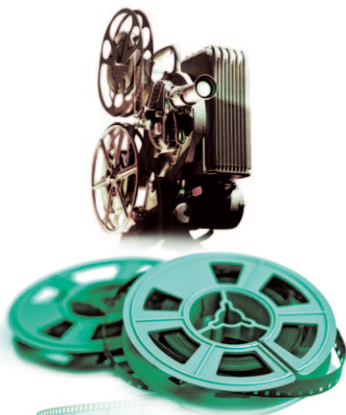




中國 3D 數碼娛樂有限公司  
CHINA 3D DIGITAL ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)  
(GEM Stock Code: 8078)



2013-2014  
Third 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 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 a total revenue of approximately HK\$30.5 million for the nine months ended 31 December 2013 (the “Nine-month Period”), compared with approximately HK\$54.6 million for the corresponding period a year ago. For the Nine-month Period, a profit of approximately HK\$0.8 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 Nine-month Period, artist management’s segment contributed revenue of approximately HK\$24.5 million (2013: HK\$1.3 million). The revenue from the business segment of film and television programme production, distribution and licensing was approximately HK\$4.3 million (2013: HK\$51.8 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) with a gross floor area of approximately 2,737 sq.m., comprising seven movie theatres with about 700 seats. The premise was opened in March 2014 and the box office receipts in Mainland China are starting to provide a steady growth to the Group.

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.



## 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.

### **PLACING OF NEW SHARES**

On 4 April 2014, the Company entered into a placing agreement to place, on a best effort basis, a maximum number of 134,100,000 placing shares to not fewer than six places who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

On 16 April 2014, the Company completed the placing, in which 134,100,000 placing shares were issued at a placing price of HK\$0.128 each. The net proceeds of approximately HK\$16.68 million were raised from the placing.

### **ACQUISITION OF INTEREST FROM A SUBSIDIARY**

On 17 April 2014, an interest of 11% in Proletariate Institute Limited, an indirect subsidiary of the Group, was acquired by Peak Lion Group Limited, a wholly-owned subsidiary of the Group from its previous shareholders at a consideration of HK\$716,445. The consideration represented the fair value as at that date. After acquisition of the interest, the Group has an interest of 81.45% in the company. No reporting requirement under the Listing Rules as all applicable percentage ratios are less than 2.5% and the consideration is less than 1 million.

### **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 months and nine months period ended 31 March 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

**Condensed Consolidated Statement of Comprehensive Income**  
For the three months and nine months ended 31 March 2014

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	2	11,803	16,251	30,458	54,586
Other revenue and other gain, net		733	724	1,096	911
Cost of sales		(7,487)	(9,019)	(16,300)	(40,676)
Selling and distribution costs		(1,081)	(2,341)	(3,002)	(3,989)
Administrative expenses		(2,621)	(5,173)	(8,990)	(14,545)
Gain on disposal of financial assets designated as FVTPL		-	(23)	-	(23)
Reclassified from equity to profit or loss upon disposal of available-for-sale investment-loss		-	(236)	-	(5,127)
Loss on disposal of investment property		-	-	(22)	-
Finance costs		(1,280)	(179)	(2,444)	(551)
Share of results of a Joint Controlled entity		103	-	12	-
(Loss)/profit before taxation		170	4	808	(9,414)
Taxation	4	-	-	-	-
(Loss)/profit for the period		170	4	808	(9,414)
(Loss)/profit for the period attributable to:					
Owners of the Company		173	(324)	818	(9,747)
Non-controlling interests		(3)	328	(10)	333
		170	4	808	(9,414)
Other comprehensive income/(loss) for the period, net of income tax					
Exchange difference arising on translation of foreign subsidiary		-	-	54	-
Release of investment revaluation reserve upon disposal of available-for-sales investments		-	236	-	5,127
Net gain (loss) arising on revaluation of available-for- sale investments during the period		560	(11,044)	(224)	(13,738)
Other comprehensive (loss)/profit for the period, net of income tax		560	(10,808)	(170)	(8,611)
Total comprehensive (loss)/profit for the period		730	(10,804)	638	(18,025)
Total comprehensive (loss)/profit for the period attributable to:					
Owners of the Company		733	(11,132)	648	(18,358)
Non-controlling interests		(3)	328	(10)	333
		730	(10,804)	638	(18,025)
Earnings/(loss) per share (2013: Restated)	5				
- Basic		HK0.09 cents	(0.10) HK cents	HK0.08 cents	(2.93) HK cents
- Diluted		HK0.02 cents	(0.10) HK cents	HK0.02 cents	(2.93) HK cents



NOTES:

**1. Basis of Preparation**

The Group's unaudited quarterly financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The amount included in the unaudited consolidated results are computed based on all Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

This unaudited quarterly 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 quarterly report 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.

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 <sup>1</sup>
HKFRS 1 (Amendments)	Government Loans <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure <sup>3</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures <sup>1</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets <sup>2</sup>





NOTES: (Continued)

**1. Basis of Preparation (Continued)**

HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting <sup>2</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>
HK(IFRIC) – Int 21	Levies <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>3</sup> 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.

**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, box office receipts from cinema operations in the PRC, 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.



## NOTES: (Continued)

**2. Revenue Recognition (Continued)**

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.

Box office receipts from the cinema operation in the PRC is recognised once the service has been rendered

	Three months ended 31 March		Nine months ended 31 March	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
An analysis of the Group's revenue for the period is as follows:				
Artiste management services	8,471	847	24,476	1,346
Film and television programme production, and licensing of the corresponding rights	1,370	14,910	1,743	51,816
Distribution of films and television programmes	849	17	2,588	22
Money Lending				
Loan interest income	799	300	1,316	724
Securities and bonds investment	–	147	–	588
Box office receipts from the cinema operation in the PRC	314	–	314	–
Property investment	–	30	21	90
<b>Total</b>	<b>11,803</b>	<b>16,251</b>	<b>30,458</b>	<b>54,586</b>



## NOTES: (Continued)

### 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 Seven 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, (vi) property investment, and (vii) box office receipts in the PRC. The segmentation is based on the information about the operations of the Group that Chief Operating Decision Maker uses to make decisions.

### 4. Taxation

No provision for Hong Kong Profits Tax has been made for the three months and nine months period ended 31 March 2014 as the Group has statutory tax loss brought forward from prior years (Three months and nine months ended 31 March 2013: Nil).

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

### 5. Earnings/(loss) Per Share

The calculation of the basic earnings/(loss) per share is based on the earnings/(loss) for the period attributable to shareholders of the Company of HK\$648,000 (2013: loss of HK\$9,747,000) and the actual number of 805,226,287 (2013: 332,123,813) 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 earnings/(loss) attributable to shareholders of HK\$648,000 (2013: loss of HK\$9,747,000) and the weighted average number of 3,559,944,891 ordinary shares for the purpose of diluted earnings/(loss) per share during the period (2013: 332,604,582).



## NOTES: (Continued)

**6. Condensed Consolidated Statement of Changes in Equity (Unaudited)**  
 For the nine months ended 31 March 2014

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Investment revaluation reserve	Contributed surplus	Convertible bond equity reserve	Translation reserve	Retained earnings/ (accumulated losses)	Total		
	(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 (Audited)	20,212	91,295	(3,068)	45,652	766	-	30,177	165,034	2,466	167,520
Net loss arising on revaluation of available-for-sales investments during the period	-	-	(13,738)	-	-	-	-	(13,738)	-	(13,738)
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	5,127	-	-	-	-	5,127	-	5,127
Loss for the period	-	-	-	-	-	-	(9,747)	(9,747)	333	(9,414)
Total comprehensive loss for the period	-	-	(8,611)	-	-	-	(9,747)	(18,358)	333	(18,025)
Issue of share upon placing	7,775	22,040	-	-	-	-	-	29,815	-	29,815
Share consolidation	(26,327)	26,327	-	-	-	-	-	-	-	-
Transaction cost for share consolidation	-	(250)	-	-	-	-	-	(250)	-	(250)
Transaction cost upon placing of share	-	(745)	-	-	-	-	-	(745)	-	(745)
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 March 2013 (Unaudited)	1,660	138,667	(11,679)	45,654	693	-	20,430	195,425	3,319	198,744
At 1 July 2013 (audited)	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	-	-	(224)	-	-	54	-	(170)	-	(170)
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	818	818	(10)	808
Total comprehensive loss for the period	4,660	167,948	(14,647)	71,979	766	108	9,698	240,512	3,330	243,842
Issue of share upon bonus shares	23,303	(23,303)	-	-	-	-	-	-	-	-
Transaction cost upon bonus issue	-	(218)	-	-	-	-	-	(218)	-	(218)
Share consolidation	(30,201)	-	-	30,201	-	-	-	-	-	-
Transaction cost for share consolidation	-	(61)	-	-	-	-	-	(61)	-	(61)
Issue of share upon Placing	5,593	22,259	-	-	-	-	-	27,852	-	27,852
Transaction cost attributable to share issue	-	(624)	-	-	-	-	-	(624)	-	(624)
At 31 March 2014 (unaudited)	3,355	165,981	(14,647)	102,180	766	108	9,698	267,441	3,330	270,771

## DIVIDEND

The Board did not recommend the payment of a dividend for the Nine-month Period (2013: Nil).

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

Up to the 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

<b>Name of Director</b>	<b>Capacity/ Nature of Interests</b>	<b>Number of ordinary/ underlying shares held</b>	<b>Approximate percentage holding</b>
Shiu Stephen Junior	Beneficial owner	806,400	0.10%

Save as disclosed above, up to the reporting date, 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 March 2014, 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, up to the reporting date, 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
Unlimited Creativity Holdings Limited (Note 1)	Beneficial owner and	77,881,758	9.67%

Note:

- (1) 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, up to the reporting date, 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 constitute 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, up to the reporting date, 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.

## DIRECTORS' INTERESTS IN CONTRACTS

Up to the reporting date, 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 Nine months ended 31 March 2014.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the nine months ended 31 March 2014, 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, Mr. Shiu Stephen Junior. 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.

## 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 Nine months ended 31 March 2014 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 QUARTERLY RESULTS

The unaudited consolidated results of the Group for the Nine-month Period have not been audited nor reviewed by the Company's auditor, HLB Hodgson Impey Cheng Limited, 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 three Independent Non-executive Directors of the Company, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Benny.

## 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 nine months ended 31 March 2014.

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

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

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

Hong Kong, 14 May 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, Benny

