



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)

# 2014-2015

## Third Quarterly Report



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

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*This report, for which the directors of China 3D Digital Entertainment Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported a total revenue of approximately HK\$83.7 million for the nine months ended 31 March 2015 (the “Nine-month Period”), compared with approximately HK\$30.5 million for the corresponding period a year ago. For the Nine-month Period, a loss of approximately HK\$27.3 million was recorded whilst in the corresponding period of last year, a profit of HK\$0.8 million was recorded.

During the Nine-month Period, artiste management’s segment contributed revenue of approximately HK\$66.7 million (2014: HK\$24.5 million). The revenue from the business segment of film and television programme production, distribution and licensing was approximately HK\$8.9 million (2014: HK\$4.3 million). In addition to the revenue from the operation of cinemas was approximately HK\$5.5 million (2014: HK\$0.3 million), revenue from the money lending business was approximately HK\$2.6 million (2014: HK\$1.3 million).

### PROSPECTS

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 aiming at boosting local cultural development. In June 2013, CineUnited Circuits Company Limited (“CineUnited”), an indirect wholly-owned subsidiary of the Company entered 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 premises for development and use as cinema. The premises 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 report of Chongqing Bureau of Culture (重慶市文化委員會), the box office in Chongqing has grown by 30% in 2014, ranking number 7 and 2 amongst other cities and western district in the PRC respectively.

In August 2013, CineUnited and Xiamen Hete Properties Company Limited (廈門赫特物業有限公司) entered 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 is 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 has a gross floor area of approximately 2,737 sq.m., comprising seven movie theatres with about 700 seats. Xiamen cinema has started generating income to the Group since March 2014.

Moreover, in May 2014, the Group entered a new operating lease agreement with an independent third party to lease a premises for development and use as cinema in Guangzhou, the PRC (“Guangzhou Cinema”) for a term of 15 years. After renovation implemented by the Group, such cinema is now a 6-house cinema equipped with advanced Dolby atoms sound systems, comfortable electronic recliner seats, digital IMAX (an acronym for Image MAXimum) screen, 4K projection system and D-Box motion chairs. The Guangzhou Cinema is situated at Unit 303, 3rd Floor, Nan Fung The Place, No. 618 Xingang East Road, Haizhu District, Guangzhou, PRC (廣州市海珠區新港東路618號南豐匯環球展覽中心第三層303號舖) which has a gross floor area of approximately 4,600 sq. m.. Guangzhou Cinema has started generating income to the Group since April 2015.

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

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

In April 2014, a famous artist Ms. Cheng Joyce Yan Yee joined the Group. Ms. Cheng is a talented artist and a popular singer. She has won numerous awards and recognition from various prestigious award giving bodies.

In December 2014, a famous artist Mr. Cheung Chi Lam renewed the artist contract with the Group for further three years.

The Group has also entered service contracts with two famous artists namely Mr. Babyjohn Choi and Ms. Chrissie Chau respectively for participating in the Group's movies. It is expected that recruiting new talented artists will broaden the Group's income stream, create synergies for its overall entertainment business, and enhance the Group's image and profitability.

In January 2015, the Group renewed the artist contract with a famous artist Ms. Ch'ng Se Min for further three years.

In January 2015, the Group entered an artist contract with a famous singer-songwriter Ms. Chan Sze Wai Eva. Ms. Chan has written a lot of songs for many famous singers.

In May 2015, the Group renewed the artist contract with a famous artist Mr. Wong Chung Yiu Gregory for further three years.

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.

The movie namely "高登濶少踔監日記" (The Prison Diary of a Golden Toff), a black comedy movie adapted from an internet novel namely, "壹獄壹世界" (A World In An Iron Grille) will be launched in May 2015.

Another movie namely "十月初五的月光" (Return of the Cuckoo), starred by a famous artist Mr. Cheung Chi Lam is under production. The movie is expected to be launched at the end of the year 2015.

Taking into account the stable interest income stream and the prospects of the money lending business, the Group intends to expand its money lending business, which is principally the provision of mortgage loans and personal loans for customers with good credit record in Hong Kong. The Board is optimistic to the future prospects of this business segment in view of the existing operation and developments.

## CAPITAL STRUCTURE

During the three months ended 31 March 2015, the capital structure of the Company was changed as follows:

On 1 December 2014, the Company announced it implemented the capital reorganisation which involved (i) the share consolidation; (ii) the capital reduction and (iii) the share sub-division ("Capital Reorganisation"). Details of the Capital Reorganisation were disclosed in the Company's announcement and the circular dated 1 December 2014 and 18 December 2014 respectively. The Capital Reorganisation became effective on 14 January 2015.

On 2 February 2015, the Company issued and allotted 20,275,200 new shares to the allottees at a subscription price of HK\$0.25 per share option under the new share option scheme which became effective from 9 July 2014.

## EVENTS AFTER THE REPORTING PERIOD

### PLACING OF NEW SHARES

On 1 April 2015, the Company entered a placing agreement to place, on a best effort basis, a maximum number of 131,800,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

The reasons of the placing are for repayment of loan and recruiting new talented artists. The closing price per share as quoted on the Stock Exchange on 1 April 2015 was HK\$0.134.

On 17 April 2015, the Company completed the placing, in which 131,800,000 placing shares were issued at a placing price of HK\$0.11 each. The net proceeds of approximately HK\$14.08 million were raised from the placing and remained in the bank as at the date of this report.

### CAPITAL REORGANISATION

On 30 April 2015, the Company announced and proposed to implement the capital reorganisation which involved the share consolidation, the capital reduction and the share sub-division. The share consolidation involved the consolidation of every five (5) issued and unissued shares of HK\$0.01 each in the share capital of the Company into one (1) consolidated share of HK\$0.05 each ("Consolidated Share"). 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\$0.04 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01. The subdivision involved the subdivision of each authorized but unissued Consolidated Share into 5 new shares of HK\$0.01 each.

On 4 May 2015, Direct Success Group Ltd ("Direct Success"), a wholly-owned subsidiary of the Company and Great China Mania Holdings Inc. entered into a Share Exchange Agreement in relation to the acquisition of 55% of the issued share capital of GME Holdings Limited ("Acquisition") by Direct Success, which shall be satisfied by the allotment and issue of 2,500 new shares of Direct Success as the consideration of the Acquisition. Details of the Acquisition were disclosed in the Company's announcement dated 4 May 2015.

## CONTINUING CONNECTED TRANSACTION AND PROVISION FOR FINANCIAL ASSISTANCE

On 9 October 2012 ("Date of Agreement"), a tenancy agreement was jointly entered between Wit Way, as landlord, Top Euro Limited, an indirect wholly-owned subsidiary of Easy Repay Finance & Investment Limited (formerly known as Unlimited Creativity Holdings Limited), the substantial shareholder of the Company as at the Date of Agreement 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 2015 together with the comparative unaudited figures for the corresponding period in 2014 are as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the three months and nine months ended 31 March 2015*

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	2	28,516	11,803	83,701	30,458
Other revenue and other gain, net		270	733	399	1,096
Cost of sales		(28,123)	(7,487)	(73,313)	(16,300)
Selling and distribution costs		(3,281)	(1,081)	(5,530)	(3,002)
Administrative expenses		(12,334)	(2,621)	(33,061)	(8,990)
Gain on disposal of financial assets at fair value through profit or loss		117	-	2,145	-
Loss on disposal of investment property		-	-	-	(22)
Finance costs		(1,029)	(1,280)	(1,609)	(2,444)
Share of results of a joint venture		12	103	8	12
(Loss)/profit before taxation		(15,852)	170	(27,260)	808
Taxation	4	-	-	-	-
(Loss)/profit for the period		(15,852)	170	(27,260)	808
(Loss)/profit for the period attributable to:					
Owners of the Company		(15,852)	173	(27,259)	818
Non-controlling interests		-	(3)	(1)	(10)
		(15,852)	170	(27,260)	808
Other comprehensive (loss)/income for the period, net of income tax					
Exchange difference arising on translation of foreign subsidiary		-	-	-	54
Net (loss)/gain arising on revaluation of available- for-sale investments during the period		(7,525)	560	(16,295)	(224)
Other comprehensive (loss)/profit for the period, net of income tax		(7,525)	560	(16,295)	(170)
Total comprehensive (loss)/profit for the period		(23,377)	730	(43,555)	638
Total comprehensive (loss)/profit for the period attributable to:					
Owners of the Company		(23,377)	733	(43,554)	648
Non-controlling interests		-	(3)	(1)	(10)
(Loss)/earnings per share (2014: Restated)	5	(23,377)	730	(43,555)	638
- Basic		HK(3.00) cents	HK0.14 cents	HK(5.17) cents	HK0.66 cents
- Diluted		HK(3.00) cents	HK0.14 cents	HK(5.17) cents	HK0.66 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 2014. 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 HKFRSs, HKASs and Interpretations).

The condensed financial statements have been prepared under historical cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

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 2014.

**Changes in accounting policy and disclosures****(a) New and amended standards adopted by the Group**

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 July 2014:

HKAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) Interpretation 21	Levies
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment Entities
HKFRS 2 (amendment)	Share-based payment

The adoption of these new/revised standards, amendments and interpretations to existing standards did not result in any substantial changes to the Group's accounting policy nor any impact on the consolidated financial statements.



## NOTES: (Continued)

**1. Basis of Preparation (Continued)****Changes in accounting policy and disclosures (Continued)****(b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:**

		Effective for accounting year beginning on or after
HKAS 19 (2011) (amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
HKFRSs (amendment)	Annual Improvements to HKFRSs 2012 Cycle	1 July 2014
HKFRSs (amendment)	Annual Improvements to HKFRSs 2013 Cycle	1 July 2014
HKFRS 10 and HKAS 28 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKAS 16 and HKAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRSs (amendment)	Annual Improvements to HKFRSs 2014 Cycle	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

## NOTES: (Continued)

**2. Revenue Recognition**

Revenue represents the aggregate of amounts received and receivable from services provided, event production completed, sales of albums, 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 lending 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.

Interest income from corporate coupon bonds 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.

Revenue from operation of cinemas is recognised once the service has been rendered.

	Three months ended 31 March		Nine months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
An analysis of the Group's revenue for the period is as follows:				
Artiste management services	24,459	8,471	66,676	24,476
Production, licensing and distribution of films and television programmes	657	2,219	8,883	4,331
Money Lending				
– Loan interest income	1,266	799	2,642	1,316
Operation of cinemas	2,134	314	5,500	314
Property investment	–	–	–	21
<b>Total</b>	<b>28,516</b>	<b>11,803</b>	<b>83,701</b>	<b>30,458</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 five reportable segments, (i) artiste management services, (ii) production, licensing and distribution of films and television programmes, (iii) money lending, (iv) property investment, and (v) operation of cinemas. 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 2015 as the Group has statutory tax loss brought forward from prior years (Three months and nine months ended 31 March 2014: 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.

**5. (Loss)/earnings Per Share**

The calculation of the basic and diluted (loss)/earnings per share is based on the loss for the nine months ended 31 March 2015 attributable to shareholders of the Company of HK\$27,259,000 (nine months ended 31 March 2014: profit of HK\$818,000) and the weighted average number of 527,006,402 (nine months ended 31 March 2014: 123,040,343) ordinary shares of the Company in issue during the period.

The calculation of the basic and diluted (loss)/earnings per share for the three months ended 31 March 2015 is based on the loss attributable to shareholders of HK\$15,852,000 (three months ended 31 March 2014: profit of HK\$173,000) and the weighted average number of 527,006,402 ordinary shares for the purpose of basic and diluted (loss)/earnings per share during the period (three months ended 31 March 2014: 123,040,343).

## NOTES: (Continued)

**6. Condensed Consolidated Statement of Changes in Equity (Unaudited)***For the nine months ended 31 March 2015*

	Attributable to owners of the Company								Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Contributed surplus HK\$'000	Convertible bond equity reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000			
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	-	-	(224)	-	-	54	-	-	(170)	-	(170)
Profit for the period	-	-	-	-	-	-	-	818	818	(10)	808
<b>Total comprehensive income for the period</b>	<b>4,660</b>	<b>167,948</b>	<b>(14,647)</b>	<b>71,979</b>	<b>766</b>	<b>108</b>	<b>-</b>	<b>9,698</b>	<b>240,512</b>	<b>3,330</b>	<b>243,842</b>
Issue of share upon bonus shares	23,303	(23,303)	-	-	-	-	-	-	-	-	-
Transaction cost upon bonus issue	-	(218)	-	-	-	-	-	-	(218)	-	(218)
Capital reorganisation	(30,201)	-	-	30,201	-	-	-	-	-	-	-
Transaction cost for share consolidation	-	(81)	-	-	-	-	-	-	(81)	-	(81)
Issue of share upon Placing	5,593	22,259	-	-	-	-	-	-	27,852	-	27,852
Transaction cost attributable to share issue	-	(624)	-	-	-	-	-	-	(624)	-	(624)
<b>At 31 March 2014</b>	<b>3,355</b>	<b>165,981</b>	<b>(14,647)</b>	<b>102,180</b>	<b>766</b>	<b>108</b>	<b>-</b>	<b>9,698</b>	<b>267,441</b>	<b>3,330</b>	<b>270,771</b>
At 1 July 2014	4,026	181,881	(14,591)	102,180	766	109	-	(6,680)	267,691	485	268,176
Net loss arising on revaluation of available-for-sales investments during the period	-	-	(16,295)	-	-	-	-	-	(16,295)	-	(16,295)
Loss for the period	-	-	-	-	-	-	-	(27,259)	(27,259)	(1)	(27,260)
<b>Total comprehensive income for the period</b>	<b>4,026</b>	<b>181,881</b>	<b>(30,886)</b>	<b>102,180</b>	<b>766</b>	<b>109</b>	<b>-</b>	<b>(33,939)</b>	<b>224,137</b>	<b>484</b>	<b>224,621</b>
Issue of shares upon bonus issues	115,261	(115,261)	-	-	-	-	-	-	-	-	-
Issue of shares upon placing	32,828	99,526	-	-	-	-	-	-	132,354	-	132,354
Transaction cost attributable to issues of shares	-	(3,546)	-	-	-	-	-	-	(3,546)	-	(3,546)
Recognition of share-based payment expenses	-	-	-	-	-	-	3,984	-	3,984	-	3,984
Issue of shares upon exercise of share options	12,672	3,984	-	-	-	-	(3,984)	-	12,672	-	12,672
Acquisition of partial interest in a subsidiary (Note 7)	-	-	-	-	-	-	-	37	37	(484)	(447)
Capital reorganisation	(158,196)	-	-	158,196	-	-	-	-	-	-	-
<b>At 31 March 2015</b>	<b>6,591</b>	<b>166,584</b>	<b>(30,886)</b>	<b>260,376</b>	<b>766</b>	<b>109</b>	<b>-</b>	<b>(33,902)</b>	<b>369,638</b>	<b>-</b>	<b>369,638</b>

## NOTES: (Continued)

**7. Acquisition of interests from non-controlling interests**

During the period ended 30 September 2014, Peak Lion Group Limited, a directly wholly-owned subsidiary of the Company acquired interests in Proletariate Institute Limited ("Proletariate") at a consideration of approximately HK\$447,000 from independent third parties. The carrying amount of the 6.9% interests in Proletariate on the date of acquisition was approximately HK\$484,000. The Group recognised a decrease in non-controlling interests of approximately HK\$484,000 and an increase in equity attributable to owners of the parent of approximately HK\$37,000. The effect of change in the ownership interests of Proletariate on the equity attributable to owners of the Company during the year is summarised as follows:

	HK\$'000
Carrying amount of non-controlling interests acquired	484
Consideration paid	(447)
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Movement in parent equity	37
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**8. Comparative figures**

Certain comparative figures have been re-classified to conform with the presentation of current period.

## DIVIDEND

The Board did not recommend the payment of a dividend for the nine months ended 31 March 2015 (nine months ended 31 March 2014: Nil).

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

As at 31 March 2015, 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	177,408	0.03%

Save as disclosed above, as at 31 March 2015, 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

At the special general meeting of the Company held on 9 July 2014, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 9 July 2014 and is valid for the next ten years.

The Company had granted 506,880,000 options (before the Capital Reorganization effective on 14 January 2015) under the new share option scheme in December 2014 and no outstanding option as at 31 March 2015.

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

So far as known to the Directors, as at 31 March 2015, 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
Easy Repay Finance & Investment Limited (Note 1)	Beneficial owner	17,133,986	2.6%

*Note:*

- (1) 17,133,986 Shares are held by Easy Repay Finance & Investment Limited (formerly known as 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 31 March 2015, 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

As at 31 March 2015, 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 60% 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

As at 31 March 2015, 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 Nine-month Period.

## 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 2015.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the nine months ended 31 March 2015, 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 2015 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, ZHONGHUI ANDA CPA 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, 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 nine months ended 31 March 2015.

## 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, 11 May 2015

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