



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 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.

* for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported a total revenue of approximately HK\$145.7 million for the nine months ended 31 March 2016 (the “Nine-month Period”), compared with approximately HK\$83.7 million for the corresponding period a year ago. For the Nine-month Period, a loss attributable to owners of the Company of approximately HK\$43.6 million was recorded whilst in the corresponding period of last year, a loss of HK\$27.3 million was recorded.

During the Nine-month Period, artiste management’s segment contributed a revenue of approximately HK\$64.9 million (2015: HK\$66.7 million). The revenue from the business segment of film and television programme production, distribution and licensing was approximately HK\$50 million (2015: HK\$8.9 million). In addition to the revenue from the operation of cinemas was approximately HK\$23.5 million (2015: HK\$5.5 million), revenue from the money lending business was approximately HK\$7.3 million (2015: HK\$2.6 million).

PROSPECTS

The acquisition of 40% of the issued share capital of Starz Holdings Limited and involving the issued of convertible bonds under specific mandate

On 14 December 2015 and 6 January 2016, the Company entered into a sale and purchase agreement and a supplemental agreement with Mr. Stephen Chau (“Mr. Chau”), the shareholder of the Starz Holdings Limited respectively (the “Starz Holdings”), pursuant to the Company acquired and Mr. Chau disposed its shares, representing 40% of the issued share capital of Starz Holdings. The payment methods of the consideration were (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.

Starz Holdings has numerous famous subsidiaries such as Starz People (HK) Limited and Starz Entertainment Company Limited (Starz Holdings 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 and the convertible bonds was issued to Mr. Chau on 21 April 2016.

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.

The acquisition of interests in HMV M&E Limited

On 14 March 2016, the Company entered into a sale and purchase agreement with Action Key Investments Limited (“Action Key”), one of the shareholders of HMV M&E Limited (“HMV M&E”), pursuant to which the Company acquired and Action Key disposed its shares, representing approximately 81.63% of the issued share capital of the HMV M&E at a consideration of HK\$408,150,000 which shall be satisfied by allotment and issue of 1,118,219,178 consideration shares to Action Key or its nominee at an issue price of HK\$0.365 per consideration share at completion (“Acquisition I”).

On 1 April 2016, the Company entered into a sale and purchase agreement with WiL Fund I, L.P. (“WiL Fund”), the other shareholder of HMV M&E, pursuant to the Company acquired and WiL Fund disposed its shares, representing approximately 18.37% of the issued share capital of HMV M&E. at a consideration of HK\$91,850,000 which shall be satisfied by allotment and issue of 251,643,835 consideration shares to WiL Fund at an issue price of HK\$0.365 per consideration share at completion (“Acquisition II”).

HMV M&E is the sole beneficial owner of the issued share capital of each of its subsidiaries, namely, HMV Marketing Limited (“HMV Marketing”), Simply Sino Limited (“Simply Sino”), Smiley Bee Limited (“Smiley Bee”) and Linkenway Limited (“Linkenway”) (“Target Subsidiaries”). HMV M&E has no business activity other than being an investment holding company of its subsidiaries and injection of shareholder’s loans to the Target Group (“including HMV M&E and Target Subsidiaries”) for its business.

The Target Group is principally engaged in the entertainment and media business and other ancillary business including the operation of the retail stores under the brand “HMV”.

HMV Marketing is the owner of the retailing business of “HMV” through physical retail stores in Hong Kong and has an exclusive, irrevocable, royalty-free and perpetual licence to use the name “HMV”, the various HMV trade marks and the trade mark applications and HMV domain names for the purpose of conducting businesses in the PRC, Hong Kong and Singapore.

Each of Simply Sino and Smiley Bee is an investment holding company and has no business activity save and except (i) Simply Sino has advanced a loan in the amount of HK\$25,000,000 to a subsidiary of the Company; and (ii) Smiley Bee has advanced a loan in the amount of HK\$3,000,000 to a third party independent from Action Key and its connected persons. Linkenway is an investment holding company and the holder of certain rights of an intellectual property. Details of the Acquisition I & II were disclosed in the announcements dated 14 March 2016 and 1 April 2016 respectively.

Proposed Change of Company Name

After the completion of the Acquisition I & II, the Board of Directors proposes to change the name of the Company from “China 3D Digital Entertainment Limited” to “HMV Digital China Group Limited” and to adopt the Chinese name of “HMV數碼中國集團有限公司” as the secondary name of the Company to replace the existing Chinese name of “中國3D數碼娛樂有限公司” which was adopted for identification purposes only.

The Acquisition of approximately 4% of the issued share capital of Prime Focus World N.V.

On 24 March 2016, the Company entered into a sale and purchase agreement with AID Partners Visual Entertainment, L.P. (“AID”), the shareholder of Prime Focus World N.V. (the “Prime Focus”), pursuant to which the Company acquired and AID disposed its shares, representing 4% of the issued share capital of Prime Focus at a consideration of US\$13,619,726, which shall be settled and discharged by the issue of 259,106,982 ordinary shares of the Company at the issue price of HK\$0.410 per ordinary share of the Company upon completion.

Prime Focus is a subsidiary of Prime Focus Limited, a company incorporated in India and listed on the National Stock Exchange and Bombay Stock Exchange under the symbol PFOCUS and 532748. Prime Focus and its subsidiaries are the world’s largest provider of value-added creative and technical services for 2D to 3D content conversion, visual effects (“VFX”) and animation services to studios and production houses across the world. In addition to the highly successful 3D conversion business, Prime Focus also provides world-class VFX services to major studios. Details of the acquisition were disclosed in the announcement dated 24 March 2016.

CAPITAL STRUCTURE

During the three months ended 31 March 2016, the capital structure of the Company was no changed.

RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and nine months period ended 31 March 2016 together with the comparative unaudited figures for the corresponding period in 2015 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 2016

	<i>Notes</i>	For the three months ended 31 March		For the nine months ended 31 March	
		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	2 & 3	64,809	28,516	145,728	83,701
Other income		936	270	1,694	399
Cost of sales		(47,406)	(28,123)	(108,338)	(73,313)
Selling and distribution costs		(4,591)	(3,281)	(9,560)	(5,530)
Administrative expenses		(18,422)	(12,334)	(47,981)	(33,061)
Change in fair value of investments at fair value through profit or loss					
mandatorily measured at fair value		(19,729)	117	(18,858)	2,145
Finance costs		(3,251)	(1,029)	(6,943)	(1,609)
Share of results of associates		613	–	1,344	–
Share of results of a joint venture		(1)	12	3	8
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before taxation		(27,042)	(15,852)	(42,911)	(27,260)
Taxation	4	–	–	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period		(27,042)	(15,852)	(42,911)	(27,260)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period attributable to:					
Owners of the Company		(27,939)	(15,852)	(43,567)	(27,259)
Non-controlling interests		897	–	656	(1)
		<hr/>	<hr/>	<hr/>	<hr/>
		(27,042)	(15,852)	(42,911)	(27,260)
		<hr/>	<hr/>	<hr/>	<hr/>

	<i>Notes</i>	For the three months ended 31 March		For the nine months ended 31 March	
		2016	2015	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income/(loss)					
Exchange differences on translating foreign operation		(557)	–	(1,251)	–
Change in fair value of investments at fair value through other comprehensive income		<u>10,822</u>	<u>(7,525)</u>	<u>(6,292)</u>	<u>(16,295)</u>
Total other comprehensive income/(loss) for the period, net of income tax		<u>10,265</u>	<u>(7,525)</u>	<u>(7,543)</u>	<u>(16,295)</u>
Total comprehensive loss for the period		<u>(16,777)</u>	<u>(23,377)</u>	<u>(50,454)</u>	<u>(43,555)</u>
Total comprehensive loss for the period attributable to:					
Owners of the Company		(17,674)	(23,377)	(51,110)	(43,554)
Non-controlling interests		<u>897</u>	<u>–</u>	<u>656</u>	<u>(1)</u>
		<u>(16,777)</u>	<u>(23,377)</u>	<u>(50,454)</u>	<u>(43,555)</u>
Loss per share (2015: restated)	5				
Basic & diluted		<u>HK(0.94) cents</u>	<u>HK(3.76) cents</u>	<u>HK(1.47) cents</u>	<u>HK(6.47) cents</u>

NOTES:

1. BASIS OF PREPARATION

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

The accounting policies adopted in preparing the unaudited consolidated financial statements for the nine months ended 31 March 2016 are consistent with those followed in the annual report of the Company for the year ended 30 June 2015, except in relation to the new and revised standards, amendments and interpretations that affect the Company and its subsidiaries and are adopted for the first time for the preparation of current period's consolidated financial statements.

The condensed consolidated accounts have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. REVENUE 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 March		Nine months ended 31 March	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
An analysis of the Group's revenue for the period is as follows:				
Artiste management services and music production	35,796	24,459	64,895	66,676
Production, licensing and distribution of films and television programmes	16,551	657	50,043	8,883
Money Lending – Loan interest income	3,260	1,266	7,280	2,642
Operation of cinemas	9,202	2,134	23,510	5,500
Total	<u>64,809</u>	<u>28,516</u>	<u>145,728</u>	<u>83,701</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 bond 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 2016 as the Group has statutory tax loss brought forward from prior years (three months and nine months ended 31 March 2015: 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 PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the nine months ended 31 March 2016 attributable to shareholders of the Company of HK\$43,567,000 (nine months ended 31 March 2015: loss of HK\$27,259,000) and the weighted average number of 2,972,103,679 (nine months ended 31 March 2015: 421,043,774 (restated)) ordinary shares of the Company in issue during the period.

The calculation of the basic and diluted loss per share for the three months ended 31 March 2016 is based on the loss attributable to shareholders of HK\$27,939,000 (three months ended 31 March 2015: loss of HK\$15,852,000) and the weighted average number of 2,972,103,679 ordinary shares for the purpose of basic and diluted loss per share during the period (three months ended 31 March 2015: 421,043,774 (restated)).

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 March 2016

	Attributable to owners of the Company										
	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	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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	–	–	(16,295)	–	–	–	–	(27,259)	(43,554)	(1)	(43,555)
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	–	–	–	–	–	–	–	37	37	(484)	(447)
Capital reorganisation	(158,196)	–	–	158,196	–	–	–	–	–	–	–
At 31 March 2015	<u>6,591</u>	<u>166,584</u>	<u>(30,886)</u>	<u>260,376</u>	<u>766</u>	<u>109</u>	<u>–</u>	<u>(33,902)</u>	<u>369,638</u>	<u>–</u>	<u>369,638</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	–	–	(6,292)	–	–	(1,251)	–	(43,567)	(51,110)	656	(50,454)
Issue of shares upon bonus issues	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)
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	2,431	2,431	(731)	1,700
At 31 March 2016	<u>38,328</u>	<u>342,305</u>	<u>(75,725)</u>	<u>261,837</u>	<u>–</u>	<u>(1,196)</u>	<u>–</u>	<u>(141,369)</u>	<u>424,180</u>	<u>(689)</u>	<u>423,491</u>

7. COMPARATIVE FIGURES

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

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.

DIVIDEND

The Board did not recommend the payment of a dividend for the nine months ended 31 March 2016 (nine months ended 31 March 2015: Nil).

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

As at 31 March 2016, 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%

Save as disclosed above, as at 31 March 2016, 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 Nine-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 March 2016, 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 March 2016, 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 2016, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the nine months ended 31 March 2016, 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 provisions of the Code. During the Nine-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. The Audit 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 2016 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 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 the 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 the Directors adopted by the Company throughout the nine months ended 31 March 2016.

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, 13 May 2016

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
Mr. Chau Sai Ho, Charles

Independent Non-executive Directors:

Mr. Kam Tik Lun
Mr. Chan Chi Ho
Mr. Tam Kwok Ming, Banny

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

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.