



China 3D Digital Entertainment Limited

中國3D數碼娛樂有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

HALF YEARLY RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

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This announcement, for which the directors (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 announcement 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 announcement 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\$80.9 million for the six months ended 31 December 2015 (the “Six-month Period”), compared with approximately HK\$55.2 million for the corresponding period in 2014. For the Six-month Period, a loss attributable to owners of the Company of approximately HK\$15.6 million was recorded whilst in the corresponding period of last year, a loss attributable to owners of the Company of approximately HK\$11.4 million was recorded.

During the Six-month Period, artist management’s segment contributed a revenue of approximately HK\$29.1 million (2014: HK\$42.2 million). The revenue from the business segment of film and television programme production, distribution and licensing was approximately HK\$33.5 million (2014: HK\$8.2 million). The revenue from cinema operation segment was approximately HK\$14.3 million (2014: HK\$3.4 million). The revenue from the money lending business was approximately HK\$4 million (2014: HK\$1.4 million).

PROSPECTS

Possible Disposal

On 19 October 2015, the Company entered into a non-legally binding memorandum of understanding with an independent third party, pursuant to which the Company intended to dispose 51% of the issued share capital of CineUnited Circuits Company Limited (“CineUnited”), an indirect wholly-owned subsidiary of the Company (CineUnited together with its subsidiaries, collectively the “Target Group”) for a total consideration of HK\$62,220,000 payable in cash.

The Target Group is principally engaged in the operation of the cinemas located in Xiamen, Guangzhou and Chongqing, PRC. The Investor is an independent third party and not connected with the Company. There is no definitive agreement that was signed and finalized as at the date of this announcement.

Strategic Co-operation

On 23 October 2015, the Company announced that it will have long-term strategic co-operation with iQIYI Motion Pictures (“iQIYI”), the largest video platform and online movie library which boasts the largest storage of movies in PRC, pursuant to which the Company and iQIYI agreed to co-invest, produce and distribute each movie from now on. There is no definitive agreement that was signed and finalized as at the date of this announcement.

Possible Subscription and Possible Acquisition

On 27 October 2015, the Company entered into a non-legally binding memorandum of understanding with (i) vfxNova Digital Productions Limited (the “Target Company”), pursuant to the Company intends to subscribe 10% ordinary shares as enlarged by subscription of the Target Company for a consideration of HK\$10,000,000 payable in cash (the “Possible Subscription”) and (ii) Mr. Victor Wong (“Mr. Wong”), the shareholder of the Target Company, pursuant to the Company intends to acquire and Mr. Wong intends to dispose its shares, representing 20% of the then issued share capital as enlarged by subscription of the Target Company for a consideration of HK\$20,000,000 payable in cash (the “Possible Acquisition”). After completion of the Possible Subscription and Possible Acquisition, the Company will hold an aggregate 30% of the issued share capital of the Target Company.

The Target Company is one of Asia’s most advanced digital visual creation companies which provides full production services from consultancy, filming, animation, visual-effects, 2/3D conversion, post-production and etc. for feature films and TV commercials. The Target Company participated in a number of movies including *Rise of the Legend*, *Cold War*, *Let the Bullets Fly*, *From Vegas to Macau*, and Hollywood blockbuster films such as *Ironman* and *Diehard 4*. The Target Company won numerous industry accolades in the visual effects and digital filming categories in many local and international prestigious film festivals, including the Best Visual Effects in the 34th Hong Kong Film Awards, and major awards in Taiwan Golden Horse Awards and New York Film Festival. There is no definitive agreement that was signed and finalized as at the date of this announcement.

Acquisition

On 14 December 2015, the Company entered into a Sale and Purchase Agreement with Mr. Stephen Chau (“Mr. Chau”), the shareholder of the Starz Holdings Limited (the “Target Company”), pursuant to the Company acquired and Mr. Chau disposed its shares, representing 40% of the issued share capital of the Target Company (the “Acquisition”). The payment methods of the consideration will be (i) HK\$6,600,000 payable in cash plus the adjustment amount; and (ii) HK\$7,000,000 payable in the form of convertible bond.

The Target Company has numerous famous subsidiaries such as Starz People (HK) Limited and Starz Entertainment Company Limited (The Target Company together with its subsidiaries, collectively called “Starz”). Starz is one of Asia’s most progressive full service modeling and talent agencies. It specializes in promoting fresh faces and outstanding new talent within the fashion and entertainment sectors in Asia and overseas, positioned at the forefront of international model and artiste management. It boasts a highly experienced and dedicated team and also excellent relationships with a vast array of prominent international and local models, artistes, celebrities and professional athletes. Starz credited with diversified ages, types, and nationalities of prominent models and artistes, including Pakho Chau, Shiga Lin and Jeannie Chan and arranged them local and overseas jobs including advertisements, publications, television commercials, fashion exhibits, music videos, image consultations, promotional activities and casting services. Details of the Acquisition were disclosed in the circular dated 18 January 2016.

The shareholders approved the Acquisition on special general meeting on 2 February 2016.

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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, total borrowing of the Group (excluding payables) amounted to approximately HK\$84.5 million (30 June 2015: HK\$68.1 million). During the Six-month Period, the Group’s gearing ratio (expressed as a percentage of total borrowing over total assets) was 13.5% (30 June 2015: 16.2%).

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 Six-month Period.

CAPITAL STRUCTURE

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

On 13 November 2015, the Company issued and allotted 2,874,568,668 bonus shares on the basis of three (3) bonus shares for every one (1) share held by the qualifying shareholders whose names appear on the register of members of the Company on the record date. Details of the Bonus Issue were disclosed in the Company's announcement and the circular dated 15 September 2015 and 29 September 2015 respectively.

COMMITMENTS

Total commitments of the Group as at 31 December 2015 was approximately HK\$381.8 million (30 June 2015: HK\$399.1 million).

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2015 was 106 (30 June 2015: 93), including full-time and part time employees. Employees' remuneration was determined in accordance with individual responsibility, performance and experience. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme in July 2014. No option was granted during the Six-month Period.

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 Unlimited Creativity Holdings Limited) ("Easy Repay"), 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.

On 20 October 2015, the tenancy agreement was renewed (“New Tenancy Agreement”) for a term of two years commencing from 1 November 2015 to 31 October 2017, both days inclusive, with a monthly rental of HK\$325,000. The New Tenancy Agreement would not constitute a continuing connected transaction of the Company.

LITIGATION

A writ of summons (the “Writ”) was issued against the Company by Green Giant Investments Limited (“Green Giant”) on 12 February 2015. It was alleged in the Writ that the Company refused and/or unreasonably withheld to register a transfer of the promissory note (the “Note”) or issue a new promissory note as requested upon transfer of the Note by Dragonlott Holdings Limited to Green Giant.

Green Giant claims the principal amount of the Note of HK\$14,160,000, interest thereon from the time of presentment for payment until payment in full at the rate of 10% per annum pursuant to the terms of the Note, incurred expenses and costs. The court has made an order in terms of the plaintiff’s application is granted and final judgement is granted to the plaintiff as per its summons on 21 January 2016. The Company submitted the documents to commence the appeal proceedings.

In the opinion of the Directors, the Note payable of HK\$14,160,000 is properly recognized as at 30 September 2015, as such, the Directors did not consider that the litigation to have any significant impact on the Group’s financial position and operations.

RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the Three-month and Six-month Period ended 31 December 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

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

For the three months and six months ended 31 December 2015

		For the three months ended 31 December		For the six months ended 31 December	
		2015	2014	2015	2014
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2 & 3	54,161	30,494	80,919	55,185
Other income		356	44	758	129
Cost of sales	3	(37,096)	(25,585)	(60,932)	(45,190)
Selling and distribution costs		(2,291)	(472)	(4,969)	(2,249)
Administrative expenses		(15,582)	(13,247)	(29,559)	(20,727)
Change in fair value of investments at fair value through profit or loss mandatorily measured at fair value		248	90	871	2,028
Finance costs		(1,653)	(268)	(3,692)	(580)
Share of results of associates		636	–	731	–
Share of results of a joint venture		(1)	3	4	(4)
Loss before taxation	4	(1,222)	(8,941)	(15,869)	(11,408)
Taxation	5	–	–	–	–
Loss for the period		<u>(1,222)</u>	<u>(8,941)</u>	<u>(15,869)</u>	<u>(11,408)</u>
Loss for the period attributable to:					
Owners of the Company		(1,428)	(8,941)	(15,628)	(11,408)
Non-controlling interests		206	–	(241)	(1)
		<u>(1,222)</u>	<u>(8,941)</u>	<u>(15,869)</u>	<u>(11,409)</u>

	<i>Notes</i>	For the three months ended 31 December		For the six months ended 31 December	
		2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other comprehensive loss					
Exchange differences on translating foreign operation		(786)	–	(694)	–
Change in fair value of investments at fair value through other comprehensive income		(12,861)	(9,762)	(17,114)	(8,770)
Total other comprehensive loss for the period, net of income tax		(13,647)	(9,762)	(17,808)	(8,770)
Total comprehensive loss for the period		<u>(14,869)</u>	<u>(18,703)</u>	<u>(33,677)</u>	<u>(20,179)</u>
Total comprehensive loss for the period attributable to:					
Owners of the Company		(15,075)	(18,703)	(33,436)	(20,178)
Non-controlling interests		<u>206</u>	<u>–</u>	<u>(241)</u>	<u>(1)</u>
		<u>(14,869)</u>	<u>(18,703)</u>	<u>(33,677)</u>	<u>(20,179)</u>
Loss per share (2014: restated)	6				
Basic & diluted		<u>HK(0.06) cents</u>	<u>HK(2.4) cents</u>	<u>HK(0.61) cents</u>	<u>HK(3.06) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	7	27,629	15,663
Interest in associates	8	6,198	5,467
Interest in a joint venture		111	107
Investments at fair value through other comprehensive income	10	22,768	21,976
Prepayments, deposits and other receivables	11	69,437	83,636
Film rights and films production in progress	7	210,824	196,009
Loans receivables	12	5,272	7,626
		342,239	330,484
Current assets			
Inventories	13	69	60
Loans receivables	12	111,050	43,505
Trade receivables	14	18,277	3,971
Prepayments, deposits and other receivables	11	66,799	16,228
Investments at fair value through profit or loss	15	35,380	–
Pledged bank deposits		5,984	6,032
Bank and cash balances		47,353	20,722
		284,912	90,518
Current liabilities			
Trade payables		27,850	9,621
Accruals, deposits received and other payables		74,335	63,952
Other borrowings	17	66,390	49,728
Convertible bond		2,000	2,000
Promissory note payable		14,160	14,160
Finance lease payables		365	365
Tax payables		9	9
		185,109	139,835
Net current assets/(liabilities)		99,803	(49,317)
Total assets less current liabilities		442,042	281,167

	31 December 2015 (Unaudited) <i>HK\$'000</i>	30 June 2015 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
Non-current liabilities		
Finance lease payables	1,560	1,823
Provision for asset retirement	1,914	1,941
	<u>3,474</u>	<u>3,764</u>
NET ASSETS	<u>438,568</u>	<u>277,403</u>
Capital and reserves		
Share capital	38,328	1,582
Reserves	401,095	276,435
	<u>439,423</u>	<u>278,017</u>
Equity attributable to owners of the Company	(855)	(614)
Non-controlling interests		
TOTAL EQUITY	<u>438,568</u>	<u>277,403</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2015

	Attributable to owners of the Company										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	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 July 2014	4,026	181,881	(14,591)	102,180	766	109	-	(6,680)	267,691	485	268,176
Total comprehensive loss for the period	-	-	(8,770)	-	-	-	-	(11,408)	(20,178)	(1)	(20,179)
Issue of shares upon bonus issue	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 option	7,603	2,403	-	-	-	-	(2,403)	-	7,603	-	7,603
Acquisition of partial interest in a subsidiary	-	-	-	-	-	-	-	37	37	(484)	(447)
At 31 December 2014	<u>159,718</u>	<u>165,003</u>	<u>(23,361)</u>	<u>102,180</u>	<u>766</u>	<u>109</u>	<u>1,581</u>	<u>(18,051)</u>	<u>387,945</u>	<u>-</u>	<u>387,945</u>
At 1 July 2015	1,582	184,209	(69,433)	261,837	-	55	-	(100,233)	278,017	(614)	277,403
Total comprehensive loss for the period	-	-	(17,114)	-	-	(694)	-	(15,628)	(33,436)	(241)	(33,677)
Issue of shares upon bonus issue	28,746	(28,746)	-	-	-	-	-	-	-	-	-
Issue of shares upon placing	8,000	192,000	-	-	-	-	-	-	200,000	-	200,000
Transaction cost attributable to issues of shares	-	(5,158)	-	-	-	-	-	-	(5,158)	-	(5,158)
At 31 December 2015	<u>38,328</u>	<u>342,305</u>	<u>(86,547)</u>	<u>261,837</u>	<u>-</u>	<u>(639)</u>	<u>-</u>	<u>(115,861)</u>	<u>439,423</u>	<u>(855)</u>	<u>438,568</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(127,717)	(71,222)
Net cash used in investing activities	(52,480)	(38,377)
Net cash generated from financing activities	207,522	127,674
	<hr/>	<hr/>
Net increase in cash and cash equivalents	27,325	18,075
Effect of foreign exchanges rate changes	(694)	—
Cash and cash equivalents at beginning of the period	20,722	13,886
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>47,353</u>	<u>31,961</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>47,353</u>	<u>31,961</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This unaudited condensed consolidated 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”).

In the current period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The application of the above new or revised HKFRSs has had no material effect on the Group’s financial statements.

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements have been consistently applied by the Group and are consistent with those used in preparing the Company’s annual audited financial statements for the year ended 30 June 2015.

The unaudited condensed consolidated financial statements for the six months ended 31 December 2015 have not been audited or reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

2. REVENUE

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (a) Artiste management services fee income is recognised when the services are provided.
- (b) Income from film production and licensing of corresponding rights is recognised when the production is completed and released and the amount can be measured reliably.
- (c) Income from the distribution of films 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.
- (d) Income from box office takings is recognised when the services have been rendered to the buyers.

- (e) Interest income from a financial asset (including money lending) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (f) Rental income is recognised on a straight-line basis over the term of the lease.

	Three months ended 31 December 2015 (Unaudited) HK\$'000		Six months ended 31 December 2015 (Unaudited) HK\$'000	
	2014 (Unaudited) HK\$'000		2014 (Unaudited) HK\$'000	
An analysis of the Group's revenue for the period is as follows:				
Artiste management services and music production	17,437	24,653	29,099	42,217
Production, licensing and distribution of films and television programmes	26,046	3,161	33,492	8,226
Money lending				
– Loan interest income	3,374	986	4,020	1,376
Operation of cinemas	7,304	1,694	14,308	3,366
	<u>54,161</u>	<u>30,494</u>	<u>80,919</u>	<u>55,185</u>

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 and music production, (ii) production, licensing and distribution of films and television programmes, (iii) money lending, (iv) securities and bonds 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.

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 and music production		Production, licensing and distribution of films and television programmes		Money lending		Securities and bonds investment		Operation of cinemas		Total	
	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	29,099	42,217	33,492	8,226	4,020	1,376	-	-	14,308	3,366	80,919	55,185
Segment results	2,261	2,743	(877)	926	2,640	684	871	2,028	(1,890)	(1,476)	3,005	4,905
Bank interest income											53	50
Unallocated corporate expenses, net											(15,970)	(15,779)
Finance costs											(3,692)	(580)
Shares of results of associates											731	-
Share of results of a joint venture											4	(4)
Loss before taxation											(15,869)	(11,408)
Taxation											-	-
Loss for the period											(15,869)	(11,408)

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 joint venture and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and performance assessment.

4. LOSS BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging/(crediting):				
Staff costs, including directors' remuneration				
– Basic salaries and allowances	4,389	3,178	7,758	5,808
– Retirement benefits scheme contributions	219	147	387	214
Total staff costs	4,608	3,325	8,145	6,022
Expense of share-based payment	–	3,984	–	3,984
Depreciation of property, plant and equipment	932	636	1,422	1,146
Minimum lease payments under operating leases:				
– Land and buildings	1,583	2,288	3,176	2,759
Exchange (gain)/loss	(285)	171	(265)	200

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the Six-month Period as the Group has statutory tax loss brought forward from prior years (six months ended 31 December 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.

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the Six-month Period attributable to owners of the Company of approximately HK\$15,628,000 (six months ended 31 December 2014: loss of HK\$11,408,000) and the weighted average number of 2,546,453,876 ordinary shares (31 December 2014: 373,204,898) of the Company in issue during the period.

As the exercise of Group's outstanding convertible bond for both periods would be anti-dilutive, no diluted loss per share was presented in both periods.

7. PROPERTY, PLANT AND EQUIPMENT AND FILM RIGHTS

An analysis of movements of the assets of the Group for the Six-month 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 2015	15,663	51,245	144,764
Exchange realignment	(380)	–	–
Additions	13,830	–	21,288
Disposals	(617)	–	–
Transfer to film rights	–	37,805	(37,805)
Depreciation and amortisation	(1,422)	(6,473)	–
Eliminated on disposals	555	–	–
	<hr/>	<hr/>	<hr/>
At 31 December 2015	<u>27,629</u>	<u>82,577</u>	<u>128,247</u>

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 2015, the Directors of the Company assessed of which no impairment loss is necessary in respect of the films production in progress (six months ended 31 December 2014: 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.

8. INTERESTS IN ASSOCIATES

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Unlisted shares, at cost	4,890	4,890
Share of post-acquisition profit	1,308	577
	<u>6,198</u>	<u>5,467</u>

Particulars of the associates as at 31 December 2015 are as follows:

Name of associates	Principal place of business	Proportion of ownership interest	Principal activities
Vision Lion Limited	Hong Kong	25%	Holding of a cruiser
GME Holdings Limited	Hong Kong	55%	Artiste management

The summarised financial information of the Group's associates extracted from their management accounts is as follows:

	For the six months ended 31 December 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	<u>8,261</u>	<u>—</u>
Profit for the period	<u>919</u>	<u>—</u>
The Group's share of profit of associates	<u>731</u>	<u>—</u>

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	30 June
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
In respect of:		
Rented premises		
Within one year	15,680	11,376
In the second to fifth year, inclusive	64,493	56,427
Over fifth year	228,176	225,241
	<hr/>	<hr/>
Total	308,349	293,044
	<hr/> <hr/>	<hr/> <hr/>

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	30 June
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Film production costs	37,069	62,740
Guaranteed sum to be paid under distributors agreements	34,597	42,612
Others	1,776	688
	<hr/>	<hr/>
	73,442	106,040
	<hr/> <hr/>	<hr/> <hr/>

10. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		As at 31 December 2015 (Unaudited) <i>Notes</i> HK\$'000	As at 30 June 2015 (Audited) <i>HK\$'000</i>
Listed securities			
– Equity securities listed in Hong Kong, at fair value	(b)	<u>22,768</u>	<u>21,976</u>
		<u>22,768</u>	<u>21,976</u>

Notes:

- (a) These investments are designated as at fair value through other comprehensive income in order to avoid volatility to the profit or loss arising from the changes in fair values of the investments.
- (b) The fair values of listed securities are based on current bid prices.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2015 (Unaudited) <i>HK\$'000</i>	As at 30 June 2015 (Audited) <i>HK\$'000</i>
Prepayments (<i>note</i>)	105,817	81,721
Deposits and other receivables	<u>30,419</u>	<u>18,143</u>
	<u>136,236</u>	<u>99,864</u>

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

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
– Non-current portion		
Prepayments	60,010	76,083
Deposits	9,427	7,553
	<hr/> 69,437 <hr/>	<hr/> 83,636 <hr/>
– Current portion		
Prepayments	45,807	5,638
Deposits	3,482	4,364
Other receivables	17,510	6,226
	<hr/> 66,799 <hr/>	<hr/> 16,228 <hr/>
	<hr/> 136,236 <hr/>	<hr/> 99,864 <hr/>

Note:

Prepayments mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 31 December 2015, 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 assets. The remaining balances were classified as non-current assets.

The amount of prepayments at Six-month Period is analysed for reporting purpose as follows:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Prepayments for:		
Acquisition of film distribution rights	42,214	33,764
Film and television programmes production costs	29,621	32,524
Film promotion costs	2,694	2,360
Artiste fee	21,117	9,657
Song productions	389	–
Opening of cinemas	7,601	1,186
Others	2,181	2,230
	105,817	81,721
Less: Non-current portion	(60,010)	(76,083)
Current portion	45,807	5,638

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 Six-month 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 Six-month 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.

12. LOAN RECEIVABLES

	As at 31 December 2015 (Unaudited) <i>HK\$'000</i>	As at 30 June 2015 (Audited) <i>HK\$'000</i>
Loan receivables	116,322	51,131
Analysed as :		
Current assets	111,050	43,505
Non-current assets	5,272	7,626
	116,322	51,131

As at 31 December 2015, all loan receivables are denominated in Hong Kong dollars, secured by customers' pledged properties, carried at fixed interest rate ranging from 5.4% to 33% (30 June 2015: 10% to 36%) per annum with the payment term ranging from 30 days to 20 years (30 June 2015: 30 days to 20 years).

The following is an aged analysis for the loan receivables at the end of the Six-month Period:

	As at 31 December 2015 (Unaudited) <i>HK\$'000</i>	As at 30 June 2015 (Audited) <i>HK\$'000</i>
0 – 30 days	34,000	10,012
31 – 90 days	59,550	–
91 – 180 days	14,490	–
181 to 365 days	–	38,640
Over 90 days	8,282	2,479
	116,322	51,131

13. INVENTORIES

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Finished goods	<u>69</u>	<u>60</u>

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, HK\$2.4 million (30 June 2015: HK\$2.4 million) 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 impairment loss based on the due date at the end of the Six-month Period:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Current	<u>18,277</u>	<u>3,971</u>

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	<u>35,380</u>	<u>—</u>

The fair value of all the financial assets are based on their current bid prices.

16. MATERIAL RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the period.

	As at 31 December 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Unaudited) HK\$'000
Consultancy fee paid to a joint venture (<i>note (i)</i>)	175	250
Film production cost paid to directors (<i>note (ii)</i>)	<u>300</u>	<u>3,000</u>

Notes:

- (i) The amount represents consultancy service provided by Mustard Seed Entertainment Company Limited, a joint venture of the Company.
- (ii) The amount represents upfront payment for film productions paid to the director of the Company.

17. OTHER BORROWINGS

The borrowings are repayable as follows:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
On demand or within one year	<u>66,390</u>	<u>49,728</u>

At 31 December 2015 and 30 June 2015, the loans are denominated in Hong Kong dollars and are borrowed from independent third parties.

Other borrowings of HK\$20,000,000 (30 June 2015: HK\$30,000,000) are guaranteed by a director, secured by post dated cheques of approximately HK\$21,504,000 (30 June 2015: approximately HK\$31,504,000) bearing interest rate of 10% per annum and repayable within one year.

Other borrowings of approximately HK\$18,990,000 (30 June 2015: approximately HK\$17,856,000) are unsecured, bearing an interest rate of 11% p.a. (30 June 2015: 11%) and repayable on demand.

Other borrowings of HK\$3,000,000 (30 June 2015: HK\$3,000,000) are unsecured, interest bearing at 9% per annum and repayable on 1 February 2017.

Other borrowings of HK\$14,400,000 (30 June 2015: nil) are unsecured, interest bearing at 10% per annum and repayable within one year.

Other borrowings of approximately HK\$10,000,000 (30 June 2015: nil) are unsecured, interest bearing at 2.75% per month and repayable within one year.

18. EVENT AFTER THE REPORTING PERIOD

Framework Agreement

On 26 January 2016, the Company entered into a framework agreement (the “Framework Agreement”) with China 33 Media Group Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8087) (the “Investor”), setting out the major terms of cooperation between the parties for the proposed joint investment in the production of a total of 12 movies (collectively, “Movies” and each a “Movie”) which are expected to be distributed in Hong Kong and the PRC with a total investment amount of about RMB485 million.

Under the Framework Agreement, subject to the entering into supplemental investment agreement, it is expected that the Group and the Investor shall contribute 85% and 15% of the total investment amount respectively for each Movie.

No formal agreement regarding the strategic cooperation was entered into by the Company. Details of the Framework Agreement are set out in the announcement dated 26 January 2016.

19. COMPARATIVE FIGURES

Certain comparative figures have been re-stated to conform with the current period presentation to align with the financial statements presentation of the Group.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Six-month Period (31 December 2014: Nil).

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

As at 31 December 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	141,920	0.00

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

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 not granted any option under the new share option scheme during the Six-month Period.

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

So far as known to the Directors, as at 31 December 2015, 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.

COMPETING INTERESTS

As at 31 December 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

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 Six-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 six months ended 31 December 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 31 December 2015, the Company has complied with the code provisions (“Code”) set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, except for the following deviation of Code A.2.1.

Code 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. During the Six-month Period, the Board is pleased to confirm that the Company has complied fully with the Code except with the deviation from Code 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 CEO of the Company. The Board considers that the current structure of vesting the roles of Chairman and CEO 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 “Audit 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 Audit Committee. The primary duties of the Audit 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 Audit 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 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.

REMUNERATION COMMITTEE

A remuneration committee (the “Remuneration Committee”) consisting of three Independent Non-executive Directors and one Executive Director was set up by the Company in accordance with the Code. The major responsibilities of the Remuneration Committee include: (i) to make recommendations to the Board on the Company’s policy and structure for all remuneration of directors’ and senior management and in the establishment of a formal and transparent procedure for developing such remuneration policy; (ii) to review and determine the remuneration packages of the executive directors and senior management and to ensure that no director is involved in deciding his own remuneration; and (iii) to review and make recommendations to the Board about the overall remuneration policy of the Company.

NOMINATION COMMITTEE

A nomination committee (the “Nomination Committee”) consisting of three Independent Non-executive Directors and one Executive Director was set up by the Company in accordance with the Code. The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base the priority of the criteria in the procedure (such as appropriate experience, personal skills and time commitment, etc.) to identify and commend proposed candidates to the Board.

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, 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 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 Rules 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 2015.

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, 5 February 2016

As at the date hereof, the Board comprises:

Executive Directors:	Mr. Shiu Stephen Junior (<i>Chairman</i>) 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

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the day of its posting and on the website of the Company at www.china3d8078.com.