THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Global Digital Creations Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

環球數碼創意控股有限公司*

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

(I) MAJOR TRANSACTION IN RELATION TO THE GRANTING OF THE FACILITY BY THE LENDER TO THE BORROWER, VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE CAP AMOUNT FOR THE EXERCISE OF THE CALL OPTIONS; (II) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE DISPOSAL EQUIPMENTS BY SHENZHEN IDMT TO CHINA FILM; AND (III) RE-ELECTION OF DIRECTOR

Financial adviser to Global Digital Creations Holdings Limited

CIMB-GK Securities (HK) Limited

A letter from the Board is set out on pages 5 to 26 of this circular. A notice convening the SGM of Global Digital Creations Holdings Limited to be held at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 17 February 2009 at 10:30 a.m. is set out on pages 171 to 173 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrars and transfer office, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjourned meeting (as the case may be) should you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting.

23 January 2009

* *For identification purpose only*

CHARACTERISTICS OF GEM

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Advance"	each advance drawn down under the Facility pursuant to the Agreement
"Advertising Operation Year(s)"	each of the 12-month periods beginning on 1 July each year from 2009 to 2012
"Agreement"	the agreement dated 23 December 2008 entered into between the Lender, the Borrower and Keen Front with respect to the Facility and the Call Options
"Board"	the board of Directors
"Borrower"	Southern International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Keen Front
"Call Options"	the exclusive rights and options granted by the Borrower to the Lender and/or its designated companies to subscribe for shares in the capital of the Borrower at the exercise price under the terms and conditions and in the manner set forth in the Agreement, the exercise of which will be subject to the consents and approvals required by laws and regulations applicable to the Borrower, Shougang Grand and the Company, including the Listing Rules and the GEM Listing Rules
"Cap Amount"	the sum of the principal amount of the Loan and the interest thereof, being RMB118 million (approximately HK$134,048,000)
"China Film"	中國電影集團公司 (China Film Group Corporation), a company incorporated in the PRC, a third party independent of each of Shougang Grand, the Company and their respective connected persons
"Company"	Global Digital Creations Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on GEM
"connected person"	has the meanings ascribed to it under the Listing Rules and the GEM Listing Rules (as appropriate)
"Consideration"	RMB223,791,600 (equivalent to approximately HK$254,227,000) payable by China Film to Shenzhen IDMT pursuant to the Disposal Agreement

"Director(s)"	the director(s) of the Company
"Disposal Agreement"	the agreement dated 9 January 2009 entered into between Shenzhen IDMT and China Film in relation to the disposal of the Disposal Equipments by Shenzhen IDMT to China Film
"Disposal Equipments"	445 units of digital cinema equipment and related accessories, which are accounted as an intangible asset under HK GAAP. These equipments were installed at cinemas all over the PRC for exhibition of digital contents, of which Shenzhen IDMT can share a specified percentage of the box office receipts
"Enlarged Group"	the Company and its subsidiaries immediately after the completion of the Agreement and the exercise of the Call Options
"Facility"	the term loan facility of RMB100 million (approximately HK$113,600,000) granted by the Lender and/or its designated companies to the Borrower and/or its designated companies under the Agreement
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Guangzhou Yingyi"	廣州市影逸廣告有限公司 (Guangzhou Yingyi Advertising Co., Ltd.*), a company established under the laws of the PRC and is owned as to 80% by Ningbo Yingyi
"HK GAAP"	generally accepted accounting principles in Hong Kong
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Valuer"	Jones Lang LaSalle Sallmanns Ltd.
"Keen Front"	Keen Front Group Limited, a company incorporated in the British Virgin Islands, the holding company of the Borrower
"Latest Practicable Date"	21 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in the circular

"Lender"	GDC Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of the Securities on the Stock Exchange
"Loan"	at any time, the aggregate of all Advances outstanding at such time
"Ningbo Yingyi"	寧波影逸信息技術有限公司 (Ningbo Yingyi Information Technology Co., Ltd.*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Borrower
"PRC"	the Peoples' Republic of China
"PRC Media JV"	中影首鋼環球數碼數字影院建設(北京)有限公司 (CFGDC Digital Cinema Company Limited), a sino-foreign joint venture established in the PRC and is owned as to 51% by China Film and as to 49% by Shougang GDC Media
"Proposed Disposal"	the proposed disposal of the Disposal Equipments by Shenzhen IDMT to China Film
"Remaining Group"	the Group immediately after the Proposed Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
"SGM"	the special general meeting of Shougang Grand and the Company (as appropriate) to be held at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 17 February 2009 at 10:30 a.m. for the purpose of approving the Agreement, the Disposal Agreement and the respective transactions contemplated thereunder, and re-election of Director
"Shares"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholders"	holders of Shares
"Shenzhen IDMT"	環球數碼媒體科技研究(深圳)有限公司 (Institute of Digital Media Technology (Shenzhen) Limited), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company

"Shougang GDC Media"	Shougang GDC Media Holding Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Shougang Grand"	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the main board of the Stock Exchange and is the holding company of the Company
"Shougang Grand Share(s)"	ordinary shares of HK$0.01 each in the share capital of Shougang Grand
"Shougang Grand Shareholder(s)"	holder(s) of Shougang Grand Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the joint venture contract of the PRC Media JV entered into on 22 September 2008 between China Film and Shougang GDC Media
"Transactions"	the transactions contemplated under the Agreement and the Disposal Agreement
"TV Channel Advertising Agreement"	the agreement entered into between Guangzhou Yingyi and 廣東珠江電影文化發展有限公司 (Guangdong Zhujiang Movie Cultural Development Co., Ltd.*) in December 2008, pursuant to which Guangzhou Yingyi is the sole advertising agent for the television channel of Guangdong Television Station for a 20-year period commencing from 1 July 2009
"%"	per cent.

Unless otherwise specified in this circular, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK$ at RMB1 = HK$1.136.

No representation is made that any amount in HK$ could have been or could be converted at the above rate or at any other rates or at all.

Certain English translation of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

* *For identification purpose only*

环球數碼創意控股有限公司*

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

Executive Directors:
Mr. Cao Zhong *(Chairman)*
Mr. Chen Zheng *(Managing Director)*
Mr. Jin Guo Ping *(Deputy Managing Director)*
Ms. Lu Yi, Gloria *(Deputy Managing Director)*

Non-executive Director:
Mr. Leung Shun Sang, Tony

Independent Non-executive Directors:
Mr. Kwong Che Keung, Gordon
Mr. Hui Hung, Stephen
Dr. Japhet Sebastian Law

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Rooms 1101-4, 11th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

23 January 2009

To the Shareholders

Dear Sir or Madam,

(I) MAJOR TRANSACTION IN RELATION TO THE GRANTING OF THE FACILITY BY THE LENDER TO THE BORROWER, VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE CAP AMOUNT FOR THE EXERCISE OF THE CALL OPTIONS; (II) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE DISPOSAL EQUIPMENTS BY SHENZHEN IDMT TO CHINA FILM; AND (III) RE-ELECTION OF DIRECTOR

INTRODUCTION

On 23 December 2008, the Lender, a wholly-owned subsidiary of the Company, entered into the Agreement with the Borrower and Keen Front, pursuant to which the Lender agreed to, and/or procure its designated companies to, make available to the Borrower and/or its designated companies the Facility. In consideration for the provision of the Facility, the Borrower has granted the Lender

* *For identification purpose only*

and/or its designated companies an exclusive right to subscribe for shares in the capital of the Borrower (representing 20% of the enlarged issued capital of the Borrower) within the six months period immediately after the end date (that is, 30 June) for each of the Advertising Operation Years. The total number of shares to be subscribed by the Lender under the Call Options shall not in aggregate exceed 60% of the total number of shares of the Borrower in issue as enlarged by such subscriptions.

On 9 January 2009, Shenzhen IDMT, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with China Film pursuant to which Shenzhen IDMT agreed to dispose the Disposal Equipments to China Film for cash at a total consideration of RMB223,791,600 (equivalent to approximately HK$254,227,000).

The granting of the Facility by the Lender to the Borrower on a stand-alone basis and the Cap Amount for the exercise of the Call Options constitute a major transaction and a very substantial acquisition for the Company under the GEM Listing Rules, respectively. The Proposed Disposal also constitutes a very substantial disposal for the Company under the GEM Listing Rules.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, none of the Shareholders has a material interest in the Agreement and the Disposal Agreement or is required to abstain from voting for the resolutions to approve the entering into of the Agreement, the Disposal Agreement and the respective transactions contemplated thereunder.

On 15 August 2008, the Board announced that Dr. Japhet Sebastian Law was appointed as an independent non-executive Director as well as a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 1 September 2008.

According to the code on corporate governance practices of appendix 15 of the GEM Listing Rules and the bye-laws of the Company, Dr. Japhet Sebastian Law would hold office until the next following general meeting of the Company after his appointment, at which time he would be eligible for re-election. As such, an ordinary resolution will be proposed at the SGM to re-elect Dr. Japhet Sebastian Law as an independent non-executive Director of the Company.

The purpose of this circular is to provide you with further information on (i) the Agreement in relation to the granting of the Facility by the Lender to the Borrower and the Cap Amount for the exercise of the Call Options; (ii) the Disposal Agreement in relation to the Proposed Disposal; and (iii) the re-election of Director, together with, among other things, a notice to convene the SGM.

(I) MAJOR TRANSACTION AND VERY SUBSTANTIAL ACQUISITION

THE AGREEMENT

Date

23 December 2008

Parties

(1) the Lender, a wholly-owned subsidiary of the Company;

(2) the Borrower; and

(3) Keen Front, the holding company of the Borrower, principally engaged in investment holding.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, the Borrower, Keen Front and their respective ultimate beneficial owners are third parties independent of the Company or any of its connected persons.

Principal terms of the Agreement

Loan facility	:	The Lender agreed to, and/or procure its designated companies to, make available to the Borrower and/or its designated companies a term loan facility in the maximum principal amount of RMB100 million (approximately HK$113,600,000).
Purpose	:	The Loan shall be used for the purposes of satisfying Guangzhou Yingyi's obligations under the TV Channel Advertising Agreement and as working capital of Guangzhou Yingyi.
Term	:	From the date of the Agreement becoming effective (that is, having obtained the approvals from the Shougang Grand Shareholders and the Shareholders and complying with the relevant disclosure and/or approval requirements under the Listing Rules and the GEM Listing Rules) to 30 June 2012.

Security	:	The Facility is secured by a charge of each of (i) 10,000 shares of the Borrower (representing the entire issued share capital of the Borrower) held by Keen Front in favour of the Lender and/or its designated company; (ii) the entire equity interest in Ningbo Yingyi held by the Borrower in favour of the Lender and/or its designated companies; and (iii) 80% of the equity interest of Guangzhou Yingyi held by Ningbo Yingyi in favour of the Lender and/or its designated companies. As at the Latest Practicable Date, a share charge deed dated 23 December 2008 in relation to the above item (i) had been executed by Keen Front in favour of the Lender and a share charge agreement in relation to the above item (ii) dated 23 December 2008 had been entered into between the Borrower, Ningbo Yingyi and the Lender.
Interest	:	Interest at a rate of 6% per annum, which was arrived at arm's length negotiation basis under normal commercial terms with reference to the current market rate, taken into account the repayment capability of the Borrower by assessing the credit worthiness of the Borrower, the securities held by the Lender and the terms of the Facility. The maximum amount of interest payable by the Borrower under the Agreement is RMB18,000,000 (approximately HK$20,448,000).
Repayment	:	The Lender has the right to demand, at its option, for the repayment of the outstanding amounts of the Loan and the interest thereunder to be settled by way of set-off against the amounts payable by the Lender and/or its designated companies to the Borrower as the exercise price of the Call Options. In the event that the aggregate outstanding amounts of the Loan and the interest thereunder exceeds the aggregate amount of the exercise price payable by the Lender and/or its designated companies to the Borrower and/or its designated companies for the exercise of the Call Options, the Borrower and/or its designated companies shall forthwith repay such differences to the Lender and/or its designated companies in full on the earliest of: (i) 30 June 2012; (ii) Guangzhou Yingyi fails to perform its obligations under the TV Channel Advertising Agreement; and (iii) the Borrower breaches its undertakings stipulated in the Agreement.

Others : (i) The Lender and/or its designated companies has advanced a sum of RMB60 million (approximately HK$68,160,000) to the Borrower and/or its designated companies upon entering into of the Agreement. Upon the Agreement coming into effect, the sum of RMB60 million (approximately HK$68,160,000) will form part of the Loan under the Agreement. In the event that the Shougang Grand Shareholders and the Shareholders do not approve the entering into of the Agreement and the transactions contemplated thereunder, the Borrower and/or its designated companies will repay the sum of RMB60 million (approximately HK$68,160,000) together with interest calculated at a rate of 6% per annum within three business days upon receipt of a notice from the Lender.

(ii) Upon the Agreement coming into effect, the Borrower may make multiple drawings under the Facility provided that (a) a five business days' written notice is given in advance to the Lender; and (b) the total amount of the drawings to be made by the Borrower and/or its designated companies under the Agreement, including the sum of RMB60 million (approximately HK$68,160,000) advanced by the Lender and/or its designated companies upon entering into the Agreement, shall not exceed RMB100 million (approximately HK$113,600,000).

Conditions : Save for the RMB60 million (approximately HK$68,160,000) advanced by the Lender and/or its designated companies upon entering into the Agreement, the obligation of the Lender and/or its designated companies to make any Advance under the Agreement is subject to, among other things, the following conditions:

(1) the conducting of the due diligence review on the Borrower, Ningbo Yingyi and Guangzhou Yingyi and the result of which is to the satisfaction of the Lender;

(2) completion of all the necessary procedures on the charge of 10,000 shares of the Borrower held by Keen Front in favour of the Lender;

(3) completion of all the necessary procedures on the charge of the entire equity interest in Ningbo Yingyi held by the Borrower in favour of the Lender and/or its designated companies;

(4) completion of all the necessary procedures on the charge of the 80% equity interest in Guangzhou Yingyi held by Ningbo Yingyi in favour of the Lender and/or its designated companies;

(5) all necessary governmental and regulatory approvals, consents and registrations required for the performance of the TV Channel Advertising Agreement contemplated thereunder have been obtained; and

(6) each of the persons nominated by the Lender having been appointed as the director of the Borrower so that 50% of the composition of the board of directors of the Borrower is controlled by the Lender. As the Borrower currently has one director, the Lender has the right to appoint a nominee to the board of the Borrower.

As at the Latest Practicable Date, save for condition (5) as disclosed above, other conditions have yet to be fulfilled.

Call Options : In consideration for the provision of the Facility, the Borrower has granted the Lender and/or its designated companies an exclusive right to subscribe for shares in the capital of the Borrower (representing 20% of the enlarged issued capital of the Borrower) within the six months period immediately after the end date (that is, 30 June) for each of the Advertising Operation Years. The total number of shares to be subscribed by the Lender under the Call Options shall not in aggregate exceed 60% of the total number of shares of the Borrower in issue as enlarged by such subscriptions. The total amount of consideration for the grant of Call Options is HK$1, which was based on arm's length negotiations between the parties.

Exercise period : The Call Options may be exercised by the Lender and/or its designated companies within the six months period immediately after the end date (that is, 30 June) for each of the Advertising Operation Years.

Exercise price for the Call Options : The exercise price of the Call Options will be determined as follows:

(1) If the audited consolidated financial statements of the Borrower prepared under the HK GAAP for the Advertising Operation Year immediately prior to the exercise of the Call Options record an after tax net profit, the exercise price will be equivalent to the price-earning multiple of 6 of the Borrower based on the audited consolidated financial statements prepared under the HK GAAP for the Advertising Operation Year immediately prior to the exercise of the Call Options. The multiple of 6 times of price-earning was determined after arm's length negotiations and reference to the advertising sector comparable valuations based on public information. Shougang Grand and the Company consider that the price-earning multiple of 6 is reasonable; and

(2) If the audited consolidated financial statements of the Borrower prepared under the HK GAAP for the Advertising Operation Year immediately prior to the exercise of the Call Options record a net loss, the exercise price will be HK$1 per share, being the par value of the share of the Borrower.

As each of Shougang Grand and the Company proposes to seek its respective shareholders' approval at their respective SGM of the Cap Amount for the exercise of the Call Options, the aggregate of the exercise price of the Call Options will not exceed the Cap Amount. Shougang Grand and the Company will comply with the relevant disclosure and/or shareholders' approval requirements under the respective requirements of the Listing Rules and the GEM Listing Rules if the exercise price of the Call Options exceeds the Cap Amount.

Payment of the exercise price	:	The Lender has the right to demand, at its option, to settle the consideration payable upon exercise of the Call Options by way of set-off against the outstanding amounts of the Loan and the interest thereunder.
Others	:	The consideration paid or set-off by the Lender upon exercising the Call Options, if any, shall be forthwith repaid in full by the Borrower and/or its designated companies to the Lender and/or its designated companies if Guangzhou Yingyi fails to perform its obligations under the TV Channel Advertising Agreement, or the Borrower breaches its undertakings stipulated in the Agreement.

The terms of the Agreement were determined after arm's length negotiation and on normal commercial terms. The Facility will be funded by the internal resources of the Group.

INFORMATION ON THE BORROWER, NINGBO YINGYI AND GUANGZHOU YINGYI

Borrower

The Borrower is an investment holding company incorporated in Hong Kong with limited liability on 23 October 2008. The Borrower was recently incorporated to serve as an investment holding company with limited assets and no material income and/or expenses incurred. As at the Latest Practicable Date, Keen Front held the entire issued share capital of the Borrower.

According to Appendix III – "Accountants' report of the Borrower" to this circular for the period from the date of its incorporation to 30 November 2008, the only asset of the Borrower as of 30 November 2008 was the cash and bank balances in the sum of HK$1,102,000 received principally from advance made by the ultimate holding company of the Borrower. Apart from the administrative and other operating expenses in the aggregate sum of approximately HK$34,000, there was no material income and/or expenses incurred up to 30 November 2008 and the loss for the period from the date of its incorporation to 30 November 2008 was approximately HK$34,000.

Ningbo Yingyi

Ningbo Yingyi was an investment holding company established in the PRC with limited liability in December 2008. As at the Latest Practicable Date, the Borrower held all the registered capital of Ningbo Yingyi.

Guangzhou Yingyi

Guangzhou Yingyi was established in the PRC in December 2008 and is principally engaged in media advertising business in the PRC. As at the Latest Practicable Date, 80% of the registered capital of Guangzhou Yingyi was held by Ningbo Yingyi.

Both Ningbo Yingyi and Guangzhou Yingyi were established in the PRC in December 2008 and no accounts have been prepared for these companies.

In December 2008, Guangzhou Yingyi entered into the TV Channel Advertising Agreement with廣東珠江電影文化發展有限公司 (Guangdong Zhujiang Movie Cultural Development Co., Ltd.*), pursuant to which Guangzhou Yingyi has obtained the right ("Right") to become the sole advertising agent for the television channel of Guangdong Television Station for a 20-year period commencing from 1 July 2009. Pursuant to the TV Channel Advertising Agreement, Guangzhou Yingyi will be responsible for the operation, including production and procurement of television program, acquisition of equipment and the sale of advertisement airtime for the television channel of Guangdong Television Station. The Directors consider that the Right provides an opportunity for the Group to participate in the media advertising industry in the PRC which has shown considerable growth in recent years. Guangdong Television Station is a new television channel which has commenced its broadcasting trial-run in late December 2008 focusing on the Guangdong province.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Borrower, Keen Front and their respective ultimate beneficial owners are third parties independent of the Company or any of its connected persons.

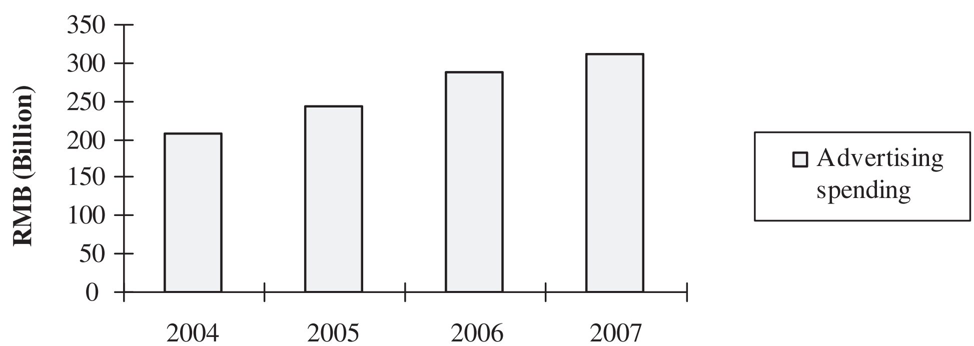
THE MEDIA ADVERTISING INDUSTRY IN THE PRC

The Directors considered that by entering into the Agreement, the Group will be able to participate in the media advertising industry in the PRC which has shown considerable growth in recent years and it is expected that this stable growth will continue in the coming years as the national economy of the PRC continues to grow.

The media advertising industry in the PRC can be mainly categorised into different segments by the different media employed such as television, radio, newspaper, magazine and outdoor medium.

According to the market research conducted by CTR Market Research, an independent market research company, total advertising spending in the PRC grew from approximately RMB170 billion in 2003 to RMB312 billion in 2007, representing a compound annual growth rate of approximately 16.39%. The following chart illustrates the advertising spending in the PRC for the years 2004 to 2007:

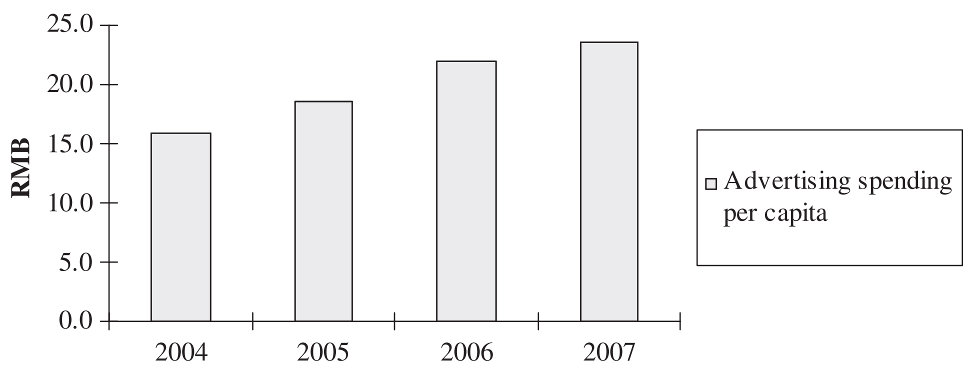
Total advertising spending in the PRC



Source: CTR Market Research – Media Intelligence

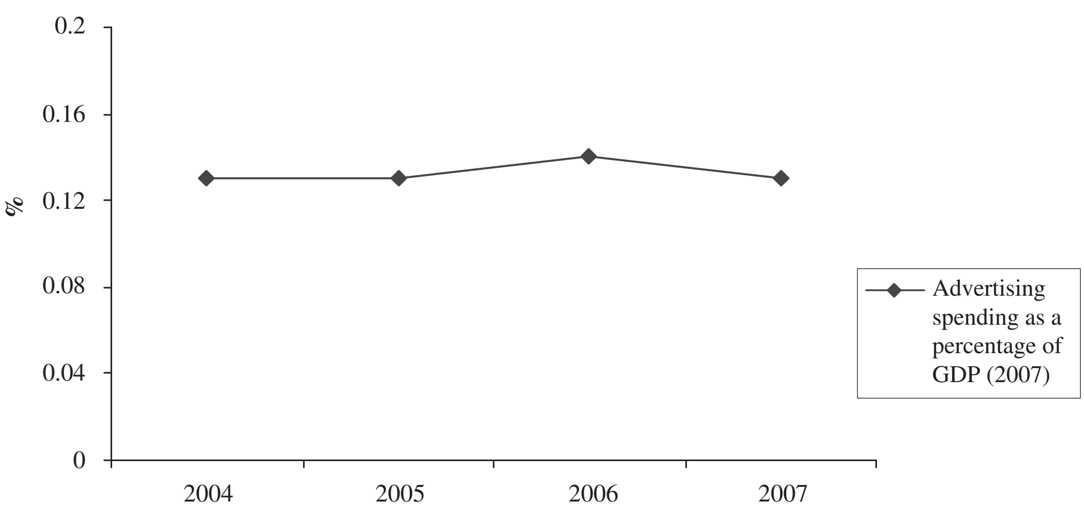
The advertising spending per capita in the PRC has also experienced an increase from RMB13.2 in 2003 to RMB23.6 in 2007, representing a compound annual growth rate of approximately 15.73%, while the advertising spending per capita as a percentage of the gross domestic product ("GDP") in the PRC remains relatively stable during the years from 2004 to 2007. Set out in the charts below are (i) the advertising spending per capita in the PRC for the years 2004 to 2007 and (ii) the advertising spending per capita as a percentage of the GDP in the PRC for the years 2004 to 2007.

Advertising spending per capita in the PRC



Source: CTR Market Research – Media Intelligence

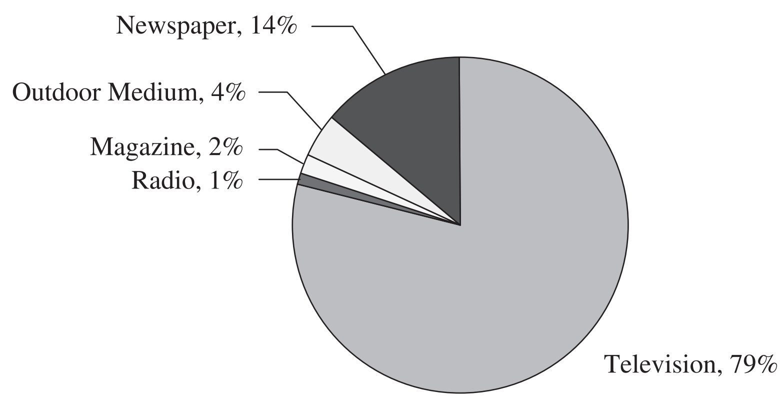
Advertising spending per capita as a percentage of the GDP



Source: CTR Market Research – Media Intelligence

Further, pursuant to the market research conducted by CTR Media Intelligence, television advertising spending has amounted to approximately RMB246 billion, representing approximately 79% of the total advertising spending for 2007. Set out in the chart below is the breakdown of the advertising spending by media in the PRC in 2007:

Breakdown of the advertising spending by media in the PRC in 2007



Source: CTR Market Research – Media Intelligence

Moreover, according to the China Statistical Yearbook 2008 published by the National Bureau of Statistics of China, the GDP of the PRC experienced an annual growth rate of 10.1%, 10.4%, 11.6% and 11.9% for the years 2004, 2005, 2006 and 2007. In addition, for the third quarter of 2008, the GDP of the PRC has recorded an approximately 9.9% increase from that in the third quarter of 2007. Such rapid and sustained economic growth and the increase in the consumer spending have contributed to the growth of the media advertising industry in the PRC.

MARKET COMPARABLE VALUATIONS

Under the Agreement, the Lender has been granted with the Call Options, pursuant to which the Lender and/or its designated companies has been conferred with an exclusive right to subscribe for shares in the capital of the Borrower at the exercise price equivalent to the price-earning multiple of 6 of the Borrower based on the audited consolidated financial statements prepared under the HKGAAP for the Advertising Operation Year immediately prior to the exercise of the Call Options. The price-earning multiple of 6 is determined after arm's length negotiations with reference to the advertising sector comparables valuations (the "Advertising Comparables"). Having taken into account the price-earning multiple of the Advertising Comparables in which the possible exercise price of the Call Options is within the range, the Company considers such exercise price is reasonable so far as the Company and the Shareholders are concerned. Details of the Advertising Comparables are summarised as follows:

Company name	**Principle business activities**	**Market capitalisation on 23 December 2008 (HK$ million)** *(Note 1)*	**P/E** *(Note 2)*
	Prints advertising		
Sing Tao News Corporation Limited	Media, human capital management, property holding, trading of photographic products and investment holding	308.73	4.08
Oriental Press Group Ltd	Publication of newspapers	1,894.36	2.85
Next Media Limited	Printing and reprographic services, magazine publishing and advertising, internet content provision and advertising	2,123.00	4.14
Hong Kong Economic Times Holdings Limited	Publication of Hong Kong Economic Times, magazine publishing (e-zone), book publishing, recruitment advertising and training for business executives, and provide real-time financial information	561.08	4.90
SCMP Group Limited	Publishing, printing & distribution of the South China Morning Post, Sunday Morning Post and other print & digital publications, video & film post-production and property investment	4,027.24	8.15

Company name	Principle business activities	Market capitalisation on 23 December 2008 (HK$ million) *(Note 1)*	P/E *(Note 2)*
Media Chinese International Limited	Publishing, printing and distribution of Chinese-language newspapers, magazines and books, and the provision of travel and travel related services	2,020.68	56.87
One Media Group Limited	Publication, marketing and distribution of Chinese-language lifestyle magazines and sale of advertising space in those magazines	97.60	6.67
New Media Group Holdings Limited	Magazine publishing business	126.00	3.17
Recruit Holdings Limited	Media advertising business, including recruitment, inflight magazine and statutory announcement, and printing business	182.81	2.68
Beijing Media Corporation Limited	Sale of advertising space, provision of printing services, trading of print-related materials, distribution of newspapers and event organising in the PRC	451.84	26.88
	TV advertising		
Qin Jia Yuan Media Services Company Limited	Provide TV programme related services, marketing related services and public relations services in the PRC	1,013.56	4.59
Phoenix Satellite Television Holdings Limited	Provision of satellite television broadcasting activities	3,369.00	10.63

Company name	Principle business activities	Market capitalisation on 23 December 2008 (HK$ million) *(Note 1)*	P/E *(Note 2)*
Television Broadcasts Limited	Terrestrial television broadcasting with programme production, programme licensing and distribution, overseas satellite pay TV operations, channel operations and other related activities	10,643.40	8.38
i-Cable Communications Limited	Provision of Pay-TV program services, internet services and interactive multimedia services	1,106.79	11.96
	Outdoor advertising and agency		
Roadshow Holdings Limited	Provision of media sales and management services for the Multi-media On-board business, operation of media advertising management services through marketing advertising spaces on transit vehicle exteriors, shelters and outdoor signages	483.72	9.38
Sinomedia Holding Limited	Privately-owned media advertising operator, and provide a wide range of value-added services to both TV stations and advertising clients	451.55	8.16
Clear Media Limited	Outdoor media sales, and comprises the display of advertisements on bus shelters, unipoles, advertising light boxes in airport, bus bodies and point-of-sale	597.78	3.60
SEEC Media Group Limited	Provision of advertising agency services and distribution of book and magazines in the PRC	358.35	21.46

Company name	Principle business activities	Market capitalisation on 23 December 2008 (HK$ million) *(Note 1)*	P/E *(Note 2)*
	Internet advertising		
TOM Group Limited	Provision of internet, publishing, outdoor media, television and entertainment services	1,304.25	N/A *(Note 3)*
Pacific Online Limited	Provision of internet advertising services for different commodities	942.18	N/A *(Note 4)*
	Average		**11.03**

Source: Bloomberg

Note:

1. Market capitalisation of the Advertising Comparables are quoted on Bloomberg on 23 December 2008.

2. The figure represents the trailing 12 months price to earning ratio of the Advertising Comparables as quoted on Bloomberg on 23 December 2008.

3. TOM Group Limited has reported a loss of HK$297,371,000 for the year ended 31 December 2007.

4. The shares of Pacific Online Limited commenced listing on the main board of the Stock Exchange on 18 December 2007. As at 23 December 2008, the trailing 12 months financial information of the company was not available.

(II) VERY SUBSTANTIAL DISPOSAL

THE DISPOSAL AGREEMENT

Date

9 January 2009

Parties

Purchaser: China Film, a state-run film enterprise which is the largest importer of foreign films in the PRC. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, China Film and its ultimate beneficial owners are independent third parties not connected with the Company or any of its connected persons.

Vendor: Shenzhen IDMT

Information of the Disposal Equipments

Pursuant to the Disposal Agreement, Shenzhen IDMT agreed to dispose the Disposal Equipments to China Film. As at 30 June 2008, the Disposal Equipments had a carrying value of approximately HK$260.9 million.

Consideration and payment terms

The Consideration of RMB223,791,600 (equivalent to approximately HK$254,227,000) has been determined after arm's length negotiation between the parties with reference to the original investment costs of Shenzhen IDMT for the Disposal Equipments.

The Consideration for the Proposed Disposal shall be payable by China Film in cash to Shenzhen IDMT in the following manner:

(1) a sum of RMB100,000,000 (equivalent to approximately HK$113,600,000), being approximately 45% of the Consideration, shall be payable within 3 days upon the Disposal Agreement becoming effective; and

(2) the remaining balance of RMB123,791,600 (equivalent to approximately HK$140,627,000), being approximately 55% of the Consideration, shall be payable in three installments in accordance with the following schedule:

  (i) RMB50,000,000 (equivalent to approximately HK$56,800,000), being approximately 22% of the Consideration, shall be payable on or before 1 June 2009;

  (ii) RMB50,000,000 (equivalent to approximately HK$56,800,000), being approximately 22% of the Consideration, shall be payable on or before 1 September 2009; and

  (iii) RMB23,791,600 (equivalent to approximately HK$27,027,000), being approximately 11% of the Consideration, shall be payable on or before 1 December 2009.

In the event China Film fails to pay Shenzhen IDMT with the amount on the designated dates as stated above, China Film shall pay Shenzhen IDMT a daily penalty fee of 0.05% of the late payment amount.

Other terms of the Disposal Agreement

Pursuant to the Disposal Agreement:

(1) upon receiving the 1st payment of RMB100,000,000 (equivalent to approximately HK$113,600,000) from China Film, Shenzhen IDMT shall deliver the Disposal Equipments to China Film at the Disposal Equipments' existing locations. China Film can request for exchange or reject those Disposal Equipments within two weeks of the delivery if their qualities do not reach the specifications agreed between the parties; and

(2) Shenzhen IDMT shall assign its existing four-year warranty on the Disposal Equipments from the supplier of the Disposal Equipments to China Film. If Shenzhen IDMT fails to assign such warranty to China Film, Shenzhen IDMT shall be responsible for the warranty on the Disposal Equipments for the remaining period of the four-year warranty.

Condition precedent

The Disposal Agreement is conditional and effective upon the Disposal Agreement and the transactions contemplated therein having been approved by the Shougang Grand Shareholders and the Shareholders at their respective SGM.

FINANCIAL INFORMATION OF THE DISPOSAL EQUIPMENTS

	Year ended 31 December	
	2007	**2008**
	HK$'000	*HK$'000*
	(audited)	*(unaudited)*
Loss before and after tax attributable to the subjected assets of the Proposed Disposal	–	(22,995)

Based on (i) the carrying value of the Disposal Equipments of approximately HK$260.9 million as at 30 June 2008; (ii) the estimated costs of the Proposed Disposal of approximately HK$2.2 million; and (iii) the Consideration, the Group would recognise a loss from the Proposed Disposal of approximately HK$8.9 million. However, the Shareholders should note that the actual financial effects on the Proposed Disposal will be determined mainly based on the carrying value of the Disposal Equipments and fair value of the Consideration immediately upon completion of the Proposed Disposal. It is estimated that the carrying value of the Disposal Equipments will be less than HK$260.9 million immediately upon completion of the Proposed Disposal.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in the digital content business, encompassing creation, production and distribution of digital content.

(I) The Agreement

In consideration of granting the Facility to the Borrower, the Lender is granted with the Call Options which entitle the Group to subscribe up to 60% of the enlarged issued share capital of the Borrower. Upon exercise of the Call Options, the Group can extend its business to media advertising in the PRC, which is expected to sustain a healthy and stable growth rate and generate stable cash inflow in the coming years.

The Directors are of the view that the provision of the Facility and the Call Options are in line with the present strategy of the Group, which is to continue to develop its digital content business. It also provides an opportunity for the Company to participate in the media advertising industry in the PRC which has shown considerable growth in recent years and it is expected that this stable growth will continue in the coming years as the national economy of the PRC continues to grow. Accordingly, the Directors believe that the terms of the Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

(II) The Disposal Agreement

The Company, through Shenzhen IDMT, entered into a co-operation agreement with China Film on 31 October 2006 to jointly promote digital cinema business in the PRC. Since the signing of the co-operation agreement and the establishment of the PRC Media JV, Shenzhen IDMT had already invested in 448 units of digital cinema equipment. According to the Supplemental Agreement which was subsequently terminated, these equipments were intended to be injected into the PRC Media JV, and Shougang GDC Media, through its 49% interest in the PRC Media JV, would be able to share a specified percentage of the box office receipts from cinemas for exhibition of digital contents in the PRC. However, after having further considered that additional substantial amount of capital is needed to continue the deployment of digital cinema network in the PRC, the prevailing conditions in the credit market and the consecutive loss of the Disposal Equipments since its deployment up to 30 September 2008, the Directors consider that it would be more appropriate to have the Supplemental Agreement terminated and effect the Proposed Disposal. The estimated net proceeds from the Proposed Disposal will also provide funding for the Group's development in its existing business divisions and the media advertising business in the PRC. Furthermore, Shougang GDC Media and China Film has agreed to liquidate the PRC Media JV.

Upon completion of the Proposed Disposal, the Company will still continue its digital content distribution and exhibition business worldwide, including the PRC.

As at the Latest Practicable Date, save for the Disposal Equipments, Shenzhen IDMT had already sold most of its remaining digital cinema equipment to independent third parties.

Based on the Consideration and the associated estimated cost of the Proposed Disposal, the estimated net proceeds from the Proposed Disposal is approximately HK$252.0 million, which is expected to be utilised as funding for expansion of the Group's operations and as working capital to support its growth and development. Pursuant to the Agreement, upon the exercise of the Call Options, the Group will be able to extend its business to media advertising in the PRC, which is expected to sustain a healthy and stable growth rate and generate stable cash inflow for the Group in the coming years. The estimated net proceeds from the Proposed Disposal will also provide funding for the Group's development in the media advertising business in the PRC.

FINANCIAL EFFECT OF THE TRANSACTIONS

As regards the financial effects of the transactions contemplated under the Agreement, based on the Group's audited consolidated income statement for the year ended 31 December 2007 as set out in Appendix I to this circular, the profit attributable to the equity holders of the Company was approximately HK$18.3 million. As set out in Appendix VII to this circular, assuming granting of the Facility by the Lender to the Borrower and exercise of the Call Options had taken place on 1 January 2007, the unaudited pro forma consolidated profit attributable to the equity holders of the Company after completion of such transactions would amount to approximately HK$18.3 million.

Further, based on the Group's unaudited consolidated balance sheet as at 30 June 2008 as set out in Appendix I to this circular, the Group's total assets and total liabilities were approximately HK$515.4 million and HK$119.7 million, respectively. As set out in Appendix VII, assuming granting of the Facility by the Lender to the Borrower and exercise of the Call Options had taken place on 30 June 2008, the unaudited pro forma consolidated total assets and total liabilities of the Group as adjusted by the effect of such transactions would amount to approximately HK$586.2 million and HK$120.8 million, respectively.

As regards the financial effect of the transactions contemplated under the Disposal Agreement, based on the Group's audited consolidated income statement for the year ended 31 December 2007 as set out in Appendix I to this circular, the profit attributable to the equity holders of the Company was approximately HK$18.3 million. As set out in Appendix VII, assuming the Proposed Disposal had taken place on 1 January 2007, the unaudited pro forma consolidated profit attributable to the equity holders of the Company after completion of the Proposed Disposal would amount to approximately HK$9.4 million.

Moreover, based on the Group's unaudited consolidated balance sheet as at 30 June 2008 as set out in Appendix I to this circular, the Group's total assets and total liabilities were approximately HK$515.4 million and HK$119.7 million, respectively. As set out in Appendix VII, assuming the Proposed Disposal had taken place on 30 June 2008, whereas the unaudited pro forma consolidated total assets and total liabilities of the Group as adjusted by the effect of the Proposed Disposal would amount to approximately HK$508.8 million and HK$121.9 million, respectively.

Further information which illustrates the financial effects of the respective transactions contemplated under (I) the Agreement and (II) the Disposal Agreement on the Group's financial position is set out in "Appendix VII – Unaudited pro forma financial information" to this circular.

(III) RE-ELECTION OF DIRECTOR

On 15 August 2008, the Board announced that Dr. Japhet Sebastian Law was appointed as an independent non-executive Director as well as a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 1 September 2008.

According to the code on corporate governance practices of appendix 15 of the GEM Listing Rules and the bye-laws of the Company, Dr. Japhet Sebastian Law would hold office until the next following general meeting of the Company after his appointment, at which time he would be eligible for re-election. As such, an ordinary resolution will be proposed at the SGM to re-elect Dr. Japhet Sebastian Law as an independent non-executive Director of the Company.

Dr. Japhet Sebastian Law, aged 57. Dr. Law was appointed an independent non-executive Director of the Company in September, 2008. He is also a member of each of the audit committee, the nomination committee and the remuneration committee of the Company. Dr. Law graduated from the University of Texas at Austin with doctor of philosophy in mechanical/industrial engineering in 1976. He joined the Chinese University of Hong Kong in 1986 and is currently a professor in the Department of Decision Sciences and Managerial Economics. He was the associate dean and subsequently the dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Dr. Law was the director of Operations Research at the Cullen College of Engineering and director of Graduate Studies in Industrial Engineering at the University of Houston and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. He acts as consultants for various corporations in Hong Kong and overseas. Dr. Law is active in public services and serves as member of the Provisional Regional Council of the Hong Kong SAR Government and varies other committees. He is active on the boards of profit, non-profit, and charitable organisations in Hong Kong and overseas. From July 2003 to February 2006, Dr. Law had acted as an independent non-executive Director of the Company. He currently serves as independent non-executive directors of Tianjin Port Development Holdings Limited and Beijing Capital International Airport Co., Ltd. Save as disclosed above, Dr. Law does not hold any directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and is independent of and not connected with the directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company or any of its subsidiaries.

An engagement letter has been entered into with Dr. Law for a term commencing from 1 September 2008 to 31 December 2010. Under the engagement letter, Dr. Law is entitled to receive a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ending 31 December 2009, the director's fee of Dr. Law will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Dr. Law. For the financial year ended 31 December 2008, the director's fee of Dr. Law is HK$80,000. The relevant director's fees were determined by the Board pursuant to the authority given by the Shareholders and with reference to Dr. Law's experience and duties as well as the then prevailing market conditions. As at the Latest Practicable Date, Dr. Law did not have any interests in Shares within the meaning of Part XV of the SFO.

In relation to the proposed re-election of Dr. Law as an independent non-executive Director of the Company, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under rules 17.50(2)(h) to (v) of the GEM Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

GENERAL

The granting of the Facility by the Lender to the Borrower on a stand-alone basis constitutes a major transaction for the Company under the GEM Listing Rules. The Cap Amount for the exercise of the Call Options constitutes a very substantial acquisition for the Company. The Proposed Disposal constitutes a very substantial disposal for the Company under the GEM Listing Rules.

Accordingly, the entering into of (i) the Agreement and the transactions contemplated thereunder, which include the provision of the Facility, grant of the Call Options and the exercise of the Call Options within the six months period immediately after the end date (that is, 30 June) of each of the Advertising Operation Years subject to the Cap Amount; and (ii) the Disposal Agreement and the transactions contemplated thereunder, are subject to the approvals of the Shareholders at the SGM. The Company will comply with the requirements of the GEM Listing Rules upon the exercise of the Call Options.

In addition, the proposed re-election of Dr. Japhet Sebastian Law as an independent non-executive Director of the Company, is also subject to the approval by the Shareholders at the SGM to be convened to approve the Transactions.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, none of the Shareholders has a material interest in the Agreement and the Disposal Agreement or is required to abstain from voting for the resolutions to approve the entering into of the Agreement, the Disposal Agreement and the respective transactions contemplated thereunder and the re-election of Director.

SGM

The Company will convene the SGM at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 17 February 2009, at 10:30 a.m. at which ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the Agreement, the Disposal Agreement and the respective transactions contemplated thereunder and the re-election of Director.

A notice convening the SGM is set out on pages 171 to 173 of this circular. A form of proxy for use at the SGM and at any adjournment thereof is enclosed herewith. Whether or not you are able to attend and vote at the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrars and transfer office, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjourned meeting (as the case may be), should you so wish.

RECOMMENDATIONS

The Directors consider the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend all Shareholders to vote in favor of the ordinary resolutions to approve the Agreement, the Disposal Agreement and the respective transactions contemplated thereunder at the SGM.

In addition, the Directors recommend all Shareholders to vote in favor of the resolution for re-election of Dr. Japhet Sebastian Law as an independent non-executive Director of the Company to be proposed at the SGM.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
Global Digital Creations Holdings Limited
Cao Zhong
Chairman

1. FINANCIAL SUMMARY

The following table is a summary of the results and financial position of the Group for the three years ended 31 December 2005, 2006 and 2007 and for the six months ended 30 June 2007 and 2008 extracted from the annual reports of the Company for the years ended 2006 and 2007, and interim report for the six months ended 30 June 2008.

Results

	For the year ended 2005	For the year ended 2006	For the year ended 2007	For the six months ended 30 June 2007	For the six months ended 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	32,195	54,920	246,125	40,109	31,242
Cost of sales	(34,848)	(30,135)	(165,544)	(18,180)	(35,253)
Allowance for production work in progress	(24,712)	–	–	–	–
Gross (loss) profit	(27,365)	24,785	80,581	21,929	(4,011)
(Loss) profit before tax	(76,205)	(30,245)	24,568	40,525	(58,514)
Income tax expense	(151)	–	(3,099)	–	–
(Loss) profit for the year/period	(76,356)	(30,245)	21,469	40,525	(58,514)
Attributable to:					
Equity holders of the Company	(76,356)	(30,245)	18,302	40,920	(54,580)
Minority interests	–	–	3,167	(395)	(3,934)
	(76,356)	(30,245)	21,469	40,525	(58,514)
(Loss) earnings per share					
Basic	(9.53 HK cents)	(3.78 HK cents)	1.62 HK cents	4.19 HK cents	(4.21 HK cents)
Diluted	N/A	N/A	1.57 HK cents	4.02 HK cents	N/A

Financial position

	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Total assets	34,319	26,501	528,477	515,424
Total liabilities	(162,531)	(181,210)	(93,286)	(119,656)
Net (liabilities) assets	(128,212)	(154,709)	435,191	395,768
Equity attributable to equity holders of the Company	(128,212)	(155,026)	358,036	322,126
Share options reserve of a subsidiary	–	317	15,988	15,981
Minority interests	–	–	61,167	57,661
Total equity	(128,212)	(154,709)	435,191	395,768

AUDITED FINANCIAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2007

The following is a summary of the audited financial statements of the Group for the year ended 31 December 2007 as extracted from the published 2007 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	7	246,125	54,920
Cost of sales		(165,544)	(30,135)
Gross profit		80,581	24,785
Other income	10	14,413	1,099
Distribution costs and selling expenses		(7,720)	(6,479)
Administrative expenses		(99,878)	(38,365)
Finance costs	11	(4,002)	(13,080)
Share of loss of an associate		(298)	–
Discount on acquisition of additional interest in a subsidiary	39	1,342	–
Gain on dilution of interest in a subsidiary	12	40,130	–
Gain on disposal of partial interest in a subsidiary	13	–	1,795
Profit (loss) before tax		24,568	(30,245)
Income tax expense	14	(3,099)	–
Profit (loss) for the year	15	21,469	(30,245)
Attributable to:			
Equity holders of the Company		18,302	(30,245)
Minority interests		3,167	–
		21,469	(30,245)
		HK cents	HK cents
Earnings (loss) per share	17		
Basic		1.62	(3.78)
Diluted		1.57	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	18	14,780	4,868
Intangible asset	19	221,545	–
Available-for-sale investment	20	–	–
Prepaid lease payments	21	5,612	–
Interest in an associate	22	424	–
Advance paid for acquisition of intangible asset		35,581	–
		277,942	4,868
Current assets			
Inventories	23	6,761	2,469
Production work in progress	24	–	–
Amounts due from customers for contract work	25	1,494	808
Trade receivables	26	11,502	6,080
Prepayments, deposits and other receivables		11,434	3,680
Prepaid lease payments	21	114	–
Amount due from an associate	27	1,053	–
Pledged bank deposit	28	7,800	–
Bank balances and cash	28	210,377	8,596
		250,535	21,633
Current liabilities			
Income received in advance		10,189	6,701
Amounts due to customers for contract work	25	1,440	1,850
Trade payables	29	4,197	2,838
Other payables and accruals		18,596	29,288
Amounts due to fellow subsidiaries	30	2,553	12,284
Amounts due to directors	30	2,912	2,308
Amount due to a shareholder	31	–	339
Amounts due to other related parties	32	877	1,501
Tax liabilities		3,099	–
Loans from other related parties	33	–	1,209
Loan from a fellow subsidiary – due within one year	34	35,000	–
Obligations under finance leases – due within one year	35	525	1,484
Secured bank borrowing – due within one year	36	13,898	10,000
Other loan	37	–	18,295
		93,286	88,097

	Notes	2007 HK$'000	2006 HK$'000
Net current assets (liabilities)		157,249	(66,464)
Total assets less current liabilities		435,191	(61,596)
Non-current liabilities			
Loan from a fellow subsidiary – due after one year	*34*	–	92,169
Obligations under finance leases – due after one year	*35*	–	489
Amount due to other related party – due after one year	*32*	–	455
		–	93,113
Net assets (liabilities)		435,191	(154,709)
Capital and reserves			
Share capital	*38*	12,952	8,008
Share premium and reserves		345,084	(163,034)
Equity attributable to equity holders of the Company		358,036	(155,026)
Share options reserve of a subsidiary		15,988	317
Minority interests		61,167	–
Total equity		435,191	(154,709)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium account HK$'000	Capital contribution reserve HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Statutory reserve HK$'000 (Note c)	Share options reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000 (Note d)	Accumulated losses HK$'000	Total HK$'000	Share options reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	8,008	92,438	445	40,271	680	–	(44)	–	(270,010)	(128,212)	–	–	(128,212)
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	(2,161)	–	–	(2,161)	–	–	(2,161)
Loss for the year	–	–	–	–	–	–	–	–	(30,245)	(30,245)	–	–	(30,245)
Total recognised expenses for the year	–	–	–	–	–	–	(2,161)	–	(30,245)	(32,406)	–	–	(32,406)
Sub-total	8,008	92,438	445	40,271	680	–	(2,205)	–	(300,255)	(160,618)	–	–	(160,618)
Recognition of equity-settled share based payments	–	–	–	–	–	5,590	–	–	–	5,590	347	–	5,937
Exercise of share options	–	–	–	–	–	–	–	–	–	–	(28)	–	(28)
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	2	2	(2)	–	–
At 31 December 2006 and at 1 January 2007	8,008	92,438	445	40,271	680	5,590	(2,205)	–	(300,253)	(155,026)	317	–	(154,709)
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	5,271	–	–	5,271	–	22	5,293
Profit for the year	–	–	–	–	–	–	–	–	18,302	18,302	–	3,167	21,469
Total recognised income for the year	–	–	–	–	–	–	5,271	–	18,302	23,573	–	3,189	26,762
Sub-total	8,008	92,438	445	40,271	680	5,590	3,066	–	(281,951)	(131,453)	317	3,189	(127,947)
Shares issued	4,320	479,624	–	–	–	–	–	–	–	483,944	–	–	483,944
Transaction costs attributable to issue of shares	–	(12,740)	–	–	–	–	–	–	–	(12,740)	–	–	(12,740)
Increase in minority share of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,940	9,940
Exercise of share options	624	30,348	–	–	–	(7,817)	–	–	–	23,155	–	–	23,155
Exercise of share options of a subsidiary	–	–	–	–	–	–	–	–	–	–	(235)	3,014	2,779
Recognition of equity-settled share based payments	–	–	–	–	–	41,488	–	–	–	41,488	15,914	–	57,402
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	8	8	(8)	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(46,366)	–	(46,366)	–	45,024	(1,342)
At 31 December 2007	12,952	589,670	445	40,271	680	39,261	3,066	(46,366)	(281,943)	358,036	15,988	61,167	435,191

Notes:

(a) Capital contribution reserve represents accumulated effect on imputed interest on amount due to other related party.

(b) Contributed surplus represents the difference between the nominal value of share capital of the Company issued and the aggregate amount of nominal value of share capital of subsidiaries acquired by the Company through an exchange of shares pursuant to a group reorganisation, which was completed on 31 December 2002.

(c) As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan), foreign investment enterprises are required to appropriate part of their after-tax profit (after offsetting prior years' losses) to certain statutory reserves. 環球數碼媒體科技研究(深圳)有限公司 ("IDMT Shenzhen") and 環球數碼媒體科技(上海)有限公司, wholly-foreign owned enterprises established in the PRC, are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of their registered capital thereafter any further appropriation is optional and is determinable by the companies' board of directors. The statutory reserve as at 31 December 2007 represents general reserve fund of IDMT Shenzhen of approximately HK$680,000 (2006: HK$680,000) which can only be used, upon approval by the relevant authority, to offset prior years' losses or to increase capital.

(d) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired from minority shareholders during the year ended 31 December 2007. This special reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates (see note 39).

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	24,568	(30,245)
Adjustments for:		
Share-based payments expense	57,402	5,937
Depreciation	1,088	2,965
Finance costs	4,002	13,080
Share of loss of an associate	298	–
Allowance for bad and doubtful debts	230	1,660
Amortisation of prepaid lease payments	68	–
Gain on dilution of interest in a subsidiary	(40,130)	–
Discount on acquisition of additional interest in a subsidiary	(1,342)	–
Interest income	(6,252)	(69)
Gain on disposal of property, plant and equipment	(20)	(453)
Gain on disposal of partial interest in a subsidiary (net of expenses)	–	(1,795)
Operating cashflow before movements in working capital	39,912	(8,920)
Increase in inventories	(4,292)	(1,312)
Decrease in production work in progress	–	2,819
Decrease (increase) in amounts due from customers for contract work	168	(808)
Increase in trade receivables	(138,328)	(4,076)
Increase in prepayments, deposits and other receivables	(7,754)	(1,469)
Increase in income received in advance	3,733	3,864
Increase in amounts due to customers for contract work	227	1,850
Increase in trade payables	1,359	1,773
Decrease in other payables and accruals	(11,340)	(586)
Increase in amounts due to directors	604	192
Decrease in amounts due to fellow subsidiaries	(540)	(1,654)
NET CASH USED IN OPERATING ACTIVITIES	(116,251)	(8,327)

	2007	2006
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Investment in an associate	(722)	–
(Increase) decrease in pledged bank deposit	(7,800)	16,455
Purchase of property, plant and equipment	(12,762)	(3,504)
Acquisition of intangible asset	(88,633)	–
Interest received	6,252	69
Proceeds from disposal of property, plant and equipment	20	453
Proceeds from disposal of partial interest in a subsidiary (net of expenses)	–	1,767
Prepaid lease payments	(5,794)	–
Advance to an associate	(1,053)	–
Advance paid for acquisition of intangible asset	(35,581)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(146,073)	15,240
FINANCING ACTIVITIES		
Proceeds from issue of shares, net of transaction costs	471,204	–
Proceeds from issue of shares of a subsidiary to a minority shareholder, net of transaction costs	50,235	–
Exercise of share options	23,155	–
Exercise of share options of a subsidiary	2,614	–
Net (repayment of) increase in loan from a fellow subsidiary	(66,360)	33,740
New bank loan raised	13,898	10,000
Repayment of advance from other related parties	(2,440)	(4,417)
Repayment of bank loans	(10,000)	(28,236)
Interest paid	(3,850)	(1,066)
Repayment of obligations under finance leases	(1,448)	(3,402)
Repayment to shareholders	(339)	–
Repayment of other loans	(18,295)	(8,615)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	458,374	(1,996)
NET INCREASE IN CASH AND CASH EQUIVALENTS	196,050	4,917
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,596	3,667
Effect of foreign exchange rate changes	5,731	12
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	210,377	8,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Shougang Concord Grand (Group) Limited ("Shougang Grand"), a public listed company incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Stock Exchange. The immediate holding company is Upper Nice Assets Ltd., a wholly-owned subsidiary of Shougang Grand. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 46.

The functional currency of the Company is United States dollars. The consolidated financial statements are presented in Hong Kong dollars for the convenience of the reader.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) -Int 11	HKFRS 2: Group and Treasury Share Transactions [2]
HK(IFRIC) -Int 12	Service Concession Arrangements [3]
HK(IFRIC) -Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) -Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The directors to the Company (the "Directors") anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interest in a subsidiary

Goodwill arising on acquisition of additional interest in a subsidiary represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in a subsidiary. If, after reassessment, the fair value of the net assets attributable to the additional interest in a subsidiary by the Group exceeds the cost of the acquisition, the excess is recognised immediately in profit or loss. The difference between the fair value and the carrying value of the underlying assets and liabilities attributable to the additional interest in a subsidiary is debited directly to special reserve.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of returns, discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Training fee income is recognised over the period of the training course on a straight line basis. Unearned training fee income received is recorded as income received in advance.

Technical service income is recognised when the service is provided.

Receipts from distribution of digital motion pictures were recognised when the digital motion pictures were exhibited.

Rental income from equipment leasing is recognised on a straight line basis over the relevant lease terms.

Interest income from a financial asset 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.

Subcontracting contracts for computer graphic ("CG") creation and production

Where the outcome of a subcontracting contract of CG creation and production can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Where the outcome of a subcontracting contract cannot be estimated reliably, subcontracting revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as income received in advance. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire contract is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs and presented as income received in advance. Grants related to depreciable assets are recognised as income on a systematic and rational basis over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense.

Retirement benefits costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Production work in progress

Production work in progress is stated at cost less any impairment losses. Costs include all direct costs associated with the production of films or television drama series. Production costs are transferred to cost of sales upon completion.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from an associate, pledged bank deposit and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. (See accounting policy on impairment loss on financial assets below.)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, other receivables and amount due from an associate, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable and amount due from an associate, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables, amounts due to fellow subsidiaries/directors/a shareholder and other related parties, loans from other related parties/a fellow subsidiary, secured bank borrowing and other loan are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Equity-settled share-based payment transactions

Share options granted to the Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve). For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or cancelled or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses/retained earnings.

Share options granted in exchange of services

Share options issued in exchange for services are measured at the fair values of the services received similar to those as employees, unless that fair value cannot be reliably measured, in which case the services are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses immediately, unless the services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

Impairment losses on tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of intangible asset

At 31 December 2007, the carrying amount of intangible asset was approximately HK$221,545,000 (2006: Nil). In determining whether there is objective evidence of impairment loss, the Directors take into consideration the estimation of future cash flows to be generated from use of the intangible asset. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at a suitable discount rate. Where the actual future cash flows are less than expected, an impairment loss may arise.

During the year ended 31 December 2007, the Directors did not identify any impairment loss on the intangible asset.

Provision for litigation

The management of the Group monitor any litigation against the Group closely. Provision for the litigation is made based on the opinion of the legal adviser on the possible outcome and liability of the Group. As at 31 December 2007, there is no foreseeable financial impact to the Group and no provision for litigation has been made. Details are set out in note 47.

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash equivalents)	237,310	14,986
Financial liabilities		
Amortised cost	67,722	151,749

5b. Financial risk management objectives and polices

The Group's major financial instruments include trade receivables, other receivables, amount due from an associate, pledged bank deposit and bank balances, trade payables, other payables, amounts due to fellow subsidiaries/directors/a shareholder/other related parties, loans from other related parties/a fellow subsidiary, obligations under finance leases, secured bank borrowing and other loan. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group earns revenue in United States dollars and Renminbi, and incurs costs in United States dollars, Renminbi and Hong Kong dollars which are primarily transacted using functional currencies of the respective group entities. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2007 and 2006, the Group has no significant exposure under foreign exchange.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, loans from other related parties and loan from a fellow subsidiary which carry interest at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate secured bank borrowing as disclosed in note 36. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity

At the balance sheet date, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease by approximately HK$183,000 (2006: loss decrease/increase by approximately HK$105,000).

Credit risk

As at 31 December 2007 and 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposit and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the United States, which accounted for 55% (2006: 19%) of the total trade receivable as at 31 December 2007.

The Group has concentration of credit risk as 40% (2006: 38%) and 86% (2006: 58%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings from time to time.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows at 31.12.2007	Carrying amount at 31.12.2007
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007							
Non-derivative financial liabilities							
Trade payables	–	2,116	2,081	–	–	4,197	4,197
Other payables	–	5,188	595	2,502	–	8,285	8,285
Amounts due to fellow subsidiaries	–	2,553	–	–	–	2,553	2,553
Amounts due to directors	–	2,797	–	115	–	2,912	2,912
Amounts due to other related parties	–	–	–	877	–	877	877
Loan from a fellow subsidiary	6	–	37,100	–	–	37,100	35,000
Obligations under finance leases	9	75	223	227	–	525	525
Secured bank borrowing	7	–	13,977	–	–	13,977	13,898
		12,729	53,976	3,721	–	70,426	68,247

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows at 31.12.2006	Carrying amount at 31.12.2006
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006							
Non-derivative financial liabilities							
Trade payables	–	–	2,688	150	–	2,838	2,838
Other payables	–	3,330	2,084	4,937	–	10,351	10,351
Amounts due to fellow subsidiaries	–	247	3,014	9,023	–	12,284	12,284
Amounts due to directors	–	78	233	1,997	–	2,308	2,308
Amount due to a shareholder	–	–	–	339	–	339	339
Amounts due to other related parties	–	9	26	1,466	455	1,956	1,956
Loans from other related parties	11	–	–	1,342	–	1,342	1,209
Loans from a fellow subsidiary	11	–	–	–	112,446	112,446	92,169
Obligations under finance leases	9	186	564	796	427	1,973	1,973
Secured bank borrowing	6	–	10,628	–	–	10,628	10,000
Other loan	11	–	–	20,307	–	20,307	18,295
		3,850	19,237	40,357	113,328	176,772	153,722

5c. Fair value

The fair value of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. CAPITAL RISK MANAGEMENT

The Group's objectives to manage its capital are to ensure that entities of the Group will be able to continue as a going concern while maximising the return to shareholders, to support the Group's stability and growth; and to strengthening the Group's financial management capability. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the loans from other related parties, loan from a fellow subsidiary, obligations under finance leases, secured bank borrowing and other loan disclosed in notes 33, 34, 35, 36 and 37, respectively, and total equity.

The Directors review the capital structure regularly and manage its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Directors monitor capital mainly using total debt to equity ratio. The ratio as at 31 December 2007 and 2006 was as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Total debt[(1)]	49,423	123,646
Total equity[(2)]	435,191	(154,709)
Total debt to equity ratio (%)	11	N/A

The Directors considered that the Group maintained a healthy capital ratio as at 31 December 2007 as the total debt to equity ratio was at a relative low level.

Notes:

(1) Total debt equals to sum of loans from other related parties, loan from a fellow subsidiary, obligations under finance leases, secured bank borrowing and other loan.

(2) Total equity equals to all capital and reserves of the Group.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers (less returns and trade discounts), CG creation and production income, revenue arising on training fee, technical service fee, distribution of digital motion pictures and rental income from equipment leasing during the year, is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Sales of goods	180,715	12,845
CG creation and production income	51,300	27,425
Training fee	10,963	9,093
Technical service income	3,131	2,245
Receipts from distribution of digital motion pictures	–	2,929
Rental income from equipment leasing	16	383
	246,125	54,920

Included in revenue for the year ended 31 December 2007 is an amount of HK$132,912,000 (2006: Nil) in respect of goods sold in exchange for an intangible asset.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions – CG creation and production, digital content distribution and exhibitions and the provision of CG training courses. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 December 2007

	CG creation and production	Digital content distribution and exhibitions	CG training courses	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	51,300	183,862	10,963	246,125
Result				
Segment result	17,499	4,522	1,987	24,008
Unallocated corporate income				10,432
Unallocated corporate expenses				(47,044)
Finance costs				(4,002)
Share of loss of an associate	–	(298)	–	(298)
Discount on acquisition of additional interest in a subsidiary	–	1,342	–	1,342
Gain on dilution of interest in a subsidiary	–	40,130	–	40,130
Profit before tax				24,568
Income tax expense				(3,099)
Profit for the year				21,469

For the year ended 31 December 2007

	CG creation and production HK$'000	Digital content distribution and exhibitions HK$'000	CG training courses HK$'000	Corporate HK$'000	Consolidated HK$'000
OTHER INFORMATION					
Capital additions	10,892	225,121	2,734	1,354	240,101
Depreciation	2,181	115	351	490	3,137
Allowance for bad and doubtful debts	230	–	–	–	230
Amortisation of prepaid lease payments	68	–	–	–	68
Share-based payments expense *(note 40)*	–	15,914	–	41,488	57,402

At 31 December 2007

	CG creation and production HK$'000	Digital content distribution and exhibitions HK$'000	CG training courses HK$'000	Consolidated HK$'000
BALANCE SHEET				
Assets				
Segment assets	32,156	259,886	6,296	298,338
Interest in an associate	–	424	–	424
Unallocated corporate assets				229,715
Consolidated total assets				528,477
Liabilities				
Segment liabilities	8,367	24,678	6,405	39,450
Unallocated corporate liabilities				53,836
Consolidated total liabilities				93,286

For the year ended 31 December 2006

	CG creation and production	Digital content distribution and exhibitions	CG training courses	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	30,354	15,473	9,093	54,920
Result				
Segment result	64	(7,224)	116	(7,044)
Unallocated corporate income				69
Unallocated corporate expenses				(11,985)
Finance costs				(13,080)
Gain on disposal of partial interest in a subsidiary	–	1,795	–	1,795
Loss for the year				(30,245)

For the year ended 31 December 2006

	CG creation and production	Digital content distribution and exhibitions	CG training courses	Corporate	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION					
Capital additions	2,812	584	101	7	3,504
Depreciation	1,776	190	444	2,676	5,086
Allowance for bad and doubtful debts	–	1,660	–	–	1,660
Share-based payments expense *(note 40)*	–	347	–	5,590	5,937

At 31 December 2006

	CG creation and production *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG training courses *HK$'000*	Consolidated *HK$'000*
BALANCE SHEET				
Assets				
Segment assets	8,417	7,065	1,486	16,968
Unallocated corporate assets				9,533
Consolidated total assets				26,501
Liabilities				
Segment liabilities	13,671	8,413	4,682	26,766
Unallocated corporate liabilities				154,444
Consolidated total liabilities				181,210

(b) Geographical segments

The Group's three business segments operate in eight main geographical areas, namely the PRC, the United States, Europe, Middle-East, Singapore, Korea, India and other regions. The head office of the Group is located in Hong Kong. The Group's CG creation and production centre and the CG training facilities are located in the PRC. Customers of the Group's digital content distribution and exhibitions division are located in the PRC, the United States, Singapore, India, and other regions.

The following table provides an analysis of the Group's revenue by geographical market based on geographical location of customers, irrespective of the origin of the goods.

	2007 *HK$'000*	**2006** *HK$'000*
The PRC	141,721	18,266
United States	68,073	23,833
Europe	12,962	1,990
Middle-East	12,743	–
Singapore	2,573	4,035
Korea	499	2,941
India	598	107
Other regions	6,956	3,748
	246,125	54,920

The following is an analysis of the carrying amount of segment assets, and capital additions, analysed by the geographical area in which the assets are located:

	Segment assets		Capital additions	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	319,816	15,334	236,239	2,945
Hong Kong	204,174	4,751	3,049	524
United States	1,986	3,269	177	–
Singapore	2,501	2,142	636	35
Other regions	–	1,005	–	–
Total	528,477	26,501	240,101	3,504

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2006: 10) Directors were as follows:

		Year ended 31 December 2007				
		Fees	**Share–based payments**	**Salaries and other benefits**	**Retirement benefits schemes contributions**	**Total**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:						
Cao Zhong		120	5,695	1,200	–	7,015
Chen Zheng		480	5,695	1,200	–	7,375
Jin Guo Ping		–	–	1,101	12	1,113
Lu Yi, Gloria	*(a)*	–	20,580	1,120	4	21,704
Xu Qing, Catherine	*(b)*	–	–	792	11	803
		600	31,970	5,413	27	38,010
Non-executive Directors:						
Leung Shun Sang, Tony		120	5,695	–	–	5,815
Deng Wei, David	*(c)*	15	–	–	–	15
		135	5,695	–	–	5,830
Independent non-executive Directors:						
Kwong Che Keung, Gordon		150	569	–	–	719
Bu Fan Xiao		150	569	–	–	719
Hui Hung, Stephen		150	569	–	–	719
		450	1,707	–	–	2,157
		1,185	39,372	5,413	27	45,997

Notes:

(a) Appointed on 20 September 2007.

(b) Resigned on 1 December 2007.

(c) Resigned on 15 February 2007.

No Directors waived any emoluments in the year ended 31 December 2007.

		Year ended 31 December 2006				
		Fees	Share-based payments	Salaries and other benefits	Retirement benefits schemes contributions	Total
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:						
Cao Zhong	*(a)*	120	696	–	–	816
Chen Zheng		120	696	–	–	816
Jin Guo Ping		–	641	943	12	1,596
Xu Qing, Catherine		–	645	936	12	1,593
		240	2,678	1,879	24	4,821
Non-executive Directors:						
Leung Shun Sang, Tony		120	668	–	–	788
Deng Wei, David	*(b)*	120	–	–	–	120
		240	668	–	–	908
Independent non-executive Directors:						
Kwong Che Keung, Gordon		150	86	–	–	236
Bu Fan Xiao		150	64	–	–	214
Hui Hung, Stephen		138	64	–	–	202
Japhet Sebastian Law	*(c)*	10	–	–	–	10
		448	214	–	–	662
		928	3,560	1,879	24	6,391

Notes:

(a) Re-designated from Executive Director to Non-executive Director on 6 February 2006 and re-designated from Non-executive Director to Executive Director on 23 June 2006.

(b) Resigned on 15 February 2007.

(c) Resigned on 1 February 2006.

No Directors waived any emoluments in the year ended 31 December 2006.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2006: two) were the Directors whose emoluments are included in the disclosures above. The emoluments of the remaining one (2006: three) highest paid individuals were as follows:

	2007	2006
	HK$'000	*HK$'000*
Share-based payments	11,387	217
Salaries and other benefits	2,560	3,332
Retirement benefits schemes contributions	12	95
	13,959	3,644

Their emoluments were within the following bands:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	–	2
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$13,500,000	–	–
HK$13,500,001 to HK$14,000,000	1	–
	1	3

10. OTHER INCOME

Other income for the year ended 31 December 2007 mainly includes waiver of interest payable on other loan from Win Real Management Limited and waiver of rental payable to a landlord, 深圳大學文化科技服務有限公司, in the amounts of approximately HK$4,156,000 and HK$3,228,000, respectively.

11. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Loan from a fellow subsidiary	3,402	9,601
Bank borrowing wholly repayable within five years	353	349
Loans from other related parties	152	2,778
Finance leases	92	335
Loan from a shareholder	–	5
Others	3	12
	4,002	13,080

12. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

The amount of approximately HK$40,130,000 for the year ended 31 December 2007 included (i) approximately HK$40,295,000 from the gain on dilution of the Group's interest in GDC Technology Limited ("GDC Technology"), a subsidiary of the Company, from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007; and (ii) approximately HK$165,000 from the net loss on further dilution of the Group's interest in GDC Technology upon exercise of share options of GDC Technology during the year.

13. GAIN ON DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

The amount for the year ended 31 December 2006 mainly represented the gain on a transfer of 15% interest in GDC Technology to the management of GDC Technology for cash consideration of HK$1,600,000. Upon the completion of the transaction in September 2006, the Group's effective shareholding interest in GDC Technology decreased from 100% to 85%.

In November 2006, Mr. Leung Shun Sang, Tony, a Director exercised 2,130,000 share options and the Group's effective shareholding interest in GDC Technology further decreased from 85% to 83.3%.

14. INCOME TAX EXPENSE

	2007	**2006**
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	904	–
PRC Enterprise Income Tax ("EIT")	2,195	–
	3,099	–

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year ended 31 December 2006 as the Group had no assessable profit arising in Hong Kong for that year.

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

Pursuant to the relevant income tax regulations for productive enterprises with foreign investment established in the PRC and being approved by the relevant PRC tax authority, some subsidiaries in the PRC are eligible for an exemption from PRC EIT for two years starting from the first profit-making year after offsetting all tax losses carried forward from the previous five years, followed by a 50% reduction in the next three years. However, such exemption for some subsidiaries expired during the year ended 31 December 2007. For the year ended 31 December 2006, no provision for PRC EIT had been made in the consolidated financial statements as those PRC subsidiaries were either exempted from PRC EIT or did not have assessable profit for that year.

The income tax expense for the year can be reconciled to the profit (loss) per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit (loss) before tax	24,568	(30,245)
Tax calculated at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	4,299	(5,293)
Tax effect of income not taxable for tax purposes	(9,547)	(2)
Tax effect of expenses not deductible for tax purpose	7,430	4,148
Tax effect of tax losses not recognised	674	731
Utilisation of tax losses previously not recognised	(2,058)	–
Tax effect of temporary differences arising from unrealised profits resulting from intra-group transactions not recognised	2,961	–
Effect of tax exemptions granted to subsidiaries in the PRC	–	224
Effect of different tax rates of subsidiaries operating in other jurisdictions	(436)	192
Others	(224)	–
Income tax expense for the year	3,099	–

At the balance sheet date, the Group has the following major deductible temporary differences and tax losses, of which no deferred tax assets were recognised due to the unpredictability of the future profit streams:

	2007	2006
	HK$'000	*HK$'000*
Unrealised profits resulting from intra-group transactions	16,920	6,575
Tax losses that may be carried forward indefinitely	12,808	12,348
	29,728	18,923

15. PROFIT (LOSS) FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including directors' emoluments *(note 9(a))*:		
– Salaries, wages and other benefits	61,148	24,982
– Retirement benefit scheme contributions	1,624	403
– Shared-based payments expense	57,402	5,937
Total staff costs	120,174	31,322
Less: amounts included in contracts work in progress	(13,612)	(1,791)
government grants	–	(835)
	106,562	28,696
Allowance for bad and doubtful debts	230	1,660
Amortisation of prepaid lease payments	68	–
Auditor's remuneration	1,743	1,572
Depreciation	3,137	5,086
Less: amounts included in contracts work in progress	(1,514)	(1,829)
government grants	(535)	(292)
	1,088	2,965
Exchange loss (gain), net	109	(610)
Cost of inventories recognised as an expense	137,819	7,470
Minimum lease payments under operating leases for land and buildings	6,004	3,318
Less: amounts included in contracts work in progress	(1,917)	(2,278)
	4,087	1,040
Research and development costs	4,432	2,422
and after crediting:		
Gain on disposal of property, plant and equipment	20	453
Interest income	6,252	69

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2007, nor has any dividend been proposed since the balance sheet date (2006: Nil).

17. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the year attributable to equity holders of the Company)	18,302	(30,245)

	2007	2006
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	1,132,828	800,820
Effect of dilutive potential ordinary shares:		
Options	30,608	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	1,163,436	800,820

No diluted loss per share has been calculated for the year ended 31 December 2006 as the exercise of the share options could result in a decrease in the loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Equipment, furniture and fixtures	Computer equipment	Digital cinema equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2006	22,025	1,431	37,688	1,914	454	–	63,512
Exchange realignment	902	40	641	–	5	–	1,588
Additions	242	169	3,093	–	–	–	3,504
Disposals	–	–	(1,145)	(1,914)	–	–	(3,059)
At 31 December 2006	23,169	1,640	40,277	–	459	–	65,545
Exchange realignment	1,562	60	1,313	–	10	–	2,945
Additions	2,067	2,392	6,144	–	640	1,519	12,762
Disposals	–	–	(35)	–	–	–	(35)
At 31 December 2007	26,798	4,092	47,699	–	1,109	1,519	81,217
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2006	21,743	912	32,293	1,914	349	–	57,211
Exchange realignment	890	27	520	–	2	–	1,439
Provided for the year	384	163	4,493	–	46	–	5,086
Eliminated on disposals	–	–	(1,145)	(1,914)	–	–	(3,059)
At 31 December 2006	23,017	1,102	36,161	–	397	–	60,677
Exchange realignment	1,558	46	1,049	–	5	–	2,658
Provided for the year	304	453	2,233	–	147	–	3,137
Eliminated on disposals	–	–	(35)	–	–	–	(35)
At 31 December 2007	24,879	1,601	39,408	–	549	–	66,437
CARRYING VALUES							
At 31 December 2007	1,919	2,491	8,291	–	560	1,519	14,780
At 31 December 2006	152	538	4,116	–	62	–	4,868

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Equipment, furniture and fixtures	5 years
Computer equipment	3 years
Digital cinema equipment	10 years
Motor vehicles	5 years

At 31 December 2007, net book values of computer equipment of the Group included an amount of approximately HK$504,000 (2006: HK$1,221,000) in respect of assets held under finance leases. Out of which, computer equipment with carrying values of approximately HK$504,000 (2006: HK$1,094,000) are held under finance lease arrangement with South China International Leasing Company Limited ("South China Leasing"), a subsidiary of the ultimate holding company.

19. INTANGIBLE ASSET

	2007	**2006**
	HK$'000	*HK$'000*
AT COST AND CARRYING VALUE		
Acquisition during the year and at 31 December	221,545	–

The cost of investment in the intangible asset represents consideration paid for acquisition of the contracted right from a third party to share a specified percentage of the box office receipts from those cinemas in the PRC using the digital cinema equipment partly sold by the Group for exhibition of digital contents. The intangible asset has definite useful life and is amortised on a straight line basis over 10 years.

20. AVAILABLE-FOR-SALE INVESTMENT

	2007 & 2006
	HK$'000
Unlisted equity securities	117
Less: Impairment losses recognised	(117)
	–

At 31 December 2007 and 2006 the investment represents 25% equity interest in Production and Partners Multimedia, SAS ("P&PM"), a company incorporated in France. The investment is measured at cost less impairment at each balance sheet date. The investment is accounted for as available-for-sale investment as in the absence of representation in the board of directors of P&PM, the Group does not have significant influence over P&PM.

21. PREPAID LEASE PAYMENTS

	2007	**2006**
	HK$'000	*HK$'000*
COST		
Addition during the year and at 31 December	5,794	–
AMORTISATION		
Amortisation for the year and at 31 December	68	–
CARRYING VALUE		
At 31 December	5,726	–

	2007	**2006**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	5,726	–
Analysed for reporting purposes as:		
Current asset	114	–
Non-current asset	5,612	–
	5,726	–

22. INTEREST IN AN ASSOCIATE

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	722	–
Share of post-acquisition loss	(298)	–
	424	–

As at 31 December 2007, the Group had interest in the following associate:

Name of entity	Form of business structure	Country of establishment and operation	Proportion of nominal value of registered capita held by the Group *(Note)*	Principal activity
中影首鋼環球數碼數字影院建設(北京)有限公司 CFGDC Digital Cinema Company Limited ("CFGDC")	Sino-foreign equity joint venture	The PRC	49%	Deployment of digital cinema network and related business

Note: The Group holds 49% of registered capital of the entity and holds 2 votes (representing 40% of that votes) in the board of directors of CFGDC. Pursuant to the Articles of Association of CFGDC, over 50% vote is required to pass a resolution in relation to the financial and operating policies of CFDGC. The Directors considers the Group does not exercise any control to CFGDC but the Group can exercise significant influence to CFGDC. Hence, CFGDC is classified as an associate of the Group.

The summarised financial information in respect of the Group's associate is set out below:

	2007	2006
	HK$'000	*HK$'000*
Total assets	2,837	–
Total liabilities	(1,972)	–
Net assets	865	–
Group's share of net assets of an associate	424	–
Revenue	2	–
Loss for the year	608	–
Group's share of loss of an associate for the year	298	–

23. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials, net of allowance of approximately HK$135,000 (2006: HK$135,000)	4,395	1,770
Finished goods, net of allowance of approximately HK$597,000 (2006: HK$597,000)	2,366	699
	6,761	2,469

24. PRODUCTION WORK IN PROGRESS

		2007	2006
	Notes	*HK$'000*	*HK$'000*
Movie, net of allowance of Nil (2006: Nil)	*(i)*	–	–
Television series, net of allowance of HK$14,615,000 (2006: HK$14,615,000)	*(ii)*	–	–
		–	–

Notes:

(i) The amount represented production costs incurred for the film titled "Thru the Moebius Strip" (the "Film"), a movie project produced by the Group. Considering the potential markets, the Directors had made a full allowance of approximately HK$94,712,000 as at 31 December 2005. The Film was released in the PRC during the year ended 31 December 2006 and the cost and allowance of the Film has been written off accordingly during that year.

Details of the movements are as follows:

	HK$'000
COST	
At 1 January 2006	94,712
Write off	(94,712)
At 31 December 2006 and 31 December 2007	–
ALLOWANCE	
At 1 January 2006	(94,712)
Write off	94,712
At 31 December 2006 and 31 December 2007	–
CARRYING AMOUNT	
At 31 December 2007 and 2006	–

(ii) The amount represents production costs incurred for the television series titled "Panshel's World" (the "TV Series"). As at 31 December 2007, there was a litigation in relation to the co-production of the TV Series, details of which are set out in note 47, the Directors have considered that recoverability of the production costs already incurred is uncertain and a full allowance of approximately HK$14,615,000 was made as at 31 December 2004.

25. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

The following is details of contracts from CG production in progress at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	19,137	18,488
Less: progress billings	(19,083)	(19,530)
	54	(1,042)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	1,494	808
Amounts due to customers for contract work	(1,440)	(1,850)
	54	(1,042)

26. TRADE RECEIVABLES

	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	11,732	7,740
Less: allowance for doubtful debts	(230)	(1,660)
	11,502	6,080

The Group allows different average credit periods to its trade customers depending on the type of products or services provided. The majority of sales of goods are on letter of credit against payment, the remaining amounts are granted with average credit terms of 90 days.

The following is an aged analysis of the trade receivables, net of allowance for doubtful debts at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
Within three months	9,612	5,514
Three to six months	1,077	519
Over six months	813	47
	11,502	6,080

Before accepting any new customer, the Group uses an external credit information to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. Most of the trade receivables that are neither past due nor impaired have the best credit scoring.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$1,890,000 (2006: HK$566,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Directors assessed that the balances will be recovered. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2007	**2006**
	HK$'000	*HK$'000*
Three to six months	1,077	519
Six to nine months	–	47
Nine to twelve months	282	–
Over one year	531	–
Total	1,890	566

Movement in the allowance for doubtful debts

	2007	**2006**
	HK$'000	*HK$'000*
Balance at beginning of the year	1,660	521
Impairment losses recognised on receivables	230	1,660
Amounts written off as uncollectible	(1,660)	(521)
Balance at end of the year	230	1,660

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$230,000 of which the customer did not fully satisfy the quality of products performed by the CG creation and production division and the amount is considered uncollectible.

27. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable on demand.

28. BANK BALANCES/PLEDGED BANK DEPOSIT

Bank balances carry interest rate at prevailing bank saving deposits rate at of 1.5% per annum (2006: 2.5% per annum) and mature within 3 months. Pledged bank deposit represents a deposit pledged to a bank to secure a purchase agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the relevant purchase agreement. As at 31 December 2007, the deposit carried interest rate of 3.75% per annum.

29. TRADE PAYABLES

The following is an aged analysis of the trade payables at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
Within three months	3,853	2,688
Three to six months	344	150
	4,197	2,838

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

30. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND DIRECTORS

The amounts are unsecured, non-interest bearing and repayable on demand.

31. AMOUNT DUE TO A SHAREHOLDER

The amount was unsecured, non-interest bearing and was fully settled during the year.

32. AMOUNTS DUE TO OTHER RELATED PARTIES

		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Amounts due to other related parties – due within one year:			
Mr. Raymond Dennis Neoh	*(a)*	455	575
Global Digital Creations Limited ("GDCL")	*(b)*	422	422
Bright Oceans Corporation (HK) Limited ("Bright Oceans")	*(c)*	–	303
Madam Chan Wing Yee, Betty	*(d)*	–	201
		877	1,501
Amount due to other related party – due after one year:			
Mr. Raymond Dennis Neoh	*(a)*	–	455
		877	1,956

Notes:

(a) The amount due to Mr. Raymond Dennis Neoh, an ex-director and the younger brother of Mr. Anthony Francis Neoh, who is a shareholder of Shougang Grand, is non-interest bearing and is repayable in August 2008. The amount was stated at amortised cost at effective interest rate of 9.8% per annum. During the year, imputed interest expense amounting to approximately HK$152,000 (2006: HK$263,000) was charged to the consolidated income statement.

(b) GDCL is a former holding company of the subsidiaries comprising the Group prior to the group reorganisation completed on 31 December 2002. The amount due to GDCL is unsecured, non-interest bearing and repayable on demand.

(c) Bright Oceans was a shareholder of Shougang Grand. The amount was unsecured, non-interest bearing and was fully settled during the year.

(d) Madam Chan Wing Yee, Betty is the spouse of Mr. Anthony Francis Neoh. The amount was unsecured, non-interest bearing and was fully settled during the year.

33. LOANS FROM OTHER RELATED PARTIES

		2007	2006
	Notes	*HK$'000*	*HK$'000*
Madam Chan Wing Yee, Betty	*(a)*	–	1,000
Bright Oceans	*(b)*	–	209
		–	1,209

Notes:

(a) The loan was advanced from Madam Chan Wing Yee, Betty. The loan was unsecured, bore interest at the best lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited ("Best Lending Rate") plus 3% per annum and was fully settled during the year.

(b) Bright Oceans was a shareholder of Shougang Grand. The loan was unsecured, bore interest at Best Lending Rate from time to time plus 3% per annum and was fully settled during the year.

34. LOAN FROM A FELLOW SUBSIDIARY

The loan is due from SCG Finance Corporation Limited, a wholly-owned subsidiary of Shougang Grand, which is unsecured, bears interest at 6% per annum and with maturity on 31 December 2008.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	539	1,567	525	1,484
In more than one year but not more than two years	–	504	–	489
	539	2,071	525	1,973
Less: Future finance charges	(14)	(98)	–	–
Present value of lease obligations	525	1,973	525	1,973
Less: Amount due for settlement within 12 months (shown under current liabilities)			(525)	(1,484)
Amount due for settlement after 12 months			–	489

It is the Group's policy to lease certain of its computer equipment and motor vehicles under finance leases. The lease terms range from two to three years. Interest rates are fixed at the contract date ranged from 6.3% to 12.3% per annum for both years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The Group had entered into finance lease arrangements for leasing computer equipment from South China Leasing. As at 31 December 2007, the finance lease payable to South China Leasing amounted to approximately HK$525,000 (2006: HK$1,333,000). Interest expense paid to South China Leasing during the year in connection to the finance lease amounted to approximately HK$66,000 (2006: HK$107,000).

36. SECURED BANK BORROWING

	2007	**2006**
	HK$'000	*HK$'000*
Secured bank loan	13,898	10,000

During the year, the Group obtained a new bank loan of approximately HK$14 million and repaid a bank loan of approximately HK$10 million in accordance with the repayment terms. The new bank loan raised is secured by pledge of a property of a fellow subsidiary, carries interest at fixed rate of 6.73% (2006: 6.28%) per annum and is repayable within twelve months from the balance sheet date. The proceeds were used as general working capital for the Group.

37. OTHER LOAN

	2007	2006
	HK$'000	*HK$'000*
Win Real Management Limited	–	18,295

The loan was unsecured, bore interest at the Best Lending Rate from time to time plus 3% per annum and was fully settled during the year.

38. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each Authorised:		
At 1 January 2006 and 2007	1,200,000,000	12,000
Increase during the year	1,200,000,000	12,000
At 31 December 2007	2,400,000,000	24,000
Issued and fully paid:		
At 1 January 2006 and 2007	800,820,000	8,008
Issue of shares *(Note)*	432,000,000	4,320
Exercise of share options	62,425,540	624
At 31 December 2007	1,295,245,540	12,952

Note: During the year, the Company has issued shares in accordance with one subscription agreement and three placing and subscription agreements which were completed in January 2007, March 2007, May 2007 and July 2007, respectively. The proceeds were used to raise funds for the projects of the Group, to reduce borrowings and to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the Directors at the annual general meetings of the Company held on 26 May 2006 and 6 June 2007, and a special meeting of the Company held on 23 April 2007 and rank pari passu with other shares in issue in all respects.

39. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 14 August 2007, GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with GDC Technology, pursuant to which GDC Holdings has conditionally agreed to subscribe 53,388,178 new shares of GDC Technology at HK$2 per share (the "Subscription") at a consideration of approximately HK$106,776,000. The Subscription was completed on 2 November 2007 and the Group's equity interest in GDC Technology increased from approximately 51.1% to 62.4% thereafter.

The Group appointed Messrs Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group, to assist the Group to ascertain the fair value of the net assets of GDC Technology in relation to the acquisition of additional interest in GDC Technology at the date of completion of the Subscription. Intangible assets, mainly including customer orders and technology, have been identified with aggregate amount of fair value of approximately HK$410 million in accordance with the income approach and replacement cost approach while the fair value of other assets and liabilities of GDC Technology at that time did not have significant difference with their respectively carrying amounts.

Accordingly, discount on acquisition of additional interest in GDC Technology of approximately HK$1,342,000 arose, which represented the excess of the Group's additional interest in the fair values of the net assets of GDC Technology over the cost of the Subscription at the date of completion of the Subscription. In addition, it was resulted in a special reserve in the amount of approximately HK$46,366,000 which represented the difference between the fair value and the carrying amount of the net assets of GDC Technology attributable to the additional interest in GDC Technology being acquired.

40. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed at its special general meeting held on 18 July 2003 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on 4 August 2013.

An option may be exercised at any time during the period to be determined and notified by the Directors to the grantee but may not be exercised after the expiry of ten years from the date of offer of that opinion. A consideration of HK$1 is payable upon acceptance the offer.

The exercise price is determined by the Directors, and will not be less than the higher of the nominal value of the share on the date of offer, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

The share option scheme of GDC Technology ("GDC Technology Share Option Scheme") was adopted pursuant to a resolution passed at the Company's special general meeting held on 19 September 2006 for the primary purpose of providing incentives or rewards to eligible participants for their contribution to GDC Technology, its subsidiaries and its holding companies (including intermediate and ultimate holding companies). The GDC Technology Share Option Scheme will remain in force for a period of 10 years to 18 September 2016.

Details of the Scheme and GDC Technology Share Option Scheme are disclosed in the section headed "Share Option Schemes" in the Report of the Directors.

During the year, 48,300,000 options (2006: 69,848,380 options) and 19,095,000 options (2006: 26,656,665) options have been granted under the Scheme and GDC Technology Share Option Scheme to the Directors, employees and other participants, respectively.

The following table sets out the movements in the Company's share options during the year:

Category of grantees	Date of grant	Exercise period	Exercise price	Number of share options: Balance as at 1.1.2007	Granted during the year	Exercised during the year	Balance as at 31.12.2007
Directors	6.10.2006	6.10.2006 – 5.10.2009	HK$0.3	42,443,460	–	(33,634,440)	8,809,020
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	–	28,170,000	–	28,170,000
Employees	6.10.2006	6.10.2006 – 5.10.2009	HK$0.3	14,200,000	–	(14,200,000)	–
	22.3.2007	22.3.2007 – 21.3.2010	HK$1.07	–	3,000,000	(700,000)	2,300,000
	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	–	2,890,000	(628,000)	2,262,000
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	–	9,900,000	–	9,900,000
Other participants	6.10.2006	6.10.2006 – 5.10.2009	HK$0.3	13,204,920	–	(10,704,100)	2,500,820
	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	–	4,340,000	(2,559,000)	1,781,000
Totals				69,848,380	48,300,000	(62,425,540)	55,722,840

The following table sets out the movements in the share options of GDC Technology during the year:

Category of grantees	Date of grant	Exercise period	Exercise price	Number of share options: Balance as at 1.1.2007	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.12.2007
Directors	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	10,563,334	–	(10,560,001)	–	3,333
	2.11.2007	2.11.2007 – 1.11.2012	HK$2.00	–	17,445,000	–	–	17,445,000
Employees	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	7,466,666	–	(7,466,666)	–	–
	5.10.2006	5.10.2006 – 4.10.2009	HK$0.145	5,313,332	–	–	(750,000)	4,563,332
	2.11.2007	2.11.2007 – 1.11.2012	HK$2.00	–	1,650,000	–	–	1,650,000
Other participants	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	1,173,333	–	–	–	1,173,333
Totals				24,516,665	19,095,000	(18,026,667)	(750,000)	24,834,998

The following table sets out the movements in the Company's share options during the year ended 31 December 2006:

				Number of share options				
Category of grantees	**Date of grant**	**Exercise period**	**Exercise price**	**Balance as at 1.1.2006**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Balance as at 31.12.2006**
Directors	6.10.2006	6.10.2006 – 5.10.2009	HK0.3	–	42,443,460	–	–	42,443,460
Employees	6.10.2006	6.10.2006 – 5.10.2009	HK0.3	–	14,200,000	–	–	14,200,000
Other Participants	6.10.2006	6.10.2006 – 5.10.2009	HK0.3	–	13,204,920	–	–	13,204,920
Totals				–	69,848,380	–	–	69,848,380

The following table sets out the movements in the share options of GDC Technology during the year ended 31 December 2006:

				Number of share options				
Category of grantees	**Date of grant**	**Exercise price**	**Exercise period**	**Balance as at 1.1.2006**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Balance as at 31.12.2006**
Directors	29.9.2006	HK$0.145	29.9.2006 – 28.9.2009	–	12,693,334	(2,130,000)	–	10,563,334
Employees	29.9.2006	HK$0.145	29.9.2006 – 28.9.2009	–	12,789,998	–	(10,000)	12,779,998
Other Participants	29.9.2006	HK$0.145	29.9.2006 – 28.9.2009	–	1,173,333	–	–	1,173,333
Totals				–	26,656,665	(2,130,000)	(10,000)	24,516,665

The fair value per option of HK$0.013, HK$0.08, HK$0.58, HK$0.86, HK$0.88 and HK$0.83 for options granted on 29 September 2006, 6 October 2006, 22 March 2007, 4 April 2007, 30 October 2007 and 2 November 2007, respectively, were calculated using the Binomial Option Valuation pricing model. The inputs into the model were as follows:

	Share option grant date					
	29 September 2006	**6 October 2006**	**22 March 2007**	**4 April 2007**	**30 October 2007**	**2 November 2007**
Weighted average share price	HK$0.10	HK$0.28	HK$1.07	HK$1.52	HK$2.70	HK$2.34
Exercise price	HK$0.145	HK$0.30	HK$1.07	HK$1.52	HK$2.75	HK$2.00
Expected volatility	32%	87%	89%	97%	68%	51%
Expected life	3 years	3 years	3 years	3 years	5 years	5 years
Risk-free rate	3.77%	3.75%	3.88%	3.89%	3.49%	3.34%
Expected dividend yield	NIL	NIL	NIL	NIL	NIL	NIL

Expected volatility of the Company and GDC Technology were determined by using the historical volatility of the Company's share price and the share price of other companies in the similar industry, respectively. The expected life used in the model have been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately HK$57,402,000 (2006: HK$5,937,000) for the year ended 31 December 2007 in relation to share options granted by the Company and GDC Technology.

The share options of the Company and GDC Technology granted to other participants are measured by reference to the fair value of options granted as these other participants render services similar to those as employees.

41. MAJOR NON CASH TRANSACTION

During the year ended 31 December 2007, the Group had goods sold in exchange for an intangible asset in the amount of HK$132,912,000 (2006: Nil).

42. OPERATING LEASES

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	6,757	1,791
In the second to fifth year inclusive	6,629	3,321
Over five years	3,289	3,905
	16,675	9,017

Operating lease payment represents rentals payable by the Group for certain of its office premises, production studio, training centers, warehouse and staff quarters. Leases for properties are negotiated for a term ranging from one to ten years with fixed rentals.

43. RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in the PRC, the subsidiaries in the PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme.

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated in Hong Kong, the PRC and Singapore (collectively the "Retirement Schemes"). Contributions totalling approximately HK$151,000 (2006: HK$133,000) payable to the Retirement Schemes at 31 December 2007 are included in other payables and accrued charges. There was no forfeited contribution throughout the year (2006: Nil).

44. CAPITAL COMMITMENTS

	2007	**2006**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provide in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment and intangible asset	2,928	–
Investment in an associate	20,954	–
	23,882	–

45. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Rental expense paid to Shougang Grand in respect of an office premises	*(a)*	600	540
Interest expense paid to South China Leasing in respect of obligations under finance leases	*(b)*	66	107
Interest expense payable to Mr. Anthony Francis Neoh	*(c)*	–	2,413

Notes:

(a) The transaction was carried out in accordance with the relevant tenancy agreement.

(b) The transaction was carried out in accordance with relevant lease agreements. As disclosed in note 35, the Group had entered into finance lease arrangements with South China Leasing in respect of computer equipment. The relevant carrying values of the computer equipment held under finance leases amounted to approximately HK$504,000 (2006: HK$1,094,000) as at 31 December 2007, as disclosed in note 18.

(c) Mr. Anthony Francis Neoh was the shareholder of Shougang Grand.

In addition, on 6 July 2006, the Company had agreed to transfer 4,266,667 shares, 4,266,667 shares and 7,466,666 shares in the issued share capital of GDC Technology, to Mr. Cao Zhong, Mr. Chen Zheng and Dr. Chong Man Nang, respectively, for an aggregate cash consideration of HK$1,600,000. Details of the transfer of shares in GDC Technology were disclosed in the circular dated 28 July 2006.

(b) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the year was as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Short-term benefits	10,575	5,305
Post-employment benefits	63	36
Share-based payments	50,759	3,965
	61,397	9,306

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of balances and transactions with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 30 to 36.

46. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries at 31 December 2007 and 2006 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Particulars of issued share capital/ paid up capital	Attributable equity interest of the Group				Principal activities and place of operation
				directly		indirectly		
				2007 %	2006 %	2007 %	2006 %	
GDC (BVI) Limited	Incorporated	BVI	521,418,075 ordinary shares of US$0.01 each	100	100	–	–	Investment holding
GDC Holdings Limited	Incorporated	BVI	521,418,075 ordinary shares of US$0.01 each	–	–	100	100	Investment holding
GDC Asset Management Limited	Incorporated	BVI	1 ordinary share of US$1	–	–	100	100	Investment holding
GDC China Limited	Incorporated	Hong Kong	2 ordinary shares of HK$1 each	–	–	100	100	Investment holding
GDC Digital Cinema Network Limited	Incorporated	BVI	1 ordinary share of US$1 each	–	–	100	–	Inactive
GDC Entertainment Limited ("GDC Entertainment")	Incorporated	BVI	3,510 ordinary shares of US$1 each	–	–	100	100	Inactive
GDC International Limited	Incorporated	Samoa	1 ordinary share of US$1	–	–	100	100	Provision of CG animation creation and production services
GDC Management Services Limited	Incorporated	Hong Kong	2 ordinary shares of HK$1 each	–	–	100	100	Provision of administration and management service
GDC Technology Limited	Incorporated	BVI	232,595,092 ordinary shares of HK$0.10	–	–	61.9	83.3	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis
GDC Technology China Limited	Incorporated	BVI	1 ordinary share of US$1	–	–	61.9	83.3	Inactive
GDC Technology (Hong Kong) Limited	Incorporated	Hong Kong	2 ordinary shares of HK$1	–	–	61.9	–	Provision of computer solutions for digital content distribution and exhibitions

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Particulars of issued share capital/ paid up capital	Attributable equity interest of the Group directly 2007 %	directly 2006 %	indirectly 2007 %	indirectly 2006 %	Principal activities and place of operation
GDC Technology Pte. Ltd.	Incorporated	Singapore	900,000 ordinary shares of S$1.00	–	–	61.9	83.3	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis
GDC Technology (USA), LLC	Incorporated	United States	US$1,000	–	–	61.9	–	Provision of computer solutions for digital content distribution and exhibitions
Shougang GDC Media Holding Limited	Incorporated	Hong Kong	1 ordinary share of HK$1	–	–	100	–	Investment holding
環球數碼媒體科技(上海)有限公司 Institute of Digital Media Technology (Shanghai) Limited	Incorporated	PRC	US$1,300,000	–	–	100	100	Provision of CG and animation training in the PRC
環球數碼媒體科技研究(深圳)有限公司 Institute of Digital Media Technology (Shenzhen) Limited	Incorporated	PRC	US$35,353,896	–	–	100	100	Provision of CG and animation training, development of multimedia software and hardware, and provision of related technical consultancy services in the PRC
深圳市環球數碼影視文化有限公司	Incorporated	PRC	RMB3,000,000	–	–	100	100	Animation Investment
深圳市環球數碼科技有限公司	Incorporated	PRC	RMB3,000,000	–	–	61.9	83.3	Provision of computer solutions for digital content distribution and exhibitions
深圳市南山區環球數碼培訓學校	School	PRC	RMB200,000	–	–	100	–	Provision of CG and animation training in the PRC
上海環球數碼職業技能培訓學校	School	PRC	RMB200,000	–	–	100	–	Provision of CG and animation training in the PRC

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

47. LITIGATION

On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a wholly-owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and P&PM, in which the Group has a 25% equity interest, in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers have advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

The Directors are of the opinions that settlement of the claim is remote. Accordingly, no provision for any potential liability has been made in the consolidated financial statements.

48. SUMMARISED BALANCE SHEET OF THE COMPANY

	2007 *HK$'000*	2006 *HK$'000*
Non-current assets		
Interests in subsidiaries	–	–
Amounts due from subsidiaries	304,385	–
	304,385	–
Current assets		
Prepayment, deposits and other receivables	362	807
Bank balances and cash	2,111	60
	2,473	867
Current liabilities		
Other payables and accruals	1,631	4,631
Amounts due to fellow subsidiaries	–	12,284
Amounts due to directors	2,912	2,308
Amount due to other related party	–	303
Loan from other related party	–	208
Loan from a fellow subsidiary – due within one year	35,000	–
	39,543	19,734
Net current liabilities	(37,070)	(18,867)
Total assets less current liabilities	267,315	(18,867)
Non-current liability		
Loan from a fellow subsidiary – due after one year	–	92,169
Net asset (liabilities)	267,315	(111,036)
Capital and reserves		
Share capital	12,952	8,008
Share premium and reserves	254,363	(119,044)
Total equity	267,315	(111,036)

UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008

The following is a summary of the unaudited financial statements of the Group for the six months ended 30 June 2008 as extracted from the published 2008 interim report of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the periods ended 30 June 2008

		Three months ended 30 June		Six months ended 30 June	
		2008	2007	2008	2007
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	3	14,972	20,397	31,242	40,109
Cost of sales	5	(19,283)	(10,681)	(35,253)	(18,180)
Gross (loss) profit		(4,311)	9,716	(4,011)	21,929
Other income	6	852	1,491	2,176	9,047
Distribution costs and selling expenses		(1,770)	(655)	(4,479)	(2,540)
Administrative expenses		(12,925)	(14,940)	(27,803)	(24,776)
Finance costs	7	(853)	(1,003)	(1,533)	(3,430)
Share of loss of an associate		(253)	–	(662)	–
Other expense	8	(22,202)	–	(22,202)	–
Gain on dilution of interest in a subsidiary	9	–	–	–	40,295
(Loss) profit for the period		(41,462)	(5,391)	(58,514)	40,525
Attributable to:					
Equity holders of the Company		(39,775)	(4,138)	(54,580)	40,920
Minority interests		(1,687)	(1,253)	(3,934)	(395)
		(41,462)	(5,391)	(58,514)	40,525
		HK cents	*HK cents*	*HK cents*	*HK cents*
(Loss) earnings per share:	12				
Basic		(3.07)	(0.37)	(4.21)	4.19
Diluted		N/A	N/A	N/A	4.02

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2008

	NOTES	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	13	15,851	14,780
Intangible asset	14	260,900	221,545
Prepaid lease payments		6,203	5,612
Interest in an associate	15	22,051	424
Advance payment for acquisition of intangible asset		–	35,581
		305,005	277,942
Current assets			
Inventories		44,855	6,761
Amounts due from customers for contract work	16	1,226	1,494
Trade receivables	17	13,788	11,502
Prepayments, deposits and other receivables		5,148	11,434
Prepaid lease payments		129	114
Amount due from an associate		–	1,053
Pledged bank deposit	18	2,808	7,800
Bank balances and cash		142,465	210,377
		210,419	250,535
Current liabilities			
Income received in advance		14,102	10,189
Amounts due to customers for contract work	16	296	1,440
Trade payables	19	32,386	4,197
Other payables and accruals		15,989	18,596
Amounts due to fellow subsidiaries		4,010	2,553
Amounts due to directors		–	2,912
Amounts due to other related parties		541	877
Tax liabilities		2,461	3,099
Loan from a fellow subsidiary		35,000	35,000
Obligations under finance leases		98	525
Secured bank borrowing	20	14,773	13,898
		119,656	93,286
Net current assets		90,763	157,249
Net assets		395,768	435,191

	NOTES	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
Capital and reserves			
Share capital	*21*	12,952	12,952
Share premium and reserves		309,174	345,084
Equity attributable to equity holders of the Company		322,126	358,036
Share options reserve of a subsidiary		15,981	15,988
Minority interests		57,661	61,167
Total equity		395,768	435,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008

	Attributable to equity holders of the Company												
	Share capital	Share premium account	Capital contribution reserve	Contributed surplus	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	Accumu-lated (losses) profits	Total	Share options reserve of a subsidiary	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007 (audited)	8,008	92,438	445	40,271	680	5,590	(2,205)	–	(300,253)	(155,026)	317	–	(154,709)
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	(678)	–	–	(678)	–	–	(678)
Profit for the period	–	–	–	–	–	–	–	–	40,920	40,920	–	(395)	40,525
Total recognised (expense) income for the period	–	–	–	–	–	–	(678)	–	40,920	40,242	–	(395)	39,847
Sub-total	8,008	92,438	445	40,271	680	5,590	(2,883)	–	(259,333)	(114,784)	317	(395)	(114,862)
Shares issued	3,600	285,944	–	–	–	–	–	–	–	289,544	–	–	289,544
Transaction costs attributable to issue of shares	–	(6,707)	–	–	–	–	–	–	–	(6,707)	–	–	(6,707)
Increase in minority share in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,940	9,940
Exercise of share options	428	19,149	–	–	–	(4,716)	–	–	–	14,861	–	–	14,861
Recognition of equity-settled share-based payments	–	–	–	–	–	7,925	–	–	–	7,925	–	–	7,925
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	8	8	(8)	–	–
At 30 June 2007 (unaudited)	12,036	390,824	445	40,271	680	8,799	(2,883)	–	(259,325)	190,847	309	9,545	200,701
At 1 January 2008 (audited)	12,952	589,670	445	40,271	680	39,261	3,066	(46,366)	(281,943)	358,036	15,988	61,167	435,191
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	18,663	–	–	18,663	–	428	19,091
Loss for the period	–	–	–	–	–	–	–	–	(54,580)	(54,580)	–	(3,934)	(58,514)
Total recognised income (expense) for the period	–	–	–	–	–	–	18,663	–	(54,580)	(35,917)	–	(3,506)	(39,423)
Sub-total	12,952	589,670	445	40,271	680	39,261	21,729	(46,366)	(336,523)	322,119	15,988	57,661	395,768
Reduction of share premium account *(Note)*	–	(589,670)	–	589,670	–	–	–	–	–	–	–	–	–
Elimination of accumulated losses *(Note)*	–	–	–	(384,060)	–	–	–	–	384,060	–	–	–	–
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	7	7	(7)	–	–
At 30 June 2008 (unaudited)	12,952	–	445	245,881	680	39,261	21,729	(46,366)	47,544	322,126	15,981	57,661	395,768

Note: A special resolution was passed by shareholders of the Company at the Special General Meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK$589,670,000 standing to the credit of the share premium account of the Company as at 31 December 2007 has been reduced with the credit arising therefrom being transferred to the contributed surplus of the Company. Upon the said transfer became effective, an amount of approximately HK$384,060,000 standing to the credit of the contributed surplus of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. It has complied with the requirement of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which are set out in the circular of the Company dated 9 May 2008.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the period ended 30 June 2008

	Six months ended 30 June 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
(Loss) profit for the period	(58,514)	40,525
Adjustments for:		
Amortisation of intangible asset	14,098	–
Gain on dilution of interest in a subsidiary	–	(40,295)
Other non-cash items	3,947	4,278
Operating cash flows before movements in working capital	(40,469)	4,508
Movements in working capital	(7,322)	(43,235)
Cash used in operations	(47,791)	(38,727)
Income taxes paid	(809)	–
Net cash used in operating activities	(48,600)	(38,727)
Net cash used in investing activities:		
Investment in an associate	(21,084)	–
Purchase of property, plant and equipment	(4,545)	(15,340)
Acquisition of intangible asset	(1,798)	–
Prepaid lease payments	(314)	(5,262)
Decrease (increase) in pledged bank deposit	4,992	(7,903)
Other investing cash flows	2,710	1,487
	(20,039)	(27,018)
Net cash (used in) from financing activities:		
New bank loan raised	14,773	13,000
Proceeds from issue of shares, net of transaction costs	–	282,837
Proceeds from issue of shares by a subsidiary to a minority shareholder, net of transaction costs	–	50,235
Exercise of share options	–	14,861
Repayment of bank loan	(13,898)	(10,000)
Repayment to other related parties	(364)	(2,076)
Repayment to a fellow subsidiary	–	(74,861)
Repayment of other loans	–	(14,139)
Other financing cash flows	(885)	(4,521)
	(374)	255,336
Net (decrease) increase in cash and cash equivalents	(69,013)	189,591
Cash and cash equivalents at beginning of the period	210,377	8,596
Effect of foreign exchange rate changes	1,101	–
Cash and cash equivalents at end of the period	142,465	198,187

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended 30 June 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007. In the current period, the Group started to share box office receipts. Details of the accounting policy are described below.

Share of box office receipts

It is recognised when the digital motion pictures were exhibited using the digital cinema equipment sold by the Group and the right to receive certain percentage on the relevant box office receipts have been established.

In the current interim period, the Group has applied, for the first time, a number of new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008. The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new, revised or amended standards and interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 July 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the impact of the other new or revised standards, amendments or interpretation on the results and the financial position of the Group.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers (less returns and trade discounts), computer graphic ("CG") creation and production income, revenue arising on training fee, distribution of digital motion pictures, share of box office receipts and technical service income during the period.

An analysis of the Group's revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales of goods	5,916	3,846	9,127	12,456
CG creation and production income	3,697	13,883	11,298	22,252
Training fee	3,139	2,060	6,024	4,261
Receipts from distribution of digital motion pictures	1,221	–	1,221	–
Share of box office receipts	842	–	2,424	–
Technical service income	157	608	1,148	1,140
	14,972	20,397	31,242	40,109

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions – CG creation and production, digital content distribution and exhibitions, and the provision of CG training courses. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Six months ended 30 June 2008

	CG creation and production	**Digital content distribution and exhibitions**	**CG training courses**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	12,519	12,699	6,024	31,242
RESULT				
Segment result	(7,965)	(41,770)	193	(49,542)
Unallocated corporate income				1,658
Unallocated corporate expenses				(8,435)
Finance costs				(1,533)
Share of loss of an associate	–	(662)	–	(662)
Loss for the period				(58,514)

Six months ended 30 June 2007

	CG creation and production *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG training courses *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	22,252	13,596	4,261	40,109
RESULT				
Segment result	8,537	(128)	751	9,160
Unallocated corporate income				5,649
Unallocated corporate expenses				(11,149)
Finance costs				(3,430)
Gain on dilution of interest in a subsidiary	–	40,295	–	40,295
Profit for the period				40,525

5. COST OF SALES

Cost of sales for the six months ended 30 June 2008 included amortisation of intangible asset of approximately HK$14,098,000 in respect of the contracted rights acquired to share a specified percentage of the box office receipts, details of which are set out in note 14.

6. OTHER INCOME

Other income for the six months ended 30 June 2007 included waiver of interest payable on other loan from Win Real Management Limited and waiver of rental payable to a landlord, 深圳大學文化科技服務有限公司, in the amounts of approximately HK$4,156,000 and HK$3,228,000, respectively.

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:				
Loan from a fellow subsidiary	523	713	1,047	2,892
Bank borrowing wholly repayable within five years	313	225	442	385
Loan from an other related party	10	42	28	91
Finance leases	7	23	16	59
Others	–	–	–	3
	853	1,003	1,533	3,430

8. OTHER EXPENSE

Other expense for the six months ended 30 June 2008 represents an one-off payment for film distribution rights in the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan) based on an agreement with China Film Group Corporation, the majority shareholder of an associate of the Group, during the period.

9. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

The amount for the six months ended 30 June 2007 represented the gain on dilution of the Group's interest in GDC Technology Limited ("GDC Technology"), a subsidiary of the Company, from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007.

10. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for both periods as the Group had no assessable profit arising in Hong Kong.

Pursuant to the relevant income tax regulations for productive enterprises with foreign investment established in the PRC and being approved by the relevant PRC tax authority, some subsidiaries in the PRC are eligible for an exemption from PRC Enterprise Income Tax ("EIT") for two years starting from the first profit-making year after offsetting all tax losses carried forward from the previous five years, followed by a 50% reduction in the next three years. For both periods, no provision for PRC EIT had been made in the condensed consolidated financial statements as those PRC subsidiaries were either exempted from PRC EIT or did not have assessable profit for the period.

11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 and 2007.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) earnings				
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to equity holders of the Company)	(39,775)	(4,138)	(54,580)	40,920
	'000	*'000*	*'000*	*'000*
Number of shares				
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,295,246	1,112,833	1,295,246	975,968
Effect of dilutive potential ordinary shares:				
– Options	–	–	–	42,995
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,295,246	1,112,833	1,295,246	1,018,963

No diluted loss per share has been calculated for the three months ended 30 June 2008 and 2007 and the six months ended 30 June 2008 as the exercise of the share options would result in a decrease in the loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Carrying values
	HK$'000
At 1 January 2008	14,780
Additions	4,545
Depreciation for the period	(4,181)
Disposals	(11)
Exchange realignment	718
At 30 June 2008	15,851

14. INTANGIBLE ASSET

	Carrying value
	HK$'000
At 1 January 2008	221,545
Acquisition during the period	39,619
Amortisation during the period (included in cost of sales)	(14,098)
Exchange realignment	13,834
At 30 June 2008	260,900

The cost of investment in the intangible asset represents consideration paid for acquisition of the contracted rights to share a specified percentage of the box office receipts from those cinemas in the PRC using the digital cinema equipment sold by the Group for exhibition of digital contents. The intangible asset has definite useful life and is amortised on a straight line basis over 10 years.

15. INTEREST IN AN ASSOCIATE

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	21,806	722
Share of post-acquisition results	245	(298)
	22,051	424

The increase in cost of investment mainly represented additional capital injection of approximately HK$21,084,000 made by the Group to 中影首鋼環球數碼數字影院建設(北京)有限公司 CFGDC Digital Cinema Company Limited ("CFGDC"), a sino-foreign equity joint venture established in the PRC with 49% equity owned by the Group. CFGDC is principally engaged in the deployment of digital cinema network and related business and it has just commenced the business as at 30 June 2008.

16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

The following is details of contracts from CG production in progress at the balance sheet date:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	8,375	19,137
Less: progress billings	(7,445)	(19,083)
	930	54
Analysed for reporting purposes as:		
Amounts due from customers for contract work	1,226	1,494
Amounts due to customers for contract work	(296)	(1,440)
	930	54

17. TRADE RECEIVABLES

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Trade receivables	13,788	11,732
Less: Allowance for doubtful debts	–	(230)
	13,788	11,502

The Group allows different average credit periods to its trade customers depending on the type of products or services provided. The majority of sales of goods are on letter of credit against payment, the remaining amounts are granted with average credit terms of 90 days.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts at the balance sheet date:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Within three months	6,658	9,612
Three to six months	5,343	1,077
Over six months	1,787	813
	13,788	11,502

18. PLEDGED BANK DEPOSIT

The amount represents a deposit pledged to a bank to secure a purchase agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the relevant purchase agreement. As at 30 June 2008, the deposit carried interest rate of 2.3% (31 December 2007: 3.75%) per annum.

19. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Within three months	32,034	3,853
Three to six months	342	344
Over six months	10	–
	32,386	4,197

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

20. SECURED BANK BORROWING

During the six months ended 30 June 2008, the Group obtained a new bank loan of approximately HK$14.8 million and repaid a bank loan of approximately HK$13.9 million in accordance with the repayment terms. The new bank loan raised is secured by pledge of a property of a fellow subsidiary, carries interest at market rates of 8.217% (31 December 2007: 6.73%) per annum, and is repayable within twelve months from the balance sheet date. The proceed was used as general working capital for the Group.

21. SHARE CAPITAL

	Number of ordinary shares	Share capital *HK$'000*
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2008 and 30 June 2008	2,400,000,000	24,000
Issued and fully paid:		
At 1 January 2008 and 30 June 2008	1,295,245,540	12,952

22. LITIGATION

On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a wholly-owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and Production and Partners Multimedia, SAS ("P&PM") in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers had advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

The Directors are of the opinions that settlement of the claim is remote. Accordingly, no provision for any potential liability has been made in the condensed consolidated financial statements.

Effective from 1 May 2008, GDC Entertainment has been struck off and can be restored at any time up to ten years after the strike off date.

Five Years Financial Summary
For the year ended 31 December 2007

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2003	**2004**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	11,478	47,987	32,195	54,920	246,125
(Loss) profit from operations	(28,045)	(125,657)	(68,530)	(17,165)	28,868
Finance costs	(5,255)	(5,545)	(7,675)	(13,080)	(4,002)
Share of loss of an associate	–	–	–	–	(298)
(Loss) profit before tax	(33,300)	(131,202)	(76,205)	(30,245)	24,568
Income tax credit (expense)	151	(25)	(151)	–	(3,099)
(Loss) profit for the year	(33,149)	(131,227)	(76,356)	(30,245)	21,469

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2003	**2004**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	146,003	69,060	34,319	26,501	528,477
Total liabilities	77,561	122,621	162,531	181,210	93,286
Net assets (liabilities)	68,442	(53,561)	(128,212)	(154,709)	435,191

I. WORKING CAPITAL

After taking into account the Enlarged Group's internal resources, the estimated net proceeds to be received upon and after the completion of the Proposed Disposal, and in the absence of the unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

II. INDEBTEDNESS

Borrowings

At the close of business on 30 November 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$15,699,000 comprising a bank borrowing of approximately HK$14,607,000 secured by pledge of a property of a fellow subsidiary and amount due to ultimate holding company of the Borrower of HK$1,092,000 which is unsecured.

Pledge of asset

At the close of business on 30 November 2008, the Enlarged Group pledged a deposit amounted to approximately HK$2,808,000 to a bank to secure a purchase agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the relevant purchase agreement.

Debt securities

At the close of business on 30 November 2008, the Enlarged Group had no debt securities.

Contingent liabilities

Save as disclosed in the section headed "Litigation" in Appendix VIII to this circular, the Enlarged Group did not have any material contingent liabilities as at the close of business on 30 November 2008.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 30 November 2008 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

III. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, saved for as disclosed in the third quarterly report of the Group for the three months ended 30 September 2008 that there was a loss attributable to equity holders of the Company of approximately HK$2.5 million for the three months ended 30 September 2008 as compared to a profit attributable to equity holders of the Company of approximately HK$2.2 million for the three months ended 30 September 2007; and the interim report of the Group for the six months ended 30 June 2008 that (i) there was a loss attributable to equity holders of the Company of approximately HK$58.5 million for the six months ended 30 June 2008 as compared to a profit attributable to equity holders of the Company of approximately HK$40.9 million for the six months ended 30 June 2007, (ii) the equity attributable to equity holders of the Company has decreased to approximately HK$322 million as at 30 June 2008 as compared to the equity attributable to equity holders of the Company of approximately HK$358 million as at 31 December 2007, and (iii) there was a net cash outflow of approximately HK$69 million for the six months ended 30 June 2008 as compared to the net cash inflow of approximately HK$190 million for the six months ended 30 June 2007, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2007, the date to which the latest published audited accounts of the Group were made up.

IV. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS OF THE GROUP AND THE REMAINING GROUP

The following is the management discussion and analysis of the Group and the Remaining Group principally extracted from the annual reports of the Company for each of the three years ended 31 December 2007 and for the six months ended 30 June 2008.

FOR THE YEAR ENDED 31 DECEMBER 2005

Financial Review

Revenue of the Group and the Remaining Group for the year ended 31 December 2005 amounted to approximately HK$32.2 million which, comparing with the revenue of approximately HK$48.0 million for the year ended 31 December 2004, represented a decrease of approximately 33%.

The decrease in revenue is mainly due to the decrease in sales of digital cinema equipment as a result of deferral of placing orders from customers during the year while they were waiting for the issuance of industrial technical standard. The potential customers concerned the upgradeability/compatibility of the GDC equipment for compliance with the industrial technical standard and therefore adopted a "wait and see" approach. At the same time, increase in income generated from computer graphic ("CG") creation and production and from CG training courses partly compensated the decrease in sales of digital cinema equipment.

Costs of sales for the year ended 31 December 2005 amounted to approximately HK$34.8 million which, comparing with the costs of sales of approximately HK$35.3 million for the year ended 31 December 2004, represented a decrease of approximately 1%. Costs of sales decreased to an extent less than turnover decreased mainly because the Group and the Remaining Group started business as a subcontractor of CG creation and production during the year and has not generated profit after deducting certain starting up costs from this new business. The Group and the Remaining Group maintained gross profit in the business of sales of digital cinema equipment and exhibitions and CG training.

Allowance for production work in progress made during the year ended 31 December 2005 amounted to approximately HK$24.7 million which, comparing with allowance for production work in progress of approximately HK$84.6 million made during the year ended 31 December 2004, represent a decrease of approximately 71%. As most of the costs incurred and capitalised for the production of an animation movie *Thru the Moebius Strip* (the "Movie") and a television series *Panshel's World* ("Panshel") had been provided for during the year ended 31 December 2004, allowance of the same nature made during the year decreased. As the prospects for full recovery of the cost incurred and capitalised for the Movie is uncertain, the Directors consider that it is no longer proper keeping such costs as an asset and therefore make full allowance for the costs. Cost incurred and capitalised for Panshel had already been fully provided for during the year ended 31 December 2004.

Distribution costs for the year ended 31 December 2005 amounted to approximately HK$2.0 million which, comparing with distribution costs of approximately HK$4.2 million for the year ended 31 December 2004, represented a decrease of approximately 52%. The decrease in the distribution costs was in line with the decrease in sale of digital cinema equipment.

Administrative expenses for the year ended 31 December 2005 amounted to approximately HK$37.4 million which, comparing with administrative expenses of approximately HK$34.7 million, represented an increase of approximately 8%. The slight increase was mainly attributable to expenses related to the restructure of management which was implemented for improving internal control and efficiency of the Group and the Remaining Group.

Impairment losses recognised for property, plant and equipment during the year ended 31 December 2005 amounted to approximately HK$2.4 million which, comparing with losses of the same nature of approximately HK$14.9 million recognised during the year ended 31 December 2004, represented a decrease of approximately 84%. The losses recoginsed during the year ended 31 December 2004 was the full amount of net book value of leasehold improvements of a premises rented by the Group and the Remaining Group and from which the Group and the Remaining Group was relocating. The losses recognised during the year was the full amount of net book values of computer equipment and digital film encoders and servers, which were impaired due to physical damage and technical obsolescence.

Finance costs for the year ended 31 December 2005 amounted to approximately HK$7.7 million which, comparing with finance costs of approximately HK$5.5 million, represented an increase of approximately 40%. The increase in finance costs was mainly due to the increase in interest costs as a result of increase in outstanding balance of bank and other borrowings. The Group and the Remaining Group incurred loss for the year ended 31 December 2005 and the years before. The Group and the Remaining Group's operation as well as property, plant and equipment acquired for the Group and the Remaining Group's development was partly financed by the bank and other borrowings and loan from a fellow subsidiary.

As an overall result, the Group and the Remaining Group incurred a loss of HK$76.4 million for the year ended 31 December 2005 which, comparing with the loss of approximately HK$131.2 million for the year ended 31 December 2004, represented a decrease of approximately 42%.

Liquidity and Financial Resources

The Group and the Remaining Group had bank balances and cash and pledged bank deposits of approximately HK$20.1 million as at 31 December 2005 (2004: HK$5.6 million) which were mainly denominated in Hong Kong dollars and Renminbi. The increase was mainly the result of that, at the balance sheet date, the Group and the Remaining Group was restructuring/renewing bank borrowing in funding the Group and the Remaining Group's operations. Balances of pledged bank deposits decreased subsequent to the balance sheet date, upon the renewal of the related bank borrowing.

The Group and the Remaining Group's borrowings amounted to approximately HK$101.9 million as at 31 December 2005 which were repayable within one year after 31 December 2005. There was no gearing ratio (calculated as bank and other borrowings less bank balances and cash and pledged bank deposits divided by shareholders' fund) presented as the Group and the Remaining Group recorded capital deficiency as at both 31 December 2005 and 2004.

Transactions of the Group and the Remaining Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate among those currencies, no hedging for the foreign currency transaction had been carried out during the year.

Charge on assets

As at 31 December 2005, pledged bank deposits, computer equipment and motor vehicles with carrying value of approximately HK$16.5 million, HK$2.3 million and HK$21,000, respectively, and the Group and the Remaining Group's entire interests in the registered capital of 環球數碼媒體科技研究(深圳)有限公司, a wholly owned subsidiary of the Group and the Remaining Group, were pledged to certain financial institutions to secure certain financing facilities granted to the Group and the Remaining Group.

Capital structure

As at 31 December 2005, the Group and the Remaining Group recorded capital deficiency of approximately HK$128.2 million which was mainly financed by internal resources, bank and other borrowings. The capital deficiency was mainly arisen from the loss incurred during the year of approximately HK$76.4 million and of previous years.

Contingent liabilities

The Company has given guarantees of approximately HK$16.4 million to banks and other parties in respect of general facilities granted to its subsidiaries. Such facilities utilised by the subsidiaries at 31 December 2005 amounted to approximately HK$14.4 million (2004: HK$38.1 million).

Litigation

(i) On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a wholly owned subsidiary of the Company, entered into a coproduction agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and Production and Partners Multimedia, SAS ("P&PM"), in which the Remaining Group has a 25% equity interest, in relation to an animated television series.

Since November 2004, P&PM and WAMC issued a summary summons judgement and then modified their claims against GDC Entertainment in the Court of Commerce of Angouleme (France) for breach of the Co-production Agreement.

In relation to their claims, the French legal adviser holds his opinion that (i) in any event, the summary judgements to be rendered shall be very difficult or at least costly to P&PM and WAMC to enforce and (ii) the enforcement of the claims should only be limited to the assets of GDC Entertainment. Accordingly, the Directors consider that the claims made by P&PM and WAMC have no material financial impact to the Group and the Remaining Group and no provision for this litigation is considered necessary.

On the other hand, Arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of notice of arbitration dated 16 June 2005. In the arbitration, issues will be raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same and claim damages from P&PM and WAMC. Pleadings have not yet exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether she has jurisdiction to hear the dispute which GDC Entertainment will refer to her in the arbitration. The hearing of the application was held on 20 January 2006. As at the date of this report, the arbitrator has issued her decision and concluded that she has jurisdiction to determine the disputes referred to her in GDC Entertainment's Notice of Arbitration.

(ii) During the year, a court order was issued from a court in Shanghai against Shenzhen IDMT, in respect of a loan amounting to RMB9,262,000 payable to 上海新長寧(集團)有限公司. Accordingly to the court order, the assets of Shenzhen IDMT amounting to RMB9,262,000 were frozen. On 1 March 2006, both parties entered into a mutual settlement agreement and RMB3 million was subsequently repaid after the year ended 31 December 2005 based on the agreed repayment schedule. The court order for the cancellation of such dispute has been issued from the court on 14 March 2006.

Save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as the date of this report.

Employees

As at 31 December 2005, the Group and the Remaining Group employed 330 (2004: 339) full time employees. The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group and the Remaining Group.

FOR THE YEAR ENDED 31 DECEMBER 2006

Financial Review

Revenue for the year ended 31 December 2006 was approximately HK$54,920,000, when compared with that of approximately HK$32,195,000 for the year 2005, represented an increase of approximately 71%. The increase is mainly attributable to the increase in revenue of approximately HK$25,448,000 and HK$1,881,000, respectively, from CG creation and production and CG training courses, netting off with a decrease of approximately HK$4,604,000 from digital content distribution and exhibitions.

During the year ended 31 December 2006, the Group and the Remaining Group's revenue from CG creation and production amounted to approximately HK$30,354,000, increased for approximately 519% comparing with that for the year 2005, as a result of that the Group and the Remaining Group's strategy of entering into the business of subcontractor of CG creation and production has been successful. Training fee income amounted to approximately HK$9,093,000, increased by approximately 26% mainly due to the increase in both number of course provided and average number of student attending each course. Revenue from digital content distribution and exhibitions, which mainly consisted of sales of digital cinema equipment, decreased as the launch of its new products in compliance with the new industrial technical standard was just coming out in the fourth quarter of 2006, progress of order negotiation with customers was deferred.

Cost of sales for the year ended 31 December 2006 amounted to approximately HK$30,135,000 which, comparing with that of approximately HK$34,848,000 for the year 2005, represented a decrease of 14%. Despite the increase in revenue, the decrease in cost of sales was mainly due to increase in efficiency in CG creation and production and save of starting up costs from this new business in the year 2005.

Allowance for production work in progress made during the year ended 31 December 2005 amounted to approximately HK$24,712,000 was on the production costs of an animation Movie, which has been released in China in second half of 2006. No significant allowance was required to make for the year ended 31 December 2006.

The Group and the Remaining Group made a gross profit of approximately HK$24,785,000 for the year ended 31 December 2006, representing a gross profit margin of approximately 45%. Comparing with the gross loss resulted in the year 2005, there was a significant improvement in terms of both monetary value and percentage to revenue. The improvement was mainly from the result of the success of the Group and the Remaining Group's strategy of entering into the business of subcontractor of CG creation and production.

Distribution costs for the year ended 31 December 2006 amounted to approximately HK$6,479,000 (2005: HK$2,031,000), representing an increase of approximately 219%. The increase in the distribution costs was mainly due to costs were incurred during the year for the promotion of the Movie and of the new products of digital cinema equipment launched in compliance with the new industrial technical standard.

Administrative expenses for the year ended 31 December 2006 amounted to approximately HK$38,365,000 (2005: HK$37,429,000), representing an increase of approximately 3%. The increase was mainly due to recognition of equity-settled share based payment of approximately HK$5,937,000 for the share options granted during the year. Adjusted for this non cash flow expense, the administrative expenses decreased by approximately 13%.

Finance costs for the year ended 31 December 2006 amounted to approximately HK$13,080,000 (2005: HK$7,675,000), representing an increase of approximately 70%. The increase was mainly come from increase in the outstanding balance of the loan from SCG Finance and other borrowings to finance the Group and the Remaining Group's loss incurred and the Group and the Remaining Group's development.

Gain on disposal of partial interest in a subsidiary of approximately HK$1,795,000 for the year ended 31 December 2006 mainly represented the gain on a transfer of 15% interest in GDC Technology Limited ("GDC Technology") to the management of GDC Technology for an aggregate cash consideration of HK$1,600,000. The Board considers that the transfer would lead to GDC Technology's management having personal interests in GDC Technology and it would enhance their commitment and participation in the business of GDC Technology. As their personal investment will be directly affected by the performance of GDC Technology, the Board anticipates that GDC Technology's management would devote more time and be more focused on the business of GDC Technology. This additional commitment will facilitate the development of GDC Technology and in turn the continuous development of the Group and the Remaining Group.

Overall, the Group and the Remaining Group incurred loss of approximately HK$30,245,000 for the year ended 31 December 2006, when compared with that of approximately HK$76,356,000 for the year 2005, represented an improvement of approximately 60%.

Liquidity and financial resources

The Group and the Remaining Group had bank balances and cash of approximately HK$8.6 million as at 31 December 2006 (2005: HK$3.7 million) and no pledged bank deposits as at 31 December 2006 (2005: HK$16.5 million) which were mainly denominated in Hong Kong dollars and Renminbi. The decrease was mainly the result of that the Group and the Remaining Group had reserved approximately HK$14.4 million at 31 December 2005 to restructure/renew bank borrowings and paid the reserve during the year ended 31 December 2006.

The Group and the Remaining Group's borrowings amounted to approximately HK$121.7 million as at 31 December 2006, of which approximately HK$29.5 million were repayable within twelve months from 31 December 2006 and approximately HK$92.2 million were repayable after twelve months from 31 December 2006. There was no gearing ratio (calculated as bank and other borrowings less bank balances and cash divided by shareholders' fund) presented as the Group and the Remaining Group recorded capital deficiency as at 31 December 2006.

Capital structure

As at 31 December 2006, the Group and the Remaining Group recorded capital deficiency of approximately HK$154.7 million (2005: HK$128.2 million) which was mainly financed by internal resources, bank and other borrowings. The increase in capital deficiency was mainly arisen from the loss of approximately HK$30.2 million incurred during the year under review.

Material acquisition, disposals and significant investment

Other than the transfer of 15% interest in GDC Technology as mentioned above, the Group and the Remaining Group had no material acquisitions, disposals and investment during the year ended 31 December 2006.

Charge on assets

The Group and the Remaining Group had no charge on assets as at 31 December 2006.

Foreign exchange exposure

Currently, the Group and the Remaining Group mainly earns revenue in United States dollars and incurs costs in Renminbi, United States dollars and Hong Kong dollars. Considering that the Group and the Remaining Group will have sufficient foreign exchange currencies to meet its foreign exchange requirement, the Directors believe that the Group and the Remaining Group does not have significant foreign exchange problems. However, if necessary, the Group and the Remaining Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2006, the Group and the Remaining Group has no significant exposure under foreign exchange.

Contingent liabilities

(a) On 14 May 2003, GDC Entertainment entered into a co-production agreement (the "Co-production Agreement") with WAMC and P&PM, in which the Group and the Remaining Group has a 25% equity interest, in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Coproduction Agreement.

In relation to the French proceedings, the Group and the Remaining Group's French legal advisers have advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Coproduction Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties apart from recently. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

(b) On 16 August 2006, 深圳大學文化科技服務有限公司("Shenzhen University") commenced legal action in the People's Court (Nanshan District) in the PRC against Shenzhen IDMT for, among others, unpaid rent, related expenses and compensation in the amount of approximately RMB8,960,000. On 14 September 2006, Shenzhen IDMT filed a counterclaim against Shenzhen University for, among others, compensation for renovation fee and relocation expenses in the amount of approximately RMB10,726,000 and RMB6,000,000, respectively, and returns of rental deposit. This action is continuing.

Saved as disclosed above, the Group and the Remaining Group had no significant contingent liabilities as at 31 December 2006.

Employees

As at 31 December 2006, the Group and the Remaining Group employed 351 (31 December 2005: 330) full time employees. The Group and the Remaining Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group and the Remaining Group.

FOR THE YEAR ENDED 31 DECEMBER 2007

Financial Review

Revenue for the year ended 31 December 2007 was approximately HK$246,125,000, when compared with that of approximately HK$54,920,000 for the year 2006, represented an increase of approximately 348%. The increase was mainly attributable to the increase in revenue from digital content distribution and exhibitions division, and CG creation and production division.

During the year ended 31 December 2007, the Group's revenue from digital content distribution and exhibitions division, which mainly consisted of sales of digital cinema equipment, the relevant technical service income and income from equipment leasing, amounted to approximately HK$183,862,000, increased for approximately 11 times comparing with that for the year 2006. This increase was mainly due to digital cinema equipment sold for the deployment of digital cinema network in the PRC cooperated by China Film and the Group (the "PRC Digital Cinema Project") during the second half of the year, launch of new products, and upgrading digital cinema servers to the Digital Cinema Initiative ("DCI") specified JPEG2000 code with improved security features. The Group and the Remaining Group's revenue from CG creation and production division amounted to approximately HK$51,300,000, increase for approximately 69% comparing with that for the year 2006, as a result of increase in both works from new clients and repeated orders from existing clients.

Cost of sales for the year ended 31 December 2007 amounted to approximately HK$165,544,000 which, comparing with that of approximately HK$30,135,000 for the year 2006, represented an increase of approximately 449%.

The Group and the Remaining Group made a gross profit of approximately HK$80,581,000 for the year ended 31 December 2007, representing a gross profit margin of approximately 33%. Comparing with the gross profit margin of approximately 45% for the year 2006, the decrease was mainly due to the digital cinema equipment, DCI-2000 Digital Cinema Integrated Projection System, sold for the PRC Digital Cinema Project was at a lower margin than the other products.

Other income for the year ended 31 December 2007 amounted to approximately HK$14,413,000 (2006:HK$1,099,000) mainly represented interest income of approximately HK$6,252,000 earned during the year, and the waiver of certain interest payable on other loan and rental payable amounted to approximately HK$4,156,000 and HK$3,228,000, respectively, upon entering into settlement agreements with relevant parties.

Administrative expenses for the year ended 31 December 2007 amounted to approximately HK$99,878,000 (2006: HK$38,365,000), representing an increase of approximately 160%. The increase was mainly due to recognition of equity-settled share based payments of approximately HK$57,402,000 (2006: HK$5,937,000) for the share options granted during the year, and increase in operating expenses as a result of growth in the operations of the Group and the Remaining Group.

Finance costs for the year ended 31 December 2007 amounted to approximately HK$4,002,000 (2006: HK$13,080,000), representing a decrease of approximately 69%. The decrease was mainly attributable to both decrease in interest to a fellow subsidiary and other related parties of approximately HK$6,199,000 and HK$2,626,000, respectively.

The discount on acquisition of additional interest in a subsidiary for the year ended 31 December 2007 amounted to approximately HK$1,342,000 represented the excess of the Group and the Remaining Group's additional interest in the fair values of the net assets of GDC Technology, a subsidiary of the Company, over the cost of the subscription of 53,388,178 new shares of GDC Technology at HK$2 per share in November 2007.

Gain on dilution of interest in a subsidiary of approximately HK$40,130,000 for the year ended 31 December 2007 included (i) approximately HK$40,295,000 from the gain on dilution of the Group and the Remaining Group's interest in GDC Technology from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007, and (ii) approximately HK$165,000 from the net loss on further dilution of the Group and the Remaining Group's interest in GDC Technology upon exercise of share options of GDC Technology during the year. With this additional funding, digital content distribution and exhibitions division has been in a better position to expedite the rolling out of its business plan and enhanced its research and development activities.

Gain on disposal of partial interest in a subsidiary of approximately HK$1,795,000 for the year ended 31 December 2006 mainly represented the gain on transfer of 15% interest in GDC Technology to its management for an aggregate cash consideration of HK$1,600,000 during that year.

Overall, the Group and the Remaining Group recorded profit of approximately HK$18,302,000 for the year ended 31 December 2007 attributable to equity holders of the Company, when compared with that loss of approximately HK$30,245,000 for the year 2006. Excluding the non-cash expense on recognition of equity-settled share-based payments, such adjusted profit for the year attributable to equity holders of the Company amounted to approximately HK$75,704,000.

Liquidity and Financial Resources

The Group and the Remaining Group had bank balances and cash of approximately HK$210.4 million as at 31 December 2007 (2006: HK$8.6 million) and pledged bank deposit of approximately HK$7.8 million as at 31 December 2007 (2006: Nil) which were mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The increase was mainly from net proceeds received from the issue of shares by the Company and by GDC Technology of approximately HK$521.4 million in total during the year ended 31 December 2007, netting off with the purchase of intangible asset and property, plant and equipment of approximately HK$88.6 million and HK$12.8 million, respectively, and the repayment of borrowings of approximately HK$98.9 million.

As at 31 December 2007, the Group and the Remaining Group's borrowings amounted to approximately HK$49.4 million, of which were repayable within twelve months from 31 December 2007. All borrowings bear interest at market rates.

Gearing ratio (calculated as borrowings divided by equity attributable to equity holders of the Company) as at 31 December 2007 was approximately 14%. There was no gearing ratio presented as at 31 December 2006 as the Group recorded capital deficiency at that moment. As at 31 December 2007, the Group and the Remaining Group has current ratio of approximately 2.7 (2006: 0.2) based on current assets of approximately HK$250.5 million and current liabilities of approximately HK$93.3 million. The Group and the Remaining Group's leverage enhanced significantly was mainly attributable to addition funding from issue of shares during the year.

Capital structure

The equity attributable to equity holders of the Company amounted to approximately HK$358.0 million as at 31 December 2007 (2006: a capital deficiency of approximately HK$155.0 million). The increase was mainly due to (i) net proceeds from issue of shares by the Company completed in January 2007, March 2007, May 2007 and July 2007, details of which were set out in respective announcements, of approximately HK$471.2 million in total, (ii) profit for the year ended 31 December 2007 attributable to equity holders of the Company of approximately HK$18.3 million, (iii) proceeds from exercise of share options of the Company of approximately HK$23.2 million, (iv) recognition of equity-settled share based payments of the Company of approximately HK$41.5 million, and netting off with (v) special reserve upon the Group and the Remaining Group's acquisition of additional interest in GDC Tech of approximately HK$46.4 million.

Material Acquisition, Disposals and Significant Investment

Other than the dilution of interest in GDC Technology, acquisition of PRC Media JV and acquisition of additional interest in GDC Technology, the Group and the Remaining Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2007.

Charge on assets

As at 31 December 2007, the Group and the Remaining Group pledged a deposit amounted to approximately HK$7.8 million (2006: Nil) to a bank to secure a purchase agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the relevant purchase agreement.

Foreign Exchange Exposure

Currently, the Group and the Remaining Group earns revenue in United States dollars and Renminbi, and incurs costs in United States dollars, Renminbi and Hong Kong dollars. The Directors believe that the Group and the Remaining Group does not have significant foreign exchange exposure. However, if necessary, the Group and the Remaining Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2007, the Group and the Remaining Group has no significant exposure under foreign exchange.

Contingent Liabilities

On 14 May 2003, GDC Entertainment, entered into the Co-production Agreement with WAMC and P&PM, in which the Group has a 25% equity interest, in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group and the Remaining Group's French legal advisers have advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Coproduction Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

Saved as disclosed above, the Group and the Remaining Group had no significant contingent liabilities as at 31 December 2007.

Employees

As at 31 December 2007, the Group and the Remaining Group employed 424 (2006: 351) full time employees. The Group and the Remaining Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group and the Remaining Group.

FOR THE SIX MONTHS ENDED 30 JUNE 2008 FOR THE GROUP

Financial Review

Revenue for the six months ended 30 June 2008 was approximately HK$31,242,000 when compared with that of approximately HK$40,109,000 for the corresponding period in the year 2007, represented a decrease of approximately 22%. The decrease was mainly attributable to the decrease in revenue from CG creation and production and sales of goods by approximately HK$10,954,000 and HK$3,329,000, respectively, netting off with the share of box office receipts from the deployment of digital cinema network in the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan) cooperated by China Film and the Group (the "PRC Digital Cinema Project") of approximately HK$2,424,000 during the period.

Cost of sales for the six months ended 30 June 2008 amounted to approximately HK$35,253,000 which, comparing with that of approximately HK$18,180,000 for the corresponding period in the year 2007, represented an increase of approximately 94%. The increase was mainly attributable to amortisation of intangible asset of the PRC Digital Cinema Project of approximately HK$14,098,000.

The Group made a gross loss of approximately HK$4,011,000 for the six months ended 30 June 2008. Comparing with the gross profit of approximately HK$21,929,000 for the corresponding period in the year 2007, the decrease was mainly due to decrease in revenue and inclusion of amortisation of intangible asset in the amount of cost of sales.

Other income for the six months ended 30 June 2008 amounted to approximately HK$2,176,000 (30 June 2007: HK$9,047,000), representing a decrease of approximately 76%. The decrease was mainly due to the amount for the corresponding period in the year 2007 included an one-off income upon waiver of interest payable on other loan and rental payable amounted to approximately HK$4,156,000 and HK$3,228,000, respectively.

Administrative expenses for the six months ended 30 June 2008 amounted to approximately HK$27,803,000 (30 June 2007: HK$24,776,000), representing an increase of approximately 12%. The increase was as a result of growth in the operations of the Group.

Finance costs for the six months ended 30 June 2008 amounted to approximately HK$1,533,000 (30 June 2007: HK$3,430,000), representing a decrease of approximately 55%. The decrease was mainly attributable to decrease in interest to a fellow subsidiary of approximately HK$1,845,000.

Other expense of approximately HK$22,202,000 (30 June 2007: Nil) for the six months ended 30 June 2008 represented an one-off payment for film distribution rights in the PRC based on an agreement with China Film.

Gain on dilution of interest in a subsidiary of approximately HK$40,295,000 for the six months ended 30 June 2007 represented the gain on dilution of the Group's interest in GDC Technology, a subsidiary of the Company, from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007.

Overall, the Group recorded loss of approximately HK$54,580,000 for the six months ended 30 June 2008 attributable to equity holders of the Company, when compared with that profit of approximately HK$40,920,000 for the corresponding period in the year 2007.

Liquidity and Financial Resources

The Group had bank balances and cash of approximately HK$142.5 million as at 30 June 2008 (31 December 2007: HK$210.4 million) and pledged bank deposit of approximately HK$2.8 million as at 30 June 2008 (31 December 2007: HK$7.8 million) which were mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The decrease was mainly from net cash used in the operating activities of approximately HK$48.6 million and investment in an associate of approximately HK$21.1 million.

As at 30 June 2008, the Group's borrowings amounted to approximately HK$49.8 million, of which were repayable within twelve months from 30 June 2008. All borrowings bear interest at market rates.

Gearing ratio (calculated as borrowings divided by equity attributable to equity holders of the Company) as at 30 June 2008 was approximately 15% (31 December 2007: 14%). As at 30 June 2008, the Group has current ratio of approximately 1.8 (31 December 2007: 2.7) based on current assets of approximately HK$210.4 million and current liabilities of approximately HK$119.7 million. The Group's leverage decreased was mainly attributable to loss for the period, and net cash used in operating activities and investment in an associate.

Capital structure

The equity attributable to equity holders of the Company amounted to approximately HK$322.1 million as at 30 June 2008 (31 December 2007: HK$358.0 million). The decrease was mainly due to loss for the six months ended 30 June 2008 attributable to equity holders of the Company of approximately HK$54.6 million, netting off with the exchange differences on translation of foreign operations of approximately HK$18.7 million.

Material Acquisition, Disposals and Significant Investment

Other than the capital injection to CFGDC Digital Cinema Company Limited, the Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2008.

Charge on assets

As at 30 June 2008, the Group pledged a deposit amounted to approximately HK$2.8 million (31 December 2007: HK$7.8 million) to a bank to secure a purchase agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the relevant purchase agreement.

Foreign Exchange Exposure

Currently, the Group earns revenue in United States dollars and Renminbi, and incurs costs in United States dollars, Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2008, the Group has no significant exposure under foreign exchange.

Contingent Liabilities

On 14 May 2003, GDC Entertainment, a wholly-owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and P&PM, in which the Group has a 25% equity interest, in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers have advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment. Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Coproduction Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

Saved as disclosed above, the Group had no significant contingent liabilities as at 30 June 2008.

Employees

As at 30 June 2008, the Group employed 420 (31 December 2007: 424) full time employees.

The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group.

FOR THE SIX MONTHS ENDED 30 JUNE 2008 FOR THE REMAINING GROUP

Financial Review

Revenue for the six months ended 30 June 2008 was approximately HK$28,818,000 when compared with that of approximately HK$40,109,000 for the corresponding period in the year 2007, represented a decrease of approximately 28%. The decrease was mainly attributable to the decrease in revenue from CG creation and production and sales of goods by approximately HK$10,954,000 and HK$3,329,000, respectively.

Cost of sales for the six months ended 30 June 2008 amounted to approximately HK$21,155,000 which, comparing with that of approximately HK$18,180,000 for the corresponding period in the year 2007, represented an increase of approximately 16%.

The Remaining Group made a gross profit of approximately HK$7,663,000 for the six months ended 30 June 2008. Comparing with the gross profit of approximately HK$21,929,000 for the corresponding period in the year 2007, the decrease was mainly due to decrease in the margin for CG creation and production.

Other income for the six months ended 30 June 2008 amounted to approximately HK$2,176,000 (30 June 2007: HK$9,047,000), representing a decrease of approximately 76%. The decrease was mainly due to the amount for the corresponding period in the year 2007 included an one-off income upon waiver of interest payable on other loan and rental payable amounted to approximately HK$4,156,000 and HK$3,228,000, respectively.

Administrative expenses for the six months ended 30 June 2008 amounted to approximately HK$27,803,000 (30 June 2007: HK$24,776,000), representing an increase of approximately 12%. The increase was as a result of growth in the operations of the Remaining Group.

Finance costs for the six months ended 30 June 2008 amounted to approximately HK$1,533,000 (30 June 2007: HK$3,430,000), representing a decrease of approximately 55%. The decrease was mainly attributable to decrease in interest to a fellow subsidiary of approximately HK$1,845,000.

Other expense of approximately HK$22,202,000 (30 June 2007: Nil) for the six months ended 30 June 2008 represented an one-off payment for fi lm distribution rights in the PRC based on an agreement with China Film.

Gain on dilution of interest in a subsidiary of approximately HK$40,295,000 for the six months ended 30 June 2007 represented the gain on dilution of the Remaining Group's interest in GDC Technology, a subsidiary of the Company, from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007.

Overall, the Remaining Group recorded loss of approximately HK$42,906,000 for the six months ended 30 June 2008 attributable to equity holders of the Company, when compared with that profit of approximately HK$40,920,000 for the corresponding period in the year 2007.

Liquidity and Financial Resources

The Remaining Group had bank balances and cash of approximately HK$142.5 million as at 30 June 2008 (31 December 2007: HK$210.4 million) and pledged bank deposit of approximately HK$2.8 million as at 30 June 2008 (31 December 2007: HK$7.8 million) which were mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The decrease was mainly from net cash used in the operating activities of approximately HK$48.6 million and investment in an associate of approximately HK$21.1 million.

As at 30 June 2008, the Remaining Group's borrowings amounted to approximately HK$49.8 million, of which were repayable within twelve months from 30 June 2008. All borrowings bear interest at market rates.

Gearing ratio (calculated as borrowings divided by equity attributable to equity holders of the Company) as at 30 June 2008 was approximately 15% (31 December 2007: 14%). As at 30 June 2008, the Remaining Group has current ratio of approximately 1.7 (31 December 2007: 2.7) based on current assets of approximately HK$208.0 million and current liabilities of approximately HK$119.7 million. The Remaining Group's leverage decreased was mainly attributable to loss for the period, and net cash used in operating activities and investment in an associate.

Capital structure

The equity attributable to equity holders of the Company amounted to approximately HK$333.8 million as at 30 June 2008 (31 December 2007: HK$358.0 million). The decrease was mainly due to loss for the six months ended 30 June 2008 attributable to equity holders of the Company of approximately HK$42.9 million, netting off with the exchange differences on translation of foreign operations of approximately HK$18.7 million.

Material Acquisition, Disposals and Significant Investment

Other than the capital injection to CFGDC Digital Cinema Company Limited, the Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2008.

Charge on assets

As at 30 June 2008, the Remaining Group pledged a deposit amounted to approximately HK$2.8 million (31 December 2007: HK$7.8 million) to a bank to secure a purchase agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the relevant purchase agreement.

Foreign Exchange Exposure

Currently, the Remaining Group earns revenue in United States dollars and Renminbi, and incurs costs in United States dollars, Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Remaining Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2008, the Remaining Group has no significant exposure under foreign exchange.

Contingent Liabilities

On 14 May 2003, GDC Entertainment, a wholly-owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and P&PM, in which the Group has a 25% equity interest, in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Remaining Group's French legal advisers have advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment. Further, arbitration proceedings were commenced by GDC

Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Coproduction Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

Saved as disclosed above, the Remaining Group had no significant contingent liabilities as at 30 June 2008.

Employees

As at 30 June 2008, the Remaining Group employed 420 (31 December 2007: 424) full time employees. The Remaining Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group.

V. FUTURE PROSPECT FOR THE GROUP AND THE REMAINING GROUP

Digital content distribution and exhibitions

There was significant improvement in the recent results of digital content distribution and exhibitions division due to the increase in orders for digital 3D cinema equipment by the exhibitors in the PRC and rest of Asia for the recent screening of a Hollywood 3D blockbuster, "Journey to the Center of the Earth". Besides, at least ten 3D titles are planned for release in the year 2009, the demand for digital 3D cinema equipment would continue to increase.

In late September 2008, several Hollywood studios finally signed the long-sought Virtual Print Fees ("VPF") deals with the major exhibitors in the United States for 20,000 digital cinemas. Together with the new VPF deal signed by a NASDAQ listed company, which is the largest (VPF based) digital cinema deployment entity, with five Hollywood studios for the second phase of deployment of another 10,000 digital cinemas in the United States, and the VPF deal signed by a leading digital cinema service company in Europe with six Hollywood studios for the deployment of 8,000 digital cinemas there, it is expected the deployment of digital cinemas worldwide has yet to begin.

In anticipation of the imminent digital cinema transition in the United States, the Group and the Remaining Group signed with the two largest cinema service providers to expand its servicing network throughout the United States. Both of the service providers are industry heavy weight and their support will go a long way to help the Group and the Remaining Group build a trusted servicing network for its customers in the United States.

Besides, the Group and the Remaining Group has also reached separate non-exclusive agreements with three Hollywood Studios as at the Latest Practicable Date for digital cinema deployment across Asia. Under the agreements, these Studios will be committed to supply Asian exhibitors with feature film content digitally, as well as to make financial contributions towards the hardware cost of DCI-compliant digital cinema equipment deployed by the Group and the Remaining Group. This milestone signals the Group's on-going commitment to Asian exhibitors as a trusted partner in digital conversion.

The Group and the Remaining Group continues to deliver DSR™ range of products designed for the exhibitors around the world and develop new products that aim to meet more than the standard Digital Cinema Initiative ("DCI") specifications, such as the new digital cinema product – True 3D™ Digital Cinema System. At present, only the new True 3D™ server can meet the preferred requirement of the DCI stereoscopic specifications and can differentiate the Group and the Remaining Group's digital cinema technology from its competitors.

In addition, the Group and the Remaining Group diversified certain DSR™ products to other markets which are not affected by the VPF deal, such as digital signage. During this period, the Group installed networked digital signage solutions to new customers in Asia including flagship cinema multiplexes in Hong Kong and major cities in the PRC.

Furthermore, upon exercise of the Call Options, the Group and the Remaining Group can extend its business to media advertising in the PRC, which is expected to sustain a healthy and stable growth rate and generate stable cash inflow in the coming years.

CG creation and production

Due to the slow down of global economy since late 2007, several clients postponed the commencement of their production plans, it resulted in lower revenue for the CG creation and production division during this period. Most of these projects did eventually commenced near the end of second quarter of the year 2008, and this division resumed profitable for this quarter. This division is expected to be profitable for the whole year 2008 as well.

Besides, the Group and the Remaining Group is actively developing new clients and has secured several projects with some world leading entertainment brands for animated television series and theatrical movies. The Group is also in discussion of co-production opportunities with several large North American and European children's entertainment content development and broadcasting companies. Many existing and prospective clients have expressed the desire for long term and multi-project relationship with the Group and the Remaining Group based on the demonstrated track record of offering reliable, cost effective, high quality CG production services to international market.

To deal with the expected growth in orders, the Group and the Remaining Group established a subsidiary in the city of Chongqing, its staff recruitment and installation of production facilities installation have been completed. The production capacity has been formed during the fourth quarter of the year 2008.

Following the success of the Group and the Remaining Group's second full-length feature CGI film, "Happy Little Submarines", a co-production with a Hollywood leading animation studio, the Group and the Remaining Group's co-produced animated television series, "Dive Olly Dive" was also released on China Central Television (CCTV) since September 2008. The Group and the Remaining Group will actively develop its original content creation business through different forms, including sole investment and co-production, in order to generate revenue from distribution and intellectual property sales in addition to the existing CG creation and production revenue.

CG training

CG training division continues its strategy towards professionalism. Through continued improvement in the management system and infrastructure, comprehensive training materials for different categories, including CG animation and games, and open new training courses, the Group and the Remaining Group maintained a leading position in the CG professional training domain in the PRC. This division recorded steady revenue growth continuously.

With the encouragement from the PRC government on subcontracting foreign CG projects and the development of domestic CG and game industries, many international well-know companies set up production centres in the PRC, the demand for equipped people in this field increased. In addition to the existing training courses on the knowledge of CG production, the Group and the Remaining Group opens a new professional training programme for the game industry, including comprehensive training materials and case studies, in line with the market needs. The Group and the Remaining Group also approaches several companies in the different kinds of CG animation and game industries to tailor make some advanced courses for upgrading their employees in accordance with their positions, with an aim to enhance the production capacity of those companies.

Besides, the Group and the Remaining Group cooperates with several famous high schools in the PRC for "Skill and Qualification" training programme for their students to achieve their aim to have "One Course, Several Certificates" and to train up their practical production skills ready for the employment immediate after graduation.

In addition to the Group and the Remaining Group's training centres in Shanghai and Shenzhen and direct operation training sites in Chongquing and Wuxi, the Group plans to set up more direct operation training sites to further expand its training network throughout the PRC and market shares there.

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23 January 2009

The Directors
Global Digital Creations Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Southern International Limited ("Southern International") including its income statement, statement of changes in equity and cash flow statement for the period from 23 October 2008 (date of incorporation) to 30 November 2008 (the "Relevant Period") and its balance sheet as at 30 November 2008 and notes thereto (the "Financial Information") for inclusion in the circular of Global Digital Creations Holdings Limited dated 23 January 2009 (the "Circular") in connection with the proposed very substantial acquisition in relation to the exercise of the call options (the "Call Options") subject to the cap amount to issue for an aggregate of up to 60% of the enlarged issued share capital of Southern International to GDC Holdings Limited (the "Lender"), a wholly-owned subsidiary of Global Digital Creations Holdings Limited. The exercise price of the Call Options is to be determined with reference to the audited results of Southern International in respect of each of the 12-month periods beginning on 1 July each year from 2009 to 2012.

Southern International was incorporated in Hong Kong with limited liability on 23 October 2008 and is a wholly-owned subsidiary of Keen Front Group Limited ("Keen Front"), a company incorporated in the British Virgin Islands. Southern International has remained dormant during the Relevant Period and subsequent to 30 November 2008, Southern International has commenced its investment holding business with a direct 100% equity investment in 寧波影逸信息技術有限公司 (Ningbo Yingyi Information Technology Co., Ltd.*, "Ningbo Yingyi"), and an indirect 80% equity investment in 廣州市影逸廣告有限公司 (Guangzhou Yingyi Advertising Co., Ltd.*, "Guangzhou Yingyi"). Further details of these equity investments are set out in note 9 in Section II in this report.

The audited financial statements of Southern International for the Relevant Period were audited by CCP Certified Public Accountants Limited. For the purpose of this report, the sole director of Southern International has prepared the financial statements of Southern International for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have performed an independent audit of the Underlying Financial Statements of Southern International for the Relevant Period in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guidelines 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information as set out in this report has been prepared from the audited Underlying Financial Statements after making such adjustments where appropriate.

The sole director of Southern International is responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently applied, that the judgements and estimates made are prudent and reasonable.

The directors of Global Digital Creations Holdings Limited are responsible for the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion on the Financial Information, based on our audit, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Southern International as at 30 November 2008 and of its loss and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION

INCOME STATEMENT

	Notes	**Period from 23 October 2008 (date of incorporation) to 30 November 2008** *HK$*
REVENUE	*3*	–
Administrative expenses		(27,500)
Other operating expenses		(6,275)
Finance costs		–
LOSS BEFORE TAXATION	*4*	(33,775)
Taxation	*6*	–
LOSS FOR THE PERIOD		(33,775)
Dividends		Nil

BALANCE SHEET

	Notes	30 November 2008 HK$
CURRENT ASSET		
Cash and bank balances		1,102,000
CURRENT LIABILITY		
Accruals		33,775
NET CURRENT ASSET		1,068,225
NON-CURRENT LIABILITY		
Due to ultimate holding company	7	1,092,000
Net liabilities		(23,775)
CAPTIAL AND RESERVE		
Issued capital	8	10,000
Accumulated loss		(33,775)
Total equity		(23,775)

STATEMENTS OF CHANGES IN EQUITY

	Period from 23 October 2008 (date of incorporation) to 30 November 2008		
	Issued capital HK$	Accumulated loss HK$	Total HK$
Issue of shares	10,000	–	10,000
Loss for the period	–	(33,775)	(33,775)
At 30 November 2008	10,000	(33,775)	(23,775)

CASH FLOW STATEMENT

	Notes	Period from 23 October 2008 (date of incorporation) to 30 November 2008 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation		(33,775)
Increase in accruals		33,775
Net cash inflow from operating activities		–
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	*8*	10,000
Increase in amount due to ultimate holding company	*7*	1,092,000
Net cash inflow from financing activities		1,102,000
INCREASE IN CASH AND CASH EQUIVALENTS AND BALANCE AT END OF PERIOD		1,102,000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		1,102,000

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Southern International is a private limited company incorporated in Hong Kong on 23 October 2008. The registered office and principal place of business of Southern International is located at Room 1606, 16/F., New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. In the opinion of the sole director, its ultimate holding company is Keen Front Group Limited, a company incorporated in the British Virgin Islands.

2.1 BASIS OF PRESENTATION AND GOING CONCERN

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Southern International.

Despite the fact that Southern International had net liabilities of HK$23,775 as at 30 November 2008, the Financial Information has been prepared on the basis that Southern International will continue to operate as a going concern. Such going concern basis is based upon the presumption of continuous financial support from Southern International's ultimate holding company, which has indicated its willingness to continue financing the operations of Southern International and has agreed not to demand repayment of the amount due to it within the next 12 months from the date of this report.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Southern International has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statement [2]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible Hedged Items [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 2 (Amendment)	Share-based payment – Vesting Conditions and Cancellation [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [2]

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 July 2009*

Southern International is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of these new and revised HKFRSs may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on Southern International's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to Southern International if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, Southern International; (ii) has an interest in Southern International that gives it significant influence over Southern International; or (iii) has joint control over Southern International;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of Southern International or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d) above; or

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Southern International assesses whether a contract contains an embedded derivative when Southern International first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Southern International determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Southern International commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income and gains" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimate is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

Southern International assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- Southern International retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- Southern International has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where Southern International has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Southern International's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Southern International could be required to repay.

Financial liabilities at amortised cost

Financial liabilities including accruals and an amount due to the ultimate holding company are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within 'finance costs' in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Southern International's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Southern International and when the revenue can be measured reliably.

3. REVENUE

Southern International did not generate any revenue during the Relevant Period.

4. LOSS BEFORE TAXATION

Southern International's loss before taxation is arrived at after charging:

	Period from 23 October 2008 (date of incorporation) to 30 November 2008
	HK$
Auditor's remuneration	16,000

5. DIRECTOR'S REMUNERATION

The sole director did not receive any fees or emoluments in respect of his service rendered to Southern International during the Relevant Period.

6. TAXATION

No Hong Kong Profits Tax has been provided as Southern International did not generate any assessable profits arising in Hong Kong during the Relevant Period.

A reconciliation of the tax expense applicable to loss before taxation using the statutory rate to the tax expense at the effective tax rate is as follows:

	Period from 23 October 2008 (date of incorporation) to 30 November 2008	
	HK$	*%*
Loss before taxation	(33,775)	
Tax at the statutory tax rate of 16.5%	(5,573)	16.5
Expenses not deductible for tax purposes	1,163	(3.4)
Tax effect of tax loss not recognised	4,410	(13.1)
Tax expense at the effective rate	–	N/A

At 30 November 2008, Southern International had unused tax loss of approximately HK$27,000 available to offset future profits. No deferred tax asset has been recognised in respect of such loss due to the unpredictability of future profit streams. Such loss may be carried forward indefinitely.

7. DUE TO ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and is not repayable in the next 12 months from the date of this report.

8. SHARE CAPITAL

	30 November 2008
	HK$
Authorised, issued and fully paid:	
10,000 ordinary shares of HK$1.00 each	10,000

Southern International was incorporated on 23 October 2008 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. On incorporation, Southern International issued one ordinary share at par for cash as the subscriber's share.

By an ordinary resolution passed on 30 October 2008, a total of 9,999 additional ordinary shares of HK$1.00 each were issued at par for cash to increase the working capital of Southern International.

9. SIGNIFICANT POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following events took place:

(i) On 3 December 2008, Southern International established寧波影逸信息技術有限公司(Ningbo Yingyi Information Technology Co., Ltd.*, "Ningbo Yingyi"), an investment holding company established in the People's Republic of China (the "PRC") with limited liability and a wholly-owned subsidiary of Southern International. The total registered capital of Ningbo Yingyi is RMB10,500,000 (approximately HK$11,928,000), which has been paid up by Southern International as to RMB1 (approximately HK$1.1) up to the date of this report. The principal asset of Ningbo Yingyi is an 80% equity interest in廣州市影逸廣告有限公司(Guangzhou Yingyi Advertising Co., Ltd.*, "Guangzhou Yingyi"), which was acquired from an independent third party on 22 December 2008 at a consideration of RMB8,000,000 (approximately HK$9,088,000). Guangzhou Yingyi was established on 22 December 2008 under the laws of the PRC with limited liability. The total registered capital of Guangzhou Yingyi is RMB10,000,000 (approximately HK$11,360,000), which has been paid up by Southern International as to RMB8,000,000 (approximately HK$9,088,000) up to the date of this report. Guangzhou Yingyi is principally engaged in the media advertising business in the PRC. In December 2008, Guangzhou Yingyi entered into an agreement (the "TV Channel Advertising Agreement") with廣東珠江電影文化發展有限公司 (Guangdong Zhujiang Movie Cultural Development Co., Ltd.*), pursuant to which Guangzhou Yingyi has obtained the right to become the sole advertising agent for the television channel of Guangdong Television Station for a 20-year period commencing from 1 July 2009; and

(ii) On 23 December 2008, Southern International entered into an agreement (the "Agreement") with GDC Holdings Limited (the "Lender"), an independent third party and a wholly-owned subsidiary of Global Digital Creations Holdings Limited, and Keen Front, pursuant to which the Lender agreed to, and/or procure its designated companies to, make available to Southern International and/or its designated companies a term loan facility of RMB100 million (approximately HK$113,600,000) (the "Facility"). In consideration for the provision of the Facility, Southern International has granted the Lender and/or its designated companies an exclusive right (the "Call Options") to subscribe for shares in the capital of Southern International up to a total of 60% of the total number of shares of Southern International in issue as enlarged by such subscriptions. The Facility is secured by a charge of each of (i) 10,000 shares of Southern International (representing the entire issued share capital of Southern International) held by Keen Front in favour of the Lender and/or its designated company; (ii) the entire equity interest in Ningbo Yingyi held by Southern International in favour of the Lender and/or its designated companies; and (iii) 80% of the equity interest of Guangzhou Yingyi held by Ningbo Yingyi in favour of the Lender and/or its designated companies. The exercise price of the Call Options is to be determined with reference to the audited results of Southern International in respect of each of the 12-month periods beginning on 1 July each year from 2009 to 2012. Further details of the Facility are set out in the Circular.

Save as disclosed above, Southern International did not have other significant events took place subsequent to 30 November 2008.

10. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 November 2008 are as follows:

Financial assets

	Financial assets at fair value through profit or loss					
	– designated as such upon initial recognition	– held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cash and bank balances	–	–	–	1,102,000	–	1,102,000

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	– designated as such upon initial recognition	– held for trading	Financial liabilities at amortised cost	Total
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities included in accruals	–	–	33,775	33,775
Due to ultimate holding company	–	–	1,092,000	1,092,000
	–	–	1,125,775	1,125,775

11. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Southern International is exposed to various kinds of risks in its operation and financial instruments. Southern International's risk management objectives and policies mainly focused on minimising the potential adverse effects of these risks on Southern International by closely monitoring the individual exposure as follows:

Interest rate risk

During the Relevant Period and as at 30 November 2008, Southern International had no significant interest bearing assets and liabilities. Southern International's results and operating cash flows have been substantially independent of charges in market interest rates.

Foreign currency risk

During the Relevant Period and as at 30 November 2008, Southern International did not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them were denominated in Hong Kong dollar.

Credit risk

Southern International's credit risk is primarily attributable to bank balances. All the bank balances were made with financial institutions with high-credit quality.

Liquidity risk

Southern International's ultimate holding company has indicated its willingness to continue financing the operations of Southern International and has agreed not to demand repayment of the amount due to it within the next 12 months from the date of this report.

Capital management

The primary objective of Southern International's capital management is to safeguard Southern International's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

Southern International manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Southern International may adjust the dividend payment to shareholders, return capital to shareholders of issue new shares.

12. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Southern International in respect of any period subsequent to 30 November 2008.

Yours faithfully,
Cachet Certified Public Accountants Limited
Certified Public Accountants
Chan Yuk Tong
Practising Certificate Number P03723

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS OF THE BORROWER

For the period from 23 October 2008 (date of incorporation) to 30 November 2008

Results

During the period from 23 October 2008 (date of incorporation) to 30 November 2008, the Borrower was just incorporated as an investment holding company and its intended business had not yet commenced as at 30 November 2008. The administrative and other operating expenses in the aggregate sum of approximately HK$34,000 for the period mainly included the expenditure incurred for the incorporation and auditor's remuneration for the financial statements.

Liquidity and financial resources

As at 30 November 2008, the Borrower had asset of HK$1,102,000 comprised of cash and bank balances of HK$1,102,000 and liabilities of approximately HK$1,126,000 mainly comprised of an amount due to ultimate holding company of HK$1,092,000 and accruals of approximately HK$34,000. The amount due to ultimate holding company is unsecured, interest-free and is not repayable in the next 12 months from the date of the accountants' report.

As at 30 November 2008, the current ratio of the Borrower was approximately 32.4 which is calculated based on current asset of HK$1,102,000 and current liabilities of approximately HK$34,000. The leverage (measured as total liabilities over total capital and reserve) at a relative high level was mainly attributable to advance from its ultimate holding company during the period.

Capital structure

As at 30 November 2008, the Borrower recorded capital deficiency attributable to its equity holders of approximately HK$24,000, which was mainly attributable to loss incurred for the period.

Material acquisition, disposals and significant investment

The Borrower had no material acquisitions, disposals and significant investment during the period.

Charge on assets

As at 30 November 2008, the Borrower had no charge on assets.

Foreign exchange exposure

The Directors believe that the Borrower would not be subject to significant foreign exchange exposure.

Gearing ratio

There was no gearing ratio presented as at 30 November 2008 as the Borrower recorded capital deficiency at that moment.

Contingent liabilities

As at 30 November 2008, the Borrower had no significant contingent liabilities.

Employee

As at 30 November 2008, the Borrower did not employ any employee as its intended business has not yet commenced during the period.

FUTURE PROSPECTS OF THE BORROWER

The Borrower is intended to engage in media advertising in the PRC. In December 2008, the Borrower established a subsidiary in the PRC with limited liability, Ningbo Yingyi as an investment holding company. The principal asset of Ningbo Yingyi is an 80% equity interest in Guangzhou Yingyi, which was acquired from an independent third party on 22 December 2008. Guangzhou Yingyi is to operate the intended business. In December 2008, Guangzhou Yingyi entered into the TV Channel Advertising Agreement with 廣東珠江電影文化發展有限公司(Guangdong Zhujiang Movie Cultural Development Co., Ltd.), pursuant to which Guangzhou Yingyi has obtained the right to become the sole advertising agent for the television channel of Guangdong Television Station for a 20-year period commencing from 1 July 2009. It is expected that this business can sustain a healthy and stable growth rate and generate stable cash inflow in the coming years.

(I) UNAUDITED INCOME STATEMENTS OF THE DISPOSAL EQUIPMENTS

(I) Unaudited Income Statements of the Disposal Equipments

	From 8 July 2007 (being the first date for deployment of the Disposal Equipments by Shenzhen IDMT) to 31 December 2007	For the year ended 31 December 2008
	HK$'000	*HK$'000*
Revenue – share of box office receipts	–	5,496
Amortisation	–	(28,491)
Loss attributable to the Disposal Equipments	–	(22,995)

The above are the unaudited income statements on the identifiable net income stream in relation to the Disposal Equipments from 8 July 2007 (being the first date for deployment of the Disposal Equipments by Shenzhen IDMT) to 31 December 2007; and for the year ended 31 December 2008 which have been prepared by the Company in compliance with Rule 19.68 (2)(b)(i) of the GEM Listing Rules, based on the accounting records of the Group.

In accordance with paragraph 19.68(2)(b)(i) of the GEM Listing Rules, the Directors engaged Deloitte Touche Tohmatsu, auditor of the Company, to perform certain factual findings procedures in respect of the compilation of the unaudited income statements and valuations of the Disposal Equipments in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The auditor agreed amounts included in the unaudited income statements and valuations as set out in paragraph headed (I) Unaudited Income Statements of the Disposal Equipments; and (II) Valuation of the Disposal Equipments of Appendix VI to this circular, respectively, to the accounting records of the Disposal Equipments and the valuation report issued by the Independent Valuer. The auditor reported that they found that such information was in agreement with the underlying books and records of the Group and the valuation report issued by the Independent Valuer. The procedures performed by the auditor do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA. Consequently, no assurance is provided by the auditor on the unaudited income statements of the Disposal Equipments or valuation of the Disposal Equipments.

(II) VALUATION OF THE DISPOSAL EQUIPMENTS

		As at 30 November 2008
Valuation	RMB	241,729,200
Equivalent to approximately	HK$	274,604,000

The Valuation of the Disposal Equipments as at 30 November 2008 is based on the valuation report issued by the Independent Valuer as set out in Appendix VI of this circular.

JONES LANG LASALLE 仲量聯行

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牌照號碼C-003464

23 January 2009

The Directors
Global Digital Creations Holdings Limited
Rooms 1101-1104, 11/F., Harcourt House,
39 Gloucester Road, Wanchai,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the Digital Cinema Integrated Projection System held by Institute of Digital Media Technology (Shenzhen) Limited (the "Company"), a wholly owned subsidiary of Global Digital Creations Holdings Limited, we confirm that we have made relevant inquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the indicative market value for continued use of the Digital Cinema Integrated Projection System as at 30 November 2008.

It is our understanding that this valuation report shall be used for the purpose of inclusion in the circular to be issued to the shareholders of Global Digital Creations Holdings Limited.

Market Value is defined herein as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Market Value In Continued Use is further defined as amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported.

Market Value In Continued Use does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

This valuation report dated 23 January 2009, comprises:–

– A narrative section, which identifies the Digital Cinema Integrated Projection System valued, scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of value;

– A summary of values; and

– A schedule with technical description of the Digital Cinema Integrated Projection System, showing for each item or group of items the appraised market value will be furnished in our detailed report.

NARRATIVE DESCRIPTION

Company Background

Global Digital Creations Holdings Limited is one of the leading groups of companies providing an integrated value chain in the digital distribution and content business which encompasses computer graphics ("CG") creation and production, distribution and exhibitions of digital content, and provision of CG training.

Assets Valued

Assets under review comprised the Digital Cinema Integrated Projection Systems as furnished in the list of digital cinema equipment provided by the Company. They are installed at 155 cinemas located at 55 cities in the PRC. Our valuation will be based on sampling inspection on these assets with a sampling size about 10% of the total number of the subject assets.

Exclusions

The scope of this valuation is restricted to the assets list provided to us which excludes land, buildings, other land improvements, spare parts, stocks, company records or any current or intangible assets.

VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative.

Assets for which there is an established used market may be appraised by this approach.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is general applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

Analysis

Any number or combination of the three approaches to value may be used in a particular valuation, depending upon the objectives and the nature of the property involved.

We have considered and excluded the income approach due to insufficient financial data such as the future cash flow that can be attributed solely to the subject equipment or the lack of market rental income data of these equipment.

The Digital Cinema Integrated Projection System is considered to be a specialized equipment as they are self developed and built to serve a designated purpose of broadcasting services in cinema. Hence, no active secondary market information can be found for the subject equipment. Even if any isolated private transaction is found, it cannot be considered an arm's length market sale under the market approach methodology.

In the absence of any used market information regarding sales and purchases of projection system similar to the assets appraised, the most reliable approach in arriving at an opinion of value of the Digital Cinema Integrated Projection System is by using the cost approach.

In arriving at our opinion of value, we have given consideration to the cost of replacement new, accrued depreciation, extent, character, utility and continuation of use of the assets in their present location.

Cost of Replacement New is the estimated amount of money needed to acquire a similar new item having the nearest equivalent utility as the property being valued taking into consideration current prices of materials and manufactured equipment, shipping and handling, labour, contractor's overhead, design and supervision, profit and fees, and other attendant costs associated with its acquisition.

Valuation Comments

On-site inspection was made on a sampling size of about 10% of the total assets, with 5% confidence level. Our assessment of those which are not inspected by us will be based on the premise that the assets are in a condition commensurate with age and usage as well as the general condition observed during our sampling inspection.

We have relied to a considerable extent on information such as machinery and equipment list, equipment specifications, drawings, contract invoices and other documents furnished to us by the Company.

We have not investigated the title or any liabilities affecting the machinery and equipment appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.

We hereby certify that we have neither present nor prospective interest in the assets appraised or on the value reported.

OPINION OF VALUE

Premised on the foregoing, we are of the opinion that as at 30 November 2008 the market value in continued use of the Digital Cinema Integrated Projection System is fairly represented in the amount of RMB 241,729,000 (RENMINBI TWO HUNDRED FOURTY ONE MILLION SEVEN HUNDRED AND TWENTY NINE THOUSAND). A breakdown is shown in the attached summary of values.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Sallmanns Ltd.

James Lai
Director
Plant & Machinery Valuation

Note:

James Lai is a plant & machinery valuer who has more than 25 years of experience in plant and machinery valuation in the Asia Pacific region.

Summary of Values

	Quantity (Sets)	Market Value (RMB) as at 30 November 2008
Digital Cinema Integrated Projection System	445	241,729,200
Total		241,729,200
Rounded to		241,729,000

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE TRANSACTIONS CONTEMPLATED UNDER THE AGREEMENT

(I) INTRODUCTION

The accompanying Unaudited Pro Forma Consolidated Income Statement, Unaudited Pro Forma Consolidated Balance Sheet and Unaudited Pro Forma Cash Flow Statement of the Enlarged Group (the "First Unaudited Pro Forma Financial Information") have been prepared to illustrate the effects of the transactions contemplated under the Agreement.

The Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group has been prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2008 as extracted from the interim report of the Company for the six months ended 30 June 2008, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the transactions contemplated under the Agreement and exercise of the Call Options had been completed on 30 June 2008.

The Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group has been prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the transactions contemplated under the Agreement and exercise of the Call Options had been completed at the beginning of the year ended 31 December 2007.

The Unaudited Pro Forma Cash Flow Statement of the Enlarged Group has been prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the transactions contemplated under the Agreement and exercise of the Call Options had been completed at the beginning of the year ended 31 December 2007.

The First Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the First Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position and results of operation of the Enlarged Group that would have been attained had the transactions contemplated under the Agreement and exercise of the Call Options actually occurred on the dates indicated herein. Furthermore, the First Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position and results of operation.

The First Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and the accountants' report of the Borrower as set out in Appendix I and III, respectively, of the circular.

1. UNAUDITED PRO FORMA BALANCE SHEET

	The Group's consolidated balance sheet as at 30 June 2008	The Borrower as at 30 November 2008	Pro forma adjustment relating to the provision of Facility	Pro forma adjustments relating to the exercise of Call Options	Unaudited pro forma consolidated balance sheet of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Note 1)*	*(Note 2)*	*(Note 3)*	
Non-current assets					
Property, plant and equipment	15,851	–	–		15,851
Goodwill	260,900	–	–	69,716	330,616
Prepaid lease payments	6,203	–	–		6,203
Interest in an associate	22,051	–	–		22,051
Amount due from Southern International Limited	–	–	113,600	(113,600)	–
	305,005	–	113,600		374,721
Current assets					
Inventories	44,855	–	–		44,855
Amounts due from customers for contract work	1,226	–	–		1,226
Trade receivables	13,788	–	–		13,788
Prepayments, deposits and other receivables	5,148	–	–		5,148
Prepaid lease payments	129	–	–		129
Pledged bank deposit	2,808	–	–		2,808
Bank balances and cash	142,465	1,102	(113,600)	113,600	143,567
	210,419	1,102	(113,600)		211,521
Current liabilities					
Income received in advance	(14,102)	–	–		(14,102)
Amounts due to customers for contract work	(296)	–	–		(296)
Trade payables	(32,386)	–	–		(32,386)
Other payables and accruals	(15,989)	(34)	–		(16,023)
Amounts due to fellow subsidiaries	(4,010)	–	–		(4,010)
Amounts due to other related parties	(541)	–	–		(541)
Tax liabilities	(2,461)	–	–		(2,461)
Loan from a fellow subsidiary	(35,000)	–	–		(35,000)
Obligations under finance leases	(98)	–	–		(98)
Secured bank borrowing	(14,773)	–	–		(14,773)
	(119,656)	(34)	–		(119,690)

	The Group's consolidated balance sheet as at 30 June 2008	The Borrower as at 30 November 2008	Pro forma adjustment relating to the provision of Facility	Pro forma adjustments relating to the exercise of Call Options	Unaudited pro forma consolidated balance sheet of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Note 1)*	*(Note 2)*	*(Note 3)*	
Net current assets (liabilities)	90,763	1,068	(113,600)		91,831
Total assets less current liabilities	395,768	1,068	–		466,552
Non-current liability:					
Amount due to ultimate holding company	–	(1,092)	–	1,092	–
Amount due to a minority shareholder	–	–	–	(1,092)	(1,092)
Net assets	395,768	(24)	–		465,460
Capital and reserves					
Share capital	(12,952)	(10)	–	10	(12,952)
Share premium and reserves	(309,174)	34	–	(34)	(309,174)
Equity attributable to equity holders of the Company	(322,126)	24	–		(322,126)
Share options reserve of a subsidiary	(15,981)	–	–		(15,981)
Minority interests	(57,661)	–	–	(69,692)	(127,353)
Total equity	(395,768)	24	–		(465,460)

2. UNAUDITED PRO FORMA INCOME STATEMENT

	The Group's consolidated income statement for the year ended 31 December 2007	The Borrower for the period from 23 October 2008 to 30 November 2008	Pro forma adjustment	Unaudited pro forma consolidated income statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(Note 1)*		
Revenue	246,125	–		246,125
Cost of sales	(165,544)	–		(165,544)
Gross profit	80,581	–		80,581
Other income	14,413	–		14,413
Distribution costs and selling expenses	(7,720)	–		(7,720)
Administrative expenses	(99,878)	(34)		(99,912)
Finance costs	(4,002)	–		(4,002)
Share of loss of an associate	(298)	–		(298)
Discount on acquisition of interest in a subsidiary	1,342	–		1,342
Gain on disposal of partial interest in a subsidiary	40,130	–		40,130
Profit before tax	24,568	(34)		24,534
Income tax expense	(3,099)	–		(3,099)
Profit for the year	21,469	(34)		21,435
Attributable to:				
Equity holders of the Company	18,302	(34)		18,268
Minority interests	3,167	–		3,167
	21,469	(34)		21,435

3. UNAUDITED PRO FORMA CASHFLOW STATEMENT

	The Group's consolidated cash flow statement for the year ended 31 December 2007	Pro forma adjustment relating to the provision of Facility	Pro forma adjustments relating to the exercise of Call Opitons	Pro forma adjustments relating to the incorporation of Borrower's bank balances and cash equivalents position	Unaudited pro forma consolidated cashflow statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(Note 4)*	*(Note 4)*	*(Note 4)*	
OPERATING ACTIVITIES					
Profit (loss) before tax	24,568				24,568
Adjustments for:					
Share-based payments expenses	57,402				57,402
Depreciation	1,088				1,088
Finance costs	4,002				4,002
Share of loss of an associate	298				298
Allowance for bad and doubtful debts	230				230
Amortisation of prepaid lease payments	68				68
Gain on dilution of interest in a subsidiary	(40,130)				(40,130)
Discount on acquisition of additional interest in a subsidiary	(1,342)				(1,342)
Interest income	(6,252)				(6,252)
Gain on disposal of property, plant and equipment	(20)				(20)
Operating cashflow before movements in working capital	39,912				39,912
Increase in inventories	(4,292)				(4,292)
Decrease in amounts due from customers for contract work	168				168
Decrease in trade receivables	(138,328)				(138,328)
Increase in prepayments, deposit and other receivables	(7,754)				(7,754)
Increase in income received in advance	3,733				3,733
Increase in amounts due to customers for contract work	227				227
Increase in trade payables	1,359				1,359
Decrease in other payables and accruals	(11,340)				(11,340)
Increase in amounts due to directors	604				604
Decrease in amounts due to fellow subsidiaries	(540)				(540)
NET CASH USED IN OPERATING ACTIVITIES	(116,251)				(116,251)

	The Group's consolidated cash flow statement for the year ended 31 December 2007	Pro forma adjustment relating to the provision of Facility	Pro forma adjustments relating to the exercise of Call Options	Pro forma adjustments relating to the incorporation of Borrower's bank balances and cash equivalents position	Unaudited pro forma consolidated cashflow statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(Note 4)*	*(Note 4)*	*(Note 4)*	
INVESTING ACTIVITIES					
Investment in an associate	(722)				(722)
Increase in pledged bank deposit	(7,800)				(7,800)
Purchase of property, plant and equipment	(12,762)				(12,762)
Acquisition of intangible asset	(88,633)				(88,633)
Interest received	6,252				6,252
Proceeds from disposal of property, plant and equipment	20				20
Prepaid lease payments	(5,794)				(5,794)
Advance to an associate	(1,053)				(1,053)
Advance to Southern International Limited	–	(113,600)	113,600		–
Advance paid for acquisition of intangible asset	(35,581)				(35,581)
Acquisition of subsidiaries	–		(20,448)	21,550	1,102
NET CASH USED ININVESTING ACTIVITIES	(146,073)				(144,971)
FINANCING ACTIVITIES					
Proceeds from issue of shares, net of transaction costs	471,204				471,204
Proceeds from issue of shares of a subsidiary to a minority shareholder, net of transaction costs	50,235				50,235
Exercise of share options	23,155				23,155
Exercise of share options of a subsidiary	2,614				2,614
Advance from ultimate holding company	–				–

	The Group's consolidated cash flow statement for the year ended 31 December 2007 *HK$'000* *(audited)*	Pro forma adjustment relating to the provision of Facility *HK$'000* *(Note 4)*	Pro forma adjustments relating to the exercise of Call Options *HK$'000* *(Note 4)*	Pro forma adjustments relating to the incorporation of Borrower's bank balances and cash equivalents position *HK$'000* *(Note 4)*	Unaudited pro forma consolidated cashflow statement of the Enlarged Group *HK$'000*
Net repayment of loan from a fellow subsidiary	(66,360)				(66,360)
Net bank loan raised	13,898				13,898
Repayment of advances from other related parties	(2,440)				(2,440)
Repayment of bank loans	(10,000)				(10,000)
Interest paid	(3,850)				(3,850)
Repayment of obligations under finance leases	(1,448)				(1,448)
Repayment to shareholders	(339)				(339)
Repayment of other loans	(18,295)				(18,295)
NET CASH FROM FINANCING ACTIVITIES	458,374				458,374
NET INCREASE IN CASH AND CASH EQUIVALENTS	196,050				197,152
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,596				8,596
Effect of foreign exchange rate changes	5,731				5,731
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	210,377				211,479

Notes:

1 The balances are extracted from the accountants' report of the Borrower for the period from 23 October 2008 (date of incorporation) to 30 November 2008 issued by Cachet Certified Public Accountants Limited as set out in Appendix III to this circular.

As the Borrower was incorporated on 23 October 2008, and after 31 December 2007, its financial information which is for the period from 23 October 2008 (date of incorporation) to 30 November 2008 is used for the purpose of the unaudited pro forma financial information.

2 The adjustment reflects the advance of maximum amount of term loan of RMB100,000,000 (equivalent to HK$113,600,000) to the Borrower.

3 For the purpose of preparation of the unaudited pro forma financial information, the following assumptions have been made:

(i) The Group had exercised the Call Options to subscribe for the maximum of 60% equity interest in the Borrower pursuant to the terms of the Agreement and accordingly, obtained control over the Borrower upon the subscription. The Borrower became a subsidiary of the Group.

(ii) Consideration to subscribe for the maximum of 60% equity interest in the Borrower is assumed to be RMB118,000,000 (equivalent to HK$134,048,000). The Group is assumed to have settled the consideration payable by way of set off against the amount due from the Borrower of RMB100,000,000 (equivalent to HK$113,600,000) and cash payment of RMB18,000,000 (equivalent to HK$20,448,000).

(iii) The Group applied the purchase method to account for the acquisition of the Borrower in accordance with Hong Kong Financial Reporting Standard 3 "Business Combination" issued by the Hong Kong Institute of Certified Public Accountants on the assumption that the Borrower constituted a business at the time of actual exercise of the Call Options.

(iv) Ningbo Yingyi and Guangzhou Yingyi are assumed to have been established as at 30 June 2008 and the Group held indirectly 48% effective equity interest in Guangzhou Yingyi, the entity which subsequently acquired the Advertising Operations Rights in December 2008.

(v) The fair values of the identifiable assets, liabilities and contingent liabilities of the Borrower as at the date of exercise of the Call Options are assumed to be equal to their carrying amounts as at 30 June 2008.

The adjustments reflect the consolidation of the Borrower and the recognition of goodwill of approximately HK$69,716,000 arising from business combination. Details of which are as follows:

(i) Term loan of RMB100,000,000 (equivalent to HK$113,600,000) advanced to the Borrower, which will be used for the purposes of satisfying Guangzhou Yingyi' s obligations under the TV Channel Advertising Agreement relating to the acquisition of the Advertising Operation Rights and as working capital of Guangzhou Yingyi.

(ii) Reclassification of loan from Keen Front, the then ultimate holding company of the Borrower to loan from a minority shareholder upon the exercise of the Call Options.

(iii) Goodwill represents the sum of the following:

(a) The minority interest's share of the adjusted net assets of the Borrower after taking into account the RMB118,000,000 (equivalent to HK$134,048,000) deemed proceeds from the exercise of the Call Options amounting to approximately HK$69,692,000.

(b) The fair values of the identifiable assets, liabilities and contingent liabilities of the Borrower.

Since it is the Group's discretion to exercise the Call Options during each exercisable period (representing six months period immediately after the end date for each of the Advertising Operation Years), the number of shares subscribed or the percentage of equity interest in the Borrower at the end of actual exercise of the Call Options may be less than 60%.

In addition, the exercise price of the Call Options will be equivalent to the price-earning multiple of 6 of the Borrower based on the audited consolidated financial statements for the Advertising Operation Year immediately prior to the exercise of the Call Options pursuant to the terms of the Agreement. The consideration payable at actual exercise may be less than or more than RMB118,000,000 (equivalent to HK$134,048,000).

The fair values of the identifiable assets, liabilities and contingent liabilities of the Borrower as at the date of the actual exercise of the Call Options may be different from the fair values used in the preparation of the unaudited pro forma financial information. Final determination of the fair value of the net identifiable assets as at the date of exercise of the Call Options will result in consequential adjustments to the amount of goodwill and minority interest.

4 The adjustments are made as if the transactions contemplated under the Agreement and exercise of the Call Options had been completed at the beginning of the year ended 31 December 2007 and incorporate the Borrower's bank balances and cash equivalents position as at 30 November 2008. The adjustment reflects the cash flow of:

(i) the outflow from the advance of maximum amount of term loan of RMB100,000,000 (equivalent to HK$113,600,000) to the Borrower.

(ii) the outflow from settlement of the consideration by way of cash payment of approximately RMB18,000,000 (equivalent to HK$20,448,000).

(iii) the inflow from the acquisition of the Borrower's bank balances and cash equivalents position of approximately HK$21,550,000, which represents the bank balances and cash of approximately HK$1,102,000 as at 30 November 2008 and the proceeds received of approximately RMB18,000,000 (equivalent to HK$20,448,000) from the exercise of Call Options.

(iv) the inflow from the reversal of the advance of maximum amount of term loan of RMB100,000,000 (equivalent to HK$113,600,000) to the Borrower upon the exercise of the Call Options.

(II) LETTER ON THE FIRST UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the report, prepared for the purpose of incorporation in this circular, from Deloitte Touche Tohmatsu in respect of the pro forma financial information of the Group as set out in section A in this appendix:

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries (the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the proposed granting of the facility by GDC Holdings Limited (the "Lender"), a wholly-owned subsidiary of the Company, to Southern International Limited (the "Borrower") and exercise of the exclusive rights and options granted by the Borrower to the Lender to subscribe for shares in the capital of the Borrower might have affected the financial information presented, for inclusion in Appendix VII of the circular dated 23 January 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 141 to 149 to the Circular.

Respective responsibilities of the Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2008 or any future date; or

- the results and cash flows of the Enlarged Group for the year ended 31 December 2007 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 23 January 2009

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR PROPOSED DISPOSAL

(I) INTRODUCTION

The accompanying Unaudited Pro Forma Net Assets Statement, Unaudited Pro Forma Profit and Loss Statement of the Group (the "Second Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of the Proposed Disposal.

The Unaudited Pro Forma Consolidated Net Assets Statement of the Group has been prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2008 as extracted from the interim report of the Company for the six months ended 30 June 2008, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the Proposed Disposal had been completed on 30 June 2008.

The Unaudited Pro Forma Consolidated Profit and Loss Statement of the Group has been prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the Proposed Disposal had been completed at the beginning of the year ended 31 December 2007.

The Second Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Second Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position and results of operation of the Group that would have been attained had the Proposed Disposal actually occurred on the dates indicated herein. Furthermore, the Second Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position and results of operation.

The Second Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, the financial information of the Disposal Equipments and as set out in Appendix I and V, respectively, of the circular.

1. UNAUDITED PRO FORMA NET ASSETS STATEMENT

	The Group's net assets as at 30 June 2008	**Pro forma adjustment**	**Unaudited pro forma net assets of the Group after the Proposed Disposal**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	*(Note 1)*	
Non-current assets			
Property, plant and equipment	15,851		15,851
Intangible asset	260,900	(260,900)	–
Prepaid lease payments	6,203		6,203
Interest in an associate	22,051		22,051
	305,005		44,105
Current assets			
Inventories	44,855		44,855
Amounts due from customers for contract work	1,226		1,226
Trade receivables	13,788		13,788
Prepayments, deposits and other receivables	5,148	140,627	145,775
Prepaid lease payments	129		129
Pledged bank deposit	2,808		2,808
Bank balances and cash	142,465	113,600	256,065
	210,419		464,646

	The Group's net assets as at 30 June 2008	Pro forma adjustment	Unaudited pro forma net assets after the Proposed Disposal
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	*(Note 1)*	
Current liabilities			
Income received in advance	(14,102)		(14,102)
Amounts due to customers for contract work	(296)		(296)
Trade payables	(32,386)		(32,386)
Other payables and accruals	(15,989)	(2,200)	(18,189)
Amounts due to fellow subsidiaries	(4,010)		(4,010)
Amounts due to other related parties	(541)		(541)
Tax liabilities	(2,461)		(2,461)
Loan from a fellow subsidiary	(35,000)		(35,000)
Obligations under finance leases	(98)		(98)
Secured bank borrowing	(14,773)		(14,773)
	(119,656)		(121,856)
Net current assets (liabilities)	90,763		342,790
Total assets less current liabilities	395,768		386,895
Net assets	395,768		386,895

2. UNAUDITED PRO FORMA PROFIT AND LOSS STATEMENT

	The Group's consolidated income statement for the year ended 31 December 2007	**Pro forma adjustment**	**Unaudited pro forma consolidated income statement of the Group after the Proposed Disposal**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(Note 1)*	
Revenue	246,125	(8,873)	237,252
Cost of sales	(165,544)		(165,544)
Gross profit	80,581		71,708
Other income	14,413		14,413
Distribution costs and selling expenses	(7,720)		(7,720)
Administrative expenses	(99,878)		(99,878)
Finance costs	(4,002)		(4,002)
Share of loss of an associate	(298)		(298)
Loss on disposal of intangible asset	–		–
Discount on acquisition of interest in a subsidiary	1,342		1,342
Gain on disposal of partial interest in a subsidiary	40,130		40,130
Profit before tax	24,568		15,695
Income tax expense	(3,099)		(3,099)
Profit for the year	21,469	(8,873)	12,596
Attributable to:			
Equity holders of the Company	18,302	(8,873)	9,429
Minority interests	3,167		3,167
	21,469	(8,873)	12,596

Note:

1 The adjustment reflects the impacts on the results and financial positions from the Proposed Disposal calculated as the difference between the Consideration of approximately HK$254,227,000, the carrying amount of the Disposal Equipments of approximately HK$260,900,000 as at 30 June 2008 and the expenses directly attributable to the Disposed Disposal of HK$2,200,000.

For the purpose of preparation of pro forma financial information, the fair value of Consideration is assumed to be equal to the principal amount without taking into account the discounting effect as the Group is still in process to determine the appropriate borrowing rate of China Film. The appropriate borrowing rate will be determined as at the date of completion of the Proposed Disposal.

The fair value of the Consideration from the Proposed Disposal as at the date of actual disposal may be different from the fair value used in the preparation of the unaudited pro forma financial information. Final determination of the fair value of the Consideration will have consequential adjustments to the net results from the Proposed Disposal.

(II) LETTER ON THE SECOND UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the report, prepared for the purpose of incorporation in this circular, from Deloitte Touche Tohmatsu in respect of the pro forma financial information of the Group as set out in section B in this appendix:

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries (the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the proposed disposal of the Disposal Equipments as defined in the Circular to China Film Group Corporation might have affected the financial information presented, for inclusion in Appendix VII of the circular dated 23 January 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 152 to 156 to the Circular.

Respective responsibilities of the Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30 June 2008 or any future date; or
- the results of the Group for the year ended 31 December 2007 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 23 January 2009

1. RESPONSIBILITY STATEMENT

This circular, 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:

1. the information contained in this circular is accurate and complete in all material respects and not misleading;

2. there are no other matters the omission of which would make any statement in this circular misleading; and

3. all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in shares and underlying shares of the Company:

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company: Interests in shares	Interests under equity derivatives *	Total interests	Total interests as to % to the issued share capital of the Company
Cao Zhong	Beneficial owner	26,942,200	4,900,000	31,842,200	2.46%
Chen Zheng	Beneficial owner	8,718,200	4,900,000	13,618,200	1.05%
Jin Guo Ping	Beneficial owner	–	8,008,200	8,008,200	0.62%
Lu Yi, Gloria	Beneficial owner	–	12,000,000	12,000,000	0.93%
Leung Shun Sang, Tony	Beneficial owner	20,008,200	4,900,000	24,908,200	1.92%
Kwong Che Keung, Gordon	Beneficial owner	800,820	490,000	1,290,820	0.10%
Hui Hung, Stephen	Beneficial owner	800,820	490,000	1,290,820	0.10%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 18 July 2003 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors.*

(ii) Long positions in shares and underlying shares of Shougang Grand, an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in Shougang Grand: Interests in shares	Interests under equity derivatives *	Total interests	Total interests as to % to the issued share capital of Shougang Grand
Cao Zhong	Beneficial owner	–	22,868,000	22,868,000	1.99%
Chen Zheng	Beneficial owner	–	18,368,000	18,368,000	1.60%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,679	27,646,679	2.40%

* *The relevant interests are unlisted physically settled options granted pursuant to Shougang Grand's share option scheme adopted on 7 June 2002 (the "Shougang Grand Scheme"). Upon exercise of the share options in accordance with the Shougang Grand Scheme, ordinary shares of HK$0.01 each in the share capital of Shougang Grand are issuable. The share options are personal to the respective Directors.*

(iii) Long positions in shares and underlying shares of GDC Technology Limited ("GDC Tech"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in GDC Tech: Interests in shares	Interests under equity derivatives *	Total interests	Total interests as to % to the issued share capital of GDC Tech
Cao Zhong	Beneficial owner	8,533,334	1,650,000	10,183,334	4.38%
Chen Zheng	Beneficial owner	8,533,334	1,650,000	10,183,334	4.38%
Lu Yi, Gloria	Beneficial owner	–	12,000,000	12,000,000	5.16%
Leung Shun Sang, Tony	Beneficial owner	2,130,000	1,653,333	3,783,333	1.63%
Kwong Che Keung, Gordon	Beneficial owner	1,706,667	165,000	1,871,667	0.80%
Hui Hung, Stephen	Beneficial owner	–	165,000	165,000	0.07%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC Tech's share option scheme adopted on 19 September 2006 (the "GDC Tech Scheme"). Upon exercise of the share options in accordance with the GDC Tech Scheme, ordinary shares of HK$0.10 each in the share capital of GDC Tech are issuable. The share options are personal to the respective Directors.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company or their respective associates had any other personal, family, corporate and other interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Directors' interests in competing businesses

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Cao Zhong	Shougang Grand *(Note 1)*	Cultural recreation content provision *(Note 2)*	Vice-chairman and managing director
Cheng Zheng	Shougang Grand *(Note 1)*	Cultural recreation content provision *(Note 2)*	Managing director of operations
Leung Shun Sang, Tony	Shougang Grand *(Note 1)*	Cultural recreation content provision *(Note 2)*	Director

Notes:

1. Shougang Grand, the controlling Shareholder of the Company, indirectly held approximately 52.57% interests in the Company as at the Latest Practicable Date.

2. Such businesses may be carried out through its subsidiaries or associates or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or the controlling Shareholders or any of its subsidiaries or any of their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

(c) As at the Latest Practicable Date:

(i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

(ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

(a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO (the "Register"), the following persons and companies (other than the Directors or chief executives of the Company) had long positions of 5% or more in the shares and the underlying shares of the Company ("Notifiable Interests") which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Percentage of interests as to the issued share capital of the Company
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	680,904,023 *(Note)*	52.57%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	680,904,023 *(Note)*	52.57%
Shougang Grand	Interests of controlled corporations	680,904,023 *(Note)*	52.57%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	656,360,023 *(Note)*	50.67%
Keywise Capital Management (HK) Limited	Investment manager	176,824,000	13.65%
Keywise Greater China Opportunities Master Fund	Beneficial owner	113,030,000	8.73%

Notes:

Shougang Grand indicated in its disclosure form dated 3 April 2008 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 1 April 2008, its interests included 656,360,023 Shares held by Upper Nice, an indirectly wholly-owned subsidiary of Shougang Grand. Upper Nice was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Shougang Grand.

Shougang Holding indicated in its disclosure form dated 3 April 2008 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 1 April 2008, its interests included 680,904,023 Shares held by Wheeling, a wholly-owned subsidiary of Shougang Holding. Wheeling was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Shougang Holding. As indicated in the said disclosure form, Shougang Grand was held as to approximately 37.40% by Wheeling and its interest was included in the interests held by Wheeling.

(b) As at the Latest Practicable Date, so far as is known to any Director, the following persons and companies were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital:

Name of registered shareholder	Name of beneficial owner	Name of member of the Group	% of attributable interest
Greater Appeal Investments Limited ("Greater Appeal")	Greater Appeal	GDC Tech	22.52%
GDC Tech	Greater Appeal	GDC Technology Pte Ltd	22.52% *(Note 1)*
GDC Tech	Greater Appeal	GDC Technology China Limited	22.52% *(Note 1)*
GDC Tech	Greater Appeal	GDC Technology (Hong Kong) Limited	22.52% *(Note 1)*
GDC Tech	Greater Appeal	GDC Technology (USA), LLC	22.52% *(Note 1)*
Shenzhen IDMT and Chen Zheng	Greater Appeal	深圳市環球數碼科技有限公司 ("Shenzhen GDC Tech")	22.52% *(Note 2)*
Shenzhen GDC Tech	Greater Appeal	北京科創環球數碼技術有限公司 ("Beijing GDC Tech")	22.52% *(Note 3)*

Notes:

1. Each of GDC Technology Pte Ltd, GDC Technology China Limited, GDC Technology (Hong Kong) Limited and GDC Technology (USA), LLC was held as to 100% by GDC Tech. As GDC Tech was held as to 22.52% by Greater Appeal, each of GDC Technology Pte Ltd, GDC Technology China Limited, GDC Technology (Hong Kong) Limited and GDC Technology (USA), LLC was deemed to be held as to 22.52% by Greater Appeal.

2. Shenzhen GDC Tech was beneficially held as to 100.00% by GDC Tech which included its beneficial interest of 51.00% and 49.00% held in Shenzhen GDC Tech through its nominees, Chen Zheng and Shenzhen IDMT, respectively. As GDC Tech was held as to 22.52% by Greater Appeal, Shenzhen GDC Tech was deemed to be held as to 22.52% by Greater Appeal.

3. Beijing GDC Tech was beneficially held as to 100.00% by Shenzhen GDC Tech. As Shenzhen GDC Tech was deemed to be beneficially held as to 22.52% by Greater Appeal, Beijing GDC Tech was deemed to be held as to 22.52% by Greater Appeal.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any other person or corporation who has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATION

On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a wholly-owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and Production and Partners Multimedia, SAS ("P&PM") in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers had advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same and claim damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. The Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favor in respect of the application. Since then, there has been no further steps taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

Effective from 1 May 2008, GDC Entertainment has been struck off and can be restored at any time up to ten years after the strike off date.

Save as disclosed above, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

6. MATERIAL CONTRACTS

The following contracts (not being entered into in the ordinary course of business) have been entered into by the members of the Group within two years preceding the Latest Practicable Date and which are or may be material:

(i) the Agreement and the Disposal Agreement;

(ii) the supplemental agreement dated 22 September 2008 entered into between Shougang GDC Media and China Film, in relation to the sale of digital cinema equipments to the PRC Media JV, which was subsequently agreed to be terminated by both parties on 28 November 2008;

(iii) the agreement dated 14 August 2007 entered into between Shougang Holding and GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, in relation to the acquisition of 100% interest in the issued share capital of Shougang GDC Media for the consideration of HK$42 million;

(iv) the agreement dated 14 August 2007 entered into between GDC Holdings and GDC Tech in relation to the subscription of 53,388,178 new shares of GDC Tech at HK$2.00 per share by GDC Holdings;

(v) the placing and subscription agreement dated 4 July 2007 entered into between Upper Nice, the Company, Shougang Grand and SBI E2-Capital Securities Limited, the placing agent, in respect of the top-up placing of 72,000,000 shares of the Company at HK$2.7 per share;

(vi) the placing and subscription agreement dated 30 April 2007 and the supplemental agreement dated 2 May 2007 entered into between Upper Nice, Shougang Grand, the Company and CITIC Securities Corporate Finance (HK) Limited, the placing agent, in respect of the top-up placing of 105,000,000 shares of the Company at HK$1.61 per share;

(vii) the subscription agreement dated 16 March 2007 entered into between Upper Nice and the Company in respect of the subscription of 100,000,000 new shares of the Company at HK$0.54 per share; and

(viii) the placing and subscription agreement dated 16 March 2007 entered into between Upper Nice, the Company and Guotai Junan Securities (Hong Kong) Limited, the placing agent, in respect of the top-up placing of 120,000,000 shares of the Company at HK$0.54 per share.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business carried on by the Group) has been entered into by any member of the Group within two years preceding the Latest Practicable Date which are or may be material.

7. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

8. EXPERTS AND CONSENTS

The following is the qualification of the expert whose advice or opinion are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certificated Public Accountants
Cachet Certified Public Accountants Limited	Certificated Public Accountants
Jones Lang LaSalle Sallmanns Ltd.	Independent professional property valuer

Each of Deloitte Touche Tohmatsu, Cachet Certified Public Accountants Limited and Jones Lang LaSalle Sallmanns Ltd. has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, Cachet Certified Public Accountants Limited and Jones Lang LaSalle Sallmanns Ltd. was not interested in any Share or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, Cachet Certified Public Accountants Limited and Jones Lang LaSalle Sallmanns Ltd. did not have any direct or indirect interest in any asset which had been, since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at Rooms 1101-4, 11th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(b) The Company's principal share registrars and transfer office is The Bank of Bermuda Limited, Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda and the Company's Hong Kong branch share registrars and transfer office is Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Ms. Cheng Man Ching, who is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and an associate member of the Hong Kong Institute of Bankers. She holds a master degree in business administration and a master degree in arts.

(d) The compliance officer of the Company is Mr. Chen Zheng who is also the managing Director. Mr. Chen is an engineer and senior economist. He holds a bachelor degree in chemical engineering and a master degree in business administration. Mr. Chen has extensive experience in investing business and corporate management.

(e) The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Kwong Che Keung, Gordon, Mr. Hui Hung, Stephen and Dr. Japhet Sebastian Law, all of whom are independent non-executive Directors. For the details of Dr. Japhet Sebastian Law, please refer to pages 24 to 25 of this circular. Below are the details of Mr. Kwong Che Keung, Gordon and Mr. Hui Hung, Stephen:

Mr. Kwong Che Keung, Gordon, aged 59. Mr. Kwong was appointed an independent non-executive Director in April 2003. He is also the chairman of the audit committee of the Company and a member of each of the nomination committee and the remuneration committee of the Company. Mr. Kwong graduated from the University of Hong Kong in 1972 and qualified as a Chartered Accountant in England and Wales in 1977. Mr. Kwong was a partner of PriceWaterhouse Hong Kong from 1984 to 1998. He served as a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the Council of the Stock Exchange from 1992 to 1997 during which time he also acted as convener of both the Compliance Committee and the Listing Committee of the Stock Exchange. Mr. Kwong also serves as an independent non-executive director of a number of Hong Kong listed companies, including COSCO International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited (formerly known as Concepta Investments Limited), China Chengtong Development Group Limited, Ping An Insurance (Group) Company of China, Ltd., Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. Save as disclosed above, Mr. Kwong does not hold any directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and is independent of and not connected with the directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company or any of its subsidiaries.

Mr. Hui Hung, Stephen, aged 51. Mr. Hui was appointed an independent non-executive Director in February 2006. He is also a member of each of the audit, the nomination and the remuneration committee of the Company. Mr. Hui graduated from Middlesex University in the United Kingdom in 1982 with a bachelor of arts degree in economics and geography and has been conferred a master of business administration by the Barrington University of the United States in 2001. He has extensive experience in banking, investment and financing investment in Mainland China. Mr. Hui was also an independent non-executive director of each of Shougang Concord Century Holdings Limited and Shougang Grand. Mr. Hui is the managing director of Federal Glory International Limited and Eastern Gain International Limited. Prior to joining the Company, he had been the manager of the China Division of the Far East Regional Office of the Bank of Credit and Commerce International in Hong Kong and an independent non-executive director of each of The Quaypoint Corporation Limited and Mastermind Capital Limited (formerly known as Apex Capital Limited), both are listed companies in Hong Kong. Save as disclosed above, Mr. Hui does not hold any directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and is independent of and not connected with the directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company or any of its subsidiaries.

(f) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Rooms 1101-4, 11th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

(a) the bye-laws of the Company;

(b) the material contracts referred to under the section headed "Material Contracts" in this appendix;

(c) the written consents referred to under the section headed "Experts and Consents" in this appendix;

(d) the annual reports of the Company for the two years ended 31 December 2006 and 31 December 2007 and the interim report of the Company for the six months ended 30 June 2008;

(e) the accountants' report of the Borrower as set out in Appendix III to this circular;

(f) unaudited pro forma financial information of the Group as set out in Appendix VII to this circular;

(g) valuation report of the Disposal Equipments as set out in Appendix VI to this circular; and

(h) this circular.

環球數碼創意控股有限公司*

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

NOTICE IS HEREBY GIVEN that a special general meeting of Global Digital Creations Holdings Limited (the "Company") will be held at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 17 February 2009 at 10:30 a.m. for the purpose of considering, and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**

(a) the conditional agreement (the "Agreement") dated 23 December 2008 entered into between GDC Holdings Limited (the "Lender"), a wholly-owned subsidiary of the Company, Southern International Limited (the "Borrower") and Keen Front Group Limited, a copy of which is tabled at the meeting and marked "**A**" and initialled by the chairman of the meeting for identification purpose, pursuant to which the Lender agreed to, and/or procure its designated companies to, make available to the Borrower and/or its designated companies, a loan of RMB100 million be and is hereby approved, ratified and confirmed;

(b) conditional upon the shareholders of the Company having approved the Agreement, the directors of the Company are hereby authorized at their discretions to exercise the call options (the "Call Options") granted by the Borrower to the Lender and/or its designated companies pursuant to the Agreement, subject to the aggregate of the exercise price of the Call Options shall not exceed an amount of RMB118 million; and

(c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Agreement and the exercise of the Call Options."

* *For identification purpose only*

(2) "**THAT**

(a) the conditional agreement (the "Disposal Agreement") dated 9 January 2009 entered into between環球數碼媒體科技研究(深圳)有限公司(Institute of Digital Media Technology (Shenzhen) Limited) ("Shenzhen IDMT"), a wholly-owned subsidiary of the Company, and 中國電影集團公司(China Film Group Corporation) ("China Film"), a copy of which is tabled at the meeting and marked "**B**" and initialled by the chairman of the meeting for identification purpose, pursuant to which Shenzhen IDMT agreed to dispose 445 units of digital cinema equipment and related accessories to China Film for cash at a total consideration of RMB223,791,600 be and is hereby approved, ratified and confirmed; and

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Disposal Agreement."

(3) "**THAT** Dr. Japhet Sebastian Law be and is hereby re-elected as an independent non-executive director of the Company."

By Order of the Board
Global Digital Creations Holdings Limited
Cao Zhong
Chairman

23 January 2009

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Rooms 1101-4, 11th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney authorised to sign the same.

3. In order to be valid, this form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Hong Kong branch share registrars and transfer office of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).

4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto; but if more than one of such holders are present at the meeting, either personally or by proxy, the one of the said persons so present whose name stands first on the register of members of such shares shall alone be entitled to vote in respect thereof.