13	(7)	5
		(370)	(7,833)	638	(9,418)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the three months and six months ended 31 December 2013

	Notes	Three months ended 31 December		Six months ended 31 December	
		2013	2012	2013	2012
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other comprehensive income/(loss) for the period, net of income tax					
Exchange differences arising on translation of foreign subsidiary		–	(1)	54	–
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	4	(336)	(3,196)	(784)	(2,694)
Other comprehensive profit/(loss) for the period, net of income tax		(336)	1,686	(730)	2,197
Total comprehensive (loss) for the period		(706)	(6,147)	(92)	(7,221)
Total comprehensive (loss) for the period attributable to:					
Owners of the Company		(706)	(6,160)	(85)	(7,226)
Non-controlling interests		–	13	(7)	5
		(706)	(6,147)	(92)	(7,221)
Profit /(loss) per share (2012: restated)	6				
Basic		HK(0.01) cents	HK(1.00) cents	HK0.02 cents	HK(1.2) cents
Diluted		HK(0.01) cents	HK(1.00) cents	HK0.02 cents	HK(1.2) cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

		As at	
	Notes	31 December 2013 (Unaudited) HK\$'000	30 June 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	5,495	6,035
Investment property		–	6,380
Interest in a jointly controlled entity		26	118
Available-for-sale investment	10	49,419	50,203
Prepayment, deposits and other receivables	15	15,158	7,040
Film rights and films production in progress	7	203,132	87,402
		273,230	157,178
Current assets			
Inventories	12	175	174
Music Production in progress		131	–
Financial assets at fair value through profit or loss	11	1,313	–
Loan receivables	13	14,846	13,041
Trade receivables	14	1,556	6,598
Prepayments, deposits and other receivables	15	61,829	76,814
Bank balances and cash		22,805	29,565
		102,655	126,192
Total assets		375,885	283,370
Current liabilities			
Trade payables		834	3,927
Accruals, deposits received and other payables		59,610	12,360
Amount due to a jointly controlled entity		40	40
Other borrowings	17	30,000	9,000
Tax payables		13	13
		90,497	25,340
Net current assets		12,158	100,852
Total assets less current liabilities		285,388	258,030
Non-current liabilities			
Convertible bond	8	1,868	1,790
Promissory note payable	8	13,389	13,036
		15,257	14,826
Net assets		270,131	243,204
Capital and reserves			
Share capital		33,556	4,660
Reserves		233,242	235,204
		266,798	239,864
Non-controlling interests		3,333	3,340
Total equity		270,131	243,204



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2013

	Attributable to owners of the Company									
	Share capital	Share premium	Investment revaluation reserve	Contributed surplus	Convertible bond equity reserve	Translation reserve	Retained earnings/ (accumulated profit) (loss)	Sub-total	Non-controlling interests	Total equity
	(Unaudited)	(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	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	-	-	(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
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	-	-	(784)	-	-	54	-	(730)	-	(730)
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	645	645	(7)	638
Total comprehensive loss for the period	4,660	167,948	(15,207)	71,979	766	108	9,525	239,779	3,333	243,112
Issue of share upon bonus issue	23,303	(23,303)	-	-	-	-	-	-	-	-
Transaction cost upon bonus issue	-	(202)	-	-	-	-	-	(202)	-	(202)
Issue of share upon share issue	5,593	22,259	-	-	-	-	-	27,852	-	27,852
Transaction cost upon share issue	-	(631)	-	-	-	-	-	(631)	-	(631)
At 31 December 2013	33,556	166,071	(15,207)	71,979	766	108	9,525	266,798	3,333	270,131



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 31 December 2013

	Six months ended 31 December	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash used in operating activities	(24,462)	(23,202)
Net cash used in investing activities	(39,809)	(30,474)
Net cash from/(used in) financing activities	57,511	22,050
Net decrease in cash and cash equivalents	(6,760)	(31,626)
Cash and cash equivalents at beginning of the period	29,565	83,040
Cash and cash equivalents at end of the period	22,805	51,414
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	22,805	51,414



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 2013. 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 2013.

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.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle ¹
HKFRS 1 (Amendments)	Government Loans ¹
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ³
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (Revised 2011)	Employee Benefits ¹
HKAS 27 (Revised 2011)	Separate Financial Statements ¹
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ²
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ²
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹
HK(IFRIC) – Int 21	Levies ²

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 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, corporate bonds coupon, rental income, interest income from money lender business 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 nominal 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.

Revenue arising from money lending is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Handing charge revenue is recognised when earned.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

2. REVENUE RECOGNITION (Continued)

	Three months ended 31 December		Six months ended 31 December	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	An analysis of the Group's revenue for the period is as follows:			
Artiste management services	7,780	304	16,005	499
Film and television programme and production	132	34,433	373	36,906
Distribution of films and television programmes	830	–	1,739	5
Money Lending				
– Loan interest income	213	386	517	424
Corporate bonds coupon	–	238	–	441
Property investment	–	30	21	60
	8,955	35,391	18,655	38,335

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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 of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	16,005	499	373	36,906	1,739	5	517	424	-	441	21	60	16,655	38,335
Segment results	7,911	55	373	5,693	880	5	374	424	291	441	13	60	9,842	6,678
Bank interest income													50	36
Unallocated corporate expenses, net													(7,977)	(10,869)
Reclassified from equity to profit and loss upon disposal of available for sale investment-loss													-	(4,891)
Loss on disposal of investment property													(22)	-
Finance costs													(1,164)	(372)
Share of results of a jointly controlled entity													(91)	-
Profit(loss) before taxation													638	(9,418)
Taxation													-	-
Profit(loss) for the year													638	(9,418)

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. PROFIT/(LOSS) BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):				
Staff costs, including directors' remuneration				
– Basic salaries and allowances	1,197	3,493	1,917	3,493
– Retirement benefits scheme contributions	28	60	56	102
Total staff costs	1,225	3,553	1,973	3,595
Consultancy fee	167	715	335	776
Depreciation of property, plant and equipment	549	42	1,095	139
Minimum lease payments under operating leases:				
– Land and building	306	462	612	703

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 statutory tax loss brought forward from prior years (Three months and Six months ended 31 December 2012: 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)**6. PROFIT/(LOSS) PER SHARE**

The calculation of the basic profit/(loss) per share is based on the profit for the period attributable to shareholders of the Company of HK\$645,000 (2012: loss of HK\$9,423,000) and the weighted average number of 3,288,764,107 (2012: 728,348,597) ordinary shares of the Company in issue during the period.

The calculation of the diluted profit/(loss) per share for the period is based on the profit attributable to shareholders of HK\$645,000 (2012: loss of HK\$9,423,000) and the weighted average number of 3,288,764,107 ordinary shares for the purpose of diluted profit/(loss) per share during the period (2012: 728,348,597).

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) HK\$'000	Film rights (Unaudited) HK\$'000	Film production in progress (Unaudited) HK\$'000
CARRYING AMOUNTS			
At 1 July 2013	6,035	19,838	67,564
Additions	555	5,343	110,387
Depreciation and amortisation	(1,095)	–	–
At 31 December 2013	5,495	25,181	177,951

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 2013, 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 2012: 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.



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 2013	1,790	13,036
Interest charge	78	353
At 31 December 2013	1,868	13,389

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\$0.251 as a result of the placement on 14 November 2013. 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.

At the initial recognition, 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%, representing 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 in Dragonlott Holdings Limited. 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 2013 (Unaudited) HK\$'000	30 June 2013 (Audited) HK\$'000
In respect of:		
Rented premises		
Within one year	3,883	4,990
In the second to fifth year, inclusive	56,493	40,341
Over fifth year	183,803	165,693
Total	244,179	211,024

The Group is the lessee in respect of a number of office premises in Hong Kong and Cinemas in the PRC held under operating leases. The leases typically run for one to twenty years.

Rentals are fixed over the lease term and no arrangement has been entered into for contingent rental payments.

(b) Other commitments

	As at	
	31 December 2013 (Unaudited) HK\$'000	30 June 2013 (Audited) HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Film production cost	11,924	28,555
Guaranteed sum to be paid under distributors agreements	11,129	14,729
Promotion	44	44
Equipment	–	1,384
Others	3,926	5,532
Total	27,023	50,244



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

10. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Available-for-sale investments comprised of:		
Listed shares, at fair value (note (a))	2,745	3,529
Unlisted shares, at cost (note (b))	46,674	46,674
	49,419	50,203

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 2013 accordingly.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Listed equity securities – held-for-trading		
– Hong Kong	1,313	–
– Overseas	–	–
	1,313	–

The fair value of all equity securities is based on their current bid prices in an active market.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)**12. INVENTORIES AND MUSIC PRODUCTION IN PROGRESS***(a) Inventories*

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Finished goods	175	174

Inventories of approximately HK\$62,000 (2012: 62,000) are carried at net realisable value and approximately HK\$905,000 (2012: 905,000) are carried at cost.

(b) Music production in progress

	HK\$'000
As at 1 July 2013	–
Addition	131
Transfer to Inventories	–
As at 31 December 2013	131

The Group performed impairment test as at 31 December 2013 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 2013 for the music production in progress.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

13. LOANS RECEIVABLES

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Loans receivables	14,846	13,041

As at 31 December 2013, all loans receivables are denominated in Hong Kong dollars, secured by customers' pledged properties, carried at fixed interest rate ranging from 13% to 24% (2012: 3% to 13.39%) per annum with the payment term ranging from 8 months to 20 years (2012: 6 months to 1 year).

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

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
0 – 30 days	–	41
31 – 60 days	–	4,000
61 – 90 days	–	–
Over 90 days	14,846	9,000
	14,846	13,041

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 (2012: 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 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Current	1,556	6,598

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Prepayments (<i>note</i>)	56,412	50,316
Deposits and other receivables	20,575	33,538
	76,987	83,854
Represented by:		
Receivables from related companies	138	139
Receivables from third parties	76,849	83,715
	76,987	83,854

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

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
– Non-current portion		
Prepayments	9,119	2,000
Deposits	6,039	5,040
	15,158	7,040
– Current portion		
Prepayments	47,293	48,316
Deposits	3,081	3,034
Other receivables	11,455	25,464
	61,829	76,814
	76,987	83,854



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 2013, 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 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Prepayments for:		
– Acquisition of film distribution rights	11,769	8,850
– Film production costs	34,139	25,580
– Film promotion costs	–	2,440
– Artiste fee	3,409	6,043
– Equipment	–	1,128
– Others	7,095	6,275
	56,412	50,316
Less: Non-current portion	(9,119)	(2,000)
Current portion	47,293	48,316

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 deposits comprised of rental deposit, management deposit, and interior design deposit for the cinemas invested in the PRC. The anticipated lease terms of the cinemas are 15 years and 20 years and the initial deposits are 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. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following related party transactions, which in the opinion of the directors of the Company, were conducted under commercial terms and in the normal course of the Group's business.

	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2013 (Audited) HK\$'000
Transactions with a jointly controlled entity		
Consultancy fee (<i>note (i)</i>)*	–	80
Transactions with related companies		
Consultancy fee (<i>note (iii)</i>)*	–	150
Transactions with directors		
Film production cost (<i>note (ii)</i>)*	1,000	240

* These transactions are connected transactions exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 20.31 of the GEM Listing Rules.

Notes:

- (i) The amount represents consultancy service provided by Mustard Seed Entertainment Company Limited, a jointly controlled entity of the Company.
- (ii) The amount represents upfront payment for film producers paid to the director of the Company.
- (iii) The amount represents upfront payment for consultancy service provided by Pixelboys Company ("Pixelboys"), of which Mr. Lee Wing Ho, Albert is a common director of the Company and Pixelboys.

17. OTHER BORROWINGS

China 3D Digital Entertainment Limited, the holding company, entered into loan agreements with an independent third party for getting 6 months loans facility for HK\$30 million. The interest rate was fixed at 10% per annum and the facility is secured by a personal guarantee of Mr. Shiu, Stephen Junior, the executive director of the Group.



DIVIDEND

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

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

Up to reporting date, 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	806,400	0.12%

Save as disclosed above, 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 2013, 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.

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, up to reporting date, 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	77,881,758	11.6%

Note: 77,881,758 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, 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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 16 to the financial statements, no other contracts of significance in relation to the Group business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at the time during the Year.



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 2013.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 31 December 2013, 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 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.

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 2013.



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 2014

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